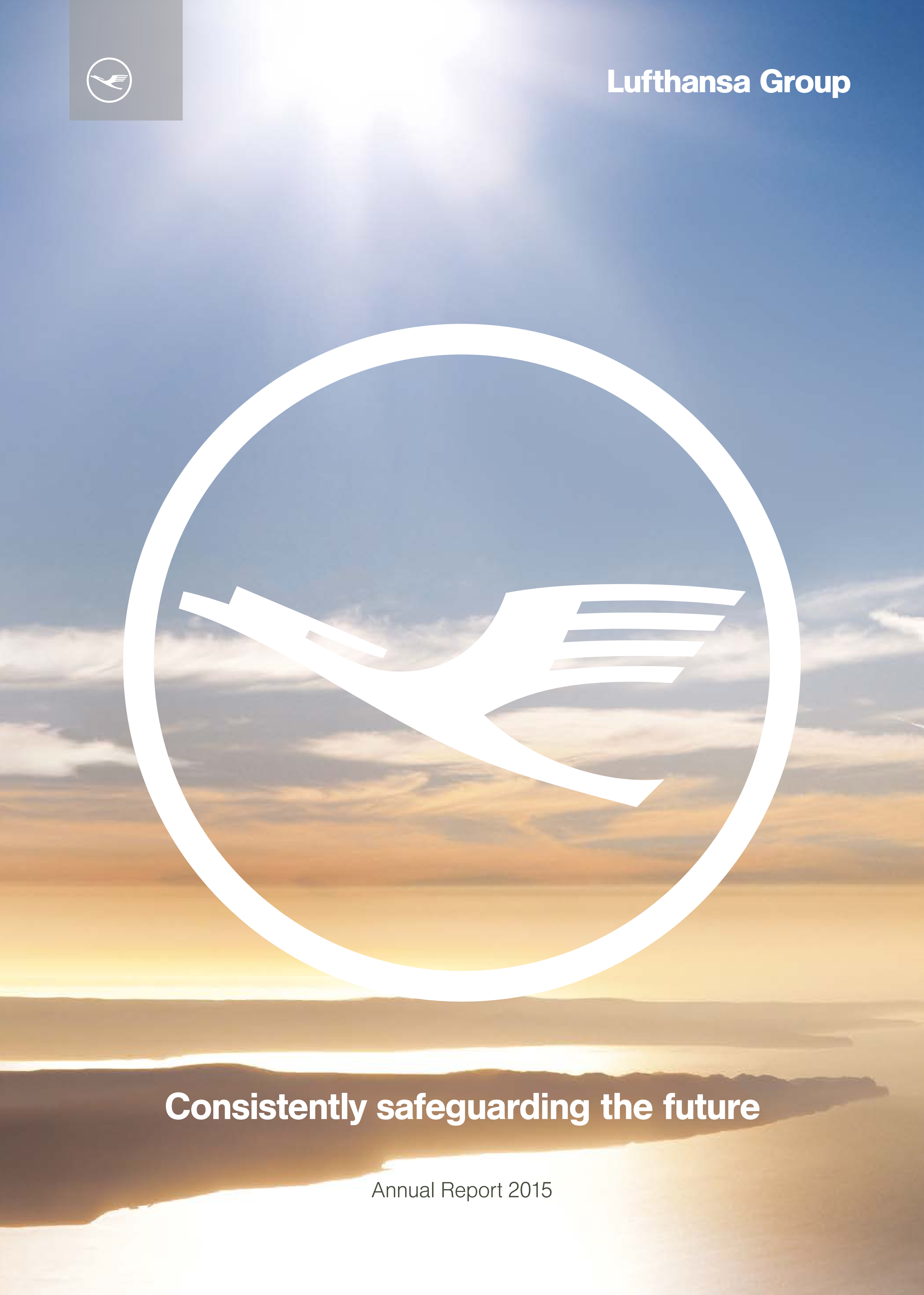
Lufthansa Group



Consistently safeguarding the future

Annual Report 2015

Lufthansa Group

The Lufthansa Group is the world's leading aviation group. Its portfolio of companies consists of hub airlines, point-to-point airlines and aviation service companies. Its combination of business segments makes the Lufthansa Group a globally unique aviation group whose integrated value chain not only offers financial synergies but also puts it in a superior position over its competitors in terms of know-how.

Key figures Lufthansa Group		2015	2014	Change in %
Revenue and result				
Total revenue	€m	32,056	30,011	6.8
of which traffic revenue	€m	25,322	24,388	3.8
EBIT[1]	€m	1,676	1,000	67.6
Adjusted EBIT	€m	1,817	1,171	55.2
EBITDA[1]	€m	3,395	2,530	34.2
Net profit/loss	€m	1,698	55	2,987.3
Key balance sheet and cash flow statement figures				
Total assets	€m	32,462	30,474	6.5
Equity ratio	%	18.0	13.2	4.8 pts
Net indebtedness	€m	3,347	3,418	−2.1
Cash flow from operating activities	€m	3,393	1,977	71.6
Capital expenditure (gross)	€m	2,569	2,777	−7.5
Key profitability and value creation figures				
EBIT margin	%	5.2	3.3	1.9 pts
Adjusted EBIT margin	%	5.7	3.9	1.8 pts
EBITDA margin[1]	%	10.6	8.4	2.2 pts
EACC	€m	323	−223	
ROCE	%	7.7	4.6	3.1 pts
Lufthansa share				
Share price at year-end	€	14.57	13.83	5.3
Earnings per share	€	3.67	0.12	2,958.3
Proposed dividend per share	€	0.50	–	
Traffic figures[2]				
Passengers	thousands	107,679	105,991	1.6
Freight and mail	thousand tonnes	1,864	1,924	−3.1
Passenger load factor	%	80.4	80.1	0.3 pts
Cargo load factor	%	66.3	69.9	−3.6 pts
Flights	number	1,003,660	1,001,961	0.2
Employees				
Average number of employees	number	119,559	118,973	0.5
Employees as of 31.12.	number	120,652	118,781	1.6

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

Date of publication: 17 March 2016.

Business segments

2015 figures

Passenger Airline Group

Passenger transport is the largest business segment in the Lufthansa Group. The Passenger Airline Group includes the airlines Lufthansa Passenger Airlines (including Germanwings and Eurowings), SWISS and Austrian Airlines. Equity interests in Brussels Airlines and SunExpress are strategic additions to the portfolio.

Passenger Airline Group		2015	Change in %
Revenue	€m	24,499	5.1
of which traffic revenue	€m	22,610	4.9
EBIT	€m	1,465	104.9
Adjusted EBIT	€m	1,505	114.7
EBITDA*	€m	2,767	46.1
Adjusted EBIT margin	%	6.1	3.1 pts
EACC	€m	414	
ROCE	%	9.5	4.5 pts
Segment capital expenditure	€m	2,147	−4.5
Employees as of 31.12.	number	55,255	0.5

Logistics

Lufthansa Cargo is the logistics specialist within the Lufthansa Group and Europe's leading cargo airline. As well as marketing the freight capacities of Lufthansa Passenger Airlines' and Austrian Airlines' passenger aircraft, the company operates its own fleet of cargo aircraft, comprising 14 Boeing MD11Fs and five B777Fs.

Logistics		2015	Change in %
Revenue	€m	2,355	−3.3
of which traffic revenue	€m	2,275	−3.8
EBIT	€m	3	−97.6
Adjusted EBIT	€m	74	−39.8
EBITDA*	€m	155	−17.1
Adjusted EBIT margin	%	3.1	−2.0 pts
EACC	€m	−72	
ROCE	%	0.2	−7.8 pts
Segment capital expenditure	€m	116	−45.8
Employees as of 31.12.	number	4,607	−1.2

MRO

Lufthansa Technik is the world's leading independent provider of maintenance, repair and overhaul services (MRO) for civilian commercial aircraft. The portfolio consists of a variety of different products and product combinations, from the repair of individual components to consultancy services and the fully integrated supply of entire fleets.

MRO		2015	Change in %
Revenue	€m	5,099	17.6
of which external revenue	€m	3,256	21.8
EBIT	€m	448	3.5
Adjusted EBIT	€m	454	19.5
EBITDA*	€m	551	4.8
Adjusted EBIT margin	%	8.9	0.1 pts
EACC	€m	158	−6.0
ROCE	%	10.6	−1.0 pts
Segment capital expenditure	€m	148	25.4
Employees as of 31.12.	number	20,661	2.9

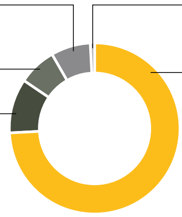
Catering

LSG Sky Chefs is the world's largest provider of services related to in-flight service. The portfolio comprises catering, in-flight sales and entertainment, in-flight service equipment and the associated logistics as well as consultancy services and the operation of lounges. The company also operates in adjacent markets, such as services for rail operators and supplying the retail sector.

Catering		2015	Change in %
Revenue	€m	3,022	14.8
of which external revenue	€m	2,386	18.0
EBIT	€m	85	13.3
Adjusted EBIT	€m	99	12.5
EBITDA*	€m	166	7.1
Adjusted EBIT margin	%	3.3	0.0 pts
EACC	€m	−8	42.9
ROCE	%	5.0	0.3 pts
Segment capital expenditure	€m	127	−9.3
Employees as of 31.12.	number	34,310	4.5

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

Business segments' share of Group revenue in %



32.1
Revenue in EUR bn

1,817
Adjusted EBIT in EUR m

3,393
Operating Cash flow in EUR m

2,569
Capital expenditure in EUR m

323
EACC in EUR m

5.3
Total Shareholder Return in per cent

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Lufthansa Group overview

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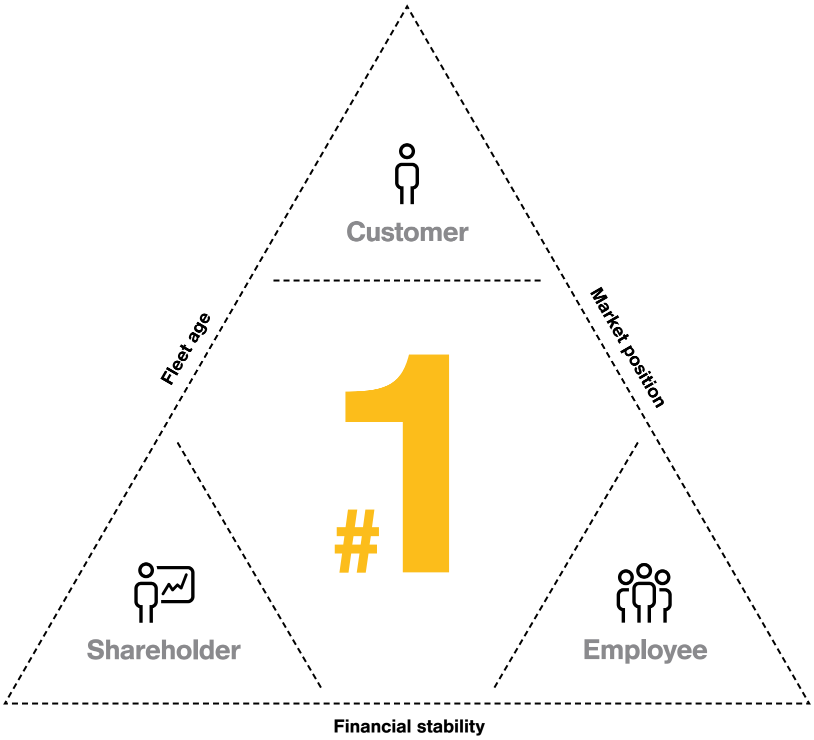


↗ Customer centricity and quality focus ↗ New concepts for growth
↗ Innovation and digitalisation ↗ Effective and lean organisation ↗ Culture and leadership
↗ Value-based steering ↗ Constantly improving efficiency

Seven fields of action, one objective: Lufthansa – First choice for customers, employees, shareholders and partners

The Lufthansa Group has set itself the goal of being the first choice in aviation for customers, employees, shareholders and partners. Going forward, the Lufthansa Group therefore intends to continue playing a significant role in shaping the global aviation market.

To support this goal, the Executive Board has initiated the "7to1 – Our Way Forward" strategic programme in 2014. The programme comprises seven fields of action, which are applied both in the individual business segments and across the Group.

The fields of action "Value-based steering", "Constantly improving efficiency" and "Culture and leadership" form the overarching framework for developing the Group. "Customer centricity and quality focus", "New concepts for growth" and "Innovation and digitalisation" relate primarily to segment-specific projects. The field of action "Effective and lean organisation" is intended to ensure an optimal structure and appropriate governance for the entire Lufthansa Group.

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

Born in 1963, lawyer, Executive Board member since 2013, with Lufthansa since 2012

Karl Ulrich Garnadt
Member of the
Executive Board
Eurowings and
Aviation Services

Born in 1957, diploma in commercial air transport, Executive Board member since 2014, with Lufthansa since 1979

Carsten Spohr
Chairman of the
Executive Board
and CEO

Born in 1966, industrial engineer, Chairman of the Executive Board and CEO since 1 May 2014, Executive Board member since 2011, with Lufthansa since 1994

Harry Hohmeister
Member of the
Executive Board
Hub Management

Born in 1964, diploma in commercial air transport, Executive Board member since 2013, with Lufthansa since 1985

Simone Menne
Member of the
Executive Board and
Chief Financial Officer

Born in 1960, business administration graduate, Executive Board member since 2012, with Lufthansa since 1989

Ladies and gentlemen,

The financial year 2015 was overshadowed by the deep and lasting sorrow caused by the Germanwings accident on 24 March 2015.

For us as a corporate group, the people affected were and are our prime concern in dealing with this catastrophe, and we are doing everything we can to alleviate their suffering. Together with providing important psychological care, trustee accounts and a support fund for relatives of the victims have been set up. In addition to providing financial support for their families, we have built memorials at the places connected with the accident.

Even after this tragedy, however, flight operations and the entire aviation group could not and should not stand still. One thing remains certain: after safety, the most important priority of the Lufthansa Group is its own future viability.

For this reason, we again made a number of important commercial decisions and took concrete steps last year to consistently safeguard the future of the Lufthansa Group.

At Lufthansa Passenger Airlines, we successfully completed the most extensive cabin renewal programme in the history of the Company and of the industry. All three hub airlines now offer their customers end-to-end products of the highest quality. By entering into new, commercial joint ventures and initiating a modern distribution strategy, we intend to stabilise yields. Achieving growth, also at the hub airlines, is our goal. But we will only be able to pursue this where we have established sustainable cost structures. This includes further amendments to the collective agreements with the UFO flight attendants' union and the Vereinigung Cockpit pilots' union at Lufthansa Passenger Airlines, both of which initiated massive strikes at Lufthansa Passenger Airlines last year. Despite these strikes and with capacity discipline remaining strict, we were able to set a new record last year for passenger numbers and the load factor of our aircraft.

The new Eurowings commenced flight operations in 2015. Since then, the range of domestic European routes has increased steadily. At the beginning of November 2015, also the first long-haul flights started under the Eurowings brand. With this focused growth, we are building on the commercial success of Germanwings. Since transferring non-hub traffic from Lufthansa Passenger Airlines starting in 2013, Germanwings has reported a positive EBIT for the first time in 2015, thereby reversing the losses of the previous years. We now intend to use organic growth and consolidation to further expand Eurowings' position as the biggest point-to-point airline in our home markets of Germany, Austria, Switzerland and Belgium.

The service companies were again financially successful in 2015 and used both external growth and synergies within the Lufthansa Group in order to profitably further expand their positions as leaders within their respective markets. Lufthansa Technik successfully agreed new partnerships. LSG Sky Chefs is pursuing its strategic reorganisation by way of focused acquisitions and growth in adjacent markets. Lufthansa Cargo modernised its fleet and successfully introduced its new IT landscape.

Important progress was therefore made in all three strategic pillars of the Lufthansa Group – hub airlines, Eurowings and service companies. The reorganisation, which was decided upon last year, means that the Lufthansa Group will also be structured more functionally across all business segments, and its commercial, operational and administrative functions will be more closely integrated. Management of the hub airlines will involve the use of standardised processes in future, so that customers of the Lufthansa Group can be offered a seamless travel experience across all hubs and airlines. At the same time, the reorganisation creates an important framework for the financially successful positioning of the new Eurowings in our home markets. The successful service companies will retain their independence within the Group and are also intended to grow profitably in future.

Earnings performance in the financial year 2015 was pleasing. The low oil price made a major contribution to the good result for the Passenger Airline Group and for the Lufthansa Group as a whole. Other key drivers were the renewal of the premium products, earnings improvements at Germanwings and consistent capacity discipline at the hub airlines.

In spite of the most difficult and protracted collective bargaining in our Company's history, the Lufthansa Group was therefore able to report one of its best results. All of the Group companies contributed to achieving an Adjusted EBIT of EUR 1.8bn. The Company's financial stability has increased significantly.

In light of this and in line with the dividend policy, the Executive Board and Supervisory Board are proposing to distribute a dividend of EUR 0.50 per share in order to thank you, our shareholders, for your trust in our Company and to give you an appropriate share of last year's economic success.

We have more ambitious plans for the financial year 2016. Besides focusing on our premium products, we will continue to work on modernising the agreements with our collective bargaining partners in Germany and on implementing the new organisational structure. If economic conditions remain stable, we intend to further improve our earnings and to continue systematically with the renewal of our fleet. This year alone, 52 state-of-the-art and fuel-efficient aircraft are to be delivered to the airlines of the Lufthansa Group.

After safety, "Consistently safeguarding the future" remains our primary corporate objective – to ensure that we remain the first choice for you, our shareholders, for our customers and for our employees.

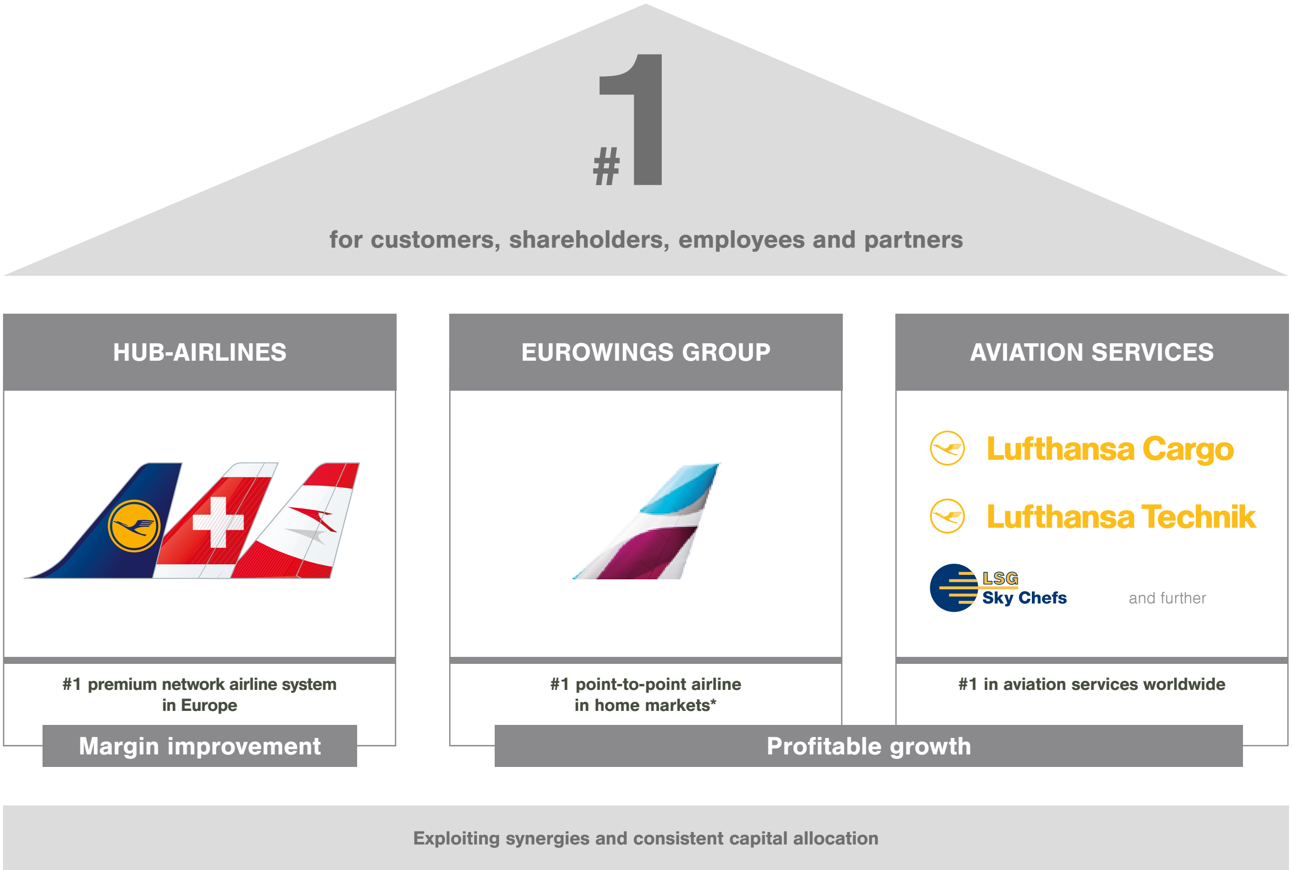
Thank you for your continued trust and your support.

Frankfurt, March 2016

Carsten Spohr
Chairman of the Executive Board and CEO of Deutsche Lufthansa AG

Forever in our memories.

The setup of the Lufthansa Group



* Germany, Austria, Switzerland and Belgium.

Leading aviation group with three strong pillars

The future viability of the Lufthansa Group rests on three strong pillars: the premium hub airlines, the Eurowings group for point-to-point traffic, and aviation services.

Developing their quality leadership and working continuously to establish sustainable cost structures is vitally important for the hub airlines. This is why they are focusing on further improving the customer experience, optimising the route network, fleet and strategic partnerships as well as adding value for customers by means of personalised offers. Customers are to be offered an integrated and consistent travel experience across hubs and airlines.

With the new Eurowings, the Lufthansa Group is building an innovative and competitive offering for more price-sensitive customers. The new Eurowings is to be positioned as the leading point-to-point airline in the Lufthansa Group's home markets.

The service companies, which are leaders on the global market, strengthen the Lufthansa Group by actively exploiting growth opportunities in the Cargo, MRO, Catering and Financial Services segments.

Wolfgang Mayrhuber, Chairman of the Supervisory Board

Ladies and gentlemen,

The year 2015 was marked by the greatest tragedy that the Lufthansa Group has ever experienced in its long company history. On 24 March 2015, Germanwings flight 4U 9525 was brought down in an accident that tragically cost 150 people their lives. Along with all Lufthansa Group staff around the world, the Supervisory Board also expresses its deepest sympathy with the families of our passengers and crew. We at Lufthansa will always remember the victims and honour their memory.

In the weeks following the accident, the Executive Board kept the Supervisory Board continually informed about the latest developments. In an extraordinary meeting on 14 April 2015, the Supervisory Board received detailed reports from the Executive Board and from Messrs Thomas Winkelmann, Spokesman of the Management Board of Germanwings, Werner Knorr, Head of the Lufthansa Crisis Committee, and Dr Michael Niggemann, Chief Legal Officer of the Lufthansa Group. The Group's crisis management was not only highly professional and effective, but was also sustained by a great deal of humanity.

The Supervisory Board thanks the Executive Board and the Management Board of Germanwings for their level-headed response and their appropriate communications regarding this sad event. The Supervisory Board would like to express particular thanks to Mr Carsten Spohr for the empathic manner in which he represented the Company. The Supervisory Board is also particularly grateful to the Crisis Committee for its prudence and exceptional dedication, to the Special Assistance Teams at Lufthansa for their psychologically and physically demanding work counselling the victims' families, and to the staff of the Lufthansa Group for their support and for the deep sympathy that they expressed.

Despite this harrowing event, daily business at the Lufthansa Group continued without interruption. In the financial year 2015, 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 defined by law and have been codified 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. As Chairman of the Supervisory Board, I 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 2015, the Supervisory Board held seven meetings, on 14 January, 11 March, 14 April, 28 April, 31 August, 16 September and 2 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, which can be found on the Lufthansa Group website at i www.lufthansa-group.com/declaration-of-compliance.

Mr Nicoley Baublies led a strike by the Company's flight attendants in November 2015. During the above-mentioned period, the Supervisory Board neither convened to advise nor passed any resolutions. No conflicts of interest were disclosed. The involvement of the Supervisory Board was not required.

No member of the Supervisory Board was present at only half or fewer of the meetings of the Supervisory Board or the Supervisory Board committees. The attendance of members at the meetings of the Supervisory Board and its committees was 95 per cent overall.

Our meetings focused on the economic development of Deutsche Lufthansa AG and its associated companies. Particular attention was paid to the strain put on the business by repeated pilot strikes at Lufthansa Passenger Airlines, Lufthansa Cargo and Germanwings, to the postponed investment in a new airfreight terminal in Frankfurt as decided by the Executive Board, as well as to progress with the SCORE programme, the status of the “7to1– Our Way Forward” strategic programme and to setting up flight operations at Eurowings. In September, we held detailed discussions with the Executive Board on the Lufthansa Group’s strategy, and debated specific activities for the “Effective and efficient organisation” strategic field of action. In this context, the Supervisory Board approved an updated division of responsibilities for the Executive Board, which took effect as of 1 January 2016.

We approved the acquisition of three Boeing 777-300ERs and the renewal of leases on four Airbus A319s, all for SWISS, the acquisition of six used A320ceo aircraft for Lufthansa Passenger Airlines and the procurement by Lufthansa Technik of up to five Trent XWB reserve engines for the A350 fleet. Approval was also given to Deutsche Lufthansa AG’s proposed commercial joint ventures with Air China and Singapore Airlines, as well as to a joint venture between Lufthansa Technik AG and General Electric.

The Executive Board informed us regularly of changes in the shareholder structure, the performance of the Lufthansa share, transactions with derivative financial 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.

On the recommendation of the Steering Committee, which met four times in 2015, the Supervisory Board, at its meeting on 16 September 2015, renewed the appointments of Dr Bettina Volkens as a full member of the Executive Board of Deutsche Lufthansa AG with responsibility for Human Resources and Legal Affairs and the Company’s Chief Human Resources Officer, and of Mr Harry Hohmeister as a full member of the Executive Board of Deutsche Lufthansa AG with responsibility for Group Airlines, Logistics and IT, each for the period from 1 July 2016 to 30 June 2021. The Arbitration Committee did not have to be convened in the reporting period.

With effect from 1 January 2016, the functional titles of three Executive Board members were amended in line with the changes to the division of responsibilities for the Executive Board as approved by the Supervisory Board. Ms Simone Menne heads the Finance function, Mr Karl Ulrich Garnadt the Eurowings and Aviation Services function, and Mr Harry Hohmeister the Hub Management function.

The Supervisory Board established a target quota for female members of the Executive Board of 30 per cent, and set a first deadline for achieving this target of 31 December 2016.

On the recommendation of the Steering Committee, the Supervisory Board adopted an amendment to the remuneration structure for the Executive Board in December 2015, which applies to all five Executive Board members from the financial year 2016. The basis for determining the variable remuneration for the Executive Board now reflects the EBIT and Earnings After Cost of Capital (EACC) financial performance indicators, which were introduced for the first time in the financial year 2015. Altogether, the new performance indicators are expected to result in an increase of around 10 per cent in the variable remuneration over the coming years. Given that the remuneration at Deutsche Lufthansa AG is way below the benchmark set by other DAX companies, the Supervisory Board sees this increase as a contribution to the adjustment of Executive Board remuneration which has been discussed and repeatedly postponed for years. In addition, the basic remuneration of the Chairman of the Executive Board was increased by some 14 per cent to a factor of 1.6, and the variable remuneration by some 5 per cent to a factor of 1.5 times the equivalent amount for an ordinary Executive Board member. Further information can be found in the “Remuneration report” starting on p. 96. The new remuneration structure will be presented to the shareholders for approval at the Annual General Meeting in 2016.

In 2015, the Nomination Committee met three times and the Audit Committee six times, five of which were 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 auditing systems. The members received regular reports on risk management, compliance and the work of the Group’s audit department. Also discussed in detail were the effects of the low discount rate on the balance sheet structure and the investment grade rating, the question of issuing a hybrid bond as part of Group financing for 2015 and the Group operational planning for 2016 to 2018. Information on the committees’ work was provided at the beginning of the following Supervisory Board meeting.

Mr Jacques Aigrain left the Supervisory Board at the close of the Annual General Meeting on 29 April 2015. He was a member of the Supervisory Board for eight years and always contributed his vast experience, particularly of international capital markets, to its discussions, bearing the interests of the Company, the shareholders and the employees in mind. The Supervisory Board thanks him for his advice and his loyal support. Mr Stephan Sturm was elected to the Supervisory Board to succeed Mr Aigrain.

Mr Uwe Hien left the Supervisory Board with effect from 1 May 2015, having been a member for two years. As no substitute had been elected for him, Cologne District Court appointed Mr Nicoley Baublies as a substitute member in accordance with Section 104 of the German Stock Corporation Act (AktG) at the recommendation of the UFO flight attendants’ union. Ms Doris Krüger was elected to replace Mr Hien as a member of the Audit Committee with effect from 16 September 2015.

Mr Stefan Ziegler left the Supervisory Board with effect from 7 November 2015, having been a member for more than seven years. He was replaced as of 8 November 2015 by the substitute member Mr Jörg Cebulla, who was elected by the staff of the Lufthansa Group. Ms Birgit Weinreich was elected to replace Mr Ziegler as a member of the Steering Committee with effect from 2 December 2015. Ms Birgit Weinreich was elected to replace Mr Ziegler as a member of the Arbitration Committee with effect from 16 March 2016.

The Supervisory Board thanks Messrs Hien and Ziegler for their dedicated work.

We appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Dusseldorf, who were elected as auditors for the parent company and the Group at the Annual General Meeting 2015, to audit the financial statements and the consolidated financial statements, the combined management report and the system for the early identification of risks. 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 IFRS Interpretations Committee 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 2015 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 that 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 2016, 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 in detail the financial statements and the consolidated financial statements of Deutsche Lufthansa AG as well as the combined management report and had no objections to make. The financial statements and the consolidated financial statements were approved. The 2015 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.

In December 2015 Mr Franz Neubauer, a former state minister and Chairman of the Executive Board of Bayerische Landesbank, died at the age of 85 years. Mr Neubauer was a member of our Supervisory Board from 1994 until 2003, where his duties included representing the interests of Bayerische Landesbank, a long-term Lufthansa shareholder. We will always remember him with respect.

We would like to express our heartfelt thanks to the Executive Board and to all the staff of the Lufthansa Group for their great personal commitment and their individual contributions to the Group's commercial success in the financial year 2015.

Cologne, 16 March 2016

For the Supervisory Board
Wolfgang Mayrhuber, Chairman

Lufthansa share

✈ Lufthansa share price rises 5.3 per cent following volatile performance over the course of the year. / Dividend of EUR 0.50 per share to be proposed to the Annual General Meeting. / For the first time, the dividend may be paid out in shares, if requested. / Intensive dialogue with the capital markets is continued.

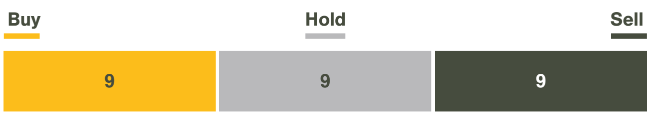
Lufthansa share price up moderately in 2015
The Deutsche Lufthansa AG share gained 5.3 per cent over the course of 2015 to close the year at EUR 14.57. This was less than the DAX index, which rose by 9.6 per cent.

The share price was subject to significant fluctuations in the course of 2015. Having fallen by 16.4 per cent in the first half of the year, the Lufthansa share recovered by 7.4 per cent in the third quarter. In the fourth quarter, the share price then climbed by 17.2 per cent. The share reached its high for the year on 26 January at EUR 15.35, followed by the low for the year on 24 August at EUR 10.48.

Executive Board and Supervisory Board propose dividend of EUR 0.50 per share
In line with the Company's current dividend policy, the Supervisory Board and Executive Board propose paying a dividend of EUR 0.50 per share for the 2015 financial year. This represents a dividend ratio of 13.9 per cent of EBIT and 3.4 per cent of the closing share price. For the first time, shareholders have the option of receiving this dividend in the form of shares. More information about this option will be provided in the documentation included with the invitation to the Annual General Meeting.

Analysts make differing recommendations
The analysts' assessments of the Lufthansa share were balanced at the end of the year, insofar as one third of the 27 equities analysts rated the share respectively as a buy, a hold or a sell. The average target price was EUR 14.37.

Analysts' recommendations* as of 31.12.2015

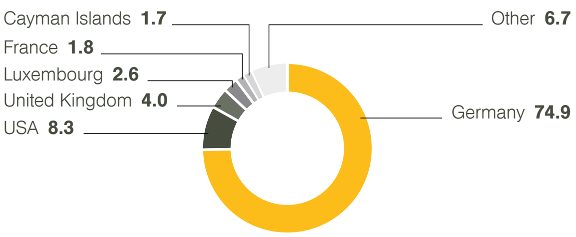


* Target price: EUR 14.37, average of 27 analysts.
Range: EUR 9.30 up to EUR 19.50.

The Lufthansa share: key figures

		2015	2014	2013	2012	2011
Year-end share price	€	14.57	13.83	15.42	14.24	9.19
Highest share price	€	15.35	20.26	17.10	14.47	17.39
Lowest share price	€	10.48	10.88	12.93	8.02	8.35
Number of shares	millions	464.5	462.8	461.1	459.9	457.9
Market capitalisation (at year-end)	€bn	6.7	6.4	7.1	6.5	4.2
Earnings per share	€	3.67	0.12	0.68	2.68	−0.03
Cash flow from operating activities per share	€	7.30	4.27	7.15	6.20	5.14
Dividend per share	€	0.50	–	0.45	–	0.25
Dividend yield (gross)	%	3.4	–	2.9	–	2.7
Dividend	€m	232.3	–	207.5	–	114.5
Total shareholder return	%	5.3	−7.4	8.3	57.7	−40.2

Shareholder structure by nationality as of 31.12.2015 in %



Free float: 100%

Slight changes in foreign share ownership and structure of major shareholders

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 are held by German shareholders. For this reason, all Lufthansa shares are registered shares with transfer restrictions.

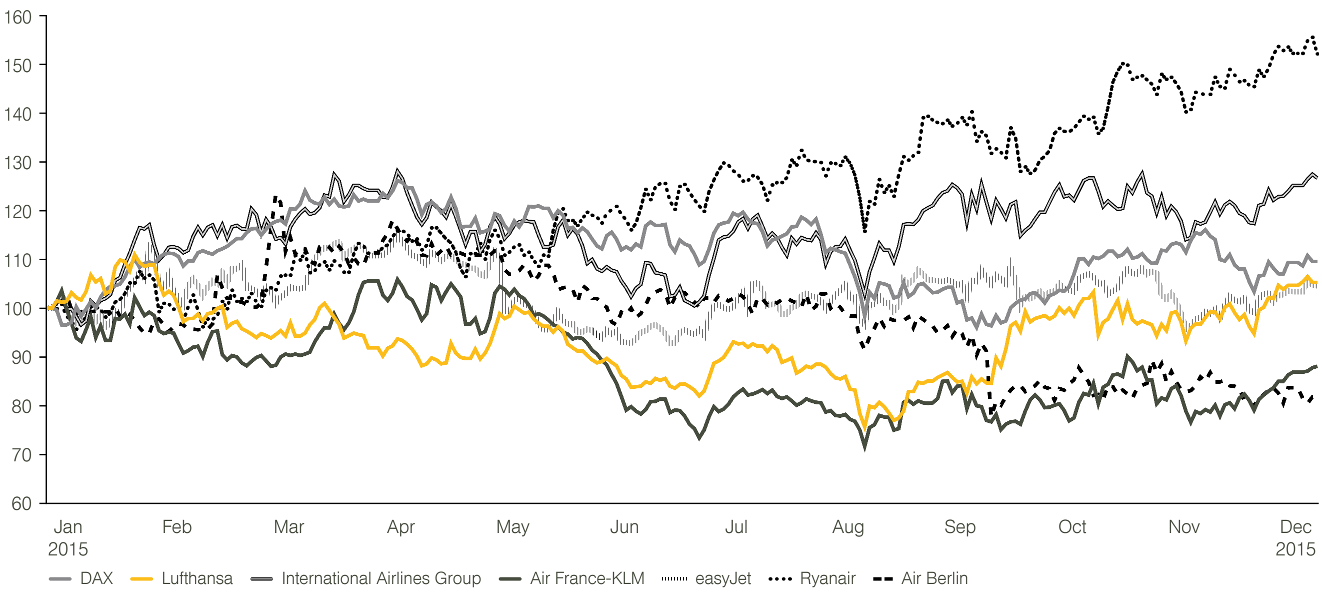
At the end of 2015, the shareholders' register showed that German investors held 74.9 per cent of the shares (previous year: 65.5 per cent). The second largest group, with 8.3 per cent, were shareholders from the USA (previous year: 10.5 per cent). Investors from the UK accounted for 4.0 per cent (previous year: 5.2 per cent), followed by Luxembourg and France with 2.6 per cent and 1.8 per cent (previous year: 3.0 per cent and 1.8 per cent). This ensures compliance with the provisions of the LuftNaSiG.

The free float for Lufthansa shares is 100 per cent, as per the definition of Deutsche Börse. As of the reporting date, 53.9 per cent (previous year: 60.3 per cent) of the shares were held by institutional investors and 46.1 per cent (previous year: 39.7 per cent) by private individuals.

Templeton Global Advisors remained the largest shareholder in Deutsche Lufthansa AG at year-end 2015, its holding unchanged at 5.00 per cent. New in second place was Deutsche Asset & Wealth Management Investment GmbH with 3.19 per cent; BlackRock Inc. increased its stake to 3.09 per cent.

All the transactions requiring disclosure and published during the financial year 2015, as well as the quarterly updates on the shareholder structure, are available on our website at i www.lufthansagroup.com/investor-relations.

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



Included in the DAX and other important indices
The Lufthansa share has a weighting of 0.8 per cent in the DAX index. With a market capitalisation of EUR 6.8bn at year-end 2015, Deutsche Lufthansa AG came in at number 34 (previous year: 32) in the ranking of publicly listed companies in Germany. Its stock market turnover of EUR 20.9bn (previous year: EUR 19.3bn) put the Company at number 20 (previous year: 19).

The Lufthansa share is included in many international share indices. It is also part of the MSCI Global Sustainability, FTSE4Good and Ethibel 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). The Lufthansa ADRs are also registered on the standardised trading and information platform OTCQX.

Lufthansa Group pursues intensive dialogue with investors
In 2015, all investors were again provided with timely and comprehensive information on the relevant market and company developments. The Company held four quarterly conferences as well as 30 roadshows, and took part in 18 conferences for institutional investors.

Company representatives also attended three forums aimed specifically at private investors. The service for private shareholders also includes the shareholder information letter, which was again published twice in 2015 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 the annual and interim reports, the capital markets are provided with monthly information on the latest traffic figures for the airborne companies. All the publications, financial reports, presentations, background information, speeches and the latest news are also available at i www.lufthansagroup.com/investor-relations.

The Lufthansa share: data

ISIN International Security Identification Number	DE0008232125
Security identification number	823212
German stock exchange code	LHA
Stock exchanges	Frankfurt, Stuttgart, Munich, Hanover, Dusseldorf, Berlin, Hamburg, Xetra
Prime sector	Transport & Logistics
Industry	Airlines
Indices (Selection)	DAX, DivDAX Price Index, EURO STOXX Index, Bloomberg World Airlines Index, S&P Europe 350 Index, FTSE Global Equity Index

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.

Changes in reporting standards and in the group of consolidated companies

There have been no significant changes to the group of consolidated companies since this time last year. The individual changes compared with year-end 2014 are shown in "Note 1" to the consolidated financial statements starting on p. 120. These changes had no significant effect on the consolidated balance sheet and the consolidated income statement in comparison with the same period last year.

The standards and interpretations mandatory for the first time as of 1 January 2015 also did not have a significant effect on the net assets, financial and earnings position. More information can be found in the Notes to the consolidated financial statements starting on p. 118.

IT Services ceased to be an independent strategic operating segment of the Lufthansa Group as of the start of 2015 following the division, in the course of 2015, of the restructured Lufthansa Systems AG into the Airline Solutions, Industry Solutions and IT Infrastructure companies, the conversion into a limited partnership, or "GmbH & Co. KG" and the agreed sale of IT Infrastructure to IBM. For further information, we refer to the modified segment reporting in the Notes starting on p. 175.

Last year, the Lufthansa Group decided to replace CVA as the key performance indicator for value-based management, with effect from the financial year 2015. After evaluating various alternatives, the Executive Board of Deutsche Lufthansa AG decided to replace CVA with Earnings After Cost of Capital (EACC) and Return On Capital Employed (ROCE), which are intended to make the value-based management of the Company even more explicit. EACC is an absolute measure of value added and is calculated on the basis of Earnings Before Interest and Taxes (EBIT) in a given reporting period. From 2015 onwards, the main earnings metric for the Company's forecasts is Adjusted EBIT. EBIT is adjusted for the measurement and disposal of non-current assets and the measurement of pension provisions and impairments.

The new management and earnings indicators will also have an impact on the structure of the earnings position and the corresponding statements relating to it. General comments on earnings and expenses in the reporting period are now based on EBIT and are followed by an explanation of the reconciliation with Adjusted EBIT. In the course of this transition, the presentation of the income statement was amended in order to make the main earnings indicators easier to understand. The result of equity investments has been shown as part of EBIT since the start of the year. Profits and losses from the measurement and realisation of financial liabilities, which were previously recognised in the operating result, have since been shown in other financial items. Impairment losses on financial investments were previously recognised in other financial items. As of the financial year 2015, they are shown in the operating result along with impairment losses on other non-current assets. Gains and losses on the disposal of current financial investments were previously shown in other operating income and will be recognised in net interest from 2015. The figures for the previous year have been adjusted due to the new reporting method.

Principles of the Group

Business activities and Group structure

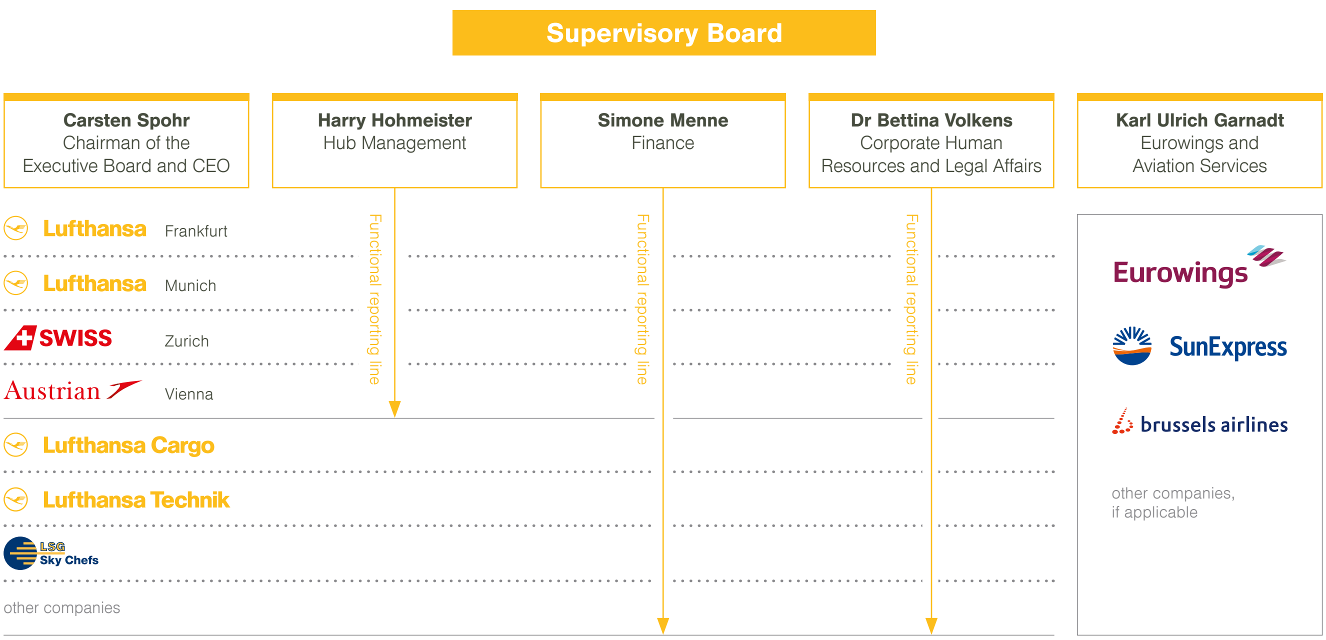
Lufthansa Group is successfully positioned as one of the world's leading airlines. / Business segments hold leading market positions in their sectors. / New division of Executive Board responsibilities to take effect in 2016.

Lufthansa Group is a leading aviation group

The Lufthansa Group is a global aviation group with a total of 540 subsidiaries and equity investments, which in the financial year 2015 were organised into the Passenger Airline Group, Logistics, MRO, Catering and Other business segments. All the segments occupy a leading position in their respective markets. In 2015, the Lufthansa Group generated revenue of EUR 32.1bn and employed an average of 119,559 staff.

A new division of responsibilities applies to the Executive Board of Deutsche Lufthansa AG from 2016. Carsten Spohr chairs the Executive Board. Harry Hohmeister is responsible for the commercial management of the premium airlines Lufthansa Passenger Airlines, SWISS and Austrian Airlines. The new Hub Management function is intended to ensure that the commercial management of the hub airlines happens in a uniform and process-oriented way. In future, the commercial functions such as network and fleet planning, and product and sales are to be coordinated more closely across all hubs and hub airlines. Simone Menne will continue to head the Finance function, which will now also include Group IT. Responsibility for the Corporate Human Resources and Legal Affairs function will remain with Dr Bettina Volkens. As part of the new, much more functional responsibility within the Lufthansa Group, Simone Menne and Dr Bettina Volkens are to be responsible for the uniform management of financial as well as human resources and legal processes, respectively, at both the hub airlines and in the Logistics, MRO and Catering segments. In the new Eurowings and Aviation Services function, Karl Ulrich Garnadt is responsible for point-to-point traffic in the Eurowings group and for the development of additional airlines.

Lufthansa Group structure[1)]



1) Implementation successfully planned from 2016.

Goals and strategies

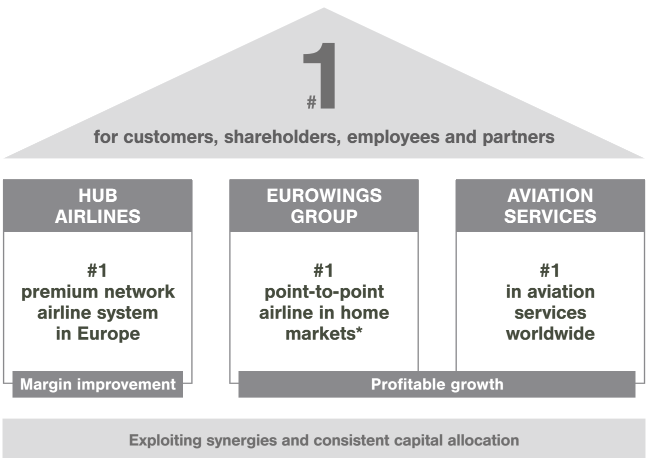
Three pillars define the structure and the further development of the Group. / "7to1 – Our Way Forward" strategic programme is to be continued. / Financial stability creates independence and room to manoeuvre.

Group strategy

Safeguarding position as a leading aviation group
The goal of the Lufthansa Group is to be the first choice in aviation for customers, employees, shareholders and partners. Going forward, the Lufthansa Group therefore intends to continue playing a significant role in shaping the global aviation market. The basis for this is the Group's planned structure with three pillars: premium hub airlines, Eurowings group and aviation services.

In a highly dynamic market environment, the Lufthansa Group will continue to use these synergetic pillars to successfully position itself as a leading aviation company. The aim is to safeguard this position for the future and to expand it profitably.

The setup of the Lufthansa Group: three strong pillars



* Germany, Austria, Switzerland and Belgium.

"7to1 – Our Way Forward"

To fulfill this objective, the "7to1 – Our Way Forward" strategic agenda was initiated in 2014. The programme comprises seven fields of action, which are applied both in the individual business segments and across the Group.

The "Value-based steering", "Constantly improving efficiency" and "Culture and leadership" fields of action form the overarching framework for developing the Group. "Customer centricity and quality focus", "New concepts for growth" and "Innovation and digitalisation" relate primarily to segment-specific projects. The "Effective and lean organisation" field of action is intended to ensure an optimal structure and appropriate governance for the entire Lufthansa Group.

In addition, the segments have, in some cases, adopted individual efficiency and cost-cutting programmes, which they are implementing alongside the activities that form part of "7to1 – Our Way Forward".

Hub airlines intent on developing quality leadership
Adapting their products and services in line with ever changing customer needs is a core task for all the companies in the Lufthansa Group. In doing so, it is vitally important to keep expanding their quality leadership. There is a very high-quality customer potential in the Lufthansa Group's home markets. Moreover, the Group has great technological expertise. Certain local cost disadvantages compared with competitors from other markets are therefore to be offset by a strategy that aims for highest quality.

This is particularly relevant for the strategy of the hub airlines, which are tied to expensive locations in comparison with their competitors. Their strategy therefore focuses on further improving the customer experience, optimising the route network, the fleet and the strategic partnerships as well as adding value for customers by means of personalised offers. This is accompanied by the targeted standardisation of the hub airlines' system landscape.

The customer experience is improved by the renewal of cabin layouts and service upgrades, in particular.

In order to keep offering leading product quality with continuous service improvements, the Lufthansa Group will continue to invest in its fleet. The hub airlines are growing largely by replacing older aircraft with more recent models with higher seating capacities, without increasing the total number of aircraft. This has the effect of reducing unit costs.

Cooperation agreements and partnerships are intended to supplement the flight plans, which delivers a greater added value for customers.

The increasing personalisation of products and services also improves customer satisfaction. At the same time, the Lufthansa Group can therefore offer its customers individual products and additional services that open up new revenue potential for the airlines.

Profitable growth planned for Eurowings in point-to-point traffic
By developing Eurowings, the Lufthansa Group is building an innovative and competitive offering for more price-sensitive customers in point-to-point traffic. In addition to its greater efficiency and competitive costs, the Eurowings concept is based on a scalable company structure that enables the flexible integration of new partners. The aim is to generate profitable growth in this segment over the medium term by means of organic growth and acquisitions, and to become the third largest provider of direct connections in Europe. Although it is largely independent of the hub airlines, Eurowings is an integral part of the Lufthansa Group. It has significant cost advantages compared with the hub airlines, but can also benefit from belonging to the world's biggest aviation group with its extensive range of aviation services. Eurowings is therefore intended to establish a successful position in its highly competitive market environment.

Profitable growth for aviation services
In its aviation services, the Lufthansa Group has business segments that are global market leaders. They can exploit further growth opportunities – organic, via partnerships or through acquisitions – in a targeted way in order to secure the Lufthansa Group's leading position in the aviation services market. At the same time, the entire Lufthansa Group profits from the margins in these segments, which are generally higher in comparison with the airlines. The broad diversification of its portfolio of airlines and aviation services constitutes a key strength of the Lufthansa Group. It enables synergies within the Group to be exploited and provides a buffer to offset the cyclical airline business.

Further customer focus and quality are also the key elements for the aviation services. Customers of Lufthansa Cargo, for example, benefit from accelerated logistics services in an expanded route network. Lufthansa Technik is extending its range for global customers by refining its products and services and further expanding its geographic presence. In the highly competitive airline business, the customers of LSG Sky Chefs profit from flexible and highly individualised catering products and services. Offers tailored to the needs of its airline customers' business models can provide effective support for their brands and products.

Although the three pillars of the Lufthansa Group are largely independent of one another, synergies are increasingly being realised within and between the business models. This enables the Lufthansa Group to move faster, more efficiently and more profitably and to further sharpen its focus on customers.

Financial strategy

Financial strength creates sustainable competitive advantages and trust
The core of the financial strategy is to safeguard the strong financial profile, credit rating and thereby the financial stability of the Lufthansa Group. It aims to support and promote the strategic and operating performance of the Company. Its objective is to ensure access to capital on favourable terms at all times.

To safeguard its financial stability, the Group systematically pursues the following strategic targets:

- **Maintain a good credit rating by managing net debt:** The aim is to maintain and strengthen the existing investment grade rating, by aiming for a debt repayment ratio of between 45 per cent and 35 per cent, as a minimum value. The debt repayment ratio is derived from the minimum requirements of the rating agencies for an investment grade rating and is a measure of the Group's ability to service its debt.

- **Ensure adequate liquidity:** The aim is to have minimum liquidity of EUR 2.3bn at all times. This enables liquidity and refinancing risks to be reduced in times of volatility in demand and financial markets.

- **Maintain a stable capital structure:** The aim is to achieve an equity ratio of 25 per cent in the medium term. The intention is to achieve this target by retaining appropriate profits and continuing the successive funding of pension obligations. However, the equity ratio is also subject to external factors (interest rate) and to great volatility, because IFRS requires that pension obligations are measured as of the reporting date.

- **Maintain a largely unencumbered fleet:** The aim is to ensure a high degree of financial and operating flexibility for the Lufthansa Group. The vast majority of the aircraft fleet is unencumbered and wholly owned by the Lufthansa Group.

- **Hedge against external financial risks:** The aim is to manage the Lufthansa Group's financial risks by means of integrated risk management procedures based, in particular, on hedging fuel, exchange rate and interest rate risks. Rule-based procedures enable price fluctuations to be smoothed.

- **Shareholders participate in the Company's success:** A regular dividend ratio of 10 to 25 per cent of EBIT is the aim. Any such dividend proposal requires net profit for the year in the individual financial statements for Deutsche Lufthansa AG prepared in accordance with the German Commercial Code that is sufficient to cover the payment. In addition to the regular dividend payment, the dividend policy also allows for shareholders to participate in a particularly positive performance by the Company by means of a special dividend or share buy-back.

Development of earnings and dividends

		2015	2014	2013	2012	2011
EBIT	€m	1,676	1,000	936	1,645	864
Net profit/loss (Group)	€m	1,698	55	313	1,228	–13
Net profit/loss (HGB)	€m	1,034	–732	407	592	–116
Dividend per share	€	0.50	–	0.45	–	0.25
Dividend ratio (based on EBIT)	%	13.9	–	22.1	–	13.2

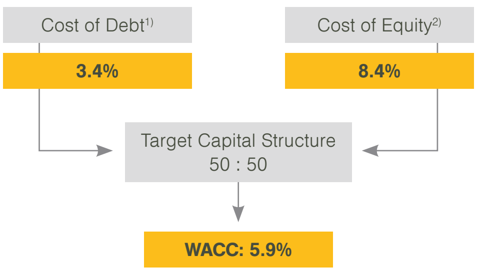
Management system and supervision

Value-based management is firmly established within the Company. / Aim is to sustainably increase the Lufthansa Group's company value. / Lufthansa Group achieves earnings after cost of capital of EUR 323m in 2015.

Sustainable increase in company value remains ultimate objective

Since 1999, the management of the Lufthansa Group has followed a value-based approach. Company value is to be increased continuously across business cycles. Value-based management is an integral part of all planning, management and controlling processes. The performance-related pay for managers is also directly linked to the Company's economic performance.

Weighted Average Cost of Capital 2015



1) Consideration of tax shield.
2) Cost of Equity = Risk-free market interest rate of 2.6% + (Market risk premium of 5.2% x Beta factor of 1.1)

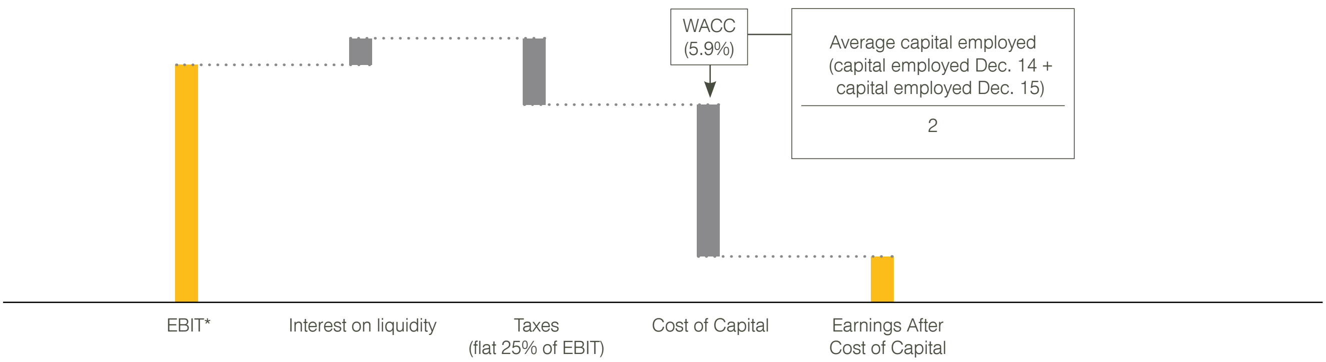
The Lufthansa Group uses Earnings After Cost of Capital (EACC) to measure the value contribution generated by the Group and the individual companies. The basis for calculating EACC is EBIT (earnings before interest and taxes). EBIT has to be sufficient to cover the taxes due on earnings and the return expected by investors and lenders.

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

in €m	2015	2014	2013	2012	2011
Group	323	–223	–338	63	–573
Passenger Airline Group	414	–94	–153	–293	–484
Logistics	–72	20	5	53	137
MRO	158	168	204	128	65
Catering	–8	–14	10	25	–12

In addition to the absolute contributory value EACC, the Return On Capital Employed (ROCE) is also calculated as a percentage. If ROCE exceeds the Weighted Average Cost of Capital (WACC), the Company creates value.

Calculation of EACC as of 31.12.2015



$$\text{ROCE} = \frac{\text{EBIT + Interest on liquidity – 25\% taxes}}{\text{Average capital employed}}$$

* Based on the new calculation method from 2015.

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

in %	2015	2014	2013	2012	2011
Group	5.9	5.9	6.2	7.0	7.0
Passenger Airline Group	5.9	5.9	6.2	7.0	7.0
Logistics	6.2	6.2	6.5	7.2	7.2
MRO	5.6	5.6	6.0	6.7	6.7
Catering	5.6	5.9	6.2	7.0	7.0

The Lufthansa Group closed the financial year 2015 with a positive EACC of EUR 323m, thereby creating significant value. In a long-term comparison, this represents a positive performance.

Calculation of EACC, ROCE and cost of capital

in €m	2015	2014	Change in %
Revenue	32,056	30,011	6.8
Other operating income	3,035	2,102	44.4
Operating income	**35,091**	**32,113**	**9.3**
Operating expenses	33,536	31,234	7.4
Result from equity investments	121	121	0.0
EBIT	**1,676**	**1,000**	**67.6**
Adjusted EBIT	1,817	1,171	55.2
Interest on liquidity	186	84	121.4
Taxes (assumption 25% of EBIT + Interest on liquidity)	−466	−271	72.0
Cost of capital[1]	−1,073	−1,036	3.6
EACC	**323**	**−223**	
ROCE[2] in %	**7.7**	**4.6**	**3.1 pts**
Balance sheet total	**32,462**	**30,474**	**6.5**
Non-interest bearing liabilities			
of which liabilities from unused flight documents	2,901	2,848	1.9
of which trade payables, other financial liabilities, other provisions	5,605	5,141	9.0
of which advance payments, deferred income, other non-financial liabilities	2,141	2,103	1.8
of which others	3,010	2,798	7.6
Capital employed	**18,805**	**17,584**	**6.9**
Average capital employed	**18,195**	**17,565**	**3.6**
WACC in %	**5.9**	**5.9**	**0.0 pts**
Cost of capital[1]	**1,073**	**1,036**	**3.6**

[1] WACC x Average capital employed.
[2] (EBIT + Interest on liquidity – 25% taxes) / Average capital employed.

Legal and regulatory factors

The Lufthansa Group and its business segments are subject to numerous legal and regulatory standards, which are becoming increasingly complex. The formal demands made of the Company are increasing all the time. This applies to financial law and consumer protection legislation as well as to general corporate governance requirements and to the steps necessary for the avoidance of liability risks. As a result, more and more resources have to be dedicated to avoiding and warding off legal risks and to complying with legal changes.

Of particular relevance for the Lufthansa Group here are the night-flight ban at Frankfurt Airport, stricter consumer protection regulations, the uncertain future of EU emissions trading, national air traffic taxes, the slow progress being made on implementing the Single European Sky as well as embargo conditions and the still outstanding admission of the airline industry into the World Trade Organisation. More information can be found in the "Opportunities and risk report" starting on p. 75.

Research and development

The Lufthansa Group and its companies work continuously – both individually and across business segments – on innovative products and research and development projects. In some cases these activities are coordinated centrally. However, most are run separately in the individual segments, as they focus on different areas.

The activities to develop new services and products are described in the chapters on the individual business segments starting on p. 42 as well as in the "Opportunities and risk report" starting on p. 74.

Economic report

Macroeconomic situation

Global economy grows by 2.5 per cent. / German economy expands by 1.5 per cent. / Euro depreciates against numerous currencies. / Interest rates and oil prices remain at a low level.

Global economic growth somewhat slower than the previous year
Global economic growth in 2015 fell slightly year on year from 2.7 to 2.5 per cent, due to numerous political conflicts and crises.

GDP development

in %	2015*	2014	2013	2012	2011
World	2.5	2.7	2.5	2.5	3.2
Europe	1.8	1.5	0.5	–0.2	2.0
Germany	1.5	1.6	0.4	0.6	3.7
North America	2.3	2.4	1.6	2.2	1.8
South America	–0.6	1.1	2.9	2.9	4.6
Asia / Pacific	4.7	4.7	4.9	4.8	4.8
China	6.9	7.3	7.7	7.7	9.5
Middle East	2.4	2.2	2.3	2.8	6.0
Africa	2.8	3.2	1.9	5.2	1.0

Source: Global Insight World Overview as of 15.1.2016.
* Forecast.

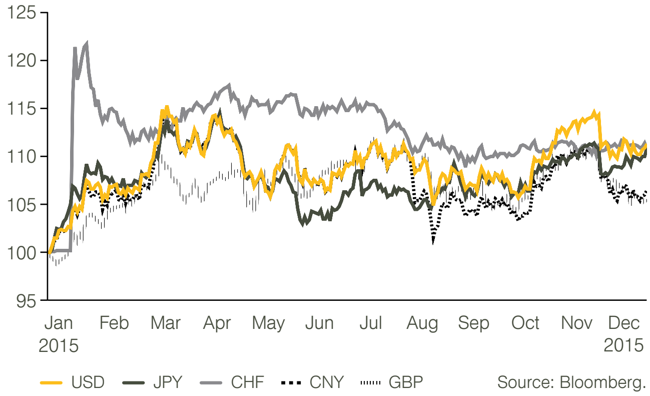
In the Asian emerging markets, the pace of growth slowed moderately compared with the previous year. Without Japan, the economies in the Asia / Pacific region grew by 5.6 per cent, compared with growth of 5.9 per cent the year before. Economic developments in China, where 6.9 per cent growth in 2015 was down on the previous year's 7.3 per cent, accounted for much of this. Japan's economy grew by 0.7 per cent in 2015 (previous year: –0.1 per cent).

As in the previous year, the US economy grew by 2.3 per cent again in 2015. For the first time in nine years, the US Federal Reserve raised the base rate from 0.25 to 0.5 per cent in December.

Compared with the previous year, the European economies grew somewhat faster, but again with stark regional differences. Europe as a whole recorded economic growth in 2015 of 1.8 per cent (previous year: 1.5 per cent). The growth rate in Germany was 1.5 per cent (previous year: 1.6 per cent).

The Latin American economies contracted by 0.6 per cent in the reporting year (previous year: 1.1 per cent).

Currency development 2015
EUR 1 in foreign currency, indexed as of 31.12.2014



Source: Bloomberg.

No clear trend in exchange rates developments
Compared with the average rates in 2014, the euro dropped significantly in value against all the main currencies in 2015. The average exchange rate against the US dollar was 16.4 per cent down on the previous year's average. Against the Chinese renminbi, the euro fell by an average of 14.7 per cent. Following the Swiss central bank's decision in mid-January 2015 to unpeg it from the euro, the Swiss franc appreciated significantly against the single currency. The average euro to Swiss franc exchange rate was 12.1 per cent below the average rate for the previous year. The euro depreciated by 9.9 per cent against the British pound, and by 4.3 per cent against the Japanese yen.

Currency development EUR 1 in foreign currency

	2015	2014	2013	2012	2011
USD	1.1093	1.3263	1.3279	1.2851	1.3910
JPY	134.25	140.33	129.41	102.49	110.74
CHF	1.0675	1.2145	1.2306	1.2052	1.2303
CNY	6.9697	8.1742	8.1632	8.1111	9.0023
GBP	0.7259	0.8059	0.8489	0.8109	0.8676

Source: Bloomberg, annual average daily price.

Further falls in short and long-term interest rates

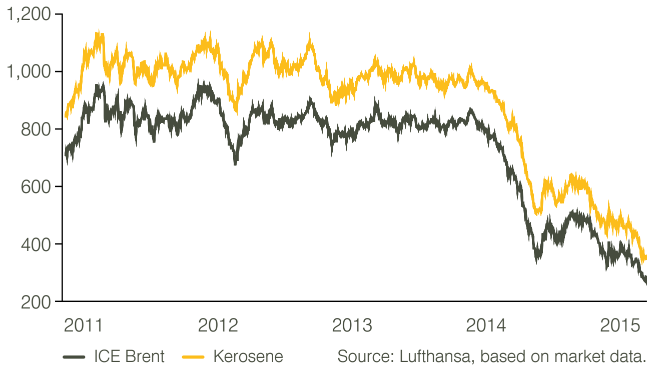
Short-term interest rates in the euro area fell even further in 2015 compared with the previous year. The average 6-month Euribor was 0.05 per cent (previous year: 0.31 per cent). For long-term funding, the average 10-year euro swap fell year on year from 1.46 per cent to 0.88 per cent. The discount rate, which is particularly important for measuring pension obligations and which is derived from the average return on a basket of investment-grade corporate bonds, rose from 2.6 to 2.8 per cent in the financial year 2015.

Oil prices remain persistently low in 2015

In the first half-year of 2015, the average price for a barrel of Brent Crude was USD 59.41, which represents a drop of 45.4 per cent on the price for the same period of 2014. There was a further price fall in the second half of the year, when a barrel of Brent cost an average of USD 48.13. The average price over 2015 as a whole was USD 53.71 / barrel, or 46.0 per cent less than in the previous year. On 31 December 2015, a barrel of Brent Crude cost USD 37.28.

The jet fuel crack, the price difference between crude oil and kerosene, moved between USD 6.47 / barrel and USD 19.26 / barrel in 2015. On average over the year, it traded at USD 12.60 / barrel and thus 18.5 per cent lower than in the previous year. The price at year-end was USD 6.47 / barrel.

Price development of crude oil and kerosene in USD / t



Source: Lufthansa, based on market data.

Sector developments

Global air traffic continues to grow. / Revenue passenger-kilometres up worldwide by 6.7 per cent. / Net profit almost doubled, largely due to lower fuel prices. / Aviation services benefit from growth in global air traffic.

The development of the airline industry affects the performance of all the segments in the Lufthansa Group: directly, in the case of the airlines in the Passenger Airline Group, and indirectly, via the impact on demand from key customer groups for the service companies.

Global airline industry expects strong increase in earnings for 2015

The International Air Transport Association (IATA) has raised its forecast for 2015 and now expects a net profit for the global airline industry of USD 33.0bn. This is a much larger profit than in the previous year (USD 17.3bn), and is primarily attributable to lower fuel prices. The earnings situation also improved for European airlines. Net profits of USD 6.9bn in total are forecast here (previous year: EUR 2.7bn). At a total of USD 19.4bn, the highest net profit of all regions was again reported by airlines from the consolidated North American market.

Passenger traffic remains growth sector

Ongoing global economic growth in the reporting year had a positive impact on demand for air travel around the world. According to figures from the IATA, revenue passenger-kilometres went up year on year by 6.5 per cent in 2015. The premium segment reported growth of 3.7 per cent. Air transport remains a long-term growth industry, with an average growth rate in revenue passenger-kilometres of around 6.0 per cent in the period from 2011 to 2015. Yields in passenger traffic continued to decline, falling by 11.7 per cent in 2015 according to IATA estimates.

Regional differences persisted in 2015: Airlines from the Middle East continued to record the fastest growth at 10.0 per cent year on year, followed by carriers from Asia/Pacific, with 8.6 per cent, and Latin America, with 6.7 per cent. European airlines sold 5.1 per cent more passenger-kilometres. Airlines from North America grew by 4.3 per cent, and those from Africa by 2.9 per cent. The Federal Association of the German Aviation Industry (BDL) put sales growth for airlines in Germany below this at 1.9 per cent.

Global markets vary significantly

In Europe, the market for air travel remains highly fragmented. The big hub airlines in the Lufthansa Group, at Air France-KLM and at International Airlines Group (IAG), together with Ryanair and easyJet, only have a market share of 47 per cent.

Low-cost airlines are pushing into the higher-value business travel segment with increasing success, both by offering flights to primary and secondary airports and by adapting their products and distribution channels to specific target groups.

The growth of the low-cost airlines and competition in this segment is increasingly to the detriment of transfer traffic at the hubs. This puts severe structural pressure on the airlines in the Passenger Airline Group, which have a relatively high proportion of transfer passengers for the industry. In North America, the market consolidation and the capacity discipline of the remaining players continues to pay off. On long-haul routes between Europe and North America, the three large commercial joint ventures, including the leading A++ commercial joint venture of which the Passenger Airline Group is a member, have a market share of around 84 per cent, resulting in above-average profitability on the corresponding routes.

Sales performance 2015

in % compared with previous year	Revenue passenger-kilometres	Cargo tonne-kilometres
Europe	5.1	−0.1
North America	4.3	0.1
Central and South America	6.7	−6.0
Asia/Pacific	8.6	2.3
Middle East	10.0	11.3
Africa	2.9	1.2
Industry	**6.5**	**2.2**

Source: IATA Air Passenger/Air Freight Market Analysis 12/2015.

Long-haul connections between Europe and Asia are still highly competitive. This traffic region is characterised by overcapacities, caused partly by the unremitting growth of the state-owned carriers from the Gulf region. This puts a burden on yields for the Passenger Airline Group and limits growth opportunities, especially in south-east Asia.

Airfreight performs less well than passenger traffic

The global cargo business was again weaker than passenger transport. Global cargo tonnage rose year on year by 2.2 per cent in 2015. Regional variations were more pronounced than in passenger traffic: Airlines from the Middle East also expanded by far the fastest in airfreight, at 11.3 per cent. Carriers from the Asia / Pacific region grew by 2.3 per cent, and airlines from Africa and North America by 1.2 per cent and 0.1 per cent respectively. By contrast, European airlines recorded a drop of 0.1 per cent, and those from Latin America of 6.0 per cent. Yields in global cargo traffic continued to fall, registering –18.0 per cent for 2015 according to IATA estimates.

Competition on global airfreight markets remains intense. Lufthansa Cargo's competitors are mainly other airlines with significant freight capacities in their long-haul passenger fleets, as well as airlines with a mix of cargo and passenger aircraft and pure freighter operators. Airlines from the Middle East and Turkey, especially, are significantly increasing their freight capacities in the course of expanding their passenger fleets. In contrast, various European airlines continue to cut their freighter capacities.

Positive developments in air traffic support MRO growth

Global growth in air traffic also increases demand for other aviation services. The aircraft maintenance, repair and overhaul (MRO) business performed well in 2015. The global market grew by 6.9 per cent. Regional growth was particularly strong in Asia, at 11.6 per cent. Growth in demand in North America, the world's biggest market, was below average at 2.5 per cent, due to slow fleet growth. Growth in Europe, Africa and the Middle East came to an average of 7.7 per cent, driven largely by the Middle Eastern growth market.

Increasing MRO capacities, the tense financial situation of many airlines and the rising number of low-cost providers mean that pricing pressure in the MRO business remains high.

Lufthansa Technik's main competitors are aircraft, engine and component manufacturers, original equipment manufacturers (OEMs), the MRO operations of other airlines as well as independent providers. The OEMs continue to push into the MRO market. High development costs and low margins on aircraft sales are pushing aircraft, component and engine manufacturers to expand their after-sales activities. They try to make it difficult for independent MRO providers to gain access to intellectual property and pursue highly restrictive licensing policies.

Mitigated benefits for the Catering segment

The market and competitive environment for LSG Sky Chefs continues to be defined by consolidation among its customers and competitors. Growth in passenger numbers has only a limited impact on the volume of demand for in-flight service concepts. This is due to the disproportionate growth of low-cost airlines and to the increasing trend among hub airlines to switch their service concepts to in-flight sales programmes. Food boxes and snacks, in particular, but also boutique articles, are increasingly offered instead of full meals.

The airline customers are also running their tenders more and more on a modular basis, awarding individual service packages – for production, assembly and delivery, for instance – to different suppliers. This significantly reduces the barriers to entry for those providers, especially food producers and logistics companies, and puts LSG Sky Chefs under increasing competitive pressure. Severe pricing pressure results from these overcapacities, primarily in the mature European catering markets, and from competition between airlines.

Course of business

Lufthansa Group achieves earnings and financial targets for 2015. / Lower fuel prices, exchange rates and interest rates drive earnings performance. / Earnings lost due to numerous strikes are recouped. / Business segments report solid performance.

Significant events

Accident involving Germanwings flight 4U 9525
The financial year 2015 was overshadowed by the tragic events of 24 March 2015. On this day Germanwings flight 4U 9525 was brought down, causing 150 people to lose their lives.

The Lufthansa Group is cooperating with investigations by the relevant authorities and is particularly focused on supporting the families of the victims. The Lufthansa Group is also assuming a long-term responsibility, in part by setting up a relief fund. Representatives of the victims' families will help in deciding how to use the funds. Memorials are to be built at the places affected by the accident, and at the Germanwings headquarters in Cologne.

New division of responsibilities forms the basis for the reorganisation
On 16 September 2015, the Supervisory Board of Deutsche Lufthansa AG approved a new division of responsibilities for the Executive Board, to take effect from 1 January 2016. This is the foundation for the reorganisation of the Group announced by the Executive Board. The organisation is to be structured much more functionally across all business segments, and its commercial, operational and administrative functions integrated more closely. These organisational changes are intended to deliver an increase in earnings of some EUR 500m a year from 2019, in particular due to the more integrated management of the hub airlines. Other arrangements and steps will take effect successively from 1 January 2016, but will not be concluded in the 2016 financial year either.

Cabin renewal programme completed at Lufthansa Passenger Airlines
The extensive cabin renewal programme at Lufthansa Passenger Airlines was completed in September 2015. Lufthansa Passenger Airlines now only uses aircraft with the latest cabin interiors in its scheduled services.

New Eurowings launched
The new Eurowings commenced flight operations on 1 February 2015. Since then, the range of domestic European routes has increased steadily. At the beginning of November 2015, the new Eurowings also started its first long-haul flights.

Modernisation of sales structure is making progress
Since 1 September 2015, the costs of booking via global distribution systems (GDSs) have been allocated fairly. The Distribution Cost Charge (DCC) is added to the price of every ticket issued via a GDS. In parallel and for the first time, the hub airlines are offering end-to-end fares, differentiated by service levels, in European traffic. This represents an important step towards implementing a comprehensive new distribution strategy for the Lufthansa Group.

New management appointed at SWISS, Austrian Airlines and Lufthansa Technik
At an extraordinary meeting of the Austrian Airlines Supervisory Board on 12 May 2015, Kay Kratky was appointed the new Chief Executive Officer (CEO) and Chairman of the Executive Board of Austrian Airlines. As of 1 August 2015, he took over from Jaan Albrecht, who became CEO of SunExpress as of 1 June 2015. As part of the reorganisation of the Lufthansa Group, Thomas Klühr was appointed to succeed Harry Hohmeister as CEO of SWISS. As a member of the Executive Board of Deutsche Lufthansa AG, Harry Hohmeister will be responsible for the operating business of the hub airlines in future. Johannes Bußmann has been the new Chairman of the Executive Board and CEO of Lufthansa Technik since 1 April 2015. He took over the role from August Wilhelm Henningsen, who went into retirement.

Strikes have a significant effect on the result
Numerous strikes by the Vereinigung Cockpit pilots' union (VC) and the UFO flight attendants' union had a significantly adverse effect on earnings for the financial year 2015. The costs of the strikes amounted to EUR 231m in total. This figure is based on internal estimates and is made up of EUR 123m in lost earnings during the strike itself and EUR 108m in lost future bookings as calculated using statistical methods. They affected 7,748 flights and some 940,000 passengers.

Wage agreement signed with ver.di in Germany
The Lufthansa Group and the United Services Union (ver.di) signed a collective agreement in late November 2015, consisting of a pay increase and fundamental revisions to company retirement benefits for the some 30,000 ground staff employed in Germany by Lufthansa Passenger Airlines, Lufthansa Cargo, Lufthansa Technik and LSG Sky Chefs. The wage agreement provides for the discontinuation of the defined benefit pension scheme over the long term.

SWISS signs collective agreements with airborne staff
SWISS and the kapers cabin crew union signed a new collective agreement on 1 May 2015. Following agreements signed with the ground and cockpit staff at SWISS, this marked the successful conclusion of the last outstanding collective agreement. Long-term collective agreements that ensure that SWISS remains competitive are now in place for all employee groups.

Flight operations transferred to Austrian Airlines
Flight operations at the Austrian Airlines Group were pooled at Austrian Airlines by merging Tyrolean Airways Tiroler Luftfahrt GmbH with Austrian Airlines AG as of 1 April 2015. This brings the long-term restructuring process to a successful conclusion.

Lufthansa Cargo modernises IT
The implementation at year-end 2015 of a new IT system for freight handling marked the end of the biggest IT project in the history of Lufthansa Cargo. It is part of the strategy of digitalising all stages of the transport chain by 2020.

Lufthansa Technik and LSG Sky Chefs expand business
Lufthansa Technik and GE Aviation have agreed to build a state-of-the-art facility for overhauling the new aircraft engine models GEnx-2B and GE9X. Lufthansa Technik Puerto Rico opened the first two of a total of five planned overhaul lines in 2015.

In November 2015, LSG Sky Chefs acquired all of the shares in the Irish companies Retail inMotion and Media inMotion, which specialise in in-flight sales and entertainment programmes, with effect from the 1 January 2016 reporting date. LSG Sky Chefs opened new plants in Tampa and Chicago in 2015.

Overview of the course of business

Lower fuel prices, exchange rates and interest rates drive earnings performance
All of the business segments reported a solid performance in the first quarter of the 2015 financial year. At the passenger airlines, all of the companies benefited from lower fuel costs. At Lufthansa Passenger Airlines, the earnings performance was negatively affected by strikes and write-downs on cash holdings in Venezuelan bolivars. The accident involving Germanwings flight 4U 9525 did not have any material effect on the booking situation. SWISS and Lufthansa Passenger Airlines reported the most significant earnings improvements. The service companies generated significantly higher revenue at stable margins, thanks in part to more favourable exchange rates. While cash flows performed very well compared with the previous year, the equity ratio fell significantly due to the strong reduction in the discount rate for pension commitments.

This pleasing performance continued in the second quarter. Almost all the segments reported higher year-on-year results. Adjusting for exchange rates, the airlines' unit revenues performance was weak. This was more than offset, however, by cost savings, especially due to the persistently very low fuel prices compared with the previous year. All of the passenger airlines were able to report further earnings increases. Lufthansa Cargo also profited from cheaper kerosene, but increasingly suffered from the weak business environment, with its results falling against the previous year. The service companies again reported revenue growth, partly due to exchange rate movements, and their profits increased accordingly. The equity ratio recovered due to the good earnings performance and the higher discount rate.

Results in the third quarter were particularly positive. The passenger airlines benefited from exceptionally strong demand in the summer, which, combined with the continued high cost savings on fuel, resulted in a very positive earnings development. Unit revenue remained down after adjustment for exchange rates, although it was better than in the first half-year. Earnings at Lufthansa Cargo were again weak and well down on the previous year. Although the effects of exchange rate movements diminished, the service companies continued their revenue growth with stable margins. Cash flow and the equity ratio were also up in line with the good earnings performance.

The fourth quarter was the first in the course of the financial year not to see a year-on-year earnings improvement. The profitability of all the operating segments rose at a lower rate than in the previous quarters. The passenger airlines again benefited from lower fuel costs, and unit revenue remained at the same level as in the third quarter. Lufthansa Passenger Airlines and Lufthansa Cargo both suffered from massive strikes. Earnings at the German companies were adversely affected by one-off payments agreed in the wage settlements. Earnings at the service companies returned to a normal level. Cash flows declined in the fourth quarter. The equity ratio was stable at the same level as the previous quarter.

Target achievement

Lufthansa Group achieves overall forecast
In October 2015, the Executive Board of Deutsche Lufthansa AG revised its forecast for Adjusted EBIT from "more than EUR 1.5bn before strike costs" to "between EUR 1.75bn and EUR 1.95bn before strike costs in the fourth quarter". Strikes at Lufthansa Passenger Airlines, Germanwings and Lufthansa Cargo had reduced earnings by EUR 130m in the first nine months. The figure for the full year was EUR 231m. This forecast was achieved with a reported Adjusted EBIT of EUR 1.8bn, or EUR 1.9bn before strike costs in the fourth quarter.

For 2015, the Lufthansa Group expected revenue to decline slightly year on year, but it came to EUR 32.1bn, which was 6.8 per cent up on the previous year. The reasons for the better-than-expected revenue performance were advantageous exchange rates and exceptional demand at the passenger airlines in the summer.

The Lufthansa Group expected a significant increase in net profit for the period, and this target was met, with an increase in net profit of EUR 1.6bn to EUR 1.7bn.

The Lufthansa Group thought it was unlikely to generate a positive EACC for 2015, but EACC of EUR 323m was reported. The reason for the better-than-expected performance was the strong improvement in Adjusted EBIT.

Almost all segment targets reached

Lufthansa Passenger Airlines expected Adjusted EBIT to increase significantly on the previous year. With an increase of EUR 571m to EUR 970m, this target was met. SWISS expected Adjusted EBIT to be on a par with the previous year. With an increase of EUR 151m to EUR 429m, this target was exceeded. The reason for the better-than-expected earnings were lower fuel costs, strong demand and positive translation effects from converting earnings in the original currency, the Swiss franc, into the reporting currency, the euro. Austrian Airlines expected Adjusted EBIT for 2015 to be significantly above that of the previous year. With an increase of EUR 43m to EUR 52m this target was met.

Overall, the Passenger Airline Group expected revenue to be slightly down, and Adjusted EBIT to be significantly up, on the previous year. At EUR 24.5bn and a year-on-year increase of 5.1 per cent, the revenue target was exceeded. The reasons for the better-than-expected revenue performance were favourable exchange rates and exceptional demand at the passenger airlines in the summer. The earnings target was met with an increase in Adjusted EBIT of EUR 804m to EUR 1.5bn.

The forecast for the operating performance indicators of the Passenger Airline Group was achieved, with the exception of the exchange rate adjusted unit costs adjusted for fuel. Contrary to the expectation of a slight fall in unit costs, they rose by 2.4 per cent. This was primarily due to strike costs, wage settlements and high MRO costs.

The Logistics segment expected a slight fall in revenue and a slight increase in Adjusted EBIT compared with the previous year. The revenue contraction occurred, with revenue down by 3.3 per cent to EUR 2.4bn, and the earnings target was missed, with a fall of 39.8 per cent in Adjusted EBIT to EUR 74m. The reasons for the worse-than-expected earnings performance were the very weak market and demand development in the second and third quarters as well as in particular the negative effects of the strikes.

The MRO segment expected slightly higher revenue and Adjusted EBIT that would be down slightly on the previous year. The revenue target was comfortably achieved, with an increase of 17.6 per cent to EUR 5.1bn, and the earnings target was exceeded, with an increase of 19.5 per cent to EUR 454m. The main reasons for the better-than-expected performance were positive exchange rate effects in this segment and a positive demand development.

The Catering segment expected a significant year-on-year increase in both revenue and Adjusted EBIT. Both the revenue target, with an increase of 14.8 per cent to EUR 3.0bn, and the earnings target, with an increase of 12.5 per cent to EUR 99m, were met.

Target achievement for the Lufthansa Group and business segments

	Revenue			Adjusted EBIT		
	Revenue 2014 in €m	**Forecast for 2015***	**Revenue 2015** in €m	Result 2014 in €m	**Forecast for 2015***	**Result 2015** in €m
Lufthansa Passenger Airlines	17,098		17,944	399	significantly above previous year	970
SWISS	4,241		4,542	278	on previous year's level	429
Austrian Airlines	2,069		2,102	9	significantly above previous year	52
Reconciliation	−88		−89	15		54
Passenger Airline Group	23,320	slightly below previous year	24,499	701	significantly above previous year	1,505
Logistics	2,435	slightly below previous year	2,355	123	slightly above previous year	74
MRO	4,337	slightly above previous year	5,099	380	slightly below previous year	454
Catering	2,633	significantly above previous year	3,022	88	significantly above previous year	99
Other	635		484	−116	significant improvement	−370
Internal revenue / Reconciliation	−3,349		−3,403	−5		55
Lufthansa Group reported	30,011	**slightly below previous year**	32,056	1,171	**more than € 1.5bn**	1,817

* As stated in the Annual Report 2014.

Passenger Airline Group forecast

		Result 2014	Forecast for 2015	Result 2015
Flights	number	1,001,961	further reduction	+0.2%
Capacity (ASK)	millions	268,104	approx. +3%	+2.2%
Sales (RPK)	millions	214,643	up more than capacity	+2.7%
Passenger load factor (SLF)	%	80.1	slightly increase	+0.3 pts
Pricing (Average yields)	€ cent	10.0	significantly negative*	−3.5%*
Unit revenue (RASK)	€ cent	8.0	significantly negative*	−3.0%*
Unit costs (CASK excluding fuel)	€ cent	6.3	slightly negative*	+2.4%*

* At constant currency.

Balance sheet targets achieved
The Lufthansa Group is aiming for an equity ratio of 25.0 per cent in the medium term. In the financial year 2015, it went up by 4.8 percentage points to 18.0 per cent.

The Lufthansa Group is aiming for a debt repayment ratio of 35 to 45 per cent. In the financial year 2015, the debt repayment ratio improved by 9.9 percentage points to 30.7 per cent.

The Lufthansa Group is aiming for minimum liquidity of EUR 2.3bn and a largely owned and unencumbered fleet. Liquidity at year-end was up by EUR 355m to EUR 3.1bn and the fleet was again largely owned and unencumbered.

Profitability of the Lufthansa Group needs to be stabilised at this higher level
The Lufthansa Group reported a good earnings performance in 2015. Much lower fuel costs and exceptionally strong demand at the passenger airlines in the summer enhanced the positive earnings trend of recent years. The positive earnings performance of the service companies again had a stabilising effect on the overall result. However, the significant fall in unit revenues at constant currency at the airlines, and further increasing unit costs adjusted for fuel and currency effects, show clearly that structural measures are necessary to stabilise the higher year-on-year earnings.

Lufthansa Group forecast financial profile

	Result 2014	Forecast for 2015	Result 2015
Equity ratio	13.2%	slight increase	18.0%
Debt repayment ratio	20.8%	slight increase	30.7%
Liquidity	€ 2.7bn	€ 3.0bn	€ 3.1bn

Earnings position

✈ Revenue climbs to EUR 32.1bn. / Adjusted EBIT reaches EUR 1.8bn. / Net profit for the period rises to EUR 1.7bn. / All business segments report positive earnings contribution.

Revenue and income

Traffic figures of the Lufthansa Group's airlines*

		2015	2014	Change in %
Passengers	thousands	107,679	105,991	1.6
Available seat-kilometres	millions	273,975	268,104	2.2
Revenue seat-kilometres	millions	220,400	214,643	2.7
Passenger load factor	%	80.4	80.1	0.3 pts
Freight/mail	thousand tonnes	1,864	1,924	−3.1
Available cargo tonne-kilometres	millions	14,971	14,659	2.1
Revenue cargo tonne-kilometres	millions	9,930	10,249	−3.1
Cargo load factor	%	66.3	69.9	−3.6 pts
Total available tonne-kilometres	millions	42,424	41,548	2.1
Total revenue tonne-kilometres	millions	31,518	31,308	0.7
Overall load factor	%	74.3	75.4	−1.1 pts
Flights	number	1,003,660	1,001,961	0,2

* Previous year's figures have been adjusted.

Operating income in the financial year 2015 increased year on year by EUR 3.0bn, or 9.3 per cent, to EUR 35.1bn. Revenue went up by 6.8 per cent overall to EUR 32.1bn.

Traffic revenue up by 3.8 per cent

Traffic revenue for the Group rose year on year by 3.8 per cent overall to EUR 25.3bn. Positive exchange rate effects (+5.9 per cent) and higher sales (+2.0 per cent) increased income, while a 4.1 per cent fall in prices (including fuel surcharge and air traffic tax) had the opposite effect. The increase in traffic revenue, primarily due to exchange rates, was the main reason why the forecast of slightly lower revenue, made the year before, did not materialise.

The Passenger Airline Group segment accounted for the bulk of traffic revenue, contributing 89.3 per cent. Revenue here was 4.9 per cent up on the previous year, at EUR 22.6bn. While sales volumes (+2.7 per cent) and positive exchange rate effects (+5.9 per cent) increased income, lower prices (−3.7 per cent) had the opposite effect.

Traffic revenue in the Logistics segment was down by 3.8 per cent year on year, at EUR 2.3bn. The decline stemmed from lower prices (−8.4 per cent) and lower volumes (−2.9 per cent), offset partially by positive exchange rate effects (+7.5 per cent).

Other revenue up by 19.8 per cent

Other revenue is mainly generated by the MRO and Catering segments and, to a lesser extent, by the Passenger Airline Group, Logistics and Other segments. It increased year on year by EUR 1.1bn, or 19.8 per cent overall, to EUR 6.7bn in the reporting year.

Of this, the MRO segment generated EUR 3.3bn (+21.8 per cent), Catering EUR 2.4bn (+18.0 per cent) and Other EUR 262m (−3.0 per cent). The airborne companies in the Passenger Airline Group and Logistics segments contributed a total of EUR 830m (+26.1 per cent) to other revenue.

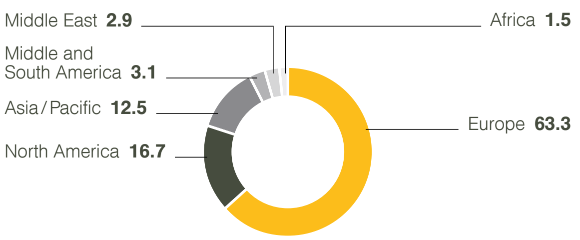
The Group's external revenue rose by 6.8 per cent on the year to EUR 32.1bn. The Passenger Airline Group segment's share of total revenue decreased to 74.3 per cent (−1.1 percentage points). The Logistics segment accounted for 7.3 per cent of total revenue, Lufthansa Technik for 10.2 per cent, Catering for 7.4 per cent and Other for 0.8 per cent.

External revenue by segment 2015

	External revenue in €m	Year on year change in %	Share of total revenue in %
Passenger Airline Group	23,821	5.2	74.3
Logistics	2,331	−3.3	7.3
MRO	3,256	21.8	10.2
Catering	2,386	18.0	7.4
Other	262	−3.0	0.8

A regional breakdown of revenue by sales location is given in the segment reporting section in the Notes to the consolidated financial statements, "Note 43" starting on p. 175. The regional distribution of traffic revenue by traffic region for the Passenger Airline Group and Logistics segments is described in the chapters on the respective business segments on p. 44 and p. 52.

Traffic revenue Lufthansa Group* in %



* Business segments Passenger Airline Group and Logistics.

Other operating income up by 49.8 per cent

Other operating income increased by EUR 942m to EUR 2.8bn. This stems mainly from higher exchange rate gains (EUR +793m), offset by correspondingly higher exchange rate losses in other operating expenses. Income from the write-back of provisions also rose by EUR 77m to EUR 245m. Book gains from the disposal of non-current assets went up to EUR 67m in total (EUR +30m). They include book gains of EUR 8m from the sale of the JetBlue shares as well as income of EUR 34m from earn-out payments in connection with the contract signed last year for the sale of the former Lufthansa Systems AG's IT Infrastructure unit. This item also includes expenses for earn-out payments subsequently made in connection with the acquisition of equity investments. The other individual items did not vary significantly compared with the previous year. "Note 6" to the consolidated financial statements on p. 130 contains a detailed list of other operating income.

Profit breakdown of the Lufthansa Group

	2015 in €m	2014 in €m	Change in %
Operating income	35,091	32,113	9.3
Operating expenses	−33,536	−31,234	7.4
Profit from operating activities	**1,555**	**879**	**76.9**
Financial result	471	−699	
Profit / loss before income taxes	**2,026**	**180**	**1,025.6**
Income taxes	−304	−105	−189.5
Profit / loss from continuing operations	**1,722**	**75**	**2,196.0**
Profit / loss attributable to minority interests	−24	−20	−20.0
Net profit / loss attributable to shareholders of Deutsche Lufthansa AG	**1,698**	**55**	**2,987.3**

Revenue and income

	2015 in €m	2014 in €m	Change in %
Traffic revenue	25,322	24,388	3.8
Other revenue	6,734	5,623	19.8
Total revenue	**32,056**	**30,011**	**6.8**
Changes in inventories and work performed by the entity and capitalised	203	212	−4.2
Other operating income	2,832	1,890	49.8
Total operating income	**35,091**	**32,113**	**9.3**

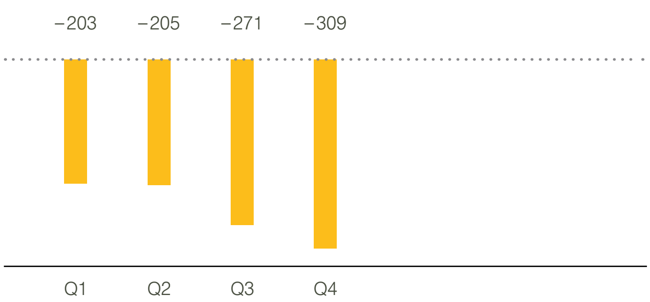
Expenses

Operating expenses climbed year on year by 7.4 per cent to EUR 33.5bn.

Cost of materials and services up by 2.1 per cent despite lower fuel expenses

In 2015, the cost of materials and services rose by 2.1 per cent year on year, to EUR 17.7bn. Within the cost of materials and services, fuel costs sank by 14.3 per cent to EUR 5.8bn. The average price for kerosene, including fuel hedging, was USD 703.97 / tonne in 2015. Fuel prices declined by 36.2 per cent after hedging, but this was partly offset by the rise in the US dollar (+20.1 per cent) and higher volumes (+1.8 per cent). Fuel costs included a negative result of price hedging of EUR 988m (previous year: EUR 149m). Expenses for other raw materials, consumables and supplies were up by 18.0 per cent at EUR 3.2bn.

Result of fuel price hedging per quarter 2015 in €m



Fees and charges went up by 7.3 per cent overall to EUR 5.7bn. Volumes, prices and exchange rate movements all contributed to the rise. Specifically, air traffic control charges rose by 8.2 per cent, take-off and landing fees by 11.2 per cent, handling charges by 7.7 per cent and security fees by 16.8 per cent.

Expenses

	2015 in €m	2014 in €m	Change in %	Share of operating expenses in %
Cost of materials and services	17,640	17,283	2.1	52.6
of which fuel	5,784	6,751	–14.3	17.2
of which fees and charges	5,651	5,265	7.3	16.9
of which operating lease	50	52	–3.8	0.1
Staff costs	8,075	7,335	10.1	24.1
Depreciation	1,715	1,528	12.2	5.1
Other operating expenses	6,106	5,088	20.0	18.2
of which sales commissions paid to agencies	332	322	3.1	1.0
of which indirect staff costs and external staff	1,041	955	9.0	3.1
of which rental and maintenance expenses	878	826	6.3	2.6
Total operating expenses	**33,536**	**31,234**	**7.4**	**100.0**

Expenses for the air traffic tax rose by 1.4 per cent to EUR 366m. Other purchased services were up by 17.6 per cent in total, at EUR 3.0bn, in particular due to higher MRO services (+18.4 per cent) and a steep increase in purchased IT services as a result of the sale of the IT Infrastructure unit (+63.8 per cent).

Staff costs up by 10.1 per cent

Staff costs increased by 10.1 per cent in the reporting period to EUR 8.1bn. The average number of employees was almost unchanged at 119,559 (+0.5 per cent), with costs rising largely due to exchange rate movements, the wage agreements that came into effect in 2015 as well as higher additions to pension provisions following the reduction in the discount rate from 3.75 per cent to 2.60 per cent.

Depreciation and amortisation up by 12.2 per cent

Depreciation and amortisation rose year on year by 12.2 per cent overall to EUR 1.7bn. Depreciation of aircraft was up by 13.3 per cent to EUR 1.2bn, primarily due to the higher carrying amounts of the new aircraft delivered in 2014 and 2015. Impairment losses of EUR 159m in total were also recognised as of 31 December 2015 (prior-year period: EUR 116m). Of this, EUR 62m was recognised on existing investments in connection with the project costs for a new freight centre at Frankfurt Airport, which has been postponed. Other impairment losses related mainly to non-performing loans (EUR 59m), the write-downs of LSG Belgium N.V. and ZAO AeroMEAL (EUR 17m) due to poor performance, as well as to impairment charges for two Boeing 747-400s and eleven B737s held for sale (EUR 12m). Capitalised planning costs for an abandoned construction project were also impaired and written down (EUR 7m). Other operating expenses included a further EUR 4m in impairment losses on assets held for sale.

Other operating expenses up by 20.0 per cent

Other operating expenses increased year on year by 20.0 per cent to EUR 6.1bn. The main reason for the increase was much higher exchange rate losses (EUR +742m), offset by higher exchange rate gains in other operating income. Overall, exchange rates reduced EBIT by EUR 84m. Also notable were higher indirect staff costs (EUR +86m), higher costs for computerised distribution systems (EUR +72m), rent and maintenance expenses (EUR +52m) and legal, audit and consultancy costs (EUR +38m). By contrast, book losses from the disposal of non-current assets fell by EUR 162m. Book losses of EUR 160m from the planned sale of Lufthansa Systems AG's IT Infrastructure unit were recognised in the previous year. The individual other items did not vary significantly compared with last year.

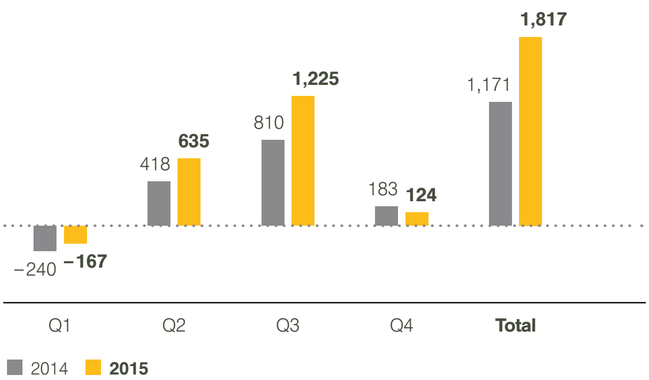
Earnings development

Adjusted EBIT was reported for the first time in 2015: it went up on a like-for-like basis by EUR 646m to EUR 1.8bn. One major reason for this earnings improvement was that the cost of materials and services rose by much less than revenue. All the business segments made positive earnings contributions to the Group's comprehensive income. The Passenger Airline Group increased its Adjusted EBIT by EUR 804m to EUR 1.5bn.

Adjusted EBIT up to EUR 1.8bn

The IFRS result from operating activities rose year on year by EUR 676m to EUR 1.6bn. To calculate Adjusted EBIT, it was adjusted for book gains and losses from the disposal of non-current assets, impairment losses and write-ups, as well as the measurement of pension obligations and the result from equity investments. The adjustments made are shown in the table "Reconciliation of results" on p. 32.

Development Adjusted EBIT by quarter in €m

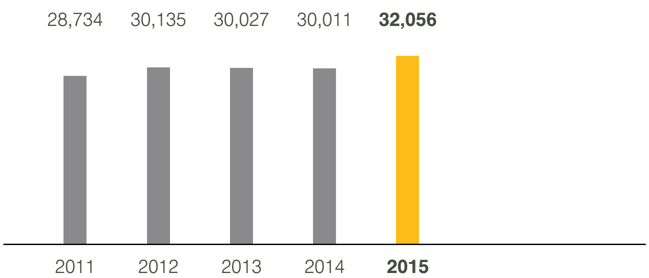


In 2015, the reconciliation of EBIT to Adjusted EBIT included the elimination of net expenses of EUR 141m in total (previous year: EUR 171m). Including the result from equity investments of EUR 121m, EBIT came to EUR 1.7bn and Adjusted EBIT to EUR 1.8bn. The Adjusted EBIT margin was 5.7 per cent (previous year: 3.9 per cent).

The Passenger Airline Group increased its Adjusted EBIT by EUR 804m, or 114.7 per cent, to EUR 1.5bn against the previous year. Adjusted EBIT for the Logistics segment fell by 39.8 per cent to EUR 74m. The MRO segment reported higher earnings of EUR 454m (+19.5 per cent). The Catering segment generated Adjusted EBIT of EUR 99m (+12.5 per cent). The other Group companies, which under IFRS 8 do not require separate reporting, and the central Group functions reduced the Group's Adjusted EBIT by a total of EUR 370m (previous year: EUR –116m).

The variation in seasonal earnings was again extremely pronounced. The results of the individual business segments in the Group also have their own variations and ranges of fluctuation. The service companies again delivered a stable positive earnings contribution, but earnings in 2015 were ultimately determined by the much more volatile results of the airlines.

Revenue in €m



Financial result up to EUR 471m

The financial result increased by EUR 1.2bn to EUR 471m. While the result from equity investments was unchanged year on year at EUR 121m, net interest improved by EUR 86m to EUR –170m. The significant improvement in the financial result stemmed from other net financial income, which rose by EUR 1.1bn to EUR 520m. EUR 503m stemmed from the realisation of increases in the value of JetBlue shares, which had previously been recognised without effect on profit and loss, and EUR 161m from higher market values of derivative financial instruments classified as held for trading under IAS 39. Lower market values of financial instruments resulted in expenses of EUR 413m in the previous year. They included expenses of EUR 297m attributable to the higher market value of conversion options associated with the convertible bond issued in 2012, which entitles the holder to acquire the Lufthansa Group's shares in JetBlue. The measurement of financial liabilities in foreign currencies resulted in a net loss of EUR 144m in 2015 (previous year: EUR 151m).

Net profit up to EUR 1.7bn

Adding depreciation and amortisation to Earnings Before Interest and Taxes (EBIT) of EUR 1.7bn produced an EBITDA of EUR 3.4bn (previous year: EUR 2.5bn). The profit from operating activities and the financial result added up to a profit before income taxes of EUR 2.0bn, compared with EUR 180m in the previous year.

Deducting income taxes of EUR 304m (previous year: EUR 105m) and earnings attributable to minority interests of EUR 24m (previous year: EUR 20m), the net profit for the period attributable to the shareholders of Deutsche Lufthansa AG was EUR 1.7bn (previous year: EUR 55m).

Earnings per share amount to EUR 3.67 (previous year: EUR 0.12). Further details can be found in the Notes to the consolidated financial statements, „Note 15“ on p. 133.

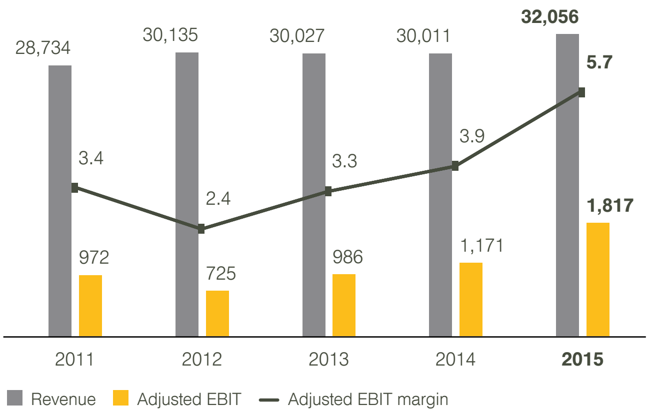
Long-term overview of earnings is volatile

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. Even in the weaker economic phases of the years 2011 to 2012, it was able to generate positive operating results in spite of the difficulties. Earnings for 2013 and 2014 were deflated by many non-recurring factors, which in some cases were necessary to improve productivity for more demanding economic times. The earnings improvement in 2015, in a stable economic environment despite many volatile influences, therefore follows on logically from recent years, even though higher earnings of this magnitude are in significant part due to the particularly low fuel prices.

Reconciliation of results

in €m	2015 Income statement	2015 Reconciliation with Adjusted EBIT	2014 Income statement	2014 Reconciliation with Adjusted EBIT
Total revenue	**32,056**	**–**	**30,011**	**–**
Changes in inventories	203	–	212	–
Other operating income	2,832	–	1,890	–
of which book gains et al.	–	–53	–	–37
of which write-ups on capital assets	–	–8	–	–38
Total operating income	**35,091**	**–61**	**32,113**	**–75**
Cost of materials and services	–17,640	–	–17,283	–
Staff costs	–8,075	–	–7,335	–
of which past service costs/settlements	–	25	–	–48
Depreciation	–1,715		–1,528	
of which impairment losses	–	159	–	115
Other operating expenses	–6,106		–5,088	
of which impairment losses on assets held for sale	–	4	–	3
of which expenses incurred from book losses	–	14	–	176
Total operating expenses	**–33,536**	**202**	**–31,234**	**246**
Profit/loss from operating activities	**1,555**	**–**	**879**	**–**
Result from equity investments	121	–	121	–
EBIT	**1,676**		**1,000**	
Total from reconciliation with Adjusted EBIT	–	141	–	171
Adjusted EBIT	**–**	**1,817**	**–**	**1,171**
Write-downs (included in profit from operating activities)	1,715	–	1,528	–
Write-downs on financial investments (including at equity)	4	–	2	–
EBITDA	**3,395**	**–**	**2,530**	**–**

Development of revenue, Adjusted EBIT in €m
and of the Adjusted EBIT margin in %



Net result for the year according to HGB

The Lufthansa Group's dividend policy provides for a dividend ratio of between 10 and 25 per cent of EBIT, as long as a dividend payment is covered by the net profit for the year as shown in the individual financial statements for Deutsche Lufthansa AG drawn up according to the commercial law provisions, and if there are no other opposing considerations.

Full details of the individual financial statements for Deutsche Lufthansa AG in accordance with German commercial law can be found starting on p. 107. They present a net profit for the financial year 2015 of EUR 1.0bn. Following the transfer of EUR 802m to retained earnings, distributable profit comes to EUR 232m.

The Executive Board and Supervisory Board will therefore submit a proposal at the Annual General Meeting on 28 April 2016 to distribute this profit to shareholders by paying a dividend of EUR 0.50 per share.

Assets and financial position

Lufthansa Group invests EUR 2.6bn. / Higher cash flow from operating activities results in positive free cash flow of EUR 834m. / Equity ratio up to 18 per cent.

Capital expenditure

Capital expenditure down to EUR 2.6bn
At EUR 2.6bn, capital expenditure for the Group was 7.5 per cent down on the previous year. Primary investment in down payments and final payments for aircraft, aircraft overhauls and equipment fell by 12.7 per cent.

Capital expenditure for other items of property, plant and equipment and for intangible assets, known collectively as secondary investment, rose by 11.0 per cent to EUR 455m. Property, plant and equipment, such as technical equipment and machinery, or operating and office equipment, accounted for EUR 344m of the total (previous year: EUR 303m). EUR 111m (previous year: EUR 107m) was invested in intangible assets such as licences and goodwill.

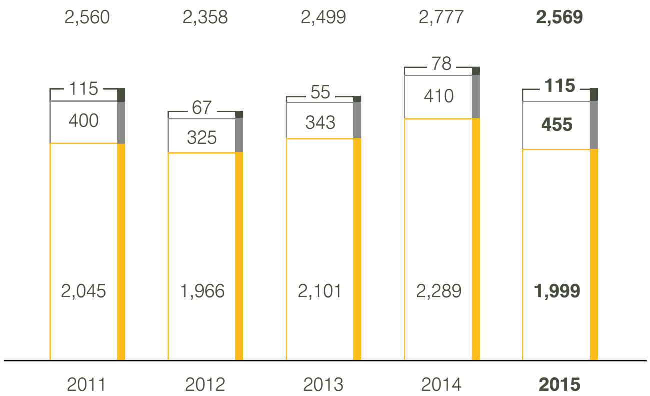
Financial investments of EUR 115m in total (previous year: EUR 78m) related to share purchases, loans and investments in fixed-term deposits.

The Passenger Airline Group accounted for the bulk of capital expenditure at EUR 2.1bn (previous year: EUR 2.2bn). Expenses were primarily on new aircraft and down payments for aircraft. Overall, the Passenger Airline Group segment invested in 18 aircraft: two Airbus A380s, four Boeing 747-8s, two A321s and six A320s. Two A320s and two A319s were reclassified as finance leases following contract renewals. This capital expenditure also includes aircraft overhauls and down payments.

Capital expenditure of EUR 116m (previous year: EUR 214m) in the Logistics segment related mainly to the purchase of one B777F, acquired intangible assets and payments for the planned new cargo centre, although it was subsequently decided not to carry on with the project for the time being.

Capital expenditure of EUR 148m (previous year: EUR 118m) in the MRO segment was partly for the purchase of reserve engines and shares as well as for the granting of loans. Capital expenditure of EUR 127m (previous year: EUR 140m) in the Catering segment consisted of maintaining existing production facilities, purchasing shares in companies and extending loans to equity investments.

Primary, secondary and financial investments in €m*



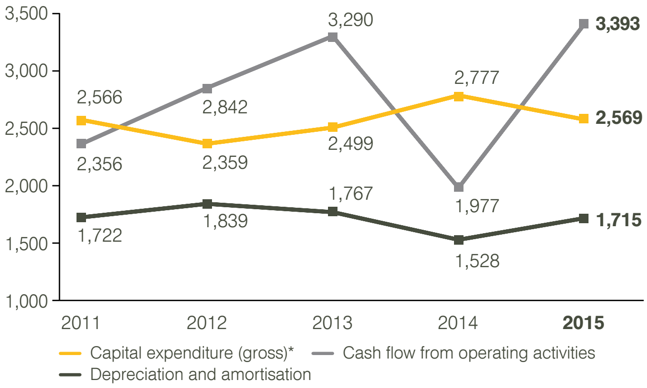
* Excluding acquired net assets from changes in group of consolidated companies.

Primary investments · Secondary investments · Financial investments

Cash flow

Cash flow from operating activities up to EUR 3.4bn
The Lufthansa Group's cash flow from operating activities came to EUR 3.4bn in the reporting year, which is EUR 1.4bn, or 71.6 per cent, higher than the previous year's figure. Starting from a profit before income taxes that was EUR 1.8bn higher than in the previous year, the elimination of non-cash depreciation and amortisation and of cash flows attributable to investing and financing activities had a positive impact of EUR 4m on the calculation of cash flow from operating activities. Income tax payments also slightly increased cash flow from operating activities by EUR 23m compared with the previous year. Adjusting earnings for non-cash income and expenses recognised in profit and loss resulted in a reduction in the reconciliation with cash flow from operating activities of EUR 1.2bn. This was due to changes in the valuation of financial instruments of EUR 1.1bn in total, including EUR 503m in connection with the disposal of JetBlue shares. Changes in trade working capital increased cash flow from operating activities year on year, however, by EUR 92m. Correcting for non-cash changes in assets and liabilities, including the non-cash impact of translating foreign currency items, increased cash flow from operating activities by EUR 602m compared with the previous year.

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



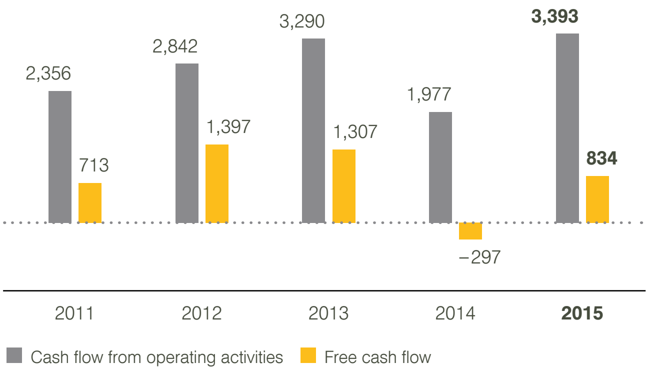
* Capital expenditure shown without pro rata profit/loss from the equity valuation.

Free cash flow up to EUR 834m

Gross capital expenditure for the Lufthansa Group came to EUR 2.9bn. This included the primary, secondary and financial investments described beforehand as well as payments for repairable spare parts for aircraft.

Asset disposals gave rise to income of EUR 138m in 2015 (previous year: EUR 161m). Aircraft disposals accounted for EUR 81m, and repayments received for loans for EUR 45m. The disposal of consolidated equity investments – in particular of the IT Infrastructure unit – resulted in cash outflows of EUR 122m in total. Interest and dividend income went down by 16.8 per cent to EUR 327m. This brought total net cash used for investing activities to EUR 2.6bn (previous year: EUR 2.3bn).

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



After deducting this net cash used for investing activities, free cash flow for the financial year 2015 was positive at EUR 834m (previous year: negative free cash flow of EUR 297m). The internal financing ratio, that is the proportion of capital expenditure financed from cash flow, came to 132.1 per cent (previous year: 71.2 per cent).

Financial liabilities up to EUR 6.4bn

In the financial year 2015, the Lufthansa Group retained its policy of funding pension obligations flexibly over the medium term. A total of EUR 722m was funded in Germany and abroad.

The purchase of securities for EUR 1.8bn and the sale of securities for EUR 1.1bn resulted in a net cash outflow of EUR 714m (previous year: net inflow of EUR 784m).

The balance of financing activities was a slight net cash inflow totalling EUR 26m (previous year: outflow of EUR 1.1bn). New borrowing of EUR 986m, partly from the issue of a hybrid bond for EUR 494m and several aircraft financing transactions, was offset by cash outflows of EUR 682m in the form of scheduled capital repayments and the early redemption of the convertible bond for JetBlue shares. Other cash outflows were for interest payments (EUR 266m) and dividend payments to minority interests (EUR 14m).

Liquidity up to EUR 3.0bn

Cash and cash equivalents increased by EUR 168m in the reporting period to EUR 996m at year-end. This includes an increase of EUR 22m in cash and cash equivalents due to exchange rate movements. In total, cash and cash equivalents plus current securities came to EUR 3.0bn (previous year: EUR 2.6bn).

Abbreviated cash flow statement of the Lufthansa Group

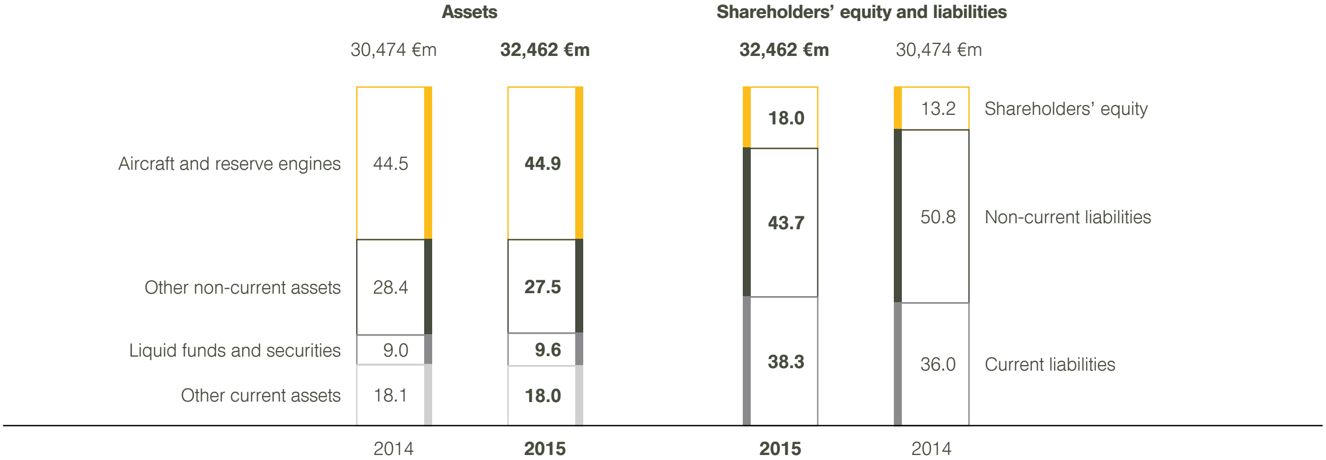
	2015 in €m	2014 in €m	Change in %
Profit/loss before income taxes	2,026	180	1,025.6
Depreciation and amortisation/reversals	1,790	1,508	18.7
Net proceeds on disposal of non-current assets	−53	139	
Net interest/result from equity investments	49	135	−63.7
Income tax payments	−197	−220	−10.5
Significant non-cash expenses/income	−691	460	
Change in trade working capital	−392	−484	−19.0
Change in other assets and liabilities	861	259	232.4
Cash flow from operating activities	**3,393**	**1,977**	**71.6**
Investments and additions to repairable spare parts	−2,936	−2,877	2.1
Purchase/disposal of shares/non-current assets	50	210	−76.2
Dividends and interest received	327	393	−16.8
Net cash from/used in investing activities	**−2,559**	**−2,274**	**12.5**
Free cash flow	**834**	**−297**	
Purchase/disposal of securities/fund investments	**−714**	**784**	
Capital increase	–	–	
Transactions with minority interests	2	–	
Non-current borrowing and repayment of non-current borrowing	304	−470	
Dividends paid	−14	−222	−93.7
Interest paid	−266	−380	−30.0
Net cash from/used in financing activities	**26**	**−1,072**	
Changes due to currency translation differences	22	6	266.7
Cash and cash equivalents 1.1.	**828**	**1,407**	**−41.2**
Cash and cash equivalents 31.12.	**996**	**828**	**20.3**

Assets

Investments in aircraft drive increase in non-current assets
The Group's total assets rose by EUR 2.0bn to EUR 32.5bn as of 31 December 2015. Non-current assets were up by EUR 1.3bn, and current assets by EUR 689m.

Within non-current assets, the aircraft and reserve engines item increased by EUR 1.0bn to EUR 14.6bn, largely due to additions in the current financial year. Repairable spare parts for aircraft increased by EUR 305m. The decline of EUR 575m in the "Other equity investments" item is mainly due to the disposal of virtually all the JetBlue shares previously held by the Lufthansa Group (carrying amount as of 31 December 2014: EUR 610m). The increase of EUR 635m in derivative financial instruments relates mostly to exchange rate hedges. Claims related to deferred tax assets decreased by EUR 289m, due to the significant profit before income taxes as well as to a reduction in pension provisions, which in turn was mainly the result of an increase in the discount rate from 2.6 per cent to 2.8 per cent.

Balance sheet structure in %



Within current assets, receivables rose by EUR 394m to EUR 4.4bn. The main factor behind the rise in this item was the recognition of claims originally totalling EUR 277m (USD 300m) against insurers in connection with the accident involving the Germanwings aircraft on 24 March 2015. These insurance claims are based on an initial estimate from the leading insurer and cover all third-party liability claims resulting from the aircraft disaster, such as salvage and clean-up operations at the site of the accident, counselling and transport costs, claims for damages and the insurance value of the lost aircraft. The initially recognised total insurance claims of EUR 277m – less the insurance value of the aircraft involved of EUR 6m – are offset by a corresponding amount of provisions for the obligations expected as a result of the accident. The estimate of obligations as of 31 December 2015 is based on information from the insurance syndicate, which, on the basis of its expertise and experience with aircraft accidents, had originally reserved a total of EUR 277m (USD 300m). A total of EUR 25m had been settled by year-end 2015, so that as of 31 December 2015 claims of EUR 252m were recognised against insurance companies. As of year-end, the Lufthansa Group had paid EUR 7m in short-term assistance to family members of the passengers. Insured costs amounting to a further EUR 32m have been incurred to date for removing the wreckage and other related activities. Provisions of EUR 232m were therefore recognised for outstanding obligations as of the reporting date. Cash and cash equivalents, consisting of current securities, bank balances and cash-in-hand, went up by EUR 355m to EUR 3.1bn.

Equity ratio up to 18.0 per cent

Equity (including minority interests) went up year on year by EUR 1.8bn, or 45.0 per cent, to EUR 5.8bn. Starting from a positive after-tax result of EUR 1.7bn, the reduction in provisions for pensions recognised directly in equity caused shareholders' equity to go up by EUR 320m. The reserve for the market valuation of financial instruments fell by a total of EUR 483m. EUR 491m resulted from the disposal of the JetBlue shares. Positive currency translation differences increased equity by EUR 240m. With total assets growing by 6.5 per cent, the equity ratio went up from 13.2 per cent as of year-end 2014 to 18.0 per cent.

Non-current liabilities and provisions fell by EUR 1.3bn to EUR 14.2bn. By contrast, current borrowing rose by EUR 1.5bn to EUR 12.4bn. Within non-current liabilities, the pension obligations fell by EUR 605m to EUR 6.6bn, largely due to the increase in the discount rate from 2.6 per cent to 2.8 per cent. Financial liabilities dropped by EUR 333m in total. New borrowing by means of a hybrid bond issued for EUR 494m was offset by the early redemption of the convertible bond on the JetBlue shares and reclassifications to current financial liabilities for maturity reasons (of which EUR 750m from a euro bond due in July 2016). The decline of EUR 412m in derivative financial instruments is almost entirely due to the disposal of conversion options for the shares in JetBlue. The measurement of other financial derivatives revealed a reduction of EUR 84m in the negative values of exchange rate and interest rate hedges and an increase of EUR 76m in the negative market value of fuel hedges, due to the significant fall in the oil price.

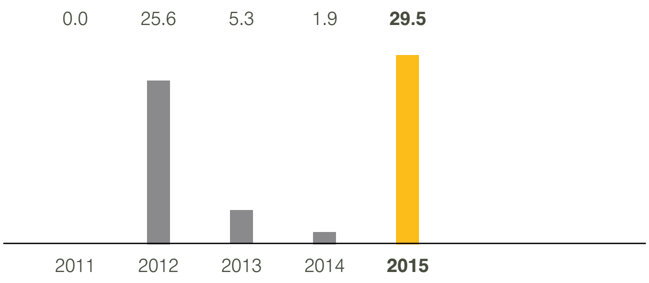
Development of earnings, equity and equity ratio

		2015	2014	2013	2012	2011
Result*	€m	1,722	75	326	1,241	4
Equity*	€m	5,845	4,031	6,108	4,839	8,044
Equity ratio*	%	18.0	13.2	21.0	16.9	28.6

* Including minority interests.

Within current liabilities and provisions, other provisions rose by EUR 122m. An increase in outstanding obligations in connection with the Germanwings accident (EUR 232m) was offset by lower provisions for the contract signed last year for the sale of the IT Infrastructure unit of the former Lufthansa Systems AG and payments in connection with the SCORE programme. Higher current financial liabilities (EUR +745m) were mainly due to reclassifications for maturity reasons. Liabilities from unused flight documents went up by EUR 53m to EUR 2.9bn. Trade payables and other financial liabilities increased by EUR 212m to EUR 4.8bn. Fuel hedges accounted for EUR 407m of the significant increase of EUR 455m in the negative market value of derivative financial instruments.

Return on equity in %



Debt repayment ratio up to 30.7 per cent

Non-current funding accounts for 61.7 per cent of the balance sheet total (previous year: 64.0 per cent). Non-current financing now covers 85.1 per cent of non-current assets (previous year: 87.7 per cent).

Net debt fell to EUR 3.3bn (previous year: EUR 3.4bn). This is the balance of gross financial debt and available financial assets.

Calculation of net indebtedness

	2015 in €m	2014 in €m	Change in %
Liabilities to banks	1,079	1,057	2.1
Bonds	1,749	1,468	19.1
Other non-current borrowing	3,542	3,433	3.2
	6,370	**5,958**	**6.9**
Other bank borrowing	70	198	−64.6
Group indebtedness	**6,440**	**6,156**	**4.6**
Cash and cash equivalents	1,099	953	15.3
Securities	1,994	1,785	11.7
Net indebtedness	**3,347**	**3,418**	**−2.1**
Pension provisions	6,626	7,231	−8.4
Net indebtedness and pensions	**9,973**	**10,649**	**−6.3**

The debt repayment ratio went up to 30.7 per cent (previous year: 20.8 per cent) and thereby moved significantly closer to the minimum value of 35 per cent set by the Lufthansa Group. The target rate of 45 per cent is unchanged from the previous year. Further information can be found in the chapter "Financial strategy" on p. 17. An overview of the main performance indicators can be found in the "Ten-year overview" starting on p. 196.

Debt repayment ratio

in €m	2015*	2014
Cash flow from operating activities	3,393	1,977
Change in trade working capital / other assets and liabilities	−469	225
Interest income	271	256
Interest paid	−266	−380
Dividends received	56	137
Adjusted cash flow from operating activities	**2,985**	**2,215**
Net indebtedness and pensions	**9,726**	**10,649**
Debt repayment ratio in %	**30.7**	**20.8**

* For the calculation of the debt repayment ratio 50 per cent of the hybrid bond issued in 2015 (EUR 247m) have been deducted from the net indebtedness.

Fleet

The Lufthansa Group's fleet is the largest asset in the Company's balance sheet. As of the reporting date, the fleet consisted of 600 aircraft with an average age of 11.8 years (previous year: 11.5 years). This is 15 aircraft fewer than the year before. Aircraft from 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. The fleet strategy aims to continuously reduce the number of aircraft types in operation.

Seven long-haul aircraft were delivered to the Lufthansa Group in 2015. Two Airbus A380s and four Boeing 747-8s went to Lufthansa Passenger Airlines, while one B777F was added to the Lufthansa Cargo fleet. Deutsche Lufthansa AG also took out operating leases on two A330 aircraft. These aircraft are currently flying for Eurowings. Eight aircraft from the A320 family, comprising six A320s and two A321s, were delivered to the airlines in the Lufthansa Group for the short and medium-haul fleets. Available seat-kilometres increased by 2.2 per cent, largely by replacing smaller aircraft with larger ones, as well as by reconfiguring parts of the fleet and making seasonal adjustments to flight classes.

In 2016, the Lufthansa Group is expecting to take delivery of 52 aircraft in total. Two A350s and 14 aircraft from the A320 family are destined for Lufthansa Passenger Airlines, while Eurowings is expecting 19 A320s. SWISS is to receive six B777s, one A330, one A321 and nine Bombardier CS100s.

As of the reporting date, the Lufthansa Group's order list contains 251 aircraft for delivery by 2025. A total of 152 aircraft from the A320 family form the bulk of this order. The adjacent table provides further details. Three B777s were ordered for SWISS in 2015.

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.

Group fleet – Number of commercial aircraft and fleet orders
Lufthansa Passenger Airlines inclusive Germanwings, Eurowings and regional airlines (LH), SWISS (LX), Austrian Airlines (OS) and Lufthansa Cargo (LCAG) as of 31.12.2015

Manufacturer/type	LH	LX	OS	LCAG	**Group fleet**	of which finance lease	of which operating lease	Change compared with 31.12.2014	Additions 2016 to 2025	Additional options
Airbus A319	73	5	7		85	12	4	–		
Airbus A320	77	28	16		121	19	1	+5	106	50
Airbus A321	64	8	6		78	2		+2	46	
Airbus A330	21	16			37	1	2	+2	1	
Airbus A340	42	15			57	3	3	–		
Airbus A350					0			–	25	30
Airbus A380	14				14			+2		
Boeing 737	14				14			–8		
Boeing 747	32				32			–		
Boeing 767			6		6	2		–		
Boeing 777			5	5	10	1		+1	43	26
Boeing MD-11F				14	14			–2		
Bombardier CRJ	35				35			–11		
Bombardier C Series					0			–	30	30
Bombardier Q Series			18		18			–		
Avro RJ		16			16		6	–4		
Embraer	42		1		43			–		
Fokker F70			6		6			–1		
Fokker F100			14		14			–1		
Total aircraft	**414**	**88**	**79**	**19**	**600**	**40**	**16**	**–15**	**251**	**136**

Fleet orders Lufthansa Group

		Deliveries
Long-haul fleet		
34	Boeing 777X	2020 to 2025
9	Boeing 777-300ER	2016 to 2018
25	Airbus A350	2016 to 2023
1	Airbus A330	2016
Short-haul fleet		
36	Airbus A320 family	2016 to 2017
116	Airbus A320neo family	2016 to 2025
30	Bombardier C Series	2016 to 2018

Financing

All financing activities are aligned with the Lufthansa Group's financing strategy and the targets defined therein. Details can be found in the chapter "Financial strategy" on p. 17 zu finden.

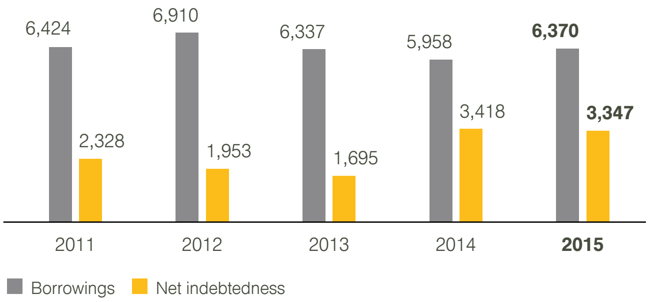
Central financial management optimises cash flows throughout the Group

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, its business segments and Group companies 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 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.

Diverse sources of funding ensure favourable terms

It is generally Deutsche Lufthansa AG that raises the necessary external funds for the Group, passing these on to Group companies where necessary, in particular by means of internal Group loans. The funding instruments are chosen in each case on the basis of Lufthansa's financial strategy. The financing mix is aimed at reducing the cost of funding and maintaining a balanced term structure and a diversified portfolio of investors and lenders. Key financing instruments include aircraft financing vehicles and unsecured funding, such as traded bonds. Furthermore, the Lufthansa Group has bilateral credit lines totalling EUR 780m with a large number of banks. As of the end of the 2015 financial year, none of these lines of credit had been utilised. They each have a term of two years, which is extended for another two years at the end of the first, making them an additional liquidity reserve for the Lufthansa Group.

Development of borrowings and net indebtedness in €m



Several aircraft financing transactions and one capital market transaction completed successfully

Six Japanese operating lease (JOL) transactions with five A320s and one A380 were carried out in 2015. This enabled funds totalling EUR 400m to be raised on particularly favourable terms. These JOL deals are repaid continuously over the eleven-year term of the respective contracts.

In August 2015, Deutsche Lufthansa AG issued a hybrid bond for EUR 500m via the capital market. The bond has a maturity of 60 years, whereby Lufthansa has the option of redeeming the bond after 5.5 years on 12 February 2021. Until this first redemption date, the bond pays interest at an annual rate of 5.125 per cent. The hybrid bond is subordinated to the Lufthansa Group's other existing borrowings. Half the volume of the bond is treated by the Standard & Poor's rating agency as Lufthansa Group equity, which also strengthens the Company's credit rating.

In October 2015, Lufthansa AG 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.

Unsecured loans with a volume of almost EUR 100m and a maturity of seven years were arranged with a Japanese lender on particularly attractive terms.

There was no significant off-balance-sheet financing in the reporting year. However, various Lufthansa Group companies did enter into rental and/or operating lease contracts. These mainly relate to leases for aircraft and property. More information can be found in the Notes to the consolidated financial statements, "Note 20" starting on p. 141.

Ongoing funding of pension obligations continues

Contributions of EUR 722m were made across the Group in 2015. The funding of German pension obligations accounted for EUR 595m. Contributions of around EUR 600m a year have been made on a voluntary basis since 2004 and are reviewed annually.

Development of ratings

Rating / outlook	**2015**	2014	2013	2012	2011
Standard & Poor's	BBB–/ stable	BBB–/ stable	BBB–/ stable	BBB–/ stable	BBB–/ stable
Moody's	Ba1 / positive	Ba1 / positive	Ba1 / stable	Ba1 / stable	Ba1 / stable

Ratings confirmed

The two rating agencies Standard & Poor's and Moody's confirmed their ratings for the Lufthansa Group. The current grades primarily reflect the sound financial profile and the diversification across a broad route network and various business segments.

Lufthansa's credit ratings

Standard & Poor's (May 2015)*	**Moody's Investors Service** (May 2015)*
Long-term: BBB– Short-term: A-3 Outlook: Stable	Long-term: Ba1 Short-term: Not Prime Outlook: Positive
Strengths	**Strengths**
+ One of the leading global network carriers with an excellent competitive position and one of the largest route network world-wide. Strong market positions at hubs in Frankfurt, Munich, Zurich and Vienna	+ One of the largest airlines in the world with a very diversified route network in terms of geography
+ Well diversified business profile with leading market 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
+ Balanced exposure to high-yielding, premium long-haul traffic across its route portfolio, and leading domestic market position in Germany	+ Maintenance, repair and overhaul (MRO) and catering business segments deliver stable profit contribution and help to mitigate the exposure to economic volatility
+ Strong liquidity position	+ Solid liquidity position
Weaknesses	**Weaknesses**
– Cost position, i. e. difficulties reducing staff costs, as a competitive disadvantage	– Profitability of the Passenger Airline Group depends on external factors including uncertain fuel prices, economic development in Europe and competition from low-cost carriers
– Significant and volatile pension obligations due to a fluctuating discount rate	– 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 2015. The Company's results developed positively and many important entrepreneurial decisions have been taken to improve its current and future performance.

Volatile parameters, such as interest and exchange rates as well as oil prices, affected the profitability and balance sheet of the Lufthansa Group over the course of the year, and thereby amplified underlying trends. Nonetheless, great progress was also made on implementing the "7to1 – Our Way Forward" strategic programme.

This includes reaching break-even in point-to-point traffic at Germanwings and Eurowings as well as preparing for the profitable growth of Eurowings, in part on the basis of a new foreign subsidiary with a competitive cost structure, and the launch of long-haul flights at year-end. At Lufthansa Passenger Airlines, the most wide-ranging product upgrade in the company's history was completed successfully. Significant progress was also made with the planned commercial joint ventures between the hub airlines and Air China and Singapore Airlines. New partnerships for the service companies are also opening up promising options for future growth. Finally, a reorganisation was started that will create a sustainable framework for the future strategic development of the Lufthansa Group.

In an economic environment that was positive overall, short-term earnings impairments, such as strike costs at Lufthansa Passenger Airlines, write-downs at Lufthansa Cargo or restructuring costs at Lufthansa Technik, were accepted wherever necessary to strengthen the future performance of the Lufthansa Group. Despite this, all of the operating companies reported positive earnings. With the exception of Lufthansa Cargo, they were all significantly up on the previous year. The Lufthansa Group achieved one of the best results in its history. The cost of capital was covered and additional value was created for shareholders. A proposal will be made to distribute a dividend in line with the dividend policy.

This pleasing performance was driven largely by lower fuel costs, significant earnings improvements at Germanwings and Eurowings, higher product quality at Lufthansa Passenger Airlines and further reductions to the size of the fleet, which led to capacity growth being trimmed and which should contribute to improving unit costs. Yield contraction excluding exchange rate effects at the airlines and higher unit costs excluding exchange rate effects and fuel costs did weigh on the performance in the reporting year, however.

Volatility in pension liabilities over the course of the year due to fluctuations in interest rates show that a comprehensive overhaul of German retirement and transitional benefits, in particular, is of vital importance. In light of this, the agreement reached with ground staff in Germany to discontinue defined benefit commitments was particularly important. Now, the aim is to reach similar agreements with the other collective bargaining partners in Germany. These will also include sustainable wage structures.

Business segments

Business segment Passenger Airline Group

Revenue **24.5** €bn

Adjusted EBIT **1,505** €m

Passenger Airline Group is central to the Lufthansa Group's value creation. / Hub airlines expand route networks and quality leadership. / Eurowings sells quality products at low prices on short and long-haul routes. / Revenue and earnings increased significantly.

Key figures Passenger Airline Group

		2015	2014	Change in %
Revenue	€m	24,499	23,320	5.1
of which with companies of the Lufthansa Group	€m	678	684	–0.9
EBIT	€m	1,465	715	104.9
Adjusted EBIT	€m	1,505	701	114.7
EBITDA[1]	€m	2,767	1,894	46.1
Adjusted EBIT margin	%	6.1	3.0	3.1 pts
EACC	€m	414	–94	
ROCE	%	9.5	5.0	4.5 pts
Segment capital expenditure	€m	2,147	2,248	–4.5
Employees as of 31.12.	number	55,255	54,960	0.5
Average number of employees	number	55,169	55,516	–0.6
Passengers[2]	thousands	107,679	105,991	1.6
Flights[2]	number	994,269	992,204	0.2
Available seat-kilometres[2]	millions	273,975	268,104	2.2
Revenue seat-kilometres[2]	millions	220,400	214,643	2.7
Passenger load factor[2]	%	80.4	80.1	0.3 pts
Average yields	€ cent	10.3	10.0	2.1[3]
Unit revenue (RASK)	€ cent	8.3	8.0	2.6[3]
Unit cost (CASK)	€ cent	8.9	8.8	1.3[3]

[1] Before profit/loss transfer from other companies.
[2] Previous year's figures have been adjusted.
[3] Due to rounding differences, the calculation of relative figures from absolute values presented may lead to significant deviations in some cases.

Business activities

Passenger Airline Group is central to the Lufthansa Group's value creation

Passenger transport is the largest business segment in the Lufthansa Group. The Passenger Airline Group comprises the airlines Lufthansa Passenger Airlines (including Germanwings and Eurowings), SWISS and Austrian Airlines. Equity interests in Brussels Airlines and SunExpress are strategic additions to the portfolio. The financial investment in JetBlue ended on 26 March 2015. Coordination among the airlines creates significant synergies for the airline group.

With its multi-hub strategy, the Passenger Airline Group offers passengers comprehensive flight schedules while providing the greatest level of travel flexibility at the same time. Via its international hubs in Frankfurt, Munich, Zurich and Vienna, the airline group operated a total of 581 aircraft to serve a global route network of 297 destinations in 89 countries in its summer flight timetable 2015. Germanwings and Eurowings focus on direct traffic in point-to-point markets.

All airlines share the common objective of meeting customers' demands in terms of safety, quality, punctuality, reliability and professional service.

Innovative distribution solutions increase proximity to the customer

The passenger airlines in the Lufthansa Group are comprehensively modernising their distribution strategy. One key element of this is the continued refinement and implementation of new direct booking channels. Since 1 September 2015, the costs of booking via global distribution systems (GDSs) have been allocated fairly. The Distribution Cost Charge (DCC) is now added to the price of tickets issued via a GDS. Customers of the Lufthansa Group can still buy their tickets without this charge by booking directly via the airlines' websites, via the service centres or at the airlines' airport ticket desks. Travel agencies and corporate customers can use an online portal as an alternative booking channel with no extra charge. Negotiations with technology partners are underway on setting up more advanced solutions to make bookings via direct sales channels even more attractive and more convenient for users in future. Several partnerships have already made good progress in this area in 2015. The introduction of the DCC had a slight adverse effect on bookings, which had, however, no significant negative impact on the earnings position of the airlines.

Looking ahead, the new distribution strategy should also extend to a fundamental overhaul of revenue management. The intelligent use of customer data will also add value for customers and open up revenue potential for the Passenger Airline Group. It is expected that additional income of EUR 300m annually will be generated from 2018 onwards.

In this context, the Lufthansa Group has introduced a new pricing concept for flight tickets in Europe for Lufthansa Passenger Airlines, SWISS and Austrian Airlines. The new Economy Class fare categories "Light", "Classic" and "Flex" have been introduced to European routes on 1 October 2015 and comprise packages of options and services at different prices. They enable passengers to book services within Economy Class according to their respective preferences. Furthermore, customers can supplement their chosen fare by booking additional service options.

Eurowings strengthens the position of the Lufthansa Group in its home markets

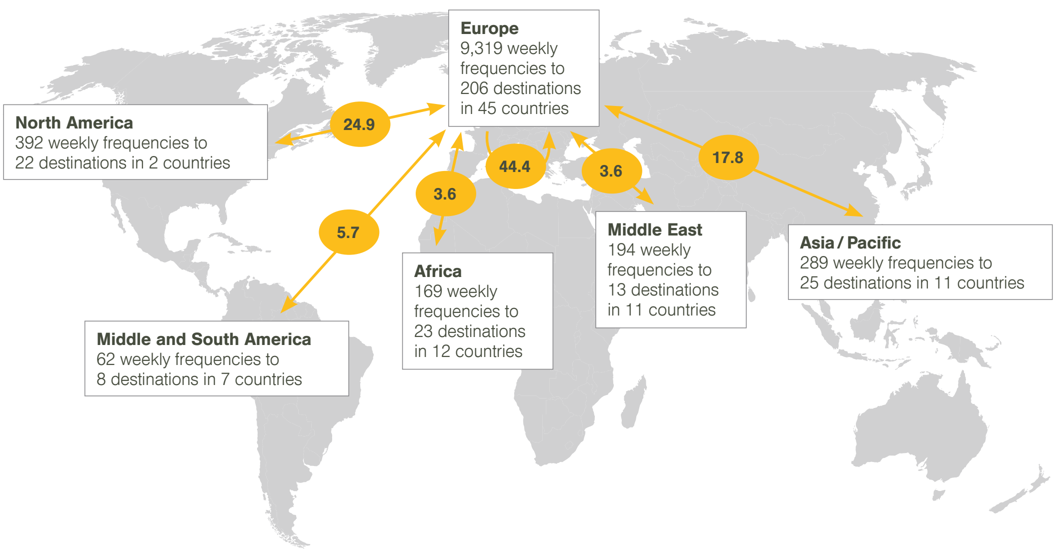
The new Eurowings commenced flight operations on 1 February 2015. The concept for the Eurowings group was developed on the basis of separating network traffic and pure point-to-point connections, as part of the successful expansion of the Germanwings subsidiary. Since transferring decentralised traffic from Lufthansa Passenger Airlines starting in 2013, Germanwings achieved a positive EBIT for the first time in the 2015 financial year.

With the new Eurowings brand, the Lufthansa Group now intends to step into additional markets in the price-sensitive point-to-point leisure travel sector and safeguard its leading position, especially in its home markets of Germany, Austria, Switzerland and Belgium. On 10 August 2015, a company was established in Austria under the current name of Eurowings Europe GmbH as a platform for further growth.

Passenger airlines push forward innovation and modernisation

In the course of 2015, the airlines in the Passenger Airline Group continued to upgrade the travel experience for their passengers with new seats, attractive cabin designs with modern interiors and new in-flight service concepts. The innovative and flexible pricing system, as well as the addition of new tourist destinations to the long-haul network have made the products and services on offer for business and leisure travellers even more attractive. The Lufthansa Group also continued the systematic renewal of its aircraft fleet in 2015.

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



* Frequencies per week Lufthansa Passenger Airlines, SWISS and Austrian Airlines.

Share of traffic revenue of the Passenger Airline Group.

Markets and competition

The Lufthansa Group's hub airlines focus on securing their leading competitive positions at their major hubs as well as on expanding their European and long-haul route networks and their quality leadership. Commercial joint ventures cover the most important long-haul markets and supplement them with additional destinations and connections. Long-standing partnerships exist with United Airlines and Air Canada on routes between Europe and North America, and with All Nippon Airways (ANA) on routes between Europe and Japan. In 2015, significant progress was made with the planned commercial joint venture with Air China. In addition, the Lufthansa Group and Singapore Airlines signed a wide-ranging partnership agreement in November 2015, on the basis of which they intend to operate important connections between Singapore and Europe as part of a commercial joint venture. They also aim to significantly expand their code-sharing connections and to extend the scope of their commercial collaboration. The agreement also covers Austrian Airlines and SWISS, as well as the Singapore Airlines subsidiary SilkAir.

In 2016, the development and expansion of the new Eurowings in Germany, Austria, Belgium and Switzerland will be particularly important. This is intended to provide a successful response to the increasing competition from low-cost carriers in the home markets.

The Passenger Airline Group's hub airlines and Eurowings will also be adding more short and long-haul tourist destinations to their portfolios.

Course of business and operating performance

Fuel prices make significant contribution to earnings performance

Fuel costs at the Passenger Airline Group, including fuel hedging, fell by 13.2 per cent, or EUR 830m, compared with the previous year. Volumes had no material impact, but negative exchange rate effects due to the fall of the euro against the US dollar did offset part of the savings from lower fuel costs.

Sustainable synergies are being created

The airlines in the Passenger Airline Group are working systematically to standardise and synchronise their core processes in order to generate sustainable synergies for the segment. Uniform network and fleet management is to be introduced for all the hub airlines. In the first phase, the core elements include joint decisions on capital-intensive products, such as aircraft seats, and on Group-wide product strategy processes. Going forward, these processes are intended to lead to joint asset management, among other things.

Passenger Airline Group sets new record for passenger numbers

The Passenger Airline Group carried a total of 107.7 million passengers in 2015. This is an increase of 1.6 per cent over last year. Capacity increased by 2.2 per cent, mainly by deploying larger aircraft. The number of flights therefore only rose by 0.2 per cent. Sales rose by 2.7 per cent. The passenger load factor increased by 0.3 percentage points to 80.4 per cent. Both the number of passengers carried and the load factor represent new highs in the evolution of the Lufthansa Group. Yields improved by 2.1 per cent, and traffic revenue climbed by 4.9 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 %	
	2015	Change in %	**2015**	Change in %	**2015**	Change in %	**2015**	Change in %	**2015**	Change in pts
Europe	10,181	1.2	86,053	1.3	91,960	0.0	70,338	1.1	76.5	0.8
America	6,822	10.9	10,496	3.6	93,974	4.2	78,879	4.0	83.9	−0.2
Asia/Pacific	3,975	6.4	6,602	4.1	64,127	3.4	52,994	4.2	82.6	0.6
Middle East/Africa	1,632	0.9	4,528	−0.1	23,913	−0.3	18,189	−0.9	76.1	−0.4
Total	**22,610**	**4.9**	**107,679**	**1.6**	**273,975**	**2.2**	**220,400**	**2.7**	**80.4**	**0.3**

* Including Germanwings.

Capacity in the Europe traffic region was unchanged. Sales rose by 1.1 per cent. The passenger load factor rose by 0.8 percentage points to 76.5 per cent. Yields rose by 0.1 per cent and traffic revenue by 1.2 per cent.

Capacity in the Americas traffic region was up by 4.2 per cent. Sales rose by 4.0 per cent. The passenger load factor fell by 0.2 percentage points to 83.9 per cent. Yields rose by 6.7 per cent and traffic revenue by 10.9 per cent.

Capacity in the Asia / Pacific traffic region was up by 3.4 per cent. Sales rose by 4.2 per cent. The passenger load factor rose by 0.6 percentage points to 82.6 per cent. Yields rose by 2.1 per cent and traffic revenue by 6.4 per cent.

Capacity in the Middle East / Africa traffic region declined by 0.3 per cent. Sales fell by 0.9 per cent. The passenger load factor fell by 0.4 percentage points to 76.1 per cent. Yields rose by 1.8 per cent and traffic revenue by 0.9 per cent.

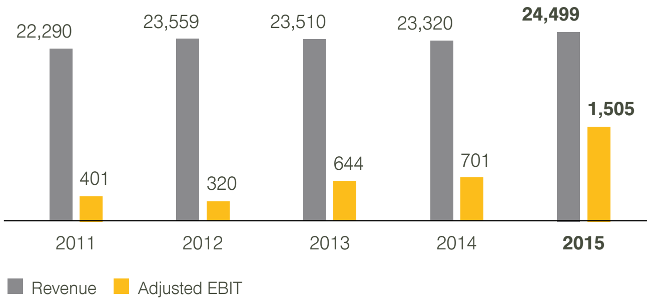
Revenue and earnings development

Revenue up by 5.1 per cent
With an increase in traffic performance, traffic revenue for the segment was up by 4.9 per cent overall to EUR 22.6bn. While sales volumes (+2.7 per cent) and positive exchange rate effects (+5.9 per cent) increased income, lower prices (–3.7 per cent) had the opposite effect.

Total revenue went up by 5.1 per cent to EUR 24.5bn. Other operating income was up by 36.4 per cent to EUR 1.4bn. The increase stemmed mainly from higher exchange rate gains (EUR +385m) and higher income from the write-back of provisions (EUR +42m). They were offset by lower income from write-ups on non-current assets (EUR –29m). As a result, total operating income rose by 6.4 per cent to EUR 25.9bn. The increase in traffic revenue, primarily due to exchange rates, was the main reason why the forecast of slightly lower revenue, made the year before, did not materialise in the past financial year.

Expenses up by 3.5 per cent
Operating expenses increased by 3.5 per cent to EUR 24.5bn. The cost of materials and services was flat year on year at EUR 15.1bn (–0.1 per cent). Expenses were reduced by lower fuel costs (–13.2 per cent). Fuel prices declined by 35.5 per cent (after hedging), but this was partly offset by the rise in the US dollar (+20.3 per cent) and higher volumes (+2.0 per cent). Fees and charges went up by 7.3 per cent in total to EUR 5.4bn, due to both volumes and prices as well as exchange rates. Other purchased services were up by 12.1 per cent overall at EUR 4.0bn, in particular due to higher MRO services (+12.7 per cent).

Revenue and Adjusted EBIT Passenger Airline Group in €m



While staff costs climbed by 10.4 per cent to EUR 4.7bn, the average number of employees for the year fell slightly by 0.6 per cent to 55,169. The increase is mainly due to greater expenses as a result of exchange rate movements, the wage agreements that came into effect in 2015 as well as higher contributions to pension provisions following the fall in the discount rate from 3.75 per cent to 2.60 per cent, along with currency effects.

Depreciation of aircraft was up by 12.7 per cent to EUR 1.2bn, primarily due to the new aircraft delivered in 2014 and 2015. Other operating expenses rose by 8.9 per cent to EUR 3.4bn. Higher exchange rate losses (EUR +179m), costs for computerised distribution systems (EUR +73m) and indirect staff costs (EUR +58m) were largely responsible for the increase.

Expenses Passenger Airline Group

	2015 in €m	2014 in €m	Change in %
Cost of materials and services	15,146	15,161	–0.1
of which fuel	5,464	6,294	–13.2
of which fees	5,375	5,011	7.3
of which operating lease	28	33	–15.2
of which MRO services	2,098	1,862	12.7
Staff costs	4,675	4,234	10.4
Depreciation and amortisation	1,301	1,178	10.4
Other operating expenses	3,386	3,108	8.9
of which agency commissions	317	307	3.3
of which external staff	612	554	10.5
Total operating expenses	**24,508**	**23,681**	**3.5**

EBIT up by EUR 750m, Adjusted EBIT climbs to EUR 1.5bn
Including the result from equity investments of EUR 68m, EBIT came to EUR 1.5bn (EUR +750m). The result from equity investments came mainly from Terminal 2 GmbH & Co. OHG (EUR 18m), SunExpress (EUR 31m) and SN Airholding (EUR 15m). Adjusted EBIT for the Passenger Airline Group rose year on year by EUR 804m to EUR 1.5bn. Strikes and their effects reduced earnings by EUR 231m. This represents a significant earnings increase over the past few years. In addition to the positive effects of measures to improve earnings in recent years, the scale of the earnings increase is, to a large extent, due to the particularly low cost of fuel. Comments on the earnings of the individual airlines can be found in the following sections.

Net expenses of EUR 40m overall were eliminated in the reconciliation from EBIT to Adjusted EBIT. They include impairment losses of EUR 42m on two Boeing 747-400s and eleven B737s held for sale, as well as write-downs on loans. Also eliminated in the reconciliation to Adjusted EBIT were expenses for past service costs (EUR 13m) and net book gains on the disposal of non-current assets (EUR 15m).

Segment capital expenditure down to EUR 2.1bn
Segment capital expenditure declined by 4.5 per cent to EUR 2.1bn. It comprised the 18 aircraft listed in the chapter "Assets and financial position" on p. 33 as well as aircraft overhauls and down payments.

Lufthansa Passenger Airlines

Lufthansa Passenger Airlines[1]

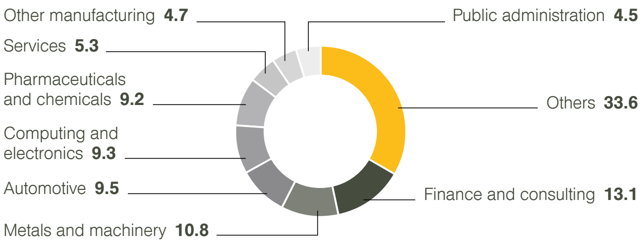
		2015	2014	Change in %
Revenue	€m	17,944	17,098	4.9
EBIT	€m	904	393	130.0
Adjusted EBIT	€m	970	399	143.1
EBITDA[2]	€m	1,845	1,238	49.0
Employees as of 31.12.	number	40,262	40,199	0.2
Average number of employees	number	40,364	40,608	−0.6
Passengers[3]	thousands	79,305	77,547	2.3
Flights[3]	number	701,404	701,499	0.0
Available seat-kilometres[3]	millions	202,314	197,478	2.4
Revenue seat-kilometres[3]	millions	162,173	156,826	3.4
Passenger load factor[3]	%	80.2	79.4	0.8 pts

[1] Including Germanwings and regional partners.
[2] Without Group-internal profit and loss transfer/investment income.
[3] Previous year's figures have been adjusted.

Lufthansa Passenger Airlines is the largest airline in Germany. Its business is divided into a premium segment, with the two largest German hubs in Frankfurt and Munich, and point-to-point traffic on short and medium-haul routes, which is covered by the Germanwings and Eurowings brands. Germanwings, Eurowings and other flight operations will be marketed together under the umbrella of the new Eurowings in future. The Lufthansa CityLine and Air Dolomiti regional airlines are also part of Lufthansa Passenger Airlines. Overall, the Lufthansa Passenger Airlines carriers operate a fleet of 414 aircraft and serve a route network comprising 258 destinations in 80 countries.

Quality offensive at Lufthansa Passenger Airlines is successful
Lufthansa Passenger Airlines continues to consistently strive for quality leadership in its markets. On the way to achieving this, important milestones were reached successfully in 2015. With the installation of the new Business and Economy Class, all long-haul aircraft have now been upgraded. Furthermore, the long-haul fleet was fitted with the new Premium Economy Class which provides an ideal addition to the quality spectrum between Economy and Business Class. The new First Class cabin has also been installed in 76 aircraft. In-flight service concepts have been reworked and aligned even more closely with customers' individual requirements.

Sector origin of Lufthansa Passenger Airlines' corporate customers in %



To adequately serve routes with higher demand from private travellers, the A340-300 fleet was converted to a configuration without First Class and with a higher proportion of Economy Class seats. This made it possible to reduce unit costs in the price-sensitive segment. The remaining Boeing 747-400s and A330-300s in the fleet are also to be switched to a configuration without First Class.

New long-haul destinations, largely aimed at tourists, were added to Lufthansa Passenger Airlines' flight timetable from Frankfurt in order to meet growing demand for leisure travel. In late September 2015, Lufthansa Passenger Airlines introduced a programme of long-haul flights tailored specially to leisure travellers. Tampa in Florida was the destination of the first flights to take off as part of this new programme. Other destinations include Cancún, Malé and Mauritius. Lufthansa Passenger Airlines will continue to modernise its fleet in 2016. From autumn 2016, a highly efficient aircraft model will join the fleet in the shape of the A350, which also stands out for its much-reduced noise emissions.

The first short and medium-haul A320s were fitted with a wireless entertainment system that allows passengers to use individual entertainment and information programmes with their own smartphones, tablets or notebooks.

Strikes burden earnings significantly

In 2015, the operating business and earnings of Lufthansa Passenger Airlines again suffered significant adverse effects from strikes by the Vereinigung Cockpit pilots' union (VC) and the independant flight attendants' union (UFO). A total of 8,125 flights were cancelled due to strikes, and some 1.1 million passengers were affected. The strikes diminished earnings for the past financial year by around EUR 231m in total. In addition to the direct costs, the threat of possible further strikes also has an adverse effect on passengers' booking patterns and therefore on income streams, even after the strike itself.

Currency restrictions in Venezuela again made a negative impact on the result. Capacity and sales measures were introduced to keep foreign currency reserves in Venezuela as low as possible, as the transfer of hard currency from ticket sales is severely restricted.

Good progress made in talks with trade unions

Arbitration was agreed with the UFO flight attendants' union on 22 January 2016. Details can be found in the "Supplementary report" on p. 68. A basis for constructive dialogue was established with VC. One crucial step towards this was the Job Summit held on 2 December 2015, involving the Lufthansa Group and all German trade unions. A pay rise and a fundamental reform of the collective agreement on retirement benefits for ground staff in Germany were agreed as part of an overall package negotiated along with the other companies in the Lufthansa Group and the Vereinigte Dienstleistungsgewerkschaft (ver.di) in late November 2015.

In July 2015, the decision was taken to close the non-hub stations in Germany with effect from 31 May 2021. As of year-end 2015, a balancing of interests and severance packages had been agreed for all the stations concerned.

Further efficiency gains thanks to numerous initiatives

New activities to increase efficiency are continuously developed and targets set accordingly as part of "7to1 – Our Way Forward". Key projects in this respect in 2015 were the installation of the new First and Business Class, the introduction of Premium Economy Class and the withdrawal from sub-fleets in the 70-seater segment. The further development of the Munich hub, with more attractive transfer times and more efficient use of aircraft, also had a positive effect on earnings.

Passenger numbers and load factors reach record levels

Lufthansa Passenger Airlines carried some 79.3 million passengers in 2015. This represents an increase of 2.3 per cent on the previous year and is a new record. At the same number of flights, available seat-kilometres rose by 2.4 per cent. Revenue seat-kilometres were up by 3.4 per cent. The passenger load factor of 80.2 per cent (+0.8 percentage points) also marked a new high. Yields rose by 1.0 per cent, primarily as a result of exchange rate movements, and traffic revenue improved by 4.4 per cent.

Significant year-on-year earnings improvement

Last year, Lufthansa Passenger Airlines was able to increase its revenue by 4.9 per cent to EUR 17.9bn, largely as a result of exchange rate movements. Adjusted EBIT came to EUR 970m (+143.1 per cent), and EBIT to EUR 904m, which represents an improvement of EUR 511m (+130.0 per cent). The good result was driven by a number of factors, including lower fuel costs, higher sales, mainly due to strong demand in the summer months, and earnings improvements thanks to activities undertaken as part of "7to1 – Our Way Forward". This was offset, primarily, as a result of factors including strike costs, expenses for modernising the aircraft cabins and lower unit revenues due to exchange rates.

SWISS

SWISS[1)]

		2015	2014	Change in %
Revenue	€m	4,542	4,241	7.1
EBIT	€m	462	282	63.8
Adjusted EBIT	€m	429	278	54.3
EBITDA[2)]	€m	715	513	39.4
Employees as of 31.12.	number	9,009	8,694	3.6
Average number of employees	number	8,819	8,690	1.5
Passengers	thousands	17,536	17,270	1.5
Flights	number	166,038	163,766	1.4
Available seat-kilometres	millions	48,345	47,285	2.2
Revenue seat-kilometres	millions	40,038	39,388	1.6
Passenger load factor	%	82.8	83.3	–0.5 pts

1) Including Edelweiss Air.
Further information on SWISS can be found at www.swiss.com.
2) Without Group-internal profit and loss transfer / investment income.

SWISS is the national airline of Switzerland. Together with its sister company Edelweiss Air and from airports in Zurich and Geneva, it serves a global route network of 137 destinations in 53 countries with a fleet of 88 aircraft.

The separately managed Swiss WorldCargo division offers a comprehensive range of airport-to-airport services for high-value goods and sensitive freight to 130 destinations in more than 80 countries.

Fleet renewal and service upgrade continue
SWISS continues to invest in its fleet, product and services on an ongoing basis. In 2015, a particular focus was on further improvements to the quality of the Business Class service. The new SWISS flagship, the Boeing 777-300ER, will enter scheduled service in early 2016. Nine of these aircraft will gradually replace the SWISS long-haul fleet by the end of 2018. They will offer a state-of-the-art cabin product, including a wireless internet connection. From mid-2016, SWISS is expecting to receive its new Bombardier C Series short and medium-haul aircraft, which will replace the current Avro RJ 100s. It has ordered 30 aircraft of this type in total.

New point-to-point system introduced
SWISS introduced the Hub+ system for point-to-point traffic in spring 2015. Its 2015 summer flight timetable included 22 new routes from Zurich. SWISS also expanded its programme from Geneva, which, from the 2015 summer flight timetable onwards, has included six additional, year-round destinations: Florence, Valencia, Sarajevo, Skopje, Algiers and Dublin. Edelweiss Air has added Kerkyra in Greece to its programme.

Sustainable earnings improvement achieved with "7to1 – Our Way Forward"
A large number of measures have already been successfully implemented as part of "7to1 – Our Way Forward". Alongside more efficient fuel management and optimised network planning, the future focus will be on developing additional services, such as the possibility of purchasing an upgrade to a higher travel class in an auction. A new cost model was also contractually agreed with Flughafen Zürich AG, which should deliver significant cost savings from 2016 onwards.

SWISS sets new passenger record
SWISS carried 17.5 million passengers last year. This represents an increase of 1.5 per cent on the previous year and is thereby a new record for passenger numbers. Capacity increased by 2.2 per cent, while sales grew by 1.6 per cent. The passenger load factor fell accordingly by 0.5 percentage points to 82.8 per cent. Yields improved by 6.7 per cent, and traffic revenue climbed by 8.4 per cent.

Revenue and earnings improvements
SWISS again reported higher revenue and earnings in 2015. Revenue improved by 7.1 per cent to EUR 4.5bn, although it was hard-pressed by the decision of the Swiss central bank to abandon the minimum exchange rate against the euro. Lower oil prices had a very positive effect on earnings, however. Consistent capacity management aimed at maximising load factors and the ongoing SCORE activities also had a positive impact on earnings. Adjusted EBIT rose by EUR 151m to EUR 429m, while EBIT climbed by EUR 180m to EUR 462m.

Austrian Airlines

Austrian Airlines[1)]

		2015	2014	Change in %
Revenue	€m	2,102	2,069	1.6
EBIT	€m	54	17	217.6
Adjusted EBIT	€m	52	9	477.8
EBITDA[2)]	€m	162	121	33.9
Employees as of 31.12.	number	5,984	6,067	−1.4
Average number of employees	number	5,986	6,218	−3.7
Passengers[3)]	thousands	10,838	11,174	−3.0
Flights[3)]	number	126,827	126,939	−0.1
Available seat-kilometres[3)]	millions	23,316	23,342	−0.1
Revenue seat-kilometres[3)]	millions	18,190	18,429	−1.3
Passenger load factor	%	78.0	78.9	−0.9 pts

[1)] Further information on Austrian Airlines can be found at www.austrian.com.
[2)] Without Group-internal profit and loss transfer / investment income.
[3)] Previous year's figures have been adjusted.

Austrian Airlines is Austria's largest airline, operating a global route network to 119 destinations in 51 countries with its own fleet of 79 aircraft.

Tyrolean Airways Luftfahrzeuge Technik GmbH was set up as a separate company with headquarters in Innsbruck in March 2015. The company specialises in the maintenance of Bombardier Dash 8-aircraft.

Flight operations at the Austrian Airlines Group were pooled at Austrian Airlines by merging Tyrolean Airways Tiroler Luftfahrt GmbH with Austrian Airlines AG as of 1 April 2015 with effect from 31 December 2014.

Innovation and service are key factors in a difficult environment

Austrian Airlines also remains exposed to intense and increasing competition. The crises in Ukraine, Russia and the Middle East also continue to represent a challenge for Austrian Airlines in its current business. Capacity to several destinations has therefore had to be reduced and some routes have been suspended temporarily. Austrian Airlines is responding to the permanently tense competitive situation at the hub in Vienna with steps to increase its revenue quality, such as further service and product improvements, ongoing capacity management and cost-cutting initiatives. In light of this, and after its restructuring programme in recent years, Austrian Airlines sees itself as fundamentally well prepared for future growth.

Modern Embraer jets to replace Fokker aircraft

On 19 March 2015, the Supervisory Board of Austrian Airlines approved a proposal to replace the Fokker aircraft with Embraer medium-haul jets. The integration of the aircraft previously deployed at Lufthansa CityLine began in autumn 2015 and should be completed by the end of 2017. 21 aircraft comprising the Fokker 70 and Fokker 100 models were sold back in November 2015, with the phase-out due to be completed by the end of 2017. Preparations to incorporate 17 Embraer jets into the fleet had an adverse effect on the frequency of flight services in summer 2015. Austrian Airlines responded to this by leasing external capacity, which largely stabilised operations.

Start of cabin overhaul for the Airbus fleet

The cabin refit for the 29 aircraft in the Airbus A320 family began in 2015, and will be completed by 2017. Key changes include improvements to the Business Class, which will get a bigger seat pitch as well as new seats.

Tourist destinations increasingly important

Austrian Airlines expanded its network in 2015, in particular with the inclusion of the tourist destinations Odessa, Minorca, Manchester, Miami, Colombo, Mauritius and Marrakesh. Flights to Shanghai and Bari are to start in spring 2016.

"7to1 – Our Way Forward" contributes to earnings improvement

The activities undertaken as part of "7to1 – Our Way Forward" are also having an effect. The new collective agreement for cabin crew has reduced costs sustainably compared with the previous year, while commercial initiatives like the new fare model for European traffic and several e-commerce activities have improved earnings significantly.

Positive operating result

With 10.8 million passengers, Austrian Airlines carried 3.0 per cent fewer customers than in 2014. Capacity was roughly stable (−0.1 per cent), while sales fell by 1.3 per cent. The load factor of 78.0 per cent was slightly down on the previous year (−0.9 percentage point). Higher yields (+2.7 per cent), largely as a result of exchange rates, pushed traffic revenue up by 1.3 per cent.

At EUR 2.1bn, Austrian Airlines' revenue was up by 1.6 per cent on the previous year. Adjusted EBIT climbed by EUR 43m to EUR 52m. Lower fuel costs were offset by higher MRO expenses and additional costs due to the stronger US dollar. At EUR 54m, EBIT also improved significantly year on year to (EUR +37m).

Business segment Logistics

Revenue **2.4** €bn

Adjusted EBIT **74** €m

Lufthansa Cargo is Europe's leading freight airline. / Leadership extended through quality improvements and global partnerships. / Increasing simplification and digitalisation of airfreight processes. / Revenue and earnings down due to lower load factor.

Key figures Logistics

		2015	2014[2]	Change in %
Revenue	€m	2,355	2,435	–3.3
of which with companies of the Lufthansa Group	€m	24	25	–4.0
EBIT	€m	3	123	–97.6
Adjusted EBIT	€m	74	123	–39.8
EBITDA[1]	€m	155	187	–17.1
Adjusted EBIT margin	%	3.1	5.1	–2.0 pts
EACC	€m	–72	20	
ROCE	%	0.2	8.0	–7.8 pts
Segment capital expenditure	€m	116	214	–45.8
Employees as of 31.12.	number	4,607	4,663	–1.2
Average number of employees	number	4,643	4,656	–0.3
Freight and mail	thousand tonnes	1,630	1,669	–2.4
Available cargo tonne-kilometres	millions	12,606	12,354	2.0
Revenue cargo tonne-kilometres	millions	8,364	8,612	–2.9
Cargo load factor	%	66.3	69.7	–3.4 pts

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

Business activities

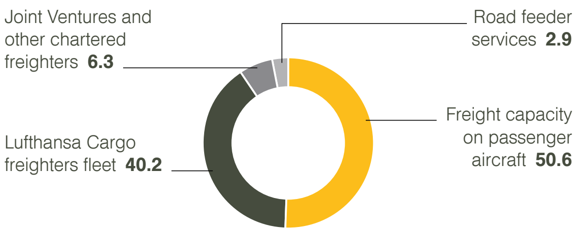
Lufthansa Cargo is Europe's leading freight airline

Lufthansa Cargo is the logistics specialist within the Lufthansa Group. As of 31 December 2015, the company's own fleet consisted of five Boeing 777F and 14 Boeing MD-11F cargo aircraft.

In addition to Lufthansa Cargo AG, the Logistics segment includes the airfreight container management specialist Jettainer Group and the equity investment in the cargo airline AeroLogic GmbH. AeroLogic is based in Leipzig and operates its eight B777 freighters to 20 destinations around the world on behalf of its two shareholders, Lufthansa Cargo and DHL Express. Lufthansa Cargo also has equity investments in various handling companies. Lufthansa Cargo markets capacities on its own freighters and chartered cargo aircraft, along with belly capacities on passenger aircraft operated by Lufthansa Passenger Airlines and Austrian Airlines. Freighters and passenger aircraft each carried about half of the total cargo. Altogether, Lufthansa Cargo offers connections to more than 300 destinations in around 100 countries.

The focus of Lufthansa Cargo's operations lies in the airport-to-airport airfreight business. Its product portfolio encompasses standard and express freight as well as highly specialised products. These include the transport of live animals, valuable cargo, mail and dangerous goods, as well as the growing sector of temperature-sensitive goods. Lufthansa Cargo has specialised infrastructure at Frankfurt Airport to handle these sensitive goods, such as the Frankfurt Animal Lounge or the Lufthansa Cargo Cool Centre.

Composition of Logistics capacity in %

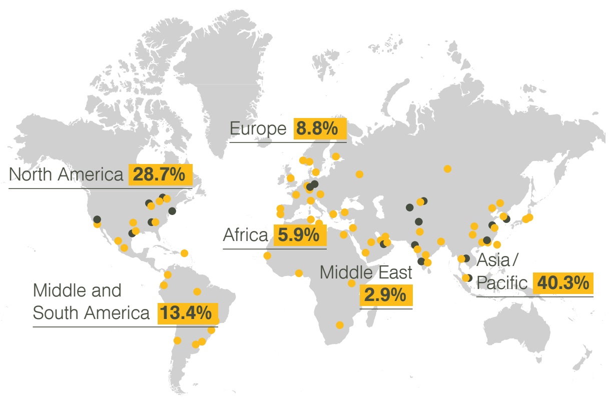


International partnerships are a success

Lufthansa Cargo aims to significantly simplify and automate airfreight processes and to sustainably reduce unit costs. This requires a modern aircraft fleet, an efficient ground infrastructure and process digitalisation. Similarly, further quality enhancements and global partnerships should help the company to build on its leading position in the airfreight industry.

The new partnership with All Nippon Airways (ANA) from Japan, which has been in place since December 2014, has been operating successfully. Capacities on the routes covered by the cooperation agreement are marketed jointly by both partners. This makes it possible to offer customers more attractive and flexible services. The partnership has already shown its contribution in the first year. More than 90 direct flights a week are now offered under the agreement. Customers can also make use of selected feeder and connecting flights. Lufthansa Cargo announced another partnership in December 2015. The airline intends to cooperate with United Cargo on the basis of a similar model to that used for the partnership with ANA. Here, too, customers will benefit from a larger network and coordinated processes.

Destinations Lufthansa Cargo Freighters fleet



Share of traffic revenue by region.

Markets and competition

Asia / Pacific and North America remain the most important traffic regions

Germany and Europe remain the main markets for Lufthansa Cargo, accounting for around 50 per cent of sales. Its main traffic regions were again Asia / Pacific and North America.

The slight upturn in global demand for airfreight at the end of 2014 initially continued into 2015. Growth slowed in the second and third quarters, however, and markets were flat. Lufthansa Cargo's earnings in this period were very poor. Business stabilised somewhat in the fourth quarter for seasonal reasons, but was interrupted by the strikes at Lufthansa Passenger Airlines, among other things.

Lufthansa Cargo introduces new pricing model

Some cargo airlines introduced an amendment to their pricing models at the beginning of 2015 with all-in rates. After careful analysis, Lufthansa Cargo also decided to amend its pricing model. Since the 2015 / 2016 winter flight timetable, it has only had two price components: a net rate and an adjusted airfreight surcharge. This means that the various surcharges for fuel and security will no longer apply. The new airfreight surcharge is lower than the total surcharges levied previously. Net rates have been adjusted accordingly, so there were no changes to the total rates as a result of altering the price structure.

Course of business and operating performance

Renewal of fleet, IT and ground infrastructure continues

The fifth Boeing 777F joined the fleet in February 2015. This type of freighter stands out for its lower fuel consumption, great range and outstanding reliability. The company has now successfully integrated all five of its B777F aircraft into flight operations.

In April 2015, the decision on the construction of the LCCneo logistics centre in Frankfurt was postponed by at least two years. As a result, steps are now being reviewed to find a cost-effective way of modernising the existing freight centre.

With the global roll-out of a new IT system for freight handling, the biggest IT project in the company's history was brought to a successful conclusion at the end of 2015. This underlines Lufthansa Cargo's position as a digital pioneer within the industry. By 2020, the company intends to digitalise its relationships with all the players in the transport chain, from bookings to deliveries. In the long run, customers will benefit from greater transparency, higher speeds, better quality and more efficiency, which in turn enables them to be more flexible.

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 %	
	2015	Change in %	**2015**	Change in %	**2015**	Change in %	**2015**	Change in %	**2015**	Change in pts
Europe	198	−6.2	531	−4.7	687	0.4	328	−4.4	47.7	−2.4
America	958	−0.8	503	−1.7	5,766	3.5	3,679	−2.9	63.8	−4.2
Asia/Pacific	919	−5.2	466	−0.3	4,996	1.6	3,739	−2.4	74.8	−3.0
Middle East/Africa	200	−8.3	130	−2.6	1,157	−2.3	618	−5.2	53.4	−1.7
Total	**2,275**	**−3.8**	**1,630**	**−2.4**	**12,606**	**2.0**	**8,364**	**−2.9**	**66.3**	**−3.4**

Renewed efforts for greater efficiency
Lufthansa Cargo intends to cut its annual staff costs and staff-related expenses by at least EUR 40m by 2018. In view of the persistently difficult economic environment, Lufthansa Cargo plans to reduce its fleet. Having taken delivery of the fifth new Boeing 777F in early 2015, two MD-11Fs will be retired in 2016. Twelve freighters of this type will then be in service in Lufthansa Cargo's route network.

Load factors down across all traffic regions
Cargo tonnage at Lufthansa Cargo was down year on year by 2.4 per cent. Available tonne-kilometres increased by 2.0 per cent, of which 3.1 per cent was in belly capacities of passenger aircraft and 1.1 per cent was in freighters. Cargo tonne-kilometres fell by 2.9 per cent, however, so the cargo load factor declined year on year by 3.4 percentage points. Yields contracted by 0.7 per cent, and traffic revenue declined by 3.8 per cent.

Available tonne-kilometres in Europe rose by 0.4 per cent, but cargo tonne-kilometres fell by 4.4 per cent. The load factor shrank by 2.4 percentage points.

Capacity was expanded by 3.5 per cent in the Americas traffic region, but cargo tonne-kilometres fell by 2.9 per cent. The load factor shrank by 4.2 percentage points.

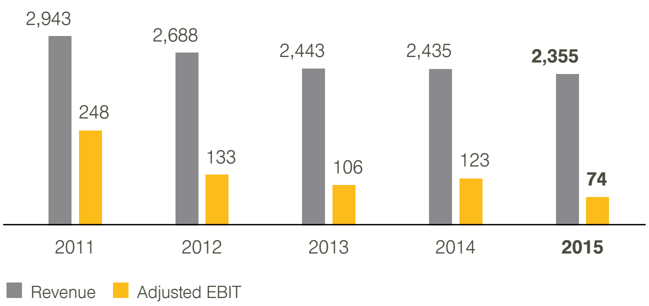
Capacity was expanded by 1.6 per cent in the Asia/Pacific traffic region, but cargo tonne-kilometres declined by 2.4 per cent. The load factor declined by 3.0 percentage points.

Capacity was reduced by 2.3 per cent in the Middle East/Africa traffic region, while cargo tonne-kilometres fell by 5.2 per cent. The load factor declined by 1.7 percentage points.

Revenue and earnings development

Revenue and Adjusted EBIT down
Lufthansa Cargo generated revenue of EUR 2.4bn in 2015 (−3.3 per cent). Other revenue went up to EUR 65m (+18.2 per cent), mainly thanks to higher handling income. Other operating income was down by 31.8 per cent year on year to EUR 58m, largely as a result of lower exchange rate gains. Total operating income dropped to EUR 2.4bn (−4.2 per cent).

Revenue and Adjusted EBIT Logistics in €m



Operating expenses climbed year on year by 0.8 per cent to EUR 2.4bn, also partly due to exchange rates. The cost of materials and services fell by 6.7 per cent to EUR 1.6bn. Within this item, the cost of fuel decreased to EUR 319m (–29.6 per cent), primarily as a result of lower prices. Charter expenses fell by 3.7 per cent to EUR 676m.

Staff costs rose year on year by 7.0 per cent to EUR 414m. The increase stems mainly from the effects of currency and wage settlements, as well as higher service costs for pension obligations. The companies in the Logistics segment had an average of 4,643 employees in the reporting period.

Depreciation and amortisation went up by EUR 88m to EUR 152m. In addition to depreciation on the new B777F aircraft, this amount also includes impairment losses totalling EUR 69m on project costs in connection with the postponement of the new freight terminal (LCCneo) and on planning costs for the construction of an administration centre.

Other operating expenses rose to EUR 292m (+6.6 per cent), mainly due to higher exchange rate losses. The result from equity investments climbed by EUR 7m to EUR 25m.

Operating expenses Logistics

	2015 in €m	2014 in €m	Change in %
Cost of materials and services	1,577	1,690	–6.7
of which fuel	319	453	–29.6
of which fees	303	278	9.0
of which charter expenses	676	702	–3.7
of which MRO services	126	121	4.1
Staff costs	414	387	7.0
Depreciation and amortisation	152	64	137.5
Other operating expenses	292	274	6.6
Total operating expenses	**2,435**	**2,415**	**0.8**

The Logistics segment generated Adjusted EBIT of EUR 74m in 2015 (previous year: EUR 123m). EBIT, which was reduced by impairment losses, came to EUR 3m (previous year: EUR 123m). In a long-term comparison, this represents a weak result for Lufthansa Cargo.

Capital expenditure sank by 45.8 per cent to EUR 116m in the reporting period (previous year: EUR 214m), primarily due to lower down payments and final payments in connection with the purchase of B777F aircraft.

Business segment MRO

Revenue **5.1** €bn

Adjusted EBIT **454** €m

Lufthansa Technik is a leading global provider of maintenance, repair and overhaul services for civil, commercial aircraft. / Focus on organic growth and strategic partnerships. / Good orders and strong dollar exchange rate lead to higher revenue and year-on-year increase in Adjusted EBIT.

Key figures MRO

		2015	2014	Change in %
Revenue	€m	5,099	4,337	17.6
of which with companies of the Lufthansa Group	€m	1,843	1,664	10.8
EBIT	€m	448	433	3.5
Adjusted EBIT	€m	454	380	19.5
EBITDA*	€m	551	526	4.8
Adjusted EBIT margin	%	8.9	8.8	0.1 pts
EACC	€m	158	168	–6.0
ROCE	%	10.6	11.6	–1.0 pts
Segment capital expenditure	€m	148	118	25.4
Employees as of 31.12.	number	20,661	20,079	2.9
Average number of employees	number	20,289	20,085	1.0
Fully consolidated companies	number	23	21	9.5

* Before profit/loss transfer from other companies.

Business activities

Lufthansa Technik is the world's leading MRO provider

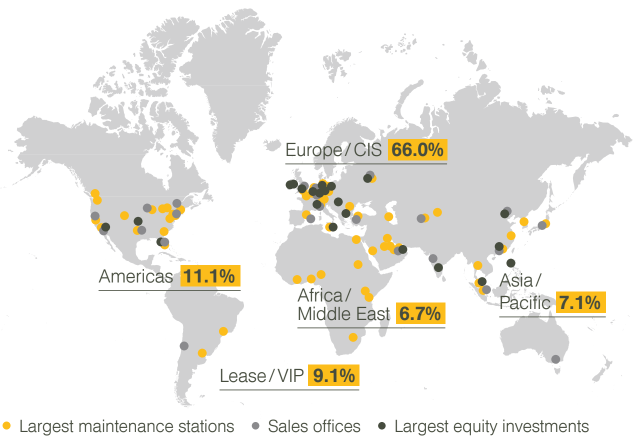
Lufthansa Technik is the world's leading independent provider of maintenance, repair and overhaul services (MRO) for civilian commercial aircraft. The Lufthansa Technik group consists of 31 technical maintenance operations around the world. The company also holds direct and indirect stakes in 54 companies.

Lufthansa Technik's range of services is provided by seven divisions: maintenance, aircraft overhaul, engines, components, aircraft systems, innovation, completion and servicing of VIP aircraft. The portfolio covers 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. In addition to developing new products and services, one of the benefits that Lufthansa Technik offers is to enable airlines to put new aircraft types into scheduled operations safely and to use fuel efficiently.

Lufthansa Technik is committed to innovation and cooperation

Lufthansa Technik Logistik Services, a subsidiary of Lufthansa Technik, has developed and applied for a patent for gate.control, an innovative method of identifying aircraft material in the international repair cycle. A new product called smart.life was developed to optimise the servicing of older aircraft models until the end of their deployment in flight operations. It minimises the expense for customers, which goes up at the end of the aircraft's life cycle.

Locations Lufthansa Technik



Share of revenue by region.

Lufthansa Technik also continues to build on partnerships. In the cabin completion sector, its Lufthansa Bombardier Aviation Services subsidiary will be cooperating with specialist OHS Aviation Services in future to provide services for the completion of business jet interiors from a single source. Together with Airbus Corporate Jets, Lufthansa Technik is expanding its Elite concept for prefabricated cabin completions for the Airbus ACJ319. It is also developing a luxurious and holistic cabin concept for short and medium-haul VIP aircraft in association with Mercedes-Benz Style.

Lufthansa Technik and GE Aviation have agreed to build a state-of-the-art facility for overhauling the new aircraft engine models GEnx-2B and GE9X. The joint venture is intended to commence operations in 2018. An agreement was signed with Moog, an original equipment manufacturer for components of the Airbus A350 and the Boeing 787, which makes Lufthansa Technik an authorised service centre for Moog aircraft components.

Profitable organic growth and expansion by means of strategic partnerships and acquisitions will remain Lufthansa Technik's key objectives in the years ahead.

Markets and competition

Lufthansa Technik meets challenging competition with innovations and strategic partnerships

Lufthansa Technik takes care of some 800 customers around the world, mostly airlines and aircraft leasing companies, but also operators of VIP jets and public-sector clients. The company's most important sales market is still the European region, including the former CIS states. This region accounted for 66.0 per cent of revenue in 2015, slightly less than a year ago. Asia / Pacific accounted for 7.1 per cent, while the Middle East and Africa contributed 6.7 per cent. The revenue share of the Americas region went up to 11.1 per cent. Total revenue with leasing companies and operators of VIP jets fell to 9.1 per cent.

Lufthansa Technik is successfully addressing the demanding competitive situation – which is, in particular, due to original equipment manufacturers (OEMs), who restrict access to intellectual property – by entering into partnerships with these OEMs, and increasingly also by introducing its own innovations and so acting as an OEM itself.

Course of business and operating performance

Important contracts renewed and signed

The number of aircraft serviced under exclusive contracts went up by 12 per cent to 3,680 in the reporting period. This means that one in nine commercially operated aircraft worldwide is serviced by Lufthansa Technik. In the financial year 2015, the company won 27 new customers and signed 375 contracts with a volume of EUR 3.1bn for 2015 and the following years. They include several contracts with low-cost airlines, such as engine servicing agreements with Jetstar Pacific and GoAir.

Other key contracts were signed for component supplies, including with Finnair, the first European operator of the new Airbus A350, and with Air Europa Lineas Aéreas for its Boeing 787 fleet. In South America, Lufthansa Technik expanded its market position in component supply thanks to several contacts with Avianca Holdings Group and Azul Linhas. Frontier Airlines was acquired as a new customer in North America.

After two-and-a-half years, the biggest retrofit programme in the history of Lufthansa Technik was brought to a successful conclusion in autumn 2015. A new cabin layout and a new in-flight entertainment system were installed on a total of 80 long-haul aircraft belonging to Lufthansa Passenger Airlines. The installation of the FlyNet broadband internet connection was completed at the same time.

Global capacities to be expanded in line with demand

Capacities are to be expanded significantly to meet increasing demand, particularly in Asia and America. In 2015, the first two overhaul lines went into operation at Lufthansa Technik Puerto Rico. By 2017, there should be five lines operating. At Lufthansa Technik Components Services in Tulsa, Oklahoma, USA, maintenance capacities were added for aircraft components. Lufthansa Technik Philippines brought additional hangar space into service for the overhaul of Airbus A380 and Boeing 777 aircraft. This site, part of the Lufthansa Technik development unit, was also authorised to develop minor modifications itself in the third quarter of 2015, which will further increase the efficiency of processing customer orders.

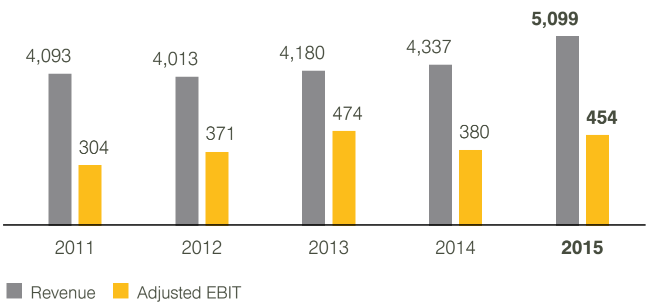
The North American Bizjet subsidiary will expand its focus to cover the repair and overhaul of engines from mid-2016, and aims at becoming an Engine Excellence Centre. Bizjet's VIP Completion division will be shut down by mid-2016, however, as its persistently poor performance has not improved.

Revenue and earnings development

Good orders lead to further revenue growth

Lufthansa Technik increased revenue to some EUR 5.1bn in 2015 (EUR +762m). Revenue from Group companies climbed to EUR 1.8bn (EUR +179m) due to the major modification programmes underway at Lufthansa Passenger Airlines. External revenue rose by 21.8 per cent to EUR 3.3bn. Lufthansa Technik AG accounted for roughly 75 per cent of revenue growth. In addition to the successful implementation of the growth strategy, revenue was also strengthened by the US dollar exchange rate. Other operating income was EUR 108m up on the previous year at EUR 317m. The MRO segment generated total operating income of EUR 5.4bn (+19.1 per cent).

Revenue and Adjusted EBIT MRO in €m



Total operating expenses rose to EUR 5.0bn (+20.6 per cent). In line with the higher volume of modifications and the increase in total output in the components unit, the cost of materials and services went up to EUR 2.7bn (+23.3 per cent). Staff costs came to EUR 1.3bn, which was EUR 131m more than the previous year. Depreciation and amortisation of EUR 103m was also slightly higher than last year (+10.8 per cent). Other operating expenses went up to EUR 895m (+29.7 per cent), due to business expansion and exchange rate movements.

Operating expenses MRO

	2015 in €m	2014 in €m	Change in %
Cost of materials and services	2,656	2,154	23.3
of which raw materials, consumables and supplies	1,668	1,422	17.3
of which external services	755	611	23.6
Staff costs	1,317	1,186	11.0
Depreciation and amortisation	103	93	10.8
Other operating expenses	895	690	29.7
Total operating expenses	**4,971**	**4,123**	**20.6**

Further improvements in segment result

Thanks to business growth and the success of several SCORE projects, as well as to non-recurring exchange rate effects, Lufthansa Technik generated Adjusted EBIT of EUR 454m (+19.5 per cent). Non-recurring factors relating to pensions in the previous year also contributed to the earnings improvement. EBIT of EUR 448m exceeded the previous year's very good result by 3.5 per cent. In a long-term comparison, this represents a very good result for Lufthansa Technik.

Segment capital expenditure increased to EUR 148m (+25.4 per cent). Major items of capital expenditure were the purchase of reserve engines at Lufthansa Technik Airmotive Ireland Leasing, mostly for expanding the Group fleets, the fitting of an aircraft overhaul hangar for Lufthansa Technik Puerto Rico and the construction of a wheel and brake workshop in Frankfurt, as well as technology and innovation projects as part of the segment's growth strategy.

Business segment Catering

Revenue **3.0** €bn

Adjusted EBIT **99** €m

LSG Sky Chefs is the global market leader in airline catering. / Transformation of the company and increasing focus on adjacent markets continue. / Product range is appreciated outside the airline industry. / Revenue and earnings up significantly.

Key figures Catering

		2015	2014	Change in %
Revenue	€m	3,022	2,633	14.8
of which with companies of the Lufthansa Group	€m	636	611	4.1
EBIT	€m	85	75	13.3
Adjusted EBIT	€m	99	88	12.5
EBITDA*	€m	166	155	7.1
Adjusted EBIT margin	%	3.3	3.3	0.0 pts
EACC	€m	–8	–14	42.9
ROCE	%	5.0	4.7	0.3 pts
Segment capital expenditure	€m	127	140	–9.3
Employees as of 31.12.	number	34,310	32,843	4.5
Average number of employees	number	33,543	32,526	3.1
Fully consolidated companies	number	120	122	–1.6

* Before profit/loss transfer from other companies.

Business activities

LSG Sky Chefs is the global market leader in airline catering

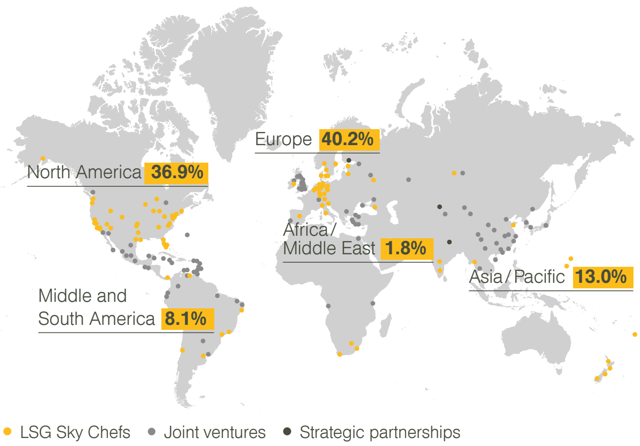
In terms of market share, quality and innovation, LSG Sky Chefs is the global market leader in airline catering. The company has a global presence at 211 airports in 50 countries. In Germany and the USA, its two most important markets, LSG Sky Chefs is represented at almost all major airports. As of year-end 2015, the group comprised 155 companies. The parent company for the group, LSG Lufthansa Service Holding AG, is based in Neu-Isenburg.

LSG Sky Chefs has continued to expand its product portfolio and geographic presence in recent years. Its range of products and service concepts for airline customers have been extended and new customer groups acquired in adjacent markets. Via acquisitions and management contracts, LSG Sky Chefs has continued to strengthen its presence in the growth markets of Latin America, Asia and Eastern Europe over the past two decades. It is also focusing on expanding in selected, fast-growing markets in Africa. Market entry here takes place in close cooperation with local partners.

Core expertise used increasingly for new customer groups

In close cooperation with its Retail inMotion and SCIS Air Security subsidiaries, LSG Sky Chefs is developing in-flight sales programmes to increase revenue. Via its SPIRIANT subsidiary, LSG Sky Chefs is expanding its activities in the development and procurement of functional in-flight service equipment. SkylogistiX, a partnership with Kühne + Nagel, offers efficient logistics solutions for in-flight service equipment.

Locations LSG Sky Chefs



Share of revenue by region.

Another contribution to the growth of LSG Sky Chefs increasingly also comes from serving a growing number of airline lounges and rail companies in Europe and from supplying retail chains with innovative food and service concepts.

Markets and competition

Market for airline catering in flux

LSG Sky Chefs is addressing this dynamic market situation with a transformation process for the entire group. It aims, in particular, to identify new trends in demand at an early stage and to respond quickly to changes in customer and consumer needs. The company is therefore developing and implementing innovative in-flight sales concepts, which cover boutique articles, entertainment programmes and other services, in addition to providing passengers with food and drink. Airlines increasingly see these concepts as ways of differentiating themselves, because they make it possible to design an individual travel experience for passengers and to tap into additional sources of income.

The company is working continuously to optimise its network of plants, which entails both closures and expansions. As well as operating a large number of its own airline catering facilities, LSG Sky Chefs has, in some cases for several decades, had cooperation agreements with airlines and local companies, which enable it to enter markets and to build a network on the ground. In addition to this geographic expansion, LSG Sky Chefs has also entered into important partnerships to expand its product, logistics and technology expertise.

Course of business and operating performance

Customer relations are expanded continuously

Demand for airline catering services and retail programmes again varied widely from region to region in 2015. LSG Sky Chefs achieved revenue growth in nearly all markets. Only in Eastern Europe and some African markets revenue fell as a result of economic or political developments.

Existing contracts were renewed or extended with many airline customers and new agreements were signed. Noteworthy are the renewals with Delta Airlines at its hub in Detroit, USA, and with Brussels Airlines in Brussels, Belgium, as well as the extension of the global contracts with Air New Zealand and Japan Airlines. The European contract with the Thomas Cook Group was extended. A supply contract with Etihad Airways was extended to include new sites in the USA. In the year under review, LSG Sky Chefs also took over the management of the Lufthansa Group airline lounges in New York, USA, and won the contract for existing and new lounges in Munich. From the start of 2016, it will also manage all SWISS lounges at Zurich Airport.

Retail activities were expanded internationally with new contracts in Chile and China and grew in the established US market, especially with Circle K. Deutsche Bahn and Virgin Trains from the UK were acquired as new rail customers.

Continued existence of the global network is ensured in the long term

LSG Sky Chefs opened new plants in Tampa and Chicago in the USA in 2015, and began construction on further production facilities in Chile, Kenya and Nigeria. In Lithuania and Russia, LSG Sky Chefs withdrew from the declining airline catering markets, however. The licensing agreement in Myanmar was renewed for ten years and the joint venture with Goddard in the Caribbean and South America was renewed until 2035.

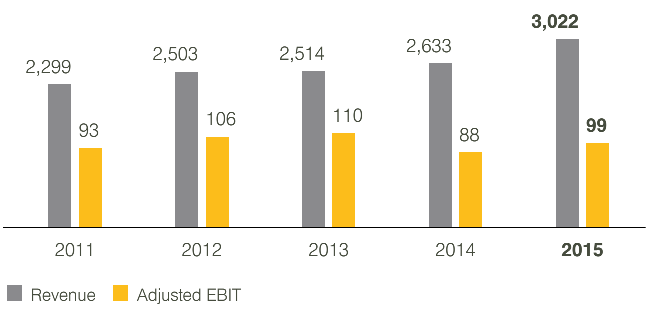
The most important strategic milestone in the transformation of the business model was the signing of an agreement in November 2015 to acquire all the shares in two Irish companies, Retail inMotion and Media inMotion, which specialise in in-flight sales and entertainment programmes. The agreement took effect from the 1 February 2016 reporting date. LSG Sky Chefs had held stakes in the two companies since 2013.

Revenue and earnings development

Revenue and earnings up significantly
Revenue in the Catering segment rose significantly in 2015. It increased year on year by 14.8 per cent to EUR 3.0bn, largely due to exchange rate movements. Changes in the group of consolidated companies contributed EUR 13m to the revenue growth.

External revenue increased to EUR 2.4bn (+18.0 per cent). Internal revenue climbed 4.1 per cent to EUR 636m. Other income was on a par with the previous year at EUR 73m. Total operating income improved by EUR 388m to EUR 3.1bn.

Revenue and Adjusted EBIT Catering in €m



Operating expenses Catering

	2015 in €m	2014 in €m	Change in %
Cost of materials and services	1,299	1,156	12.4
Staff costs	1,113	964	15.5
Depreciation and amortisation	80	79	1.3
Other operating expenses	540	445	21.3
Total operating expenses	**3,032**	**2,644**	**14.7**

Total operating expenses of EUR 3.0bn were 14.7 per cent higher than last year. The cost of materials and services and staff costs rose by 12.4 per cent to EUR 1.3bn, and by 15.5 per cent to EUR 1.1bn, respectively, driven both by higher volumes and exchange rates. Depreciation and amortisation of EUR 80m was slightly higher than last year (+1.3 per cent). Other operating expenses also climbed by 21.3 per cent to EUR 540m, largely due to volumes and exchange rates.

The result from equity investments was up by EUR 10m on the previous year, at EUR 22m. Adjusted EBIT for LSG Sky Chefs came to EUR 99m (previous year: EUR 88m), which was higher than EBIT and was largely due to impairment losses on goodwill and items of property, plant and equipment in Russia and Belgium. In 2015, LSG Sky Chefs increased EBIT by EUR 10m to EUR 85m. In a long-term comparison, this represents a good result for LSG Sky Chefs. Segment capital expenditure was EUR 13m down on the previous year at EUR 127m.

Other

✈ The Other segment consists primarily of AirPlus, the successor companies of the former IT Services segment and central Group functions. / AirPlus again increases revenue and result. / IT service companies continue to develop their business. / Adjusted EBIT for the segment drops significantly.

Other

		2015	2014	Change in %
Total operating income	€m	2,515	1,932	30.2
EBIT	€m	–383	–339	–13.0
Adjusted EBIT	€m	–370	–116	–219.0
EBITDA*	€m	–302	–224	–34.8
Segment capital expenditure	€m	16	36	–55.6
Employees as of 31.12.	number	5,819	6,236	–6.7
Average number of employees	number	5,912	6,190	–4.5

* Before profit/loss transfer from other companies.

The Other segment comprises the service and financial companies as well as the central Group functions of the Lufthansa Group. Following the dissolution of the IT Services segment, the remaining successor companies and subsidiaries are also included in this segment.

AirPlus expands range of products for corporate customers

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 travel management simpler and more cost-effective. AirPlus enables its customers to achieve company-wide transparency concerning all business travel expenses, and thereby to meet all of the conditions to effectively account for travel expenses. AirPlus has offices and subsidiaries in more than 25 countries around the world. The company served more than 46,000 corporate customers in total in the reporting year.

The EU regulation on interchange fees for card-based payments represents a significant challenge for AirPlus. Since December 2015, the fees that are payable to card issuers have been capped. The company has responded and has expanded the range of products by introducing additional payment solutions for customers.

AirPlus benefited from the positive performance of the business travel market in 2015. AirPlus customers spent a total of 9.2 per cent more on business trips than in the previous year. Adjusted EBIT went up by 13.0 per cent year on year to EUR 52.0m. Along with the positive trend in billing volumes, this was also down to good share price performances as well as extraordinary sales income from the disposal of the Acquiring business. EBIT climbed by 13.0 per cent to EUR 52.0m.

IT service companies develop their business

The successor companies of the former IT Services business segment now operate within various different segments. At Lufthansa Systems GmbH & Co. KG, the focus in 2015 was on the development of applications to optimise business processes for its more than 300 airline customers, alongside consultancy and services related to digital transformation. Lufthansa Industry Solutions was able to further expand its strategic position as an IT partner for the digital transformation of companies. This enabled the provider of IT consultancy and systems integration services to increase its capacities due to the strong market momentum, particularly in the areas of big data/data analytics and Industry 4.0.

Including all of their equity investments, the successor companies to Lufthansa Systems AG generated Adjusted EBIT of EUR 28m in the reporting period (previous year: EUR 44m). EBIT came to EUR 59m, an improvement of EUR 233m on the previous year. This significant increase is largely attributable to the recognition of the disposal gain from the sale of the Infrastructure segment of the former Lufthansa Systems AG to the IBM group in the previous year, as well as to a purchase price adjustment from the same transaction.

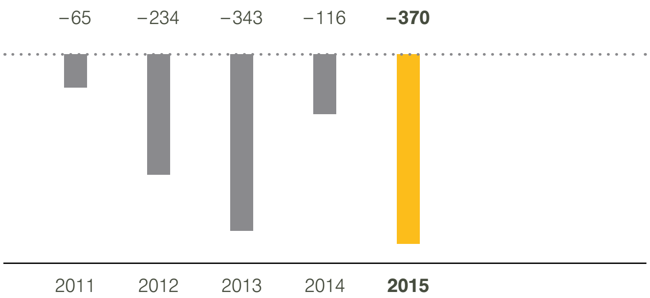
Group functions report higher earnings

The results for the Other segment 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. Total operating income for the Group functions was up by EUR 1.3bn year on year (+82.2 per cent). Operating expenses climbed to EUR 1.8bn (+85.6 per cent). Adjusted EBIT came to EUR –460m (previous year: EUR –254m), while EBIT reached EUR –504m (previous year: EUR –258m). The lower earnings stem mainly from higher exchange rate losses compared with last year and greater costs arising from strategic Group projects.

Result for the Other segment falls significantly

Total operating income rose to EUR 2.5bn (previous year: EUR 1.9bn), while operating expenses increased to EUR 2.9bn (previous year: EUR 2.3bn). The increase in both income and expenses is due to much higher exchange rate gains and losses. Adjusted EBIT came to EUR –370m (previous year: EUR –116m), and EBIT to EUR –383m (previous year: EUR –339m).

Adjusted EBIT Other in €m



Employees

With more than 120,000 employees, the Lufthansa Group is one of Germany's largest employers. / Modernisation of wage agreements and cultural change are paramount. / New management structure to reduce management positions by 15 per cent.

More employees in the Lufthansa Group
At year-end 2015, the Lufthansa Group had a total of 120,652 employees worldwide. This represents an increase of 1.6 per cent compared with the previous year. A total of 17,511 employees left the Company, while 19,358 joined. Personnel turnover fell by 0.8 percentage points to 12.6 per cent.

With 66,920 employees, the Lufthansa Group is still one of the biggest employers in Germany. At the same time, it is a global company, with 53,732 employees in 85 countries outside Germany.

The average age of the workforce was again 42.3 years. Average seniority rose slightly from 14.8 years to 14.9 years. 29 per cent of staff work part-time. Revenue per employee came to some EUR 268,000, an increase of 6.3 per cent.

Employees as of 31.12.2015

		2015	2014	Change in %
Group employees	number	120,652	118,781	1.6
of which Passenger Airline Group	number	55,255	54,960	0.5
of which Logistics	number	4,607	4,663	–1.2
of which MRO	number	20,661	20,079	2.9
of which Catering	number	34,310	32,843	4.5
of which Other	number	5,819	6,236	–6.7
Revenue per employee	€ thousands	268	252	6.3
Revenue per full-time equivalence	€ thousands	309	290	6.8

The operating margin for the individual business segments, which in 2015 still formed the basis for determining performance-related bonuses and which has to be presented here in accordance with the current wage agreements, was as follows.

Operating margin* for the Group and the business segments in %

	2015	2014	Change in pts
Passenger Airline Group	5.2	2.4	2.8
Lufthansa Passenger Airlines	4.5	1.5	3.0
Logistics	1.5	4.1	–2.6
MRO	8.1	9.0	–0.9
Catering	2.6	3.8	–1.2
Group	4.5	3.2	1.3

* Operating result / revenue.

Human resources management

Human resources management has a wide range of responsibilities
Staff and managers are a key success factor for the Lufthansa Group. In 2015, the main task of human resources management was to accompany the diverse change processes and to advance the development of the collective bargaining framework and the human resources strategy. At the same time, it concentrated on developing staff and strengthening the focus on performance.

Human resources management supports the Lufthansa Group's change process
Human resources management continued to support the implementation of Company strategy in the financial year. In line with the "Think the future. Dare to be different. Assume responsibility." principles, the Human Resources function helps to ensure the future viability of the Lufthansa Group and the consistent implementation of strategic decisions.

A Group-wide employee survey was carried out for the first time in the reporting year. The results reflect the challenges currently posed by the change process. Nonetheless, they show that staff remain highly committed and are still very loyal to the Company.

Human resources management contributes to reorganisation
The reorganisation of the Lufthansa Group and the transition to the new management structure are closely accompanied by the Human Resources function. The Lufthansa Group is being reorganised along process lines, with responsibilities being pooled and hierarchies reduced. In future, there will be three Leadership Circles beneath the Executive Board, instead of the four management levels today. The new management structure will be introduced in stages at the individual Lufthansa Group companies and should be completed by the end of 2017. Altogether, the number of management positions is to be cut by around 15 per cent in the course of the reorganisation.

Staff are guided through the changes and challenges
Last year, the Lufthansa Group, in cooperation with renowned, international human resources consultancies, helped employees and managers to find new career opportunities both inside and outside the Group. To date, more than 1,500 employees and 110 managers have made use of the career advisory services. More than 80 per cent of those using an outplacement service found a new job within eight months.

Diversity in the Lufthansa Group

Promotion of diversity continues
The Lufthansa Group takes a holistic approach to diversity and believes that diversity of gender, demography, ideas, nationality and perspectives contribute to making the Company more competitive. The leadership culture and an understanding of the need for a mixed workforce are supported by diversity criteria for gender, origin and seniority. They have been used in the selection process for middle-management positions since 2013. 313 positions, attracting more than 2,130 candidates, have already been staffed using the new process since April 2015.

The global proportion of female managers across all management levels went up by around 0.7 percentage points to 14.9 per cent worldwide. In Germany, the proportion was 16.2 per cent as of year-end. In the reporting period, the Lufthansa Group offered female staff with initial management experience a Group-wide mentoring programme aimed at establishing networks, enabling a change of perspective and supporting young, female managers on their career path.

Target quota supports pursuit of diversity
Following the adoption of a law on the equal involvement of women and men in management positions in the private and public sectors, the relevant management levels as well as the aims and deadlines for promoting women were discussed intensively and targets were set. By 31 December 2016, the proportion of women on the first management level is to rise from 9.6 to 10.5 per cent, and on the second management level from 15.9 to 17.9 per cent. On the basis of this target quota for the entire Lufthansa Group, every company with a statutory reporting obligation has adopted its own targets for the Executive Board and management levels. The Supervisory Board of Deutsche Lufthansa AG decided to set the target for female members of the Executive Board at 30 per cent as of 31 December 2016. For the same period, the Executive Board decided to maintain the target of 11.4 per cent for the proportion of women on the first management level, and to increase the target for the second management level from 21.0 per cent to 23.7 per cent. Deutsche Lufthansa AG meets the criteria for the composition of the Supervisory Board, which provide for a respective proportion of women and men of at least 30 per cent.

Culture and leadership

Culture and leadership remain core elements of human resources management
Since 2012, the Lufthansa Group has launched targeted initiatives to change the corporate and leadership culture throughout the Group in order to exploit opportunities even more successfully. Modern leadership tools were implemented in the reporting year to reflect these ongoing developments. A system of job rotation was introduced, for instance, which generally requires all managers to change their job after five years. A “Leadership Transformation Program” was also set up.

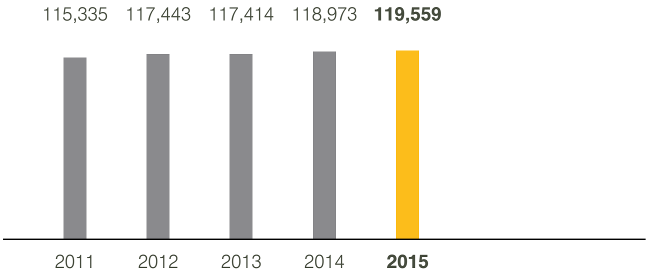
The leadership principles still serve as a model for managers and various steps were taken to embed them more deeply in the organisation in the reporting year. A special performance potential tool for defining targets and delivering a systematic assessment of talent is at the heart of the Group’s talent management. In the reporting year, the integrated assessment of talent was successfully carried out at management level for the second time. For the first time, this comprehensive process also included groups of employees below management level.

Generally speaking, the Lufthansa Group provides its managers with the opportunity to exercise their management responsibility on a part-time basis. Under certain circumstances, managers can also take a sabbatical of up to three months.

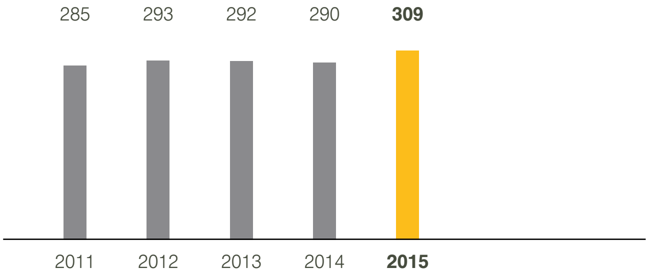
New ways of working support an independent working culture
In response to changes in the world of work and to the requirements of employees, a modern workplace concept is being rolled out that is intended to strengthen an independent and trust-based working culture. Modern information and communications technology is used to provide an attractive, flexible and needs-based working environment.

Support with combining family, caring and career
The Lufthansa Group has added two parent-and-child offices in Frankfurt to make it easier for employees to combine work and family life. “Die Luftikusse”, a programme of holiday care for employees’ school-age children introduced in 2013, was again provided for 180 children in Frankfurt and expanded to the offices in Munich in the reporting year. Various programmes are also available to support staff who combine caring for relatives with their career. In addition to advice and information, they can also take special leave to care for family members.

Employees average number



Revenue per full-time equivalence Lufthansa Group in € thousands



Staff selection and development

Attractive entry-level positions at the Lufthansa Group in demand
In the reporting year, the Lufthansa Group offered more than 54 different recruitment channels around the world for school and university students, including sponsored degrees and trainee programmes. In Germany, the Lufthansa Group had 234 new apprentices, who could choose from 26 different occupations in 2015. At Lufthansa Passenger Airlines, a total of 1,412 new staff were trained as flight attendants in 2015. The content of the ProTeam trainee programme was revised and various opportunities for the personal development of participants were added.

In 2015, the Lufthansa Group received some 16,000 applications for its various training programmes. In total, more than 168,000 applications were sent to the Lufthansa Group in response to its advertisements. This underlines the undiminished interest in the Lufthansa Group as an employer.

Wide range of professional training courses on offer
The Lufthansa Group provides its employees and managers with a varied choice of courses for their personal and professional development. In addition to specialist training, they can attend seminars and courses at the Lufthansa School of Business and use its programmes and platforms to engage in dialogue, obtain information and gain new skills. Projects are also supported that bring together different groups of employees, promote talent and effect a change in the working culture.

Co-determination and collective bargaining

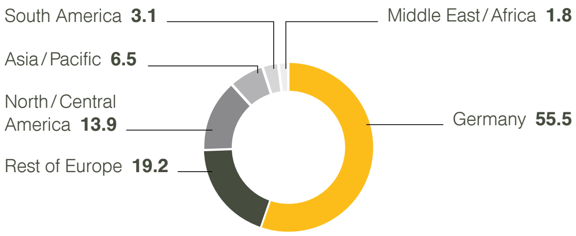
Focus on developing collective bargaining structures and ensuring future viability
The Lufthansa Group aims to conclude long-term agreements with its collective bargaining partners that give the Company and its employees predictability and security. Modernising the system of wage agreements, especially in Germany, is of particular importance.

Collective bargaining consisted primarily of negotiating the many open wage agreements with the Vereinigung Cockpit pilots' union (VC), the independant flight attendants' union (UFO) and the ground staff's union (ver.di). Negotiations with the collective bargaining partners on sustainable retirement benefits were especially relevant. Low interest rates and longer periods over which a pension is paid have caused provisions for current schemes in the balance sheet to go up significantly. The previous retirement benefit agreements were terminated at the end of 2013.

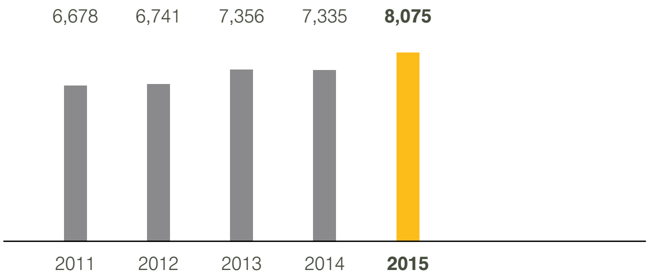
Negotiations with the German collective bargaining partners continue
For the 5,474 members of cockpit staff, negotiations on revising the current system of transitional benefits took place in the reporting period. The employers put forward several concrete proposals, but no agreement has yet been reached with VC. VC called a total of eleven strikes over the course of the year. A court injunction was obtained to halt one strike carried out in September 2015. In the fourth quarter, the collective bargaining partners agreed to continue their negotiations with the assistance of a mediator. Among other things, collective agreements on wages and benefits are still open at present. The Lufthansa Group wants to discuss with the trade union various models for modernising the system of benefits for cockpit staff and to reach an agreement on this basis in 2016.

Initial success was achieved in negotiations between UFO and the Lufthansa Group in the reporting year. An innovative seasonal wage agreement for cabin staff made it possible for new cabin crew to receive permanent contracts while at the same time better reflecting the seasonality of the airline business, with its capacity peaks in the summer.

Employees by region in %



Staff costs Lufthansa Group in €m



Arbitration proceedings carried out in summer 2015 between Lufthansa Passenger Airlines and UFO on retirement and transitional benefits for the 18,184 cabin crew members did not resolve the conflict, although the arbitrators provided a final recommendation. Lufthansa Passenger Airlines and UFO nonetheless agreed to continue negotiations on all aspects of the agenda for cabin crew in the second and third quarters. In November 2015, the negotiations with UFO collapsed, culminating in the longest strike in the Company's history. On 25 November 2015, UFO and the Lufthansa Group agreed to search for results in separate processes. On 22 January 2016, an arbitration process was agreed that is due to be completed by mid-2016. More information can be found in the "Supplementary report" on p. 68.

Collective bargaining also began in 2015 for around 30,000 ground staff at Lufthansa Passenger Airlines, Lufthansa Cargo, Lufthansa Technik and LSG Sky Chefs in Germany. The Lufthansa Group linked negotiations on higher pay to talks on a new company pension scheme. A collective agreement on both issues was signed with ver.di at the end of November 2015.

The wage settlement will run until 31 December 2017. The Company pension scheme was also reformed. A defined contribution system shall apply to new members of staff from 2016, which includes contributions from both employers and employees. Existing employees will initially remain in an updated defined benefit system that includes employee contributions, but also have the option of switching to the defined contribution system.

Closure of decentralised stations in Germany discussed and agreed with works councils

In July 2015, the decision was taken to close the decentralised stations in Germany with effect from 31 May 2021. The approximately 1,200 staff affected will be offered employment at the respective sites until this date. Restructuring measures will be carried out in the lead-up to the closures and severance packages negotiated for each station, which will primarily consist of socially responsible reductions in staff numbers by means of voluntary measures. For all employees who do not choose to take up one of these offers, a clearing process will begin on 1 June 2020. This is aimed at finding staff an appropriate, reasonable job elsewhere in the Group. As of year-end 2015, a balancing of interests and severance packages had been concluded for all the stations concerned.

Collective solutions reached at SWISS and Austrian Airlines

Wage negotiations were also brought to a successful conclusion in Austria and Switzerland. SWISS signed new, long-term collective agreements for flight attendants and for cockpit staff in the spring. The new cabin agreement with the kapers union runs until April 2020 and includes an increase in the retirement age from 58 to 60 as well as changes to the contracts for new recruits. The core element of the pilots' contract is a new career model for all pilots at Swiss International Air Lines and Swiss Global Air Lines. Pilots from both groups at SWISS now have career prospects on long-haul routes. Productivity improvements and an increase in the retirement age from 58 to 60 were also agreed. The new collective agreement for pilots runs until March 2019.

Austrian Airlines successfully merged Tyrolean Airways with Austrian Airlines as of 1 April 2015. Flight operations have since been carried out by Austrian Airlines. The collective agreement in place since December 2014 established a solid basis for the hub airline. The solutions agreed for the collective agreement and the transfer of operations made it possible to conclude the restructuring programme that had been the focus of recent years. They provide legal certainty concerning the transfer of operations in 2012 and the pending litigation that ensued as a result.

Corporate responsibility

Corporate responsibility is a key concern for the Lufthansa Group. / Sustainable business is an integral part of Group management. / Lufthansa Group focuses on improving its environmental impact.

Sustainable business is the basis for the success of the Lufthansa Group
The Lufthansa Group aims to act sustainably and responsibly in all areas of its business. To achieve this, it has set itself a comprehensive sustainability agenda comprising the following topics:

Corporate responsibility at the Lufthansa Group

The principles of sustainable business form an integral part of Group management
The Lufthansa Group applies a value-based management system to lead and manage the Company. 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 system of corporate management. The objective is to create sustainable value across economic cycles. To safeguard its economic success, the Lufthansa Group also identifies the main opportunities and risks for the Company as part of a structured opportunity and risk management system.

Corporate governance and compliance programmes ensure sound company management
The Lufthansa Group is committed to the principles of the UN Global Compact, the world's largest initiative for responsible company management, as well as to the recommendations of the German Corporate Governance Code. Aspects of corporate social responsibility are also integrated into the Group purchasing guidelines, which oblige suppliers to fulfil various standards relating to social responsibility and protection of the climate and environment.

The Lufthansa Group's corporate social responsibility is also reflected in its corporate compliance policy. 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 Lufthansa Group. Regular training is also provided on compliance in the areas of competition, capital markets, integrity and trade embargoes.

Focus on improving the environmental impact
The Lufthansa Group pursues a strategic environmental programme, which aims to reduce specific emissions, as well as driving forward research into and promotion of alternative fuels and other topics. Its main fields of action are the reduction of fuel consumption and emissions, active noise abatement, energy and resource management and investment in research. Figures for noise emissions as well as the consumption of energy and kerosene are systematically gathered and regularly analysed in order to devise and implement concrete measures for further improvement.

The Lufthansa Group has a particular commitment to active noise abatement, which is based on five main points: investment in the latest aircraft, retrofitting the existing fleet to reduce noise, noise research generally, developing take-off and approach procedures to reduce noise with system partners and dialogue with residents near airports and other interest groups.

Fuel economy in flight operations is a key success factor for the Lufthansa Group, both from an economic and an ecological perspective. One of the decisive factors here is the use of modern aircraft and engine technologies, which is ensured by continuous investment in a modern fleet. Also relevant is the research, testing and use of alternative fuels.

For more than twenty years, the Lufthansa Group has been involved in climate research and has supported research projects to observe the earth's atmosphere. This involvement has enabled more accurate weather and climate forecasts and provided more precise information on changes in the composition of the atmosphere. In May 2015, the Lufthansa Group renewed its commitment to climate research projects by fitting another aircraft with special measuring equipment, meaning that it currently has three aircraft that collect global data on atmospheric trace elements and cloud particles at cruising altitude.

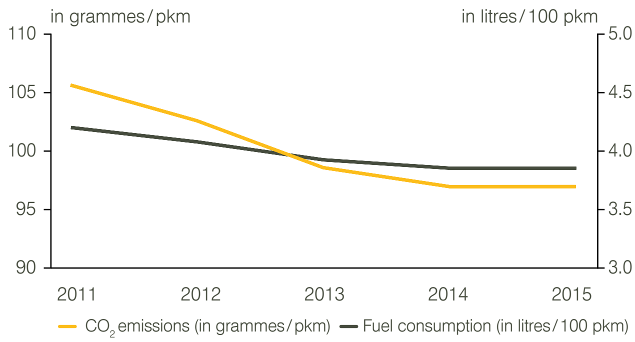
Social responsibility is part of corporate responsibility
Committed and qualified staff are indispensable in a service industry. So for the Lufthansa Group, it is vital to reinforce the commitment of its employees, to have a modern human resources strategy and to take steps to make it even more attractive as an employer. In 2015, the Lufthansa Group also expanded its Group-wide health management. When steps to streamline the workforce become necessary, the Lufthansa Group ensures that its actions are socially responsible.

Lufthansa Group assumes product responsibility
For the commercial success of the Group, it is of fundamental importance to keep increasing customer satisfaction and, above all, to implement measures that provide for the comfort and safety of passengers, crew and staff. It is equally important to take the utmost care of personal data. Concrete customer satisfaction targets are incorporated into the remuneration of the Executive Board members via a system of key performance indicators.

In society and committed to society
The Lufthansa Group stands for responsible mobility, networking and global connections. The Company and its employees assume their role in society willingly and with the appropriate seriousness. They are involved in humanitarian aid, environmental, cultural and sports sponsorship. One particular focus is on social and humanitarian projects.

In situations of acute crisis, the Lufthansa Group gives high priority to providing coordinated emergency relief that corresponds to real needs. A number of projects have provided swift and unbureaucratic assistance to refugees.

Development of specific CO_2 emissions and specific fuel consumption



Via the partnership with the "Aktion Deutschland Hilft" emergency aid alliance and its "World Vision Deutschland" partner, Lufthansa Cargo is also part of a professional network of renowned aid organisations, who can draw directly on the logistics expertise of Lufthansa Cargo for international missions.

In their spare time, many Lufthansa Group employees volunteer for charitable projects, including the HelpAlliance or the Cargo Human Care relief organisation. The Lufthansa Group supports both initiatives with funding, logistics and communications. HelpAlliance runs projects around the world to improve the situation of disadvantaged people, particularly children. Cargo Human Care is a humanitarian and medical aid project operated by the staff of Lufthansa Cargo in cooperation with doctors. For more than thirty years, Lufthansa Cargo has maintained a close partnership with the Werkstätten für Behinderte Rhein-Main e. V., a workshop for people with disabilities, thereby helping to give many disabled people a secure job. For many years, SWISS has sponsored its own children's foundation and the international aid organisation SOS-Kinderdorf in association with Miles & More. Austrian Airlines also works with aid organisations and sponsors the Life Ball, an annual charity event.

Cultural sponsorship at the Lufthansa Group involves support for selected orchestras and concerts, especially for the Gürzenich Orchestra and the Lufthansa Orchestra set up by its own staff. In terms of sports sponsorship, the focus is on the partnership with the Deutsche Sporthilfe foundation, the German Olympic Sports Confederation and the National Paralympic Committee Germany. The conservation of cranes still has priority in the environmental area. Further information on this topic can be found in our "Balance" sustainability report at i www.lufthansagroup.com/responsibility.

Supplementary report

Deutsche Lufthansa AG and UFO sign arbitration agreement

Deutsche Lufthansa AG and the UFO flight attendants' union agreed to arbitration on 22 January 2016. The talks are expected to last until mid-2016, and it has been agreed that no strikes will take place while they are ongoing. Before the arbitration process began, the collective bargaining partners concluded a new wage agreement as well as an agreement on future benefits for cabin crew at Lufthansa Passenger Airlines. The wage agreement runs until 30 September 2016. The arbitration process will include talks on the pay conditions in place from 1 October 2016 as well as on other outstanding issues from the framework agreement.

Austrian Airlines renews finance lease at Vienna Airport

In January 2016, Austrian Airlines restructured the lease for its operational base at Vienna Airport and extended the term of the agreement. This transaction resulted in a book gain for the company in the mid double-digit million range. This has had a positive effect on both EBIT and Adjusted EBIT.

Opportunities and risk report

Opportunities and risks are identified early. / The management of opportunities and risks is integrated into all business processes. / Opportunities and risks are managed and monitored proactively. / The Lufthansa Group exploits specific opportunities. / This increases efficiency, productivity and competitiveness. / The continued existence of the Lufthansa Group is not in danger.

As an international aviation company, the Lufthansa Group is exposed to macroeconomic, sector-specific, financial and company-specific opportunities and risks. Opportunities and risks are ever present elements of doing business. The companies in the Lufthansa Group manage them deliberately and proactively. To underline the close connection between opportunities and risks, the Lufthansa Group defines them as the negative or positive deviation from a forecast figure or a defined objective for possible future developments or events. The operational management of opportunities and risks is integrated into the business processes.

Opportunity and risk management

Opportunity management process

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 both externally – from new customer wishes, market structures or the regulatory environment, for instance – and internally – from new products, innovations, quality improvements and competitive differentiation. For the purpose of creating opportunities from within the Company, the "Innovation Hub" was set up as a Group-wide unit in 2014, in order to keep developing the Lufthansa Group's highly innovative culture and capacity for innovation, and to make targeted use of opportunities.

The identification of opportunities by staff and management in the Lufthansa Group takes place as part of everyday processes and market observations. It is supported by a regular strategy and planning process, which is managed by the strategy and controlling departments. Scenario analyses and accurate return calculations are used to precisely examine 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.

Objectives and strategy of the risk management system

Risk management in the Lufthansa Group always takes place as a logical system of rules that cover all Company activities. The Lufthansa Group's risk management aims to ensure that commercial benefits are realised for decision-making processes throughout the Group and that all relevant, regulatory requirements for risk management systems are met in full.

The Lufthansa Group's risk strategy is manifested in the principles of risk management. They are intended to ensure that risks are fully identified, presented transparently to enable comparison, and measured. They oblige the risk managers to proactively manage and monitor risks, as well as defining how risk-relevant information is to be incorporated into planning, management and control 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 scope of consideration covered by the Lufthansa Group's risk management system comprises the Passenger Airline Group, the MRO, Logistics and Catering segments, as well as Lufthansa Flight Training GmbH, Lufthansa AirPlus Servicekarten GmbH, Delvag Luftfahrtversicherungs-AG, Lufthansa Global Business Services GmbH and the remaining companies from the former IT Services segment.

The chart "Risk management in the Lufthansa Group" on p. 70 shows the different functions involved. Their responsibilities and expertise within the Lufthansa Group's risk management system are explained below.

The Supervisory Board's Audit Committee monitors the existence and the effectiveness of the Lufthansa Group's risk management.

The Risk Management Committee is to ensure, on behalf of the Executive Board, that business risks are always identified at an early stage 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 improvements to its effectiveness and efficiency. The committee is made up of the directors of Risk Management, Corporate Controlling, Legal Affairs, Corporate Finance, Corporate Accounting, Corporate IT, Controlling Lufthansa Passenger Airlines as well as the management of the Delvag Group and the Group safety pilot. The director of Corporate Audit is a permanent member without voting rights.

The "Risk Management, Internal Control System and Data Protection" staff unit has functional responsibility for ensuring that the risk management system is standardised across the Group. This staff unit reports directly to the Chief Financial Officer and is responsible for implementing Group-wide standards for the coordination and ongoing development of 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 own 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).

As managers with budget and / or disciplinary responsibility, the risk owners are responsible for implementing risk management at a segment level. The identification, evaluation, management and monitoring of risks are therefore fundamental aspects 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.

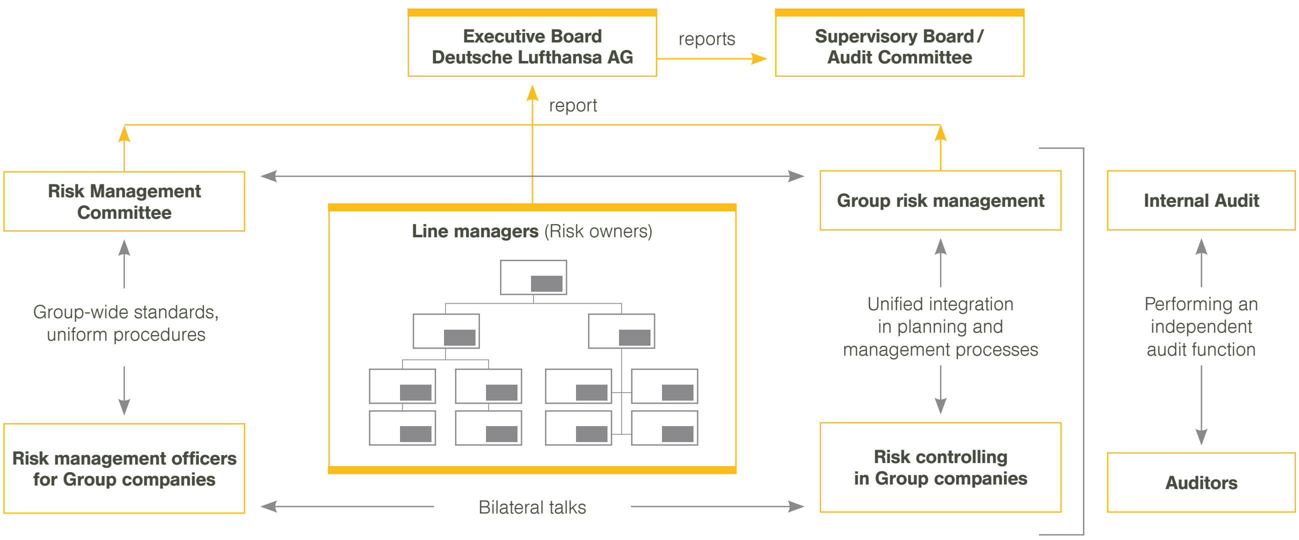
During its annual audit of the financial statements, the auditor examines the system for the early identification of risks in place at Deutsche Lufthansa AG with regard to statutory requirements. The audit concluded that in 2015, it again satisfied all the statutory requirements made of such a system without restriction.

Stages of the risk management process

The risk management process begins with the identification of risks, i. e. the compilation of current and future, existing and potential risks from all material internal and external areas. The risks identified are checked for plausibility by the companies' risk coordinators 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 changes constantly, the identification of risks is a continuous task for the risk owners. The period covered is three years, the same as for the Group operational planning.

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, as explained in more detail in the following section, are applied uniformly throughout the Lufthansa Group. Wherever possible, objective criteria or figures derived from past experience are used for

Risk management at Lufthansa Group



the evaluation. Risk evaluation forms the basis for risk consolidation, in which individual risks of the same type are combined to form one aggregated risk, which is then evaluated as a whole.

Suitable instruments for dealing with the identified risks are defined 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 required adjustments to risk management at an early stage. Steps necessary to manage and monitor risks are initiated as required. 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 is also monitored continuously. The costs are always weighed against the benefit in order to judge the cost-effectiveness.

Risk owners are obliged at least once a quarter to verify that the risks identified by them are complete and that the evaluation is up to date. On the basis of this, the Executive Board of Deutsche Lufthansa AG is informed about the current risk situation of the Lufthansa Group and of the operating segments every quarter. The operating segments also evaluate the extent to which circumstances involving risk have already been included in the forecast results and to what extent there are additional opportunities or risks of achieving a better or worse result than the one forecast. The Executive Board of Deutsche Lufthansa AG reports annually to the Audit Committee on the performance of the risk management system, the current risk situation of the Lufthansa Group and on significant individual risks and their management. In the event of significant changes to previously 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 implemented and effective 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 concrete information is often not available, these risks cannot 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".

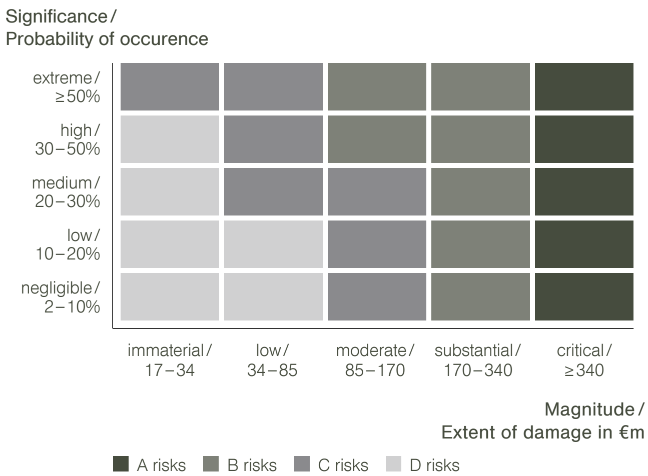
In order to evaluate such risks as systematically as possible in spite of this, estimates are made about their magnitude and their significance. The estimate of magnitude has to assess how pronounced or intense the (weak) signals are that indicate a potential risk to the Lufthansa Group and / or to the specific company in the Lufthansa Group. Significance describes the potential impact of the individual risk or development on the reputation, the business model or the earnings. The chart below shows the different categories used.

Quantitative risks are those whose potential effect on earnings can be estimated. To evaluate quantitative risks, a distinction is made based on the probability of their occurrence, divided into various classes.

The extent of loss is given as the potential monetary impact on the planned EBIT. 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 EBIT effect are defined centrally for the Lufthansa Group and the Group companies according to standardised criteria.

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 chart are deemed to be material for the Lufthansa Group.

Lufthansa risk evaluation for qualitative and quantitative risks



The qualitative and quantitative risks for the Lufthansa Group that meet this materiality criterion are described in the "Opportunities and risks at an individual level" section. 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.

Internal Control System for monitoring the risk management process

The risk management process in the Lufthansa Group is monitored by an Internal Control System (ICS) and is independently appraised by the Internal Audit department.

The effectiveness of the management and monitoring instruments used for selected material risks is reviewed systematically as part of the Lufthansa Group's ICS. The relevant risks are selected annually.

Centralised target requirements (management controls) are formulated for the ICS for these risks. The existing management and monitoring instruments to cover the target requirements are then documented and updated annually. The structure, functionality and thereby the effectiveness of the instruments are also assessed annually, either in a self-assessment by the risk owner responsible or on a revolving basis by the Internal Audit department.

Reporting on the effectiveness of the management and monitoring instruments forms part of the report to the supervisory boards of the individual companies on the effectiveness of the ICS, and to the Audit Committee of the Deutsche Lufthansa AG Supervisory Board on an overall basis.

Opportunities and risks at an individual level

The table below shows the top risks for the Lufthansa Group. They comprise all quantitative A and B risks, as well as those qualitative risks with a rating of at least "substantial and high" in the order of their significance. More detailed explanations can be found in the following sections.

Macroeconomic opportunities and risks

Uncertain economic environment

The Lufthansa Group's forecast for 2016 is based on the expectation that future macroeconomic conditions and sector developments will correspond to the description given in the chapter "Forecast" starting on p. 86. If the global economy performs better than forecast, this is expected to 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.

Risks with potential effects on global economic growth, and thereby for the Lufthansa Group's sales, primarily arise from the slow growth in developing and emerging economies. These cannot be offset by the generally stable economic performance of developed economies. In particular, a further downturn of economic growth in China could have an adverse impact on the global economy. In addition, there remains the risk that the consolidation policies initiated by a number of countries in the euro area are abandoned or only pursued sporadically, or that the desired effects of these policies will not materialise.

Top risks

	Magnitude	Significance	Description
Quantitative risks			
01 — Fuel price movements	critical	extreme	p. 77
02 — Exchange rate movements	substantial	extreme	p. 78
03 — Loss of the investment grade rating	critical	high	p. 79
04 — Exchange rate losses on pension fund investments	critical	negligible	p. 79
05 — Credit risks	substantial	low	p. 79
06 — Breaches of compliance requirements	critical	medium	p. 83
07 — Changes in the structure of joint ventures	substantial	low	p. 74
Qualitative risks			
08 — Cyber risks	critical	high	p. 82
09 — Pandemic deseases	critical	high	p. 73
10 — Flight operations risks	critical	negligible	p. 81
11 — Human resources	substantial	high	p. 80
12 — Crises, wars, political unrest or natural disasters	substantial	high	p. 73
13 — Increased noise legislation	substantial	high	p. 75

Crises, wars, political unrest or natural disasters

(top risk 12)

Alongside these purely economic uncertainties, there are risks of political developments, armed conflicts, massive terrorist attacks, natural disasters, epidemics or pandemics. Global events such as these usually have a rapid and extremely adverse effect on demand, especially in passenger traffic. They therefore jeopardise the Lufthansa Group's sales opportunities. As well as carefully observing the situation and current developments in terms of global disruptions, Lufthansa Group is prepared to take measures to reduce capacity flexibly and quickly.

The crisis situation in the Middle East is increasingly having an impact on other countries, too, via acts of terrorism. These developments may affect oil production and therefore the oil price, and this influences the Lufthansa Group's fuel costs. More information can be found in the section "Financial opportunities and risks" starting on p. 77.

In order to analyse, track and manage these risks, the Lufthansa Group carries out comprehensive monitoring of the global security situation and current events that may affect the Lufthansa Group. The 24/7 Security Desk operated by Group Security ensures that action can be taken immediately in the event that any such incidents occur. Dangers are also anticipated as far as possible and effective precautions taken in advance. The necessary security measures depend on the probability and consequences of the event.

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. Regular audits are carried out on the ground to assess the aviation security and country risks for high-risk destinations, taking the Federal Republic of Germany's evolving foreign policy profile in certain regions into account. Additional steps are taken if local security infrastructure is insufficient, which can affect all relevant functional areas (including passengers, luggage, freight, catering).

Environment and pandemic diseases (top risk 09)

Environmental risks can materialise suddenly and without warning. The recent volcanic activity of Bardarbunga in Iceland illustrates the ongoing nature of environmental risk. Following the closure of parts of European airspace in 2010 due to the risk of volcanic ash spreading, measures have been taken to respond better and more flexibly in future. 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.

In an era of globalisation and increasing mobility, international air traffic remains vulnerable to highly infectious diseases (e.g. Ebola, swine flu). The Lufthansa Group has taken appropriate precautions by means of working groups to prepare for any such occurrence. A latent risk continues to exist, however.

Sector-specific opportunities and risks

Market consolidation

The airline industry is still highly fragmented, especially in Europe. In domestic European traffic, the five largest European airline groups represent less than 50 per cent of total market capacity. In the much more profitable US market, the corresponding figure is around 90 per cent. This applies to a lesser extent to the MRO and Logistics segments as well. In the past, the consolidation of the airline industry required from an economic perspective was often delayed by financial assistance from governments.

Increasing competition regulation by the European Commission and a greater reluctance to subsidise companies that are incapable of survival as independent entities are creating 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. Current, low fuel prices are delaying a market shake-out, however.

Opportunities arising from potential strategic acquisitions, investments or partnerships, and the chance to occupy traffic volume vacated by the departure of a competitor, are continuously reviewed to determine whether they strengthen the Group's competitive position and create value. This not only applies to the passenger transportation segment, but also to the service companies.

Global growth of the airline industry

Driven by increasing globalisation and the resulting need for mobility, as well as by growth in less developed markets, it can be assumed that the air traffic sector will remain a long-term growth industry. The Lufthansa Group, with its Passenger Airline Group and the Logistics, MRO and Catering service segments, is more broadly positioned than its competitors and so can profit in a more balanced way from global growth in the aviation industry.

This broad base also enables the Lufthansa Group to respond to the dynamic competitive environment by means of new platforms, initiatives and partnerships between the operating segments. Generally speaking, the Lufthansa Group is always investigating alternative commercial options for generating further growth.

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 greatly benefit from such market developments. This not only applies to the Passenger Airline Group but, as a result of the close integration with one another, to the Lufthansa Group's entire product and service portfolio. Additional growth and flexibility are ensured via the extensive network of partners and alliances.

Development of new customer requirements and additional income

Developments in customer requirements can be seen in new wishes for the organisation of the travel experience. The airlines in the Lufthansa Group invest continuously in processes and products to keep their range of services focused on the customer. Forward-looking projects are developed to optimise the existing business model and expand in specific areas. This safeguards existing business and opens up sustainable and profitable new business at the same time.

Furthermore, there is potential for additional income, also for full-service carriers, from the convergence of the full-service carrier, low-cost carrier and charter carrier business models. Previously inclusive services, such as check-in baggage and seats with more leg-room, are being priced separately and there is a trend on the international market towards more buy-on-board products. As well as providing direct income potential from in-flight sales, the latter also strengthens revenue in the Catering segment by providing the corresponding logistics services.

Occupying new customer segments

Fast growth in the private travel segment is particularly important for the Lufthansa Group. Alongside its classic hub airlines, the Group is also investing in the expansion of the new Eurowings, which concentrates specifically on point-to-point business with a focus on private travel. With this second brand, the Lufthansa Group can participate to a greater extent in market growth and position itself for the phase of market consolidation expected in Europe. Differentiating the products offered by this scalable second brand and so generating competitive advantages and economies of scale will create opportunities to occupy specific areas of these emerging private travel segments.

Additional potential is offered by demand from developing and emerging markets, which are characterised by the increasing affluence of a broader middle class. Here, the demand for holidays and educational trips, in particular, is increasing. Demographic trends towards an ageing society with a growing number of wealthy retired people is creating further demand potential, especially in developed western markets.

The strategic programme "7to1 – Our Way Forward" also aims to identify and exploit new growth potential within the service companies. Lufthansa Technik is concentrating on extending its service and customer portfolio, seizing development opportunities in the growth markets of Asia and America and on expanding partnerships with OEMs (Original Equipment Manufacturers). Lufthansa Cargo is pursuing growth opportunities with more airfreight joint ventures and LSG Sky Chefs by setting up new business models in established and new markets. The Miles & More customer loyalty programme was spun out into an independent company in 2014. The aim is to keep expanding it and to make it more attractive with the help of additional partners.

Market introduction of new aircraft technology

The market introduction of new aircraft technology represents an opportunity for even more efficient, sustainable airline operations. Its large-scale orders enable the Lufthansa Group to derive these benefits. From 2016, the Airbus A320neo and the Bombardier C Series in European traffic, together with the A350 and, from 2020, the new Boeing 777X in long-haul traffic, will contribute to making the Lufthansa Group even more competitive. All the new aircraft technologies will make a major contribution to fuel efficiency and noise abatement, which in turn promotes sustainability and associated opportunities for differentiation.

Changes in the structure of joint ventures (top risk 07)

The success of a hub airline with global operations depends largely on its worldwide, high density route network. Systematic network and alliance management enable opportunities and risks here to be identified at an early stage.

The Lufthansa Group is continually developing its existing partnerships in the form of commercial joint ventures. The most recent example of the potential for great strategic value are the proposed structures for commercial joint ventures with Air China and Singapore Airlines.

Within existing alliances, too, the dynamics of global competition make it necessary to review the current membership of certain airlines. It may be possible to gain advantages by switching the alliances of individual airlines and joining new ones. This would generate new growth opportunities for the Lufthansa Group and its airline group within the Star Alliance by expanding the network, especially in growth regions.

Additional, intermodal partnerships with other carriers, such as railway and long-distance coach operators, offer further market opportunities within Europe. This kind of partnership creates an opportunity to bind passengers to the airlines in the Lufthansa Group by offering them a seamless travel experience. At the same time, it ensures that feeder traffic reaches the hubs and destinations of the airline network in an economically efficient way. In addition to the potential for new customers, this can also deliver differentiation potential by increasing the benefit to customers.

Income risks can primarily stem from changes in the different alliances. In the case of commercial joint ventures, there is always the risk that the arrangement comes to an end or the regulatory conditions no longer apply. Instruments for limiting risk include full compliance with the relevant reporting obligations, managing joint ventures in the interest of all partners for lasting success, and demonstrating the benefits for customers that result from commercial joint ventures.

More comprehensive partnerships and joint ventures can also generate additional market opportunities in the MRO and Logistics segments. At Lufthansa Technik, partnerships with aircraft, engine and component manufacturers, in particular, enable new maintenance and overhaul contracts to be signed. They can also secure long-term access to patents, licenses and other intellectual property rights. Partnerships in the Logistics segment at Lufthansa Cargo and Swiss WorldCargo can open up new markets or increase the efficiency of the existing product and service portfolio.

Market developments and competition

Changes in available capacity have a decisive influence on the risk-return profile of the airline industry. Given the orders for new aircraft within the industry and the forecast growth prospects for the sector, the risk of sustained overcapacities has also increased. Pressure on yields therefore remains high and offsets the generally positive developments in demand and load factors. Complex forecasting methods to estimate unpredictable changes in demand, sales management techniques and active capacity management are used to counter this. In view of structural shifts in demand, there is the possibility in the short and medium term of responding by deploying aircraft with different configurations of travel class and flexible compartment sizes in Business and Economy Class.

In the MRO segment's market, the trend continued towards an ever smaller number of original equipment manufacturers (OEMs) for each aircraft and engine type. This stronger market position for OEMs results in barriers to entry for independent providers of aircraft-related maintenance, repair and overhaul (MRO) services, especially for new models, and makes it more difficult to gain access to licences and intellectual property. Maintaining their market position in this environment is a key challenge for MRO providers. Individual solutions are continually developed for each OEM and product segment to achieve this. Last year, licensing and partnership agreements were signed for the first time with several OEMs and the scope of existing agreements was expanded. This made it possible to profitably expand the market position of the MRO segment and to further safeguard its business model.

Opportunities and risks from the regulatory environment

Political decisions at national and European level continue to have a strong influence on the international airline industry. This is particularly the case when countries or supranational organisations unilaterally intervene in the competition within a submarket, for example by way of regional or national taxes, fees and charges, restrictions or subsidies. The Lufthansa Group campaigns actively to influence these developments in the appropriate boards and forums and in cooperation with other companies and industry associations.

Climate policy – in particular the emissions trading system

In the European Union, there is an emissions trading scheme that discriminates against hub airlines with hubs in the EU, and puts them at a disadvantage compared with their non-European competitors. If a global climate regime is adopted at the ICAO plenary meeting in October 2016, there is a chance that the current emissions trading system will be suspended or adapted in such a way as to halt the discriminatory treatment of European airlines. At the same time, there is a risk that the anti-competitive effect of emissions trading for European hub airlines will at least become entrenched if the ICAO meeting in 2016 does not pass a corresponding resolution.

Air traffic tax

The air traffic tax payable in Germany regardless of the travel class is divided into three categories depending on the length of the flight, and does not include international transfers and cargo flights. Although this exception makes at least some allowance for Germany's air traffic structures in international competition, the tax still puts local airlines at a competitive disadvantage. Altogether, the German federal government levies around EUR 1bn a year from the airline industry with the tax, of which over 50 per cent comes from German companies. Similar national taxes exist in the UK, France and Austria. Although there is some understanding in political circles of the need for tax relief, many acute demands on government budgets militate against the abolition or significant reduction of the tax in the short term. It remains to be seen if the chances of tax cuts increase following the parliamentary elections in 2017.

Increased noise legislation (top risk 13)

Both the operation of commercial airports and larger airport infrastructure projects are faced with opposition in Germany from the general public in municipalities close to airports and from their political representatives at federal and state level. In the past, this affected the Lufthansa Group in the form of financial expenses at Frankfurt Airport, and in particular with the introduction of the night-flight ban there. From 2018 onwards, the new ICAO noise limits mean that there is also a risk for aircraft operations and the use of airports that existing local noise regulations will be tightened even further.

This may result in additional costs for the Lufthansa Group via higher fees and charges. By investing in modern aircraft, the Lufthansa Group is actively reducing the noise footprint by about 30 per cent compared with their predecessors. Steps are also being taken to reduce the noise produced by existing aircraft.

The new EU regulation on noise-related operating restrictions is an important element for defining a common approach to house-building and traffic planning with the planning and transport authorities. Alignment with the regulation on noise-related operating restrictions is also important for the upcoming revision of the EU directive on environmental noise, in order to avoid the risk of overlapping or competing regulation.

The German federal government's coalition agreement provides for measures to reduce traffic noise in line with the balanced approach of the ICAO. General night-flight bans are rejected. In both European and national legislative procedures, it is important to take proper account of new research findings into the effects of noise, in order to avoid one-sided discrimination against transport providers.

The state government in Hesse, which is particularly relevant for the Lufthansa Group with its main hub in Frankfurt, emphasises the major economic significance of its local aviation hub, and campaigns for the airport's competitiveness. In addition, the state government is campaigning for noise abatement, as can be seen by the start of trial operations with seven-hour noise breaks in April 2015. When specifying the planned upper limit for noise levels, noise emissions should be restricted on the basis of the movements approved in the planning approval document and should also take into account the progress made on noise abatement by the use of quieter aircraft. Further operating restrictions are a risk for the performance of the Lufthansa Group.

Market liberalisation and regulation

The importance of air transport is continuously increasing as a result of the dynamic, international interactions between economies and industries in the course of globalisation. International crises and conflicts also indicate the importance of national infrastructure and of independent connections for a nation's own economy. In the battle for markets and economic growth, some states outside Europe are using the foreign and economic policy options afforded to them to establish massive air transport hubs in their own countries. The United Arab Emirates and Qatar are very successful in this endeavour: specially subsidised state enterprises divert global traffic flows to their hubs in the Gulf and are developing an increasingly dominant position in international air transport. They are increasingly exercising an influence on global aviation by means of massive capacity expansion in fleets and ground infrastructure, which exceed domestic demand several times over, as well as by investing in other companies. This is primarily putting pressure on private companies from Europe. The only counterbalance at an international level are bilateral treaties between states, but these can only be enforced by mutual consent and are highly complex given the large number of policy areas they affect. Air transport is not covered by the World Trade Organisation, because the sector is largely organised worldwide along national lines.

There is a risk that the basic principle of fair competition that has previously prevailed internationally is increasingly undermined due to a lack of enforcement and constraint. Industry and authorities in the EU and the USA are taking an increasing interest in this subject. The aim must be to create a level playing field in open markets and with possibly greater liberalisation, which seeks to achieve balanced opportunities on both sides. Solutions must not only be sought on a bilateral level, but also particularly on a multilateral basis. The Lufthansa Group closely follows the corresponding political developments at the level of bilateral consultations, the possibility of a mandate for the EU and discussions at the UN air transport organisation ICAO.

Financial market regulation

Different attempts at regulating financial markets are 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 and settling hedging transactions for foreign currencies, interest rates and fuel prices. The introduction of a financial transaction tax would also lead to significantly higher costs for using derivatives, investing liquidity and for the pension fund.

Consumer protection

As an international company, the Lufthansa Group is bound by a large number of national, European and international consumer protection regulations. A tightening of these regulations to the detriment of companies, not least by an increasingly narrow interpretation of court rulings, can be observed. They include the ongoing rulings from the European Court of Justice (ECJ), whose interpretations of the European Flight Delay Compensation Regulation (EC) 261/2004 are increasingly to the detriment of the airlines. Where these rulings do not apply internationally, they amount to a one-sided discrimination of European airlines in competition with non-European carriers.

The revision of the European Flight Delay Compensation Regulation (EC) 261/2004 has not yet been completed and it is also not possible to say when and with what amendments the legislative process will be concluded. It is therefore impossible to comment on what commercial effects the revised regulations may have on the Lufthansa Group. The revision will certainly create both opportunities and risks for the Group, however.

The revised Package Tour Directive adopted in Brussels in October 2015 will be transposed into national law by the end of 2017. For the Lufthansa Group, this entails the risk of becoming a tour operator of all-inclusive products or a broker of related travel services, if third-party services in connection with flight bookings are offered or brokered on the Group's own websites. The potential costs cannot be quantified at present, particularly as the business model involving third-party services is still at an early stage.

Both at European level and in certain member states, there is an increase in legislative activities concerning the regulation of payment systems, such as the transposition of the EU Payment Services Directive 2 into national law. There is a risk that a fair division of payment costs may either be forbidden in future or made so complex by new legislation that it no longer makes commercial sense.

Air safety requirements

National and international aviation security regulations also oblige the Lufthansa Group to draw up an air carrier security programme. This comprises protective measures for security areas and aircraft as well as security checks for airfreight and in-flight supplies. New rules are added continuously 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 in order to improve the existing system of regulations and to develop innovative joint approaches for the future that will guarantee safe, passenger-friendly and efficient air transport.

Financial opportunities and risks

System of financial risk management for 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.

Here, the Lufthansa Group only works with counterparties that have at least an investment grade rating equal to Standard & 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. They cannot be eliminated altogether, however. The functions of trading, settlement and controlling of financial risk are strictly separated at an organisational level, which the Lufthansa Group achieves through the use of internal guidelines that are continuously developed. The Group Financial Risk Controlling and Corporate Audit departments monitor compliance with these guidelines. Furthermore, the current hedging policies are also discussed regularly in management board meetings across the business areas. The Supervisory Board is regularly informed of the amounts of risk. Further information can be found in the Notes to the consolidated financial statements, "Note 42" starting on p. 166.

Fuel price movements (top risk 01)

In the reporting year, the Lufthansa Group consumed around 9.1 million tonnes of kerosene. It is a major item of expense, comprising more than 17.2 per cent of the Lufthansa Group's operating expenses at present. Severe fluctuations in fuel prices can therefore have a significant effect on the operating result. A change in the fuel price of +10 per cent (–10 per cent) at year-end 2016 would increase (reduce) fuel costs for the Lufthansa Group by EUR 164.4m (EUR –162.0m) 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 on p. 78 are applied to the airlines of Lufthansa Passenger Airlines, SWISS and the scheduled operations of Austrian Airlines. Transactions for some other Group companies are hedged to a lesser extent, and are therefore more exposed to the risk of a price increase. Conversely, they also profit more if prices go down. 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, this also eliminates the chance of benefiting from a fall in prices.

The Lufthansa Group uses standard market instruments in the form of option combinations for its fuel hedging. 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 2016, there were crude oil and kerosene hedges for 76.3 per cent of the forecast fuel requirement for 2016, in the form of futures and options. For 2017, around 35.7 per cent of the forecast fuel requirement was hedged at that time.

What are known as “international surcharges” have become established on the market to reduce cost risks. These are charged to customers in addition to the actual fare. The extent to which it will continue to be possible to levy such surcharges is nevertheless uncertain. Tighter legal restrictions on surcharges can also not be ruled out in future. In the notional example of a 10 per cent fall in the fuel price, the saving of EUR –162.0m would possibly be offset by surcharges that may, then, be lowered. 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.

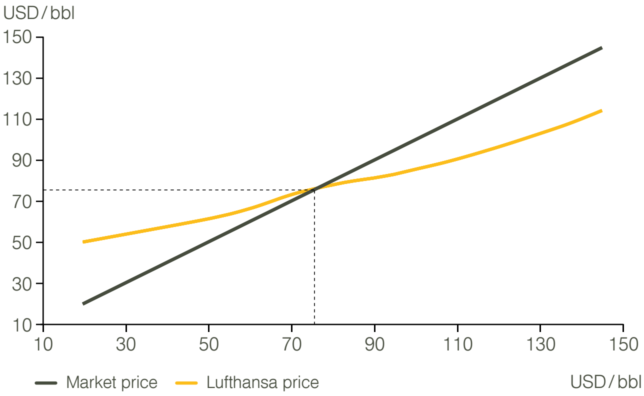
In the context of fuel supplies, there are opportunities in the development of new production techniques, both for crude oil and for other energy sources. This could have a direct or indirect effect on the Lufthansa Group’s kerosene expenses, by reducing both prices and volatility. One opportunity in this context is the expansion of oil production in North America and the reactions of the OPEC oil cartel to these developments. This reduces dependency on oil production in regions of the world which have experienced particular political instability in recent years.

Oil prices were unusually low in 2015 compared with the past five years, and this trend continued into early 2016. The Lufthansa Group is therefore expecting significant cost savings from this development. There has been no material, year-on-year change in the risk of price fluctuations.

At the same time, a tendency has emerged towards significantly lower yields, partly in view of declining surcharges and prices, while competitors’ capacities are increasing further. These opportunities and risks for the new financial year will therefore also be discussed specifically in the chapter “Forecast” starting on p. 86.

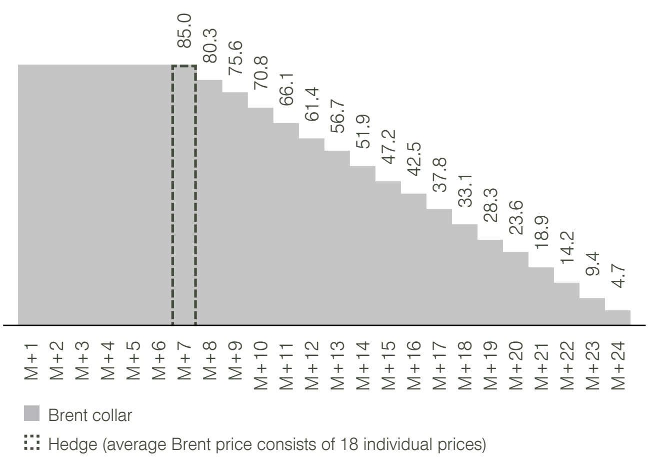
Exchange rate movements (top risk 02)
International ticket sales and the purchase of fuel, aircraft and spare parts give rise to foreign currency risks for the Lufthansa Group. All subsidiaries report their planned currency exposure in around 66 foreign currencies to the central financial planning department 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 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 renminbi and pound sterling. Currencies highly correlated with the US dollar are also set off against operating US dollar exposure. Operating exposure and other information on hedging general currency positions and currency risks from aircraft investments can be found in the Notes to the consolidated financial statements, “Note 42” starting on p. 166.

Oil price scenario for the Lufthansa Group 2016*



* As of 5.1.2016.

Lufthansa’s hedging policy Medium-term crude oil hedging in %



These financial developments also represent opportunities for the Lufthansa Group. Volatility in fuel prices, exchange rates and interest rates can result in lower costs if the direction taken is better than the assumptions used for planning and forecasting. There were no significant changes to this estimate compared with the previous year.

Loss of the investment grade rating (top risk 03)
The credit ratings given to the Lufthansa Group by the rating agencies are particularly important. A good rating ensures access to new financing and hedging instruments. The Lufthansa Group is rated by the Standard & Poor's agency as investment grade and by the Moody's agency 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.

As in the previous year, the Lufthansa Group's investment grade rating is still under significant threat due to the high provisions for pensions, which has been caused by a very low discount rate by long-term standards. It is currently not clear how the rating agencies will deal with increasingly volatile interest rates in future and what consequences this will have for the Lufthansa Group's rating. Over and above this, the erosion of profits or the failure of cash flows to materialise also carries a risk that the rating will be downgraded. The steps taken to smooth and to cap capital expenditure and the issuing of a hybrid bond to strengthen the equity ratio that is so important for the rating has reduced the probability of this risk occurring at present. The fact that the discount rate used to calculate pension provisions has not fallen even further is equally positive.

Market changes for capital investments and liquidity risks
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 Lufthansa 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 generally made in accordance with the Group's financial guidelines. The investment period is limited to a maximum of 24 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 50 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 asset 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 of the financial crisis in 2009 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 monitors performance by means of daily and monthly performance and risk reports.

Exchange rate losses on pension fund investments (top risk 04)
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 Lufthansa Group's conservative investment principles. We respect the principle of risk diversification by dividing the investments across a broad range of asset 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. The risk has not changed compared with last year. Scheduled contributions to the pension fund were continued in 2015; see chapter "Financing" starting on p. 39.

Credit risks (top risk 05)
The transactions completed in the course of financial management give rise to default risks. The counterparty default risk is continuously assessed using a system of counterparty limits. 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 broad economic swings, the default risk for trade receivables also increases. Here, too, their performance is tracked constantly 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 2015 can be found in the Notes to the consolidated financial statements, "Note 36" starting on p. 160.

Company-specific opportunities and risks

Continuous improvement and efficient and effective organisation / "7to1 – Our Way Forward"

As part of the "7to1 – Our Way Forward" strategic programme, seven fields of action have been defined that focus on the market and on internal structures and processes. They aim to increase the Group's ability to create value.

The implementation of the "Constantly improving efficiency" action area moved SCORE into line management in 2015 and established improvement as a permanent task within the Company. Wide-ranging improvements have also been defined for 2016 and will be permanently embedded by the operating segments. This provides an opportunity to identify and realise new potential for improving the operating result on a regular basis that is not part of the ordinary planning process. The challenge nonetheless remains to develop a sufficient number of ideas and activities to make up for ongoing cost inflation and yields that continue to fall further, especially at the airlines.

Capital expenditure on fleet and product improvement

In future, the Lufthansa Group will continue to invest in modernising its fleet, its in-flight and ground product as well as its infrastructure, in order to seize further opportunities to differentiate itself from the competition and to gain market share. The decisions on the fleet taken in 2014 represent an investment in new technologies, efficiency and passenger comfort. The aircraft on order up to 2025 are primarily intended to replace older planes. Risks arise from potential delays in the delivery of the aircraft on order. These delivery risks can be addressed by the flexible deployment of the Group's own, unencumbered aircraft.

Lufthansa Passenger Airlines equipped all aircraft with the latest generation of products by mid 2015. All aircraft flying long-haul routes are fitted with the new First Class, Business Class, Premium Economy Class and Economy Class, as well as with FlyNet internet access. The positioning as a quality airline makes it possible to exploit commercial opportunities, particularly in the high-value home markets of the Group airlines.

Investments are also being made in renewing existing processes and expanding infrastructure. With long-term, complex infrastructure projects, there are always risks in terms of cost-overruns and due to delays. These risks are identified at an early stage of the detailed planning process and monitored continuously.

Human resources (top risk 11)

Human resources opportunities and risks arise from the interplay between general social and economic megatrends, the new strategic alignment and economic objectives of the Lufthansa Group and its organisational and cultural characteristics.

Social trends are essentially determined by demographic developments, as well as the different expectations that the next generation of employees (Generation Y) places upon its working environment. Developing a strategic human resources planning function for the entire Lufthansa Group makes it possible to identify the risks for each operating segment and job family and to elaborate and implement corresponding fields of action. Particular attention is paid to the possible health risks of an ageing workforce. Health management at the Lufthansa Group has undergone a strategic reorganisation and will supplement the activities in the individual segments with initiatives covering the entire Lufthansa Group.

Focusing the human resources strategy on strategic action areas enables consistent support for the Company strategy. The corresponding system of key human resources indicators ensures the function is managed in line with Company strategy and serves as an early warning system.

In terms of the expectations and wishes of Generation Y, it is becoming clear that the Lufthansa Group also has to follow the trend towards modern, virtual and flexible working structures. Teams, project groups and departments in companies are working less and less in direct personal contact or in fixed organisational structures, and ever more across the boundaries of departments or operating segments, often only collaborating in virtual teams. To remain an attractive employer in the future, working conditions will be adapted 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 individual and digital learning. Following a successful pilot phase, a new, open and flexible workplace model known as "New Workspace" is being introduced in Germany. Adopting models for part-time work and sabbaticals for managers also underlines the Group's commitment to flexible working practices.

Demographic trends are behind the transition from an employer's to an employee's market. Future employees are increasingly faced with an oversupply of jobs. Potentially 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 modernising its remuneration structures, ancillary benefits and benefits-in-kind to different groups of employees. In the short term, however, this also creates risks from the new leadership and incentive structure for existing employees.

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 rotation of employees that this encourages offer the chance of increasing the Group's attractiveness as an employer.

Realigning the Lufthansa Group towards greater digitalisation, innovation and new growth concepts also poses questions concerning the future expertise and skills of its employees. It will only be possible to achieve these objectives if the staff have the relevant skills and abilities required for the corresponding areas. The gap between the qualitative skills required of employees in the future and the existing employees has to be identified and managed. Here too, the development of a strategic human resources planning function for the entire Group is exposed to the potential risk that the personnel structures may not be adequately forward-looking.

The Lufthansa Group encourages its staff to make use of development opportunities, also outside the Company, and so to increase their general employability. This enables a greater degree of internal and external rotation, which increases the qualifications and experience of the workforce.

The Lufthansa Group has put the appropriate instruments in place to manage the implementation and acceptance risk that comes when changes in processes and behaviour are called for. A new architecture of dialogue and network platforms has been established and everyone responsible for cultural change in the Lufthansa Group has been networked with one another to compare notes on best practice. The new, strategic focus on "Culture and leadership" will enhance this approach with further targeted activities. Continual, formal dialogue also takes place with the co-determination bodies, and regular discussions are held with individual representatives of these bodies.

The process of transferring operational human resources activities to Lufthansa Global Business Services (LGBS) began back in 2013. Further processes have been migrated successively to LGBS since then. The IT required to achieve this is still being refined with a clear cost focus. In addition to the risks that accompany such a migration, this also creates opportunities to make further, lasting reductions to the Lufthansa Group's staff costs.

Collective bargaining and co-determination agreements entail further human resources risks. Wage agreements and, increasingly, also retirement benefit commitments are a central concern, with the aim of adjusting costs and structures to the competitive environment. The risks inherent in the negotiations and talks 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 Lufthansa Group and its employees by means of long-term agreements with company-specific and performance-related components. Even after signing new agreements with ground staff, the range and diversity of the outstanding topics for cabin and cockpit staff still represent a strike risk. No strikes will take place for the duration of the arbitration process for cabin staff that has now been agreed upon.

In these circumstances, it remains vital to have a stable basis of trust between all the groups of employees and labour union partners. This is particularly true for a service company, which relies on the commitment and productivity of its employees. Maintaining a basis of trust between managers, employees and their representatives therefore constitutes an issue of strategic importance for the Lufthansa Group.

Flight operations risks (top risk 10)

The airlines in the Lufthansa Group remain 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 significantly.

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 flight made by Lufthansa Passenger Airlines is routinely analysed using the parameters recorded in the flight recorder (black box) in order to identify any peculiarities at an early stage and to act on them, such as in the context of training courses, for example. Other sources of information, e. g. 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 airlines in the Lufthansa Group are refined continuously. By taking a proactive approach, they can 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.

In addition, pushing ahead with the harmonisation of standards within the Lufthansa Group is the subject of the "Enhancing Operations and Safety Standards for Lufthansa Group Airlines" (EOSS) project. It initially covers the sub-projects dealing with the recruitment and selection of pilots, flight medicine, training standards for flight crews and the continued development of crisis and irregularity management processes as well as of flight safety standards within the Lufthansa Group. In 2015, the role of Group safety pilot was created in order to establish a central officer who is to increase the harmonisation of standards across the airlines in the Lufthansa Group and so further reduce the total number of flight safety risks.

Networking and ongoing dialogue between the airlines in the Lufthansa Group offer the chance to bring together the experience gained in their respective operating environments. This makes it possible to pursue a Group-wide, evidence-based approach to optimising the existing safety management systems. The aim is an overarching analysis based on a standardised set of data and uniform evaluation criteria.

Following the tragic aircraft accident on 24 March 2015, the Lufthansa Group was closely involved in a task force on flight medicine set up by the Bundesverband der Deutschen Luftverkehrswirtschaft (BDL) industry association. The task force deals with optimising the questions asked by flight medicine and flight psychology. The Group is also part of a second BDL task force on cockpit doors. Another consequence of the accident were changes in the way the results of examinations carried out by local aviation medical centres and the Aeromedical Centre are sent to the German Federal Aviation Office for the purposes of improved risk management. Many more individual results are now sent in comparison with the earlier procedure, although they are sent under a pseudonym.

Contacts between the Lufthansa Group's medical service and the Flight Medicine department of the German Federal Aviation Office have also been intensified in order to make flying even safer in future by means of greater dialogue in the interests of both parties.

Other operating risks

In the Catering segment, it is vital that food is produced to the highest quality and in accordance with all hygiene and food safety standards. Certified quality management systems are used to identify potential quality defects at an early stage. Furthermore, LSG Sky Chefs invests continuously in its production facilities and equipment as well as in modern technology. The modernisation process is supported by intensive training courses as well as learning and problem-solving workshops in the individual companies.

Information technology and cyber risks (top risk 08)

The business processes in the Lufthansa Group are supported by IT components in virtually all areas. This necessarily entails risks for the stability of business processes and for the availability, confidentiality and integrity of information. The IT risk management process serves to identify and evaluate IT risks and to initiate appropriate measures to reduce them.

The level of protection required for the IT systems depending on the underlying business processes is reviewed regularly. Staff are also trained regularly in dealing with information and data.

An IT security unit has also been set up, consisting of a Corporate Information Security Officer at Group level and Information Security Officers in the individual operating segments. The organisational unit is responsible for implementing risk-related IT security standards and security policies in the Group companies.

Despite extensive protection against cyber-threats, disruptions to the availability of applications, the IT infrastructure and information security, including the protection of personal data, can never be ruled out completely. The failure of existing security measures can cause reputational damage to the Lufthansa Group and give rise to risks in the form of payment obligations resulting from contractual and statutory claims by customers, business partners and authorities.

A project to draw up a structured list of cyber-threats was initiated. The first measures have already been adopted for selected areas. In addition, the Lufthansa Group regularly compares notes on this topic with other large German companies and benchmarks itself against other partners from the airline industry.

Corresponding processes and a Cyber Defence Competence Center have been set up to manage IT security incidents. In addition to deploying the Lufthansa Group's CERT (Computer Emergency Response Team) to identify and avert IT security incidents at an early stage and to minimise the damage, it is responsible for providing other security-relevant systems and services to the Lufthansa Group.

The Lufthansa Group's IT Services segment has been dissolved and the IT Infrastructure unit has been outsourced. The operational and commercial risks that by nature accompany this kind of outsourcing are assessed and managed on a continuous basis. The transition to the new provider is taking place within an independent, wide-ranging programme.

IT risk and IT security processes are organised across operating segments. The status of IT risks and IT security are compiled annually, consolidated at Group level and discussed by the Risk Management Committee for the Lufthansa Group. The risk and security management systems and selected other measures are also reviewed regularly by the Internal Audit department.

Corporate Data Protection works hand in hand with IT Risk Management and Security Management to ensure that the Lufthansa Group complies with the provisions of the Federal Data Protection Act by informing staff of the relevant rules 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. This optimises and coordinates data protection and economic concerns from an early stage and ensures that the privacy of customers, shareholders, suppliers and employees is respected when their personal data is being processed. Data protection risks do exist, however, due to demands for passenger data from various countries without the necessary legal basis, which may result in high fines, the withdrawal of landing rights or breaches of data protection rules.

Breaches of compliance requirements (top risk 06)

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 Lufthansa Group. It is described in more detail in the chapter „Corporate Governance" on p. 96.

The Lufthansa Group is active in many countries and is therefore subject to various legal norms and jurisdictions with different, and sometimes hard to interpret, legal frameworks, including for criminal law on corruption. In addition, 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 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 may result in criminal prosecution for the individuals involved and could expose the Company to hefty fines. 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 sometimes 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.

An Ad Hoc Committee, made up of the Chief Legal Officer and the heads of Investor Relations and Corporate Communications, reviews potentially relevant events to determine whether ad hoc publications in accordance with the Securities Trading Act are to be recommended. A decision on whether to publish or not always requires the approval of the Chief Financial Officer of Deutsche Lufthansa AG.

Litigation, administrative proceedings and arbitration
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 significant 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 33" starting on p. 156 and „Note 40" starting on p. 164.

Furthermore, the Lufthansa Group has taken out liability insurance for an amount that the management considers appropriate and reasonable for the industry in order to defend itself against unjustified private third-party claims and to settle such claims it considers justified. 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 – and depending on the type and extent of future losses – it cannot be guaranteed that the Lufthansa Group will continue to obtain adequate insurance cover on commercially acceptable terms in future.

There are insurance contracts in place for Germanwings and Deutsche Lufthansa AG and / or other Lufthansa Group companies, covering various liability claims in connection with the Germanwings accident on 24 March 2015. This also applies to the lawsuit in the US for compensation and damages, as announced by a number of attorneys. The lawsuit has not yet been filed, however. The alleged grounds and the defendant are therefore not ultimately known. The Lufthansa Group companies may, however, incur costs irrespective of this. More information can be found in the chapter "Assets and financial position" on p. 36. The reasons for this are as follows: In at least Germany, France and Spain, public prosecutors are still involved in or have carried out investigations into the case. Costs for legal defence cannot be ruled out; costs for investigations and voluntary payments to the victims' families have already been incurred and there is a risk that there are more to come.

The Lufthansa Group is subject to tax legislation in many countries. Changes in tax laws and case law, as well as different interpretations as part of tax audits, can result in risks and opportunities affecting tax expenses, income, claims and liabilities. The Corporate Taxation department identifies, evaluates and monitors tax risks and opportunities systematically and at the earliest possible stage and initiates steps to mitigate the risks as necessary.

Overall assessment of opportunities and risks by the management

The opportunities and risks to which the Lufthansa Group is exposed are defined very largely by macroeconomic factors and their subsequent effects on global air traffic markets and competition. In this environment, the Lufthansa Group is relying 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.

The SCORE programme ended in 2015 and is being moved into line management in the form of continuous improvements to efficiency, in order to establish these gains as a permanent task within the Company. In order to realise opportunities of making lasting structural improvements in efficiency, productivity and competitiveness, the "7to1 – Our Way Forward" strategic programme will be working on a number of key action areas in the years ahead. The aim is to safeguard the Company's future viability by means of profitable growth, innovation and digitalisation, as well as a focus on quality and customer orientation.

The implementation risks for projects aimed at increasing efficiency and factors countervailing this, among them rising costs for fuel or fees and charges and declining yields at the airlines, are mitigated by means of systematic risk management in the individual projects.

Although individual risks have been assessed differently in some cases in 2015, there has been no material change to the internal risk landscape for the Lufthansa Group compared with the previous year.

The management of the Lufthansa Group does not currently consider that the continued existence of the Company is at risk. We assume that we will still be able to exploit opportunities as they arise in future without having to incur unreasonably high risks. The management of the Lufthansa Group aims to achieve a balance between opportunities and risks, and is convinced that the opportunities and risk management system is effective.

Description of the accounting-related Internal Control System and risk management system in accordance with Section 289 Paragraph 5 and Section 315 Paragraph 2 No. 5 HGB

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 framework (Committee of the Sponsoring Organizations of the Treadway Commission).

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 Audit Committee of the Deutsche Lufthansa AG Supervisory Board monitors the effectiveness of the Internal Control System and risk management system on the basis of Section 107 Paragraph 3 German Stock Corporation Act (AktG).

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. In addition, the effectiveness of those areas of the Internal Control System relevant to financial reporting are reviewed by the auditors as part of a risk-oriented approach to their audit.

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 and the financial statements of Deutsche Lufthansa AG conform to regulations, despite the risks identified. The Lufthansa Group's accounting guidelines are updated regularly and 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). For Deutsche Lufthansa AG and other German companies in the Group, a guideline defines rules for drawing up individual financial statements in line with the German Commercial Code (HGB).

The following preventive and investigative checks are embedded in the accounting process:

- IT-supported and manual cross-checks,
- Functional separation,
- Dual signatures and
- Monitoring checks.

Corporate Accounting is functionally responsible for preparing the consolidated financial statements and draws up binding regulations for the Group companies that pertain to form, content and deadlines. This ensures that standardised Group accounting practices are applied to the recognition, measurement and presentation of balance sheet items, with as little room for discretion as possible. Expert opinions for determining the amount of pension provisions are prepared by external consultants. 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. 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.

Operational accounting processes are carried out locally at the Group companies and increasingly also using the Group's own Shared Service centres.

The IT systems used for accounting are protected against unauthorised access by special security precautions.

By means of the organisational, control and monitoring structures defined for the Lufthansa Group, the Internal Control System and risk management system as it relates to accounting ensures that all matters affecting the Company are captured, processed and evaluated, and are presented adequately in the Group's financial reporting. In particular, the use of individual discretion, faulty checks, criminal acts by those involved and other circumstances may compromise the effectiveness and reliability of the Internal Control System and risk management system in place. This means that even the Group-wide application of these systems cannot guarantee with complete certainty that facts are presented correctly, fully and promptly in the consolidated financial statements. These statements only relate to Deutsche Lufthansa AG and the major subsidiaries included in the consolidated financial statements of Deutsche Lufthansa AG.

Forecast

✈ Further global economic growth expected for 2016. / IATA projects growth of 6.9 per cent in global revenue passenger-kilometres / Lufthansa Group forecasts Adjusted EBIT slightly above previous year. / Key financial performance indicators expected to improve further.

Macroeconomic outlook

GDP development
Forecast 2015 to 2019 compared with previous year

in %	2015*	2016*	2017*	2018*	2019*
World	2.5	2.8	3.2	3.3	3.3
Europe	1.8	1.9	2.1	1.9	1.8
Germany	1.5	2.0	2.0	1.7	1.5
North America	2.3	2.6	2.9	2.6	2.4
South America	−0.6	−0.2	1.9	2.4	2.8
Asia / Pacific	4.7	4.6	4.7	4.9	5.0
China	6.9	6.3	6.3	6.4	6.4
Middle East	2.4	2.5	3.5	4.2	4.7
Africa	2.8	2.8	3.7	4.2	4.3

Source: Global Insight World Overview as of 15.1.2016.
* Forecast.

Moderate economic growth expected globally

The global economic growth rate of between 2.5 and 3.2 per cent per year that has prevailed since 2011 is expected continue in 2016. The current forecast for global growth is 2.8 per cent. Risks to this growth forecast include the consolidation of government budgets, subdued global trade and a further downturn in the Chinese economy. In addition, the US Federal Reserve has raised interest rates slightly for the first time in several years. Low oil prices also affect global capital flows, capital expenditure and demand patterns, so that even oil-importing countries must expect adverse effects. Geopolitical risks are increasing because the price trend has a destabilising influence on a number of countries whose main source of income is oil exports.

With forecast growth of 6.3 per cent in 2016 (previous year: 6.9 per cent), China remains one of the fastest growing countries in the world, although the pace of its expansion has slowed in recent years. China is expected to continue growing at annual rates of 6 to 7 per cent in the medium term.

Growth of 2.6 per cent is predicted for the USA in 2016 (previous year: 2.3 per cent). Stable expansion in the USA will remain driven by strong domestic demand, with low interest rates supporting this trend. Similar growth rates are expected in subsequent years.

Overall, a growth of 1.9 per cent is forecast for Europe in 2016. The European economy continued its recovery in 2015, expanding by 1.8 per cent. A weaker euro, waning sovereign debt crisis, further stabilisation in labour markets and a supportive monetary policy will help to keep them on this course of growth in 2016. The influx of refugees will also strengthen European growth rates as a result of the related state spending on accommodation and welfare. The impact of recent terrorist attacks is more difficult to assess, however. Comparable growth rates are expected in subsequent years. Germany's economy is forecast to expand by 2.0 per cent in 2016 (previous year: 1.5 per cent).

Following a decline of 0.6 per cent in economic output in Latin America last year, a further contraction of 0.2 per cent is projected for 2016. The economic forecasts for Latin America in 2016 are mixed. A number of smaller countries will outperform the global economy, but Brazil and Venezuela are expected to report negative growth rates.

Interest and exchange rates remain subject to uncertainty

The economic situation in the euro area, the USA, China and Japan at the start of 2016 leaves plenty of room for speculation and volatile sideways movements in exchange rates, and the forecasts are mixed. The decision of the European Central Bank (ECB) in March 2016 to reduce the base rate to 0.0 per cent and to extend the bond-buying programme may cause the euro to weaken. The further development of the euro over the course of the year will depend greatly on political developments within the European Union.

The measures undertaken by the ECB are expected to lead to a restriction of short-term and long-term interest rates as well as to a narrowing of credit spreads. Even long-term interest rates could potentially slip into negative territory. It remains to be seen whether the ECB will further ease its monetary policy.

Oil prices to rise in the medium term
Market players expect oil prices to go up again slightly on the back of economic forecasts. With prices below USD 38/barrel as of 4 January 2016, futures contracts for delivery in December 2016 were trading at USD 45.13/barrel, and for December 2017 at USD 49.98/barrel.

Sector outlook

Sector performance expected to be different across the regions
Taking the forecasts for global economic growth into account, the IATA is predicting growth of 6.9 per cent in global revenue passenger-kilometres for 2016 (previous year: 6.7 per cent). Growth is expected to vary between regions. The IATA is again forecasting the highest growth rate of 12.5 per cent for global passenger traffic in the Middle East. Growth rates of 8.0 per cent and 6.8 per cent respectively are forecast for the Asia/Pacific and Latin America regions. International passenger traffic is expected to grow more slowly in Europe (+5.9 per cent), North America (+4.4 per cent) and Africa (+1.4 per cent).

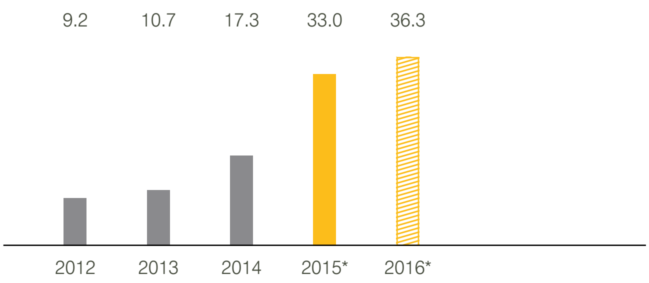
Stable growth rates predicted for airfreight
Having achieved sales growth of 1.9 per cent in 2015, global airfreight traffic is expected to see an increase of 3.0 per cent in revenue cargo tonne-kilometres in 2016, according to the IATA.

Growth and consolidation also expected in the service companies' markets
The MRO market is expected to grow by 5 per cent a year to a total volume of USD 100bn by 2025. The Asia/Pacific region will see the biggest increase in MRO demand. The North American market will, however, remain the largest single market. Low oil prices could also have a positive effect on demand for MRO services, because airlines may increase the size of their fleets or use less fuel-efficient aircraft for longer than planned.

In the airline catering market, the expectation is that consolidation among customers and competitors will continue in 2016 and that new competitors will enter the market. Pricing and competitive pressure will remain high in view of existing overcapacities and competition between the airlines.

Earnings for the airline industry to increase further
The global airline industry reported profits of USD 33.0bn in 2015, which IATA expects to go up to USD 36.3bn in 2016. With the exception of Africa, earnings are forecast to rise in all regions of the world, albeit at different rates. Airlines in North America are predicted to take the largest share of the profits, with forecast earnings of USD 19.2bn for 2016. Profits of USD 8.5bn are forecast for European carriers, and of USD 6.6bn for airlines in the Asia/Pacific region. Carriers from the Middle East and South America should increase their earnings to USD 1.7bn and USD 0.4bn respectively. A loss of EUR 0.1bn is expected for African airlines.

Development of sector net result in USD billion



Source: IATA Airline Industry Economic Performance (12/2015).
* Forecast.

Changes in business and organisation

The Lufthansa Group regularly reviews its organisational structure and adapts it as necessary to changes in the business environment.

A new division of responsibilities for the Executive Board will take effect successively from 2016. It forms the basis for the reorganisation of the Group decided by the Executive Board. The organisation is to be structured much more functionally across all business segments, and its commercial, operational and administrative functions integrated more closely. Eurowings is to be positioned as the leading point-to-point airline in the Lufthansa Group's home markets. The service companies shall continue to seize growth opportunities independently from the airlines.

In the medium term, these changes are to shift the relative revenue contributions within the Lufthansa Group. Eurowings and the service companies are expected to grow faster than average. As a first step, this development is to be reflected in the financial reporting from 2016 onwards. Eurowings will be presented separately as an independent airline within the Passenger Airline Group in future.

Other changes may be adopted in the course of implementing the reorganisation during 2016.

Outlook for the Lufthansa Group

Thanks to the generally positive outlook for both the industry and for the global economy as a whole, the Lufthansa Group expects a positive performance in the financial year 2016. The particularly strong volatility of key influencing factors will require the parameters to be monitored intensely and the assumptions to be assessed continuously over the course of the year, in order to initiate steering measures to respond to changes, if necessary.

Lufthansa Group expects Adjusted EBIT slightly above previous year before possible strike costs
Based on the market price for crude oil and the US dollar exchange rate as of 29 February 2016, the Lufthansa Group anticipates a year-on-year decline in fuel costs of around EUR 1.0bn.

At the same time, however, a further reduction in yields is expected, particularly in the Lufthansa Group home markets. Viewed in isolation, a change in yields of one per cent has an earnings impact of more than EUR 200m. Significant savings from lower fuel costs will therefore probably be largely offset by significantly lower yields at the airlines and lower earnings in the other business segments. Lower exchange-rate-adjusted unit costs and the absence of non-recurring expenses from the previous year will help to increase Adjusted EBIT overall for the Lufthansa Group in the new financial year.

Based on these assumptions and from a current perspective, the Lufthansa Group expects revenue and Adjusted EBIT for 2016 to be slightly higher than last year.

The main influences on earnings remain the oil price and changes in the jet fuel crack, the euro exchange rate, especially against the US dollar and the Swiss franc, the yields at the Passenger Airline Group and the course of collective bargaining at Lufthansa Passenger Airlines. Overall risks from underlying macroeconomic and geopolitical developments have increased in recent months and represent an uncertainty for the development of revenue and earnings, especially for the Passenger Airline Group.

Restructuring activities are likely to adversely affect the earnings of individual segments and the entire Lufthansa Group. At the time that the forecast is made, total costs of some EUR 100m, in particular at Lufthansa Passenger Airlines, LSG Sky Chefs and in the central Group functions, are expected.

This earnings forecast does not include negative impacts from possible strikes.

Earnings improvements to come largely from the Passenger Airline Group
Over the course of the year, the passenger airlines will increasingly adapt their processes in order to optimise the competitiveness of the entire Passenger Airline Group. Changes will be made to organisational structures and workflows. The competitive environment will remain very challenging as a result of volatile fuel prices, exchange rate fluctuations and increasing competition.

In this environment, all of the passenger airlines are predicting increased pricing pressure in 2016 due to greater capacities on the market as well as lower overall costs for the industry as a whole as a result of the fall in the oil price. This is expected to result in intensified competition and clearly negative yields at constant currency. At the same time, the steep fall in the oil price at the start of the year should also have a positive effect on earnings thanks to lower costs. Exchange-rate-adjusted unit costs excluding fuel should also decline.

The hub airlines will expand their planned capacity, mainly through an increased number of flights and by operating larger aircraft at SWISS and Austrian Airlines. On top of that, capacities will grow due to the absence of strikes. Growth at Eurowings will mainly come from expanding the short and long-haul fleets and by replacing regional aircraft with A320s. For the Passenger Airline Group, this adds up to planned growth of 6.6 per cent. The load factors of the flights are expected to remain stable year on year.

On the basis of these assumptions, the Passenger Airline Group is expecting slight year-on-year increases in revenue and earnings in 2016. The ultimate level of earnings will depend largely on the relationship between lower unit revenues and savings on fuel. The forecast for the Passenger Airline Group does not include any negative effect on earnings from possible strikes at Lufthansa Passenger Airlines.

Forecast performance indicators Passenger Airline Group

	Values 2015	Forecast for 2016
Number of flights	+0.2%	+2.3%
Capacity (ASK)	+2.2%	+6.6%
Sales (RPK)	+2.7%	in line with capacity
Passenger load factor (SLF)	+0.3 pts	stable
Pricing (Yields)*	–3.5%	significantly negative
Unit revenue (RASK)*	–3.0%	significantly negative
Unit costs (CASK, excluding fuel)*	+2.4%	negative

* At constant currency.

Lufthansa Passenger Airlines expects to increase Adjusted EBIT slightly in 2016 compared with the previous year. Its unit costs excluding fuel are expected to progress better than for the other hub airlines, given the absence of the non-recurring factors that burdened earnings in the previous year and as a result of continuous process improvements. As collective agreements have still to be reached with the cockpit and cabin crews, there is a continued risk of strikes in the new financial year. This forecast does not, therefore, include any negative effect on earnings from possible strikes at Lufthansa Passenger Airlines.

SWISS expects Adjusted EBIT in 2016 slightly below the previous year, particularly due to the currency situation of the Swiss franc.

For 2016, Austrian Airlines expects Adjusted EBIT to be significantly above that of the previous year. This performance is to be driven by ongoing initiatives regarding both costs and income, as well as strict management of capacities and marketing activities, which is mainly intended to strengthen unit revenues.

Eurowings expects a slightly negative Adjusted EBIT for 2016. The negative earnings performance is expected to be driven primarily by one-off expenses in connection with further expanding the Eurowings group, as well as by costs for the expansion of the Vienna site and of long-haul connections. This forecast does not include any negative effect on earnings from possible strikes at Germanwings.

Other business segments to make lower earnings contributions overall

Lufthansa Cargo expects revenue to be slightly below, and Adjusted EBIT to be slightly above the previous year in 2016. The market environment will remain challenging, and yields are expected to fall. It remains difficult to foresee how demand will develop in Asia and North America, the biggest cargo markets. This forecast does not include any negative effect on earnings from possible strikes at Lufthansa Passenger Airlines and Lufthansa Cargo.

Lufthansa Technik expects revenue in 2016 to be slightly above, and Adjusted EBIT significantly below, that of the previous year. The main reasons for this are non-recurring positive earnings effects in the reporting year and increasing pricing pressure accompanied by lower margins in the MRO business, as well as the costs of growth projects, in particular innovation and technology projects.

LSG Sky Chefs is expecting revenue to be slightly above and Adjusted EBIT slightly below last year in 2016. Earnings will be adversely affected by one-off expenses in connection with refocusing the business model on Europe and North America. The ongoing programmes to increase efficiency as well as the expansion of activities in adjacent markets will continue to be driven forward.

Other financial indicators are expected to improve

The Lufthansa Group is planning gross capital expenditure of EUR 2.7bn in 2016. Gross annual investments of EUR 2.5bn are forecast for the years thereafter. Positive free cash flow is expected for 2016. Minimum liquidity of EUR 2.3bn is to be maintained unchanged.

Although Adjusted EBIT is forecast to go up, the Lufthansa Group expects net profit for 2016 to be lower than last year. The main reason for this is the positive impact on last year's earnings of the early conversion of the JetBlue convertible bond. Nonetheless, if interest rates remain stable, the equity ratio should move closer to the medium-term target of 25 per cent.

Lufthansa Group and operating segments earnings forecast 2016

	Revenue		Adjusted EBIT	
	Revenue 2015 in €m	Forecast for 2016	Adjusted EBIT 2015 in €m	Forecast for 2016
Lufthansa Passenger Airlines	17,944		970	slightly above previous year
SWISS	4,542		429	slightly below previous year
Austrian Airlines	2,102		52	significantly above previous year
Eurowings				slightly negative result
Reconciliation	–89		54	
Passenger Airline Group	24,499	slightly above previous year	1,505	slightly above previous year
Logistics	2,355	slightly below previous year	74	slightly above previous year
MRO	5,099	slightly above previous year	454	significantly below previous year
Catering	3,022	slightly above previous year	99	slightly below previous year
Other	484		–370	significantly above previous year
Internal revenue/Reconciliation	–3,403		55	
Lufthansa Group	**32,056**	**slightly above previous year**	**1,817**	**slightly above previous year**

The debt repayment ratio should remain stable year on year. The existing investment grade rating should be maintained and improved if possible. EACC is expected to be higher than last year.

A dividend payment for the 2016 financial year can also be assumed, as long as the conditions defined in the dividend policy are met.

Lufthansa Group forecast financial profile

	Actual 2015	Target	Forecast for 2016
Equity ratio	18.0%	25% medium term	increase
Debt repayment ratio	30.7%	45% (minimum 35%)	stable
Liquidity	€ 3.1bn	minimum liquidity € 2.3bn	stable

Overall statement on the expected development of the Lufthansa Group

Lufthansa – Consistently safeguarding the future

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

The Executive Board believes that the broad diversification of the Lufthansa Group puts it in a good position to meet the present and future demands of the market. Diversification of the hub airlines, point-to-point airlines and service companies is just as important in this context as the solid financial profile of the Lufthansa Group. These features enable the airlines and the service companies to initiate, finance and implement the ongoing processes of structural change from a position of strength.

Stabilising the result at least at the increased level of the previous year is vitally important. This is the fundamental condition for the Lufthansa Group's sustainable development, not least due to persistent cost pressure and shifting competitive structures.

The Executive Board assumes that further progress can be made in the new financial year towards achieving this goal. An intensive phase of far-reaching changes still lies ahead of the Company, a phase in which the new organisational structure will be put into practice and the corporate structure and culture will be developed further. The Executive Board is confident that staff and managers together will take and implement the right decisions to consistently safeguard the future for customers, employees and shareholders.

Corporate Governance

Executive Board and Supervisory Board work together closely to sustainably increase Company value. / Compliance with the recommendations of the German Corporate Governance Code with one exception. / Executive Board remuneration is linked to sustainable Company success. / Comprehensive compliance programme.

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

Voting members

Wolfgang Mayrhuber
Former Chairman of the Executive Board
Deutsche Lufthansa AG
Chairman of the Supervisory Board

Christine Behle
Member of the National
Executive Board of ver.di
Employee representative
Deputy Chairwoman

Jacques Aigrain
Chairman LCH.Clearnet Group Limited, UK
(until 29 April 2015)

Nicoley Baublies
Chairman of the Supervisory Board
of the trade union UFO e.V.
(since 1 May 2015)

Dr Werner Brandt
Former Member of the
Executive Board SAP SE

Jörg Cebulla
Flight captain
Employee representative
(since 8 November 2015)

Herbert Hainer
Chairman of the Executive
Board adidas AG

Uwe Hien
Purser and advisor of the trade
union UFO e.V. in tariff matters
Employee representative
(until 30 April 2015)

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

Dr Karl-Ludwig Kley
Chairman of the Executive Board
Merck KGaA

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

Doris Krüger
Head Lufthansa Group Innovation Unit
Employee representative

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

Eckhard Lieb
Training Coordinator
Employee representative

Jan-Willem Marquardt
Flight captain and member
of the Cockpit pilots' union
Employee representative

Ralf Müller
State certified technician
Employee representative

Monika Ribar
Former President and CEO of
PANALPINA WELTTRANSPORT AG,
Switzerland

Andreas Strache
Flight manager
Employee representative

Stephan Sturm
Chief Financial Officer
Fresenius Management SE
(since 29 April 2015)

Christina Weber
Administrative staff member
Employee representative

Birgit Weinreich
Flight attendant
Employee representative

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

Stefan Ziegler
Flight captain
Employee representative
(until 7 November 2015)

Executive Board

Carsten Spohr
Chairman of the Executive Board and CEO

Karl Ulrich Garnadt
Member of the Executive Board
Chief Officer Lufthansa German Airlines
(since 1 January 2016
Eurowings and Aviation Services)

Harry Hohmeister
Member of the Executive Board
Chief Officer Group Airlines,
Logistics and IT
(since 1 January 2016
Hub Management)

Simone Menne
Member of the Executive Board
Chief Officer Finances and Aviation Services
(since 1 January 2016 Chief Financial Officer)

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

Supervisory Board Committees

Steering Committee

Wolfgang Mayrhuber (Chairman)

Christine Behle (Deputy Chairwoman)

Dr Karl-Ludwig Kley

Birgit Weinreich (since 2 December 2015)

Stefan Ziegler (until 7 November 2015)

Four meetings in 2015

The Supervisory Board has formed a Steering Committee from among its members made up of equal numbers of shareholder and employee representatives, consisting of the Chairman of the Supervisory Board and his deputy, each exercising their equivalent function, as well as two other Supervisory Board members to be elected by the Supervisory Board. The Steering Committee makes recommendations to the Supervisory Board on appointing Executive Board members, nominating the Chairman of the Executive Board, setting total remuneration for individual Executive Board members, including salary and all other benefits, on any capital reductions in accordance with Section 87 Paragraph 1 and Paragraph 2 Sentence 1 and 2 of the German Stock Corporation Act (AktG) and on determining targets and deadlines for the ratio of female Executive Board members (Section 111 Paragraph 5 AktG). The Steering Committee is responsible for all other HR matters involving Executive Board members and authorised Company representatives not reserved for the full Supervisory Board in accordance with Section 107 Paragraph 3 Sentence 3 AktG (e.g. lending in accordance with Section 89 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 Werner Brandt (Chairman)

Uwe Hien (until 30 April 2015)

Martin Koehler

Doris Krüger (since 16 September 2015)

Eckhard Lieb

Jan-Willem Marquardt

Monika Ribar

Six meetings in 2015

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 Supervisory Board elects the Committee Chair, who nominates a deputy to represent them in case of absence. The members of the Audit Committee should have special knowledge in the area of accounting, management and financial management. The task of the Audit Committee is to discuss, in accordance with instructions from the Chairman of the Supervisory Board, accounting, risk management matters and compliance, the necessary independence of the external auditors, the appointment of external auditors, the focus of audits and the remuneration 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

Dr Karl-Ludwig Kley

Wolfgang Mayrhuber

Three meetings in 2015

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 to the Supervisory Board at the Annual General Meeting. The Supervisory Board should be composed in such a way that, in aggregate, its members have the necessary knowledge, skills and professional experience required for the proper performance of their duties. At least five shareholder representatives should be independent members of the Supervisory Board. In principle, no one older than the age of 70 should be put forward for election to the Supervisory Board (Section 8 Paragraph 2 of the Articles of Association). As a rule, individual members of the Supervisory Board should not stand for more than three periods of office. Taking the preceding conditions into account, the Supervisory Board should have a reasonably international make-up, for example by including members with several years of professional experience gained outside Germany. The Committee should ascertain that the nominated candidates are able to fulfil the necessary time commitment.

Arbitration Committee in accordance with Section 27 Paragraph 3 Co-determination Act (MitbestG)

Wolfgang Mayrhuber (Chairman)

Christine Behle (Deputy Chairwoman)

Dr Karl-Ludwig Kley

Birgit Weinreich (since 16 March 2016)

Stefan Ziegler (until 7 November 2015)

No meetings in 2015

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 31.12.2015; if a Supervisory Board member steps down during the financial year, the information relates to the date of departure)

Wolfgang Mayrhuber
a) Infineon Technologies AG (Chairman)
Münchener Rückversicherungs-Gesellschaft AG
b) HEICO Corp.

Christine Behle
a) Bochum-Gelsenkirchener Straßenbahnen AG
Bremer Lagerhaus-Gesellschaft-Aktiengesellschaft von 1877 (Deputy Chairwoman)
b) ACE Auto Club Europa e. V. / ACE Wirtschaftsdienst GmbH

Jacques Aigrain
(until 29 April 2015)
b) LCH.Clearnet SA
London Stock Exchange Group PLC
LyondellBassell N.V.
QFCA Qatar Financial Center Authority
Swiss International Air Lines AG
WPP PLC

Dr Werner Brandt
a) Osram Licht AG
ProSiebenSat.1 Media AG (Chairman)
RWE AG
b) QIAGEN N.V. (Chairman) (until 21 June 2016)

Herbert Hainer
a) Allianz Deutschland AG
FC Bayern München AG (Deputy Chairman)

Dr Karl-Ludwig Kley
a) Bertelsmann Management SE (until 9 May 2016)
Bertelsmann SE & Co. KGaA (until 9 May 2016)
BMW AG (Deputy Chairman)
b) Verizon Communications Inc.

Martin Koehler
a) Delton AG
b) American Funds Investment-Fonds
Enfold Inc.
Flixbus GmbH

Dr Nicola Leibinger-Kammüller
a) Axel Springer SE
Siemens AG
Voith GmbH

Eckhard Lieb
b) Albatros Versicherungsdienste GmbH

Ralf Müller
a) Lufthansa Cargo AG

Monika Ribar
b) Capoinvest Ltd.
Chain IQ Group AG
Rexel SA
SBB Schweizerische Bundesbahnen (Deputy President)
Sika AG

Stephan Sturm
a) FPS Beteiligungs AG
Fresenius Kabi AG (Deputy Chairman)
HELIOS Kliniken GmbH
Wittgensteiner Kliniken GmbH
b) VAMED AG, Austria (Deputy Chairman)

Christina Weber
a) LSG Lufthansa Service Holding AG

Mandates of the Executive Board members of Deutsche Lufthansa AG

(As of 31.12.2015)

Carsten Spohr
a) Lufthansa Technik AG* (Chairman)
ThyssenKrupp AG
b) Dr. August Oetker KG

Karl Ulrich Garnadt
a) Eurowings GmbH* (Chairman)
Germanwings GmbH* (Chairman)
b) Aircraft Maintenance and Engineering Cooperation (AMECO)
Air Dolomiti S.p.A. Linee Aeree Regionali Europee (BoD)
Austrian Airlines AG
ÖLH Österreichische Luftverkehrs-Holding GmbH (Deputy Chairman)

Harry Hohmeister
a) Lufthansa Cargo AG* (Chairman)
b) Austrian Airlines AG (Chairman)
Edelweiss Air AG (Chairman)
Günes Ekspres Havacilik A.S. (SunExpress)
SN Airholding SA / N.V.

Simone Menne
a) BMW AG
Delvag Luftfahrtversicherungs-AG* (Chairwoman)
Deutsche Post AG
LSG Lufthansa Service Holding AG* (Chairwoman)
Lufthansa Cargo AG*
Lufthansa Technik AG*
b) Börsenrat der FWB Frankfurter Wertpapierbörse
Miles & More GmbH (Chairwoman of the Advisory Board)

Dr Bettina Volkens
a) LSG Lufthansa Service Holding AG*
b) Austrian Airlines AG (Deputy Chairwoman)

a) Membership of supervisory boards required by law.
b) Membership of comparable supervisory bodies at companies in Germany and abroad.
* Group mandate in accordance with Section 100 Paragraph 2 Sentence 2 AktG

Corporate governance report

The Executive Board and Supervisory Board have a close and trusting working relationship
The common aim of the Executive Board and the Supervisory Board is to achieve lasting increases in the value of the Company. To this end, they cultivate a close and trusting working relationship in the interests of the Company.

The Supervisory Board has adopted internal regulations governing the work of the Executive Board and the Supervisory Board as well as the cooperation between them. The five 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 at least 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.

The Executive Board takes decisions by simple majority of votes cast. There are a number of transactions for which the Executive Board requires the 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 control agreements and signing or suspending strategically important cooperation agreements.

The Supervisory Board elects a Steering Committee made up of four members with equal shareholder and employee representation, which, in particular, makes recommendations to the Supervisory Board on appointing Executive Board members, nominating the Chairman of the Executive Board, setting total remuneration for individual Executive Board members and determining targets and deadlines for the ratio of female Executive Board members. The Steering Committee is responsible for all other human resources matters involving Executive Board members and authorised Company representatives not reserved for the full Supervisory Board in accordance with Section 107 Paragraph 3 Sentence 3 of the German Stock Corporation Act (AktG).

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 review and 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 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 make a corresponding proposal 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. In the past, the Lufthansa Group has had advisory contracts with WilmerHale and will probably continue to do so in the future. Neither Dr Robert Kimmitt nor Matthias Wissmann advise the Lufthansa Group as part of these contracts. Furthermore, WilmerHale has confirmed in writing that it has 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. 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. 91 – 93.

Compliance with the German Corporate Governance Code with one exception

At their meeting on 2 December 2015, the Executive Board and Supervisory Board issued the following declaration of compliance with the German Corporate Governance Code:

"In accordance with Section 161 AktG, the Executive Board and Supervisory Board of Deutsche Lufthansa AG declare that since the last declaration of compliance, the recommendations of the German Corporate Governance Code as amended have, with the following exception, been complied with and with the following exception will continue to be complied with in future:

In accordance with Clause 4.2.3 Paragraph 2 of the Code, 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, however. In particular, private flights in line with IATA regulations and with restricted booking status due to full-paying passengers 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."

Shareholders and Annual General Meeting have wide-ranging rights

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. A peculiarity at Lufthansa is that in addition to the German Stock Corporation Act, the registration requirements of the German Aviation Compliance Documentation Act (LuftNaSiG) must also be met. 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.

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 IFRS Interpretations Committee 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 2015. The auditors' fees for the 2015 financial year are summarised in the consolidated financial statements, "Note 46" on p. 182.

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 2015, 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" starting on p. 9 and on the website i www.lufthansa.com/investor-relations.

Comprehensive programme 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 Group 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 ombudsman 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, the various central and local compliance committees in the Lufthansa Group and the Compliance Officers in Group companies, among others, are to ensure that the Lufthansa Compliance Programme is enforced throughout all companies in the Lufthansa Group by means of regular online training courses and information published on the intranet. The Audit Committee of the Supervisory Board is notified semi-annually of incidents and progress concerning compliance in a Compliance Report. Additional information is available from i http://investor-relations.lufthansagroup.com/en/corporate-governance.html.

Remuneration report

The complexity of the presentation in this remuneration report of the principles of the remuneration system for the Executive Board and Supervisory Board of Deutsche Lufthansa AG, as well as the structure and amount of benefits, is required to comply with all statutory requirements and the recommendations of the German Corporate Governance Code, with the exception presented in the declaration of compliance. The remuneration report forms part of the combined management report.

Structure of Executive Board remuneration
In the reporting year, there were no changes to the structure of Executive Board remuneration introduced in 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. The new system of Executive Board remueration from financial year 2016 onwards, as described later in this chapter, will again be tabled for approval at the Annual General Meeting.

Executive Board remuneration consists of a basic salary, variable remuneration components, other benefits and a retirement pension. There is 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. These components are described in detail below.

The Executive Board's remuneration consists of the following components:

- **Fixed annual salary.** Basic remuneration, paid monthly as a salary.

- **Variable annual remuneration.** The variable remuneration is based on the operating margin for the Lufthansa Group. 75 per cent of the remuneration is multiplied by an individual performance factor, which varies from 0.8 to 1.2. It is paid the following year and so 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 (bonus/malus factor). 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 total amount of variable annual remuneration that can be paid is capped at 150 per cent of fixed annual salary.

- **Share-based remuneration.** Executive Board members are also required to participate in the share programmes for managers (with their own parameters which are structured differently from those of the general managers' programme). More information can be found in the Notes to the consolidated financial statements, "Note 36" starting on p. 160. 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 set at four years, even though it is not a stock option programme within the meaning of the Act.

- **Bonus.** In years with poor operating results due to extraordinary exogenous factors, the Supervisory Board may award Executive Board members an appropriate individual bonus.

- **Other benefits.** Other benefits include, in particular, the non-cash benefit of using company cars, the discount granted in connection with share programme issues ("Note 36" to the consolidated financial statements starting on p. 160), 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.

End-of-service benefits
Serving members of the Executive Board will benefit from various contractual entitlements when their employment comes to an end.

- **Retirement benefits.** 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 investment guidelines for the pension account are based on the investment concept for the Lufthansa Pension Trust, which also applies to staff members of Deutsche Lufthansa AG.

  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. Deutsche Lufthansa AG 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 by the number of full years by which the claimant is short of the age of 60 from the time a disability pension entitlement arises.

  The pension credit is paid out in ten instalments. On application by the Executive Board member or his / her surviving dependants, a payment as a lump sum or in fewer than ten instalments or as annuity may also be made, subject to approval by the Company.

  The dependant's pension is 60 per cent of the deceased's pension entitlement. If the Board member dies while in the Company's employment, his / her surviving dependants will be paid his / her full salary until the end of the financial year for a period of at least six months.

  Under his contract as a pilot, which is currently not active, Carsten Spohr is entitled to a transitional pension in accordance with the wage agreement "Transitional pensions for cockpit staff". If Carsten 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.

- **Cap on severance pay.** 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.

- **Change of control.** 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.

Amount of Executive Board remuneration

Executive Board remuneration in the financial year. Total remuneration paid to the active members of the Executive Board for their work in 2015 came to EUR 9,605,000 (previous year: EUR 7,994,000). EUR 4,650,000 (previous year: EUR 4,532,000) of the total was paid as fixed salary and EUR 4,955,000 (previous year: EUR 3,462,000) as performance-related remuneration. The current service costs for pension commitments came to EUR 1,985,000 (previous year: EUR 1,724,000).

The following remuneration was paid to the individual active members of the Executive Board in 2015:

Total remuneration of the Executive Board (HGB) in 2015

in € thousands	Basic remuneration	Other[1]	One-year variable remuneration	Long-term variable remuneration	Option programme[2]	**Total remuneration**
Carsten Spohr	1,207	115	593	133	626	2,674
Karl Ulrich Garnadt	863	86	417	–	417	1,783
Harry Hohmeister[3]	432	63	417	67	417	1,396
Simone Menne	863	80	417	133	417	1,910
Dr Bettina Volkens	863	78	417	67	417	1,842
Total (HGB)	**4,228**	**422**	**2,261**	**400**	**2,294**	**9,605**

[1] Other remuneration includes in particular the non-cash benefit of using company cars, the discount granted in connection with option programme issues (see "Note 36" to the consolidated financial statements), 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] Fair value of the option programme 2015 at the time the options are granted.
[3] For his work as Chairman of the Executive Board and CEO of Swiss International Air Lines AG, Harry Hohmeister also received a basic salary paid in CHF equal to EUR 431,000, which was paid directly by Swiss International Air Lines AG.

The following remuneration was paid to the individual active members of the Executive Board in 2014:

Total remuneration of the Executive Board (HGB) in 2014

in € thousands	Basic remuneration	Other[1]	One-year variable remuneration	Long-term variable remuneration	Option programme[2]	**Total remuneration**
Carsten Spohr	1,038	116	267	99	550	2,070
Karl Ulrich Garnadt (Executive Board member since 1.5.2014)	546	87	139	0	367	1,139
Harry Hohmeister[3]	410	80	209	0	367	1,066
Simone Menne	819	91	209	49	367	1,535
Dr Bettina Volkens	819	86	209	0	367	1,481
Christoph Franz (Executive Board member until 30.4.2014)	383	57	123	140	0	703
Total (HGB)	**4,015**	**517**	**1,156**	**288**	**2,018**	**7,994**

[1] Other remuneration includes in particular the non-cash benefit of using company cars, the discount granted in connection with option programme issues (see "Note 36" to the consolidated financial statements), 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] Fair value of the option programme 2014 at the time the options are granted.
[3] For his work as Chairman of the Executive Board and CEO of Swiss International Air Lines AG, Harry Hohmeister also received a basic salary paid in CHF equal to EUR 410,000, which was paid directly by Swiss International Air Lines AG.

As of 31 December 2015 (2014), the members of the Executive Board held the following shares and option packages from current share programmes:

Number of shares	2012 programme		2013 programme		2014 programme		**2015 programme**	
	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**
Karl Ulrich Garnadt (Executive Board member since 1.5.2014)	– (–)	– (–)	– (–)	– (–)	10,170 (10,170)	30 (30)	8,910 (–)	30 (–)
Harry Hohmeister (Executive Board member since 1.7.2013)	– (–)	– (–)	8,370 (8,370)	30 (30)	10,170 (10,170)	30 (30)	8,910 (–)	30 (–)
Simone Menne	9,870 (9,870)	30 (30)	8,370 (8,370)	30 (30)	10,170 (10,170)	30 (30)	8,910 (–)	30 (–)
Carsten Spohr	9,870 (9,870)	30 (30)	8,370 (8,370)	30 (30)	15,255 (15,255)	45 (45)	13,365 (–)	45 (–)
Dr Bettina Volkens (Executive Board member since 1.7.2013)	– (–)	– (–)	8,370 (8,370)	30 (30)	10,170 (10,170)	30 (30)	8,910 (–)	30 (–)

The current share programmes performed as follows in the financial year:

in €	**Financial year 2015**			Financial year 2014		
	Payments from maturing share programmes	Change in fair value of ongoing share programmes	**Total**	Payments from maturing share programmes	Change in fair value of ongoing share programmes	**Total**
Carsten Spohr	–	−73,668	−73,668	−300,000	94,598	−205,402
Karl Ulrich Garnadt (Executive Board member since 1.5.2014)	–	83,943	83,943	–	15,275	15,275
Harry Hohmeister (Executive Board member since 1.7.2013)	–	92,988	92,988	–	73,564	73,564
Simone Menne	–	113,074	113,074	–	108,170	108,170
Dr Bettina Volkens (Executive Board member since 1.7.2013)	–	92,988	92,988	–	73,564	73,564
	–	**309,325**	**309,325**	**−300,000**	**365,171**	**65,171**

See "Note 36" to the consolidated financial statements starting on p. 160 for payment caps.

The total amount of pension entitlements earned by Executive Board members in 2015 was EUR 2.0m (previous year: EUR 1.7m) according to HGB and EUR 2.1m (previous year: EUR 1.8m) according to IFRS and was recognised in staff costs (current service cost). The individual current service cost and present values of pension entitlements are as follows:

Pension entitlements according to HGB and IFRS

	HGB		HGB		IFRS		IFRS	
	Current service costs		Settlement amount of pension obligations		Current service costs		Present value of pension obligations	
in € thousands	**2015**	2014	**31.12.2015**	31.12.2014	**2015**	2014	**31.12.2015**	31.12.2014
Carsten Spohr	521	452	3,112	2,594	543	399	2,860	2,353
Karl Ulrich Garnadt	355	223	567	223	385	195	554	195
Harry Hohmeister	380	329	921	635	391	318	797	445
Simone Menne	358	297	1,977	1,654	385	316	1,915	1,559
Dr Bettina Volkens	371	315	878	520	386	314	797	445
Christoph Franz (until 30.4.2014)	–	108	–	–	–	213	–	–
	1,985	**1,724**	**7,455**	**5,626**	**2,090**	**1,755**	**6,923**	**4,997**

Benefits paid to former Executive Board members. Current payments and other benefits for former members of the Executive Board and their surviving dependants came to EUR 5.9m (EUR 4.9m). 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 67.4m (previous year: EUR 71.9m).

Recommendations of the German Corporate Governance Code. The following tables show the individual payments, allocations and retirement benefit commitments granted to each individual member of the Executive Board in line with the recommendations of 4.2.5 Paragraph 3 of the German Corporate Governance Code.

The figures for benefits granted and allocated are divided into fixed and variable components and supplemented by the figures for retirement benefit commitments. This corresponds to the current service cost as defined in IAS 19 for pensions and other retirement benefit commitments. The fixed remuneration components include the fixed salary and ancillary benefits that are not performance-related. The variable remuneration components are divided into the one-year variable remuneration and the two long-term components, variable remuneration and option programmes.

The figure shown for “Benefits granted” is the value of the variable remuneration at the time it was granted (for a performance against targets of 100 per cent). For share-based remuneration, the figure shown is the value of the shares when they are granted. Individual caps and floors for these remuneration elements are also shown.

The figure shown for “Allocations” in the reporting year comprises the fixed remuneration components actually paid in the reporting year, plus the amounts of the one-year and long-term variable remuneration that have been determined at the time the remuneration report is prepared and which are to be paid out in the following year. The figures for the option programmes relate to programmes ending in the reporting period; these correspond to the amount paid. Total remuneration also includes the annual current service cost of pension commitments, although it is not strictly speaking an allocation.

In 2015, the members of the Executive Board received no benefits or promises of benefits from third parties relating to their work on the Executive Board.

Benefits granted

in € thousands	Carsten Spohr, Chairman of the Executive Board, Chairman since 1.5.2014, Member of the Executive Board since 1.1.2011				Karl Ulrich Garnadt, Member of the Executive Board since 1.5.2014			
	2015	2014	**2015** (min)	**2015** (max)	**2015**	2014	**2015** (min)	**2015** (max)
Fixed salary	1,207	1,038	1,207	1,207	863	546	863	863
Ancillary benefits	115	117	115	115	86	87	86	86
Total	**1,322**	**1,155**	**1,322**	**1,322**	**949**	**633**	**949**	**949**
One-year variable remuneration	529	477	0	1,358	373	248	0	970
Long-term variable remuneration								
Three-year variable remuneration	177	159	0	453	124	83	0	324
Option programme (4 years)	626	550	0	1,800	417	367	0	1,200
Total	**1,332**	**1,186**	**0**	**3,611**	**914**	**698**	**0**	**2,494**
Service cost	543	399	543	543	385	195	385	385
Total remuneration	**3,197**	**2,740**	**1,865**	**5,476**	**2,248**	**1,526**	**1,334**	**2,879**

Benefits granted

in € thousands	Harry Hohmeister, Member of the Executive Board since 1.7.2013				Simone Menne, Member of the Executive Board since 1.7.2012			
	2015*	2014*	**2015** (min)	**2015** (max)	**2015**	2014	**2015** (min)	**2015** (max)
Fixed salary	432	410	432	432	863	819	863	863
Ancillary benefits	63	80	63	63	80	91	80	80
Total	**495**	**490**	**495**	**495**	**943**	**910**	**943**	**943**
One-year variable remuneration	373	373	0	970	373	373	0	970
Long-term variable remuneration								
Three-year variable remuneration	124	124	0	324	124	124	0	324
Option programme (4 years)	417	367	0	1,200	417	367	0	1,200
Total	**914**	**864**	**0**	**2,494**	**914**	**864**	**0**	**2,494**
Service cost	391	318	391	391	385	316	385	385
Total remuneration	**1,800**	**1,672**	**886**	**3,380**	**2,242**	**2,090**	**1,328**	**3,822**

* For his work as Chairman of the Executive Board and CEO of Swiss International Air Lines AG, Harry Hohmeister also received a basic salary paid in CHF equal to EUR 431,000 (previous year: EUR 410,000), which was paid directly by Swiss International Air Lines AG.

Benefits granted

in € thousands	Dr Bettina Volkens, Member of the Executive Board since 1.7.2013				Christoph Franz, Chairman of the Executive Board, Member of the Executive Board until 30.4.2014			
	2015	2014	**2015 (min)**	**2015 (max)**	**2015**	2014	**2015 (min)**	**2015 (max)**
Fixed salary	863	819	863	863	–	382	–	–
Ancillary benefits	78	86	78	78	–	57	–	–
Total	**941**	**905**	**941**	**941**	**–**	**439**	**–**	**–**
One-year variable remuneration	373	373	0	970	–	220	–	–
Long-term variable remuneration								
Three-year variable remuneration	124	124	0	324	–	74	–	–
Option programme (4 years)	417	367	0	1,200	–	–	–	–
Total	**914**	**864**	**0**	**2,494**	**–**	**294**	**–**	**–**
Service cost	386	314	386	386	–	213	–	–
Total remuneration	**2,241**	**2,083**	**1,327**	**3,821**	**–**	**946**	**–**	**–**

Allocations

in € thousands	Carsten Spohr, Chairman of the Executive Board, Chairman since 1.5.2014, Member of the Executive Board since 1.1.2011		Karl Ulrich Garnadt, Member of the Executive Board since 1.5.2014		Harry Hohmeister, Member of the Executive Board since 1.7.2013	
	2015	2014	**2015**	2014	**2015***	2014*
Fixed salary	1,207	1,038	863	546	432	410
Ancillary benefits	115	117	86	87	63	80
Total	**1,322**	**1,155**	**949**	**633**	**495**	**490**
One-year variable remuneration	593	267	417	139	417	209
Long-term variable remuneration						
Three-year variable remuneration	133	99	–		67	
Option programme (4 years)	–	300	–		–	
Total	**726**	**666**	**417**	**139**	**484**	**209**
Service cost	543	399	385	195	391	318
Total remuneration	**2,591**	**2,220**	**1,751**	**967**	**1,370**	**1,017**

* For his work as Chairman of the Executive Board and CEO of Swiss International Air Lines AG, Harry Hohmeister also received a basic salary paid in CHF equal to EUR 431,000 (previous year: EUR 410.000), which was paid directly by Swiss International Air Lines AG.

Allocations

in € thousands	Simone Menne, Member of the Executive Board since 1.7.2012		Dr Bettina Volkens, Member of the Executive Board since 1.7.2013		Christoph Franz, Chairman of the Executive Board, Member of the Executive Board until 30.4.2014	
	2015	2014	**2015**	2014	**2015**	2014
Fixed salary	863	819	863	819	–	382
Ancillary benefits	80	91	78	86	–	57
Total	**943**	**910**	**941**	**905**	**–**	**439**
One-year variable remuneration	417	209	417	209	–	123
Long-term variable remuneration						
Three-year variable remuneration	133	49	67		–	140
Option programme (4 years)	–		–		–	0
Total	**550**	**258**	**484**	**209**	**–**	**263**
Service cost	385	316	386	314	–	213
Total remuneration	**1,878**	**1,484**	**1,811**	**1,428**	**–**	**915**

Adjustment to Executive Board remuneration from 2016
On the recommendation of the Steering Committee, the Supervisory Board adopted an amendment to the remuneration structure for the Executive Board in December 2015, which applies to all five Executive Board members from the financial year 2016. The change was made because, in line with the new concept of value-based management in the Lufthansa Group, which is also used to calculate the variable remuneration for the Executive Board members, the operating margin and Cash Value Added (CVA) performance indicators have been replaced by EBIT margin and Earnings After Cost of Capital (EACC). In order to use these new performance indicators to determine the variable remuneration for the Executive Board members in future, the corresponding clauses in their service contracts were also amended to replace the previously used operating margin and Cash Value Added (CVA) indicators by EBIT margin and Earnings After Cost of Capital (EACC), with effect from the financial year 2016.

Altogether, the new performance indicators are expected to result in an increase of around 10 per cent in the variable remuneration over the coming years. Given that the variable remuneration at Deutsche Lufthansa AG is way below the benchmark set by other DAX companies, the Supervisory Board sees this increase as a contribution to the adjustment of Executive Board remuneration which has been discussed and repeatedly postponed for years.

Another result of this benchmarking against the DAX was the finding that the difference in total remuneration between the Chairman of the Executive Board and ordinary Executive Board members is very low at Deutsche Lufthansa AG, with a factor of just 1.44, compared with an average of 1.88 for the DAX. In light of this, the Supervisory Board has decided to increase the basic remuneration of the Chairman of the Executive Board by some 14 per cent to a factor of 1.6, and the variable remuneration by some 5 per cent to a factor of 1.5 times the equivalent amount for an ordinary Executive Board member. Overall, this increases the difference in total remuneration from the previous factor of 1.44 to 1.55.

The new remuneration structure will be presented to shareholders for approval at the Annual General Meeting in 2016.

Structure of Supervisory Board remuneration
In accordance with the resolution taken at the Annual General Meeting on 8 May 2012, the members of the Supervisory Board have received only fixed remuneration since the financial year 2013.

Ordinary Supervisory Board members receive remuneration of EUR 80,000 for each financial year in accordance with Section 13 Paragraph 1 of the Articles of Association. 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 other members of other committees receive an additional EUR 20,000. Remuneration for committee work is subject to the proviso that the committee must have 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 temporis remuneration for committee work is subject to the proviso that the committee must have met at least once before their departure.

Amount of Supervisory Board remuneration
Expenses for fixed remuneration and remuneration for committee work for the Supervisory Board amounted to EUR 2,152,000 in 2015 (previous year: EUR 2,110,000).

The figures for the individual Supervisory Board members are shown in the following table.

	2015			2014		
in € thousands	**Fixed remuneration**	**Remuneration for committee work**	**Total Supervisory Board remuneration**	Fixed remuneration	Remuneration for committee work	Total Supervisory Board remuneration
Wolfgang Mayrhuber	240	60	300	240	40	280
Christine Behle	120	20	140	120	20	140
Jacques Aigrain (until 29.4.2015)	26	–	26	80	–	80
Nicoley Baublies (since 1.5.2015)	54	–	54	–	–	–
Dr Werner Brandt	80	80	160	80	50	130
Jörg Cebulla (since 8.11.2015)	12	–	12	–	–	–
Herbert Hainer	80	–	80	80	–	80
Dr Jürgen Hambrecht (until 29.4.2014)	–	–	–	26	7	33
Uwe Hien (until 30.4.2015)	26	10	36	80	30	110
Dr h.c. Robert Kimmitt	80	–	80	80	–	80
Dr Karl-Ludwig Kley	80	40	120	80	33	113
Martin Koehler	80	30	110	80	30	110
Doris Krüger	80	9	89	80	–	80
Dr Nicola Leibinger-Kammüller	80	–	80	80	–	80
Eckhard Lieb	80	30	110	80	30	110
Jan-Willlem Marquardt (since 1.1.2015)	80	24	104	–	–	–
Ralf Müller	80	–	80	80	–	80
Monika Ribar (since 29.4.2014)	80	30	110	54	20	74
Ilona Ritter (until 31.12.2014)	–	–	–	80	30	110
Andreas Strache	80	–	80	80	–	80
Stephan Sturm (since 29.4.2015)	54	–	54	–	–	–
Christina Weber	80	–	80	80	–	80
Birgit Weinreich	80	2	82	80	–	80
Matthias Wissmann	80	–	80	80	–	80
Stefan Ziegler (until 7.11.2015)	68	17	85	80	20	100
Total	**1,800**	**352**	**2,152**	**1,800**	**310**	**2,110**

Other remuneration, mainly attendance fees, amounted to EUR 110,000 (previous year: EUR 88,000). The Deutsche Lufthansa AG Supervisory Board members were also paid EUR 59,000 (previous year: EUR 63,000) for work on supervisory boards of Group companies.

Disclosures in accordance with Section 289 Paragraph 4 HGB and Section 315 Paragraph 4 HGB

Composition of issued capital, types of shares, rights and duties

Deutsche Lufthansa AG's issued capital amounts to EUR 1,189,219,200.00 and is divided into 464,538,750 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 8 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. From the fourth day after this requirement has been published, the shareholders concerned can no longer exercise the rights conferred by the shares concerned. If they do not comply with the 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 2015, foreign shareholders held 25.1 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 the website i www.lufthansagroup.com/investor-relations.

Employee programmes contain time-based restrictions on trading in shares, in particular lock-up periods of up to four years.

Direct or indirect shareholdings with more than 10 per cent of voting rights

As of 31 December 2015, 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 controlling rights

Deutsche Lufthansa AG has no shares that confer special controlling rights.

Control of voting rights for employee shares when control rights are exercised indirectly

Where Deutsche Lufthansa AG issues shares to its staff as part of its employee programmes, these shares are transferred to the employees directly. The staff beneficiaries can exercise the controlling rights accruing to them from the employee shares directly in the same way as other shareholders, in accordance with statutory regulations and the provisions of the Articles of Association.

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. The Supervisory Board is authorised to adopt changes to the Articles of Association that only relate to wording (Section 11 Paragraph 5 of the Articles of Association). Furthermore, the Supervisory Board is entitled to amend the Articles of Association in accordance with Section 4 of the Articles of Association if authorised capital is exercised or expires.

Rights of the Executive Board to issue or repurchase shares

As of 31 December 2015, Deutsche Lufthansa AG has authorised capital of EUR 581,292,892.00:

A resolution passed at the Annual General Meeting on 29 April 2015 authorised the Executive Board until 28 April 2020, 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 29 April 2014 authorised the Executive Board until 28 April 2019, subject to approval by the Supervisory Board, to increase the Company's issued capital on one or more occasions by up to EUR 29,000,000 by issuing new registered shares to employees (Authorised Capital B) for payment in cash. Existing shareholders' subscription rights are excluded. In 2014, the Company used EUR 4,345,000.96 of this authorised amount to issue 1,697,266 new shares to employees. In 2015, the Company used EUR 4,522,199.04 of Authorised Capital B to issue 1,766,484 new shares to employees. Authorised Capital B still available under the authorisation therefore now amounts to EUR 20,132,800.00.

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.

Deutsche Lufthansa AG is entitled to repurchase shares and to sell repurchased shares in those cases defined in Section 71 AktG. In addition, the Company is authorised by resolutions of the Annual General Meeting on 29 April 2015 to buy back its own shares until 28 April 2020. The resolutions 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 30" starting on p. 147.

Important Company agreements subject to a change-of-control clause in the event of a takeover offer

The EMTN programme operated by Deutsche Lufthansa AG to issue bonds includes a change-of-control clause. It provides for holders of bonds issued under the EMTN programme to demand redemption of the bond in the event of a change of control. The change of control is tied to the concepts of control, which is defined in detail in the EMTN programme, and of a rating downgrade resulting from the change of control within a change-of-control period. Two bonds are currently outstanding under this programme: one for EUR 750m maturing on 7 July 2016 and one for EUR 500m maturing on 12 September 2019.

In August 2015, Deutsche Lufthansa AG issued a hybrid bond for EUR 500m, which also includes the change-of-control clause described above.

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; more information can be found in the "Remuneration report" starting on p. 96.

Notes to the individual financial statements of the Deutsche Lufthansa AG (HGB)

Revenue of Deutsche Lufthansa AG rises to EUR 15.7bn. / Net profit for the year of EUR 1bn. / Total assets climb to EUR 22.2bn.

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" starting on p. 20, "Sector developments" starting on p. 22 and "Course of business" starting on p. 24.

Earnings position of Deutsche Lufthansa AG

Three key factors affected the earnings of Deutsche Lufthansa AG in the 2015 financial year. One was the 34.3 per cent fall in fuel costs, largely due to prices, which increased the result. Earnings were reduced by significantly higher additions to pension provisions (EUR 1.2bn; previous year: EUR 417m) as a result of the change in the discount rate. Finally, deferred tax assets were recognised for the first time in 2015 on temporary valuation differences between carrying amounts for commercial and tax purposes. The lower value of pension obligations in the tax balance sheet accounted for almost all of the difference, and their capitalisation added EUR 1.1bn to earnings.

Traffic

The number of passengers increased by 1.9 per cent in the financial year 2015 to 62 million. Capacity increased by 2.2 per cent and sales by 3.0 per cent. The load factor improved by 0.6 percentage points to 80.3 per cent as a result. Yields were 2.1 per cent up on the previous year in 2015.

Revenue and income

Traffic revenue rose year on year by 5.1 per cent to EUR 15.3bn. Other operating income went up by 6.0 per cent to EUR 355m. Overall revenue totalled EUR 15.7bn, an increase of 5.1 per cent on the previous year. Other operating income rose significantly to EUR 2.6bn (previous year: EUR 1.8bn). This increase is largely due to significantly higher exchange rate gains, both realised and from measurement as of the reporting date, than in the previous year. They were offset by lower income from leasing capacities and providing services to Germanwings.

Expenses

Operating expenses amounted to EUR 17.6bn, almost the same as in the previous year. Much lower fuel expenses as a result of the fall in the price of oil were completely offset by higher staff costs and write-downs, and especially by the significant increase in exchange rate losses, both realised and from measurement as of the reporting date.

Trends in traffic regions of Deutsche Lufthansa AG

	Traffic revenue in €m		Number of passengers in thousands		Available seat-kilometres in millions		Revenue seat-kilometres in millions		Passenger load factor in %	
	2015	Change in %	**2015**	Change in %	**2015**	Change in %	**2015**	Change in %	**2015**	Change in pts
Europe	5,685	0.6	45,833	1.3	46,670	−1.0	35,203	0.4	75.4	1.0
America	5,366	9.5	7,896	2.4	71,377	2.4	59,848	2.6	83.8	0.2
Asia/Pacific	3,059	8.2	4,834	6.4	47,169	5.2	38,612	6.6	81.9	1.0
Middle East/Africa	1,204	1.6	2,950	3.6	16,503	2.1	12,239	1.5	74.2	−0.4
Total	**15,314**	**5.1**	**61,513**	**1.9**	**181,719**	**2.2**	**145,902**	**3.0**	**80.3**	**0.6**

Income statement for Deutsche Lufthansa AG in accordance with HGB

in €m	2015	2014
Traffic revenue	15,314	14,569
Other revenue	355	335
Total revenue	**15,669**	**14,904**
Other operating income	2,582	1,810
Cost of materials and services	–10,393	–11,741
Staff costs	–2,827	–2,573
Depreciation, amortisation and impairment	–458	–383
Other operating expenses	–3,959	–3,029
Result from operating activities	**614**	**–1,012**
Result of other equity investments	728	951
Net interest	–1,237	–503
Impairment on investments and current securities	–131	–69
Financial result	**–640**	**379**
Result from ordinary activities	**–26**	**–633**
Current income taxes	–34	–56
Deferred income taxes	1,139	
Other taxes	–45	–43
Net profit/loss for the year	**1,034**	**–732**
Transfers from the capital reserve	–	732
Transfers to retained earnings	–802	–
Distributable earnings	**232**	**0**

The cost of materials and services fell to EUR 10.4bn, but this still represents the largest item of operating expenses, accounting for nearly 59 per cent (previous year: 66.2 per cent). The decline in the cost of materials and services by EUR 1.3bn stemmed mainly from fuel expenses, which fell by 34.3 per cent to EUR 3.2bn. After adjustment for income from the utilisation of the provision for impending losses and the amortisation of surcharges, which totalled EUR 482m, fuel expenses would have gone down by 12.7 per cent. Of the adjusted decline, 35.3 per cent is due to lower prices. It was offset by the 2.2 per cent increase in volumes and the average effect over the year of the US dollar exchange rate (+20.4 per cent), which increased expenses. Fuel expenses would have been significantly lower again without the realised loss of EUR 681m from fuel hedging (without provisions for impending losses and amortisation of surcharges).

In the reporting period, the costs of services purchased rose year on year by 4.6 per cent to EUR 7.2bn. Fees and charges at EUR 3.1bn still constitute the largest expense item under services purchased. Overall, they were 7.3 per cent up on the year, due to volumes, prices and exchange rates. Air traffic control charges increased by 8.8 per cent, landing fees by 7.4 per cent, handling charges by 8.2 per cent, passenger fees by 5.8 per cent and fees for airport infrastructure by 6.8 per cent. The costs of MRO services purchased rose by 6.7 per cent on the year to EUR 1.6bn. The increase was primarily due to cabin refits (e.g. Premium Economy) and to the change in the US dollar. Charter expenses, largely payable to the regional partners as part of the Lufthansa Regional concept, fell significantly year on year by 14.5 per cent to EUR 484m. This was mainly because fewer capacities were chartered from Cityline, due to the reductions in its fleet, and to the fact that some routes were transferred to Eurowings and Air Dolomiti as a result. By contrast, expenses for operating leases went up by 7.7 per cent to EUR 777m. This was due to further aircraft financed by means of various sale-and-lease-back models in the financial year.

In the financial year 2015, Lufthansa's staff costs totalled EUR 2.8bn, which was 9.9 per cent up on the year. The headcount fell by 1.0 per cent on average for the year, while expenses for wages and salaries rose by 5.4 per cent, largely because of the one-off payments that formed part of the wage settlements for ground staff and cabin crew, as well as higher profit-share payments. Social security contributions went up accordingly to EUR 298m (+5.0 per cent year on year). Expenses for retirement benefits climbed significantly by 98.4 per cent to EUR 250m. The increase is due mainly to the absence of the salary trend reduction in the previous year, expenses from the measurement of the wage settlement for ground staff as well as higher entitlements to transitional benefits for former pilots of Südflug (EUR 41m). It was offset by a reduction in the pension trend from 1.5 to 1.0 per cent, which was formally agreed as part of the wage settlement for ground staff.

Depreciation and amortisation rose year on year by 19.6 per cent to EUR 458m. The increase was essentially due to the delivery of new aircraft.

Other operating expenses totalled EUR 4.0bn and were 30.7 per cent, or EUR 930m, up on the year. This was largely due to an increase in exchange rate losses, both realised and from measurement as of the reporting date. Other increases, mostly due to higher volumes and exchange rate movements, in travel expenses, external services, computerised distribution systems, legal, audit and advisory costs, advertising and sales promotion, were offset by the absence of the provision made in the previous year for the payment obligation incurred as part of the sale of the Infrastructure unit of Lufthansa Systems AG.

Earnings performance

The result from operating activities rose by EUR 1.6bn to EUR 614m in the financial year 2015. While operating income climbed by 9.2 per cent thanks to higher revenue and other income, operating expenses remained slightly down on the previous year at EUR 17.6bn (EUR –1.7bn), due to the significant decline in fuel costs. After adjustment for the amortisation of surcharges and the utilisation of the provision for impending losses on fuel hedging, as well as for the various effects of other write-backs of provisions, which vary significantly from year to year, and other non-recurring factors, earnings would have been much lower (EUR 68m).

The financial result of EUR –640m was well below the previous year's figure of EUR +379m. It was made up of the result from equity investments of EUR 728m (previous year: EUR 951m), net interest of EUR –1,237m (previous year: EUR –503m) and other financial items of EUR –131m (previous year: EUR –69m).

The result from equity investments includes profit and loss transfers of EUR –80m (previous year: EUR 370m) and other income from investments of EUR 808m (previous year: EUR 581m). The steep drop overall is primarily due to lower profit transfers from Lufthansa Cargo AG (EUR –144m), Lufthansa Cityline GmbH (EUR –121m), LSG Lufthansa Service Holding AG (EUR –101m) and Lufthansa Technik AG (EUR –77m). Higher provisions for pensions due to changes in the discount rate were the main driver here. They were offset by the positive effect of higher profits transferred from Lufthansa Commercial Holding AG (EUR +115m) and much higher dividends from the Austrian leasing companies of EUR 513m (previous year: EUR 331m). The increase in dividends from the Austrian leasing companies resulted, in turn, from aligning the timing of profit recognition, which meant that the current result from equity investments includes both the dividends paid in 2015 for 2014 (for 23 companies) and the dividends accrued for 2015 (for 20 companies).

Net interest came to EUR –1.2bn in the financial year (previous year: EUR –503m). The reason for this decline was the higher valuation of pension provisions as a result of reducing the discount rate from 4.54 per cent in the previous year to 3.89 per cent. This resulted in interest expense of EUR 1.2bn in the reporting period (previous year: EUR 741m). The much lower year-on-year market valuation of pension plan assets of EUR 20m (previous year: EUR 324m) made virtually no positive contribution to net interest.

Impairment losses on investments and current securities were EUR 62m higher than in the previous year. Impairment charges on investments of EUR 69m in 2014 were followed in 2015 by further impairment losses on investments of EUR 131m. The carrying amounts for the Lufthansa SICAV-FIS fund and Lufthansa CityLine GmbH were written down by EUR 56m and EUR 18m respectively. Loans to Deutsche Lufthansa Berlin Stiftung and Lufthansa Super Star gGmbH were written down by EUR 26m and EUR 17m respectively. Loans to trainee pilots were also written down by EUR 15m because a commitment was given to reduce the amount of the repayment obligation.

The operating result, financial result and other taxes (EUR 45m) added up to a loss before income taxes of EUR –71m (previous year: EUR –676m). Tax income of EUR 1.1bn was recognised in the financial year. This is due to the first-time recognition of deferred tax assets on temporary valuation differences between carrying amounts for commercial and tax purposes (EUR 1.1bn). Altogether, net profit for the year of EUR 1.0bn was recognised for 2015 (previous year: net loss of EUR 732m).

Asset and financial position of Deutsche Lufthansa AG

Cash flow from operating activities

At EUR 195m, cash flow from operating activities was positive in the financial year and thereby improved significantly compared with the previous year's figure (EUR –232m). In the reporting year, Deutsche Lufthansa AG invested EUR 1.2bn (previous year: EUR 1.3bn) in aircraft and down payments for aircraft. Down payments accounted for EUR 323m (previous year: EUR 392m) of this amount. To finance future payment obligations arising from staff pension entitlements, Deutsche Lufthansa AG again transferred a total of EUR 382m (previous year: EUR 416m) to the Lufthansa Pension Trust on a long-term basis for investment in various fixed income and share funds. There was an overall cash outflow of EUR 1.3bn from net cash used for capital expenditure and cash management activities. Cash flow for financing activities came to EUR 1.2bn in the financial year.

Total assets

Total assets rose by 7.4 per cent, or EUR 1.5bn, to EUR 22.2bn. Non-current assets were up by nearly EUR 837m, whereas current assets only increased by EUR 31m. The remainder of the increase was due to the first-time capitalisation of deferred tax assets.

The increase in non-current assets is largely due to higher financial assets (EUR +815m), which is in turn primarily the result of several capital increases at Lufthansa Commercial Holding GmbH (EUR 1.2bn). In addition, aircraft were again transferred to existing sale-and-lease-back vehicles in Austria and Malta (EUR 109m). They were offset by capital repayments of EUR 225m following the disposal of aircraft from these sale-and-lease-back vehicles. Other factors limiting the increase included the balance of additional and new loans to affiliated companies (EUR 606m) and repayments from these companies (EUR 802m). Financial assets were also reduced by the impairment charges recognised on the carrying amounts of Lufthansa CityLine GmbH (EUR 18m) and the Lufthansa SICAV-FIS fund (EUR 56m) as well as write-downs of loans to Deutsche Lufthansa Berlin Stiftung (EUR 26m) and Lufthansa Super Star gGmbH (EUR 17m). Current assets were almost unchanged year on year at EUR 2.6bn.

Balance sheet for Deutsche Lufthansa AG in accordance with HGB

in €m	31.12.2015	31.12.2014
Assets		
Intangible assets	352	371
Aircraft	5,032	4,999
Property, plant and other equipment	106	98
Financial investments	12,911	12,096
Non-current assets	**18,401**	**17,564**
Inventories	88	95
Trade receivables	426	605
Other receivables	1,450	1,508
Securities	250	–
Liquid funds	402	377
Current assets	**2,616**	**2,585**
Prepaid expenses	**45**	**36**
Deferred tax assets	**1,139**	**–**
Excess of plan assets over provisions for pensions	**48**	**536**
Total assets	**22,249**	**20,721**
Shareholders' equity and liabilities		
Issued capital	1,189	1,185
Capital reserve	187	169
Retained earnings	2,931	2,129
Distributable earnings	232	0
Shareholders' equity	**4,539**	**3,483**
Provisions	**6,861**	**7,252**
Bonds	1,750	1,250
Liabilities to banks	954	1,014
Payables to affiliated companies	4,371	3,821
Other liabilities	3,770	3,894
Liabilities	**10,845**	**9,979**
Deferred income	**4**	**7**
Total shareholders' equity and liabilities	**22,249**	**20,721**

Cash and securities went up by EUR 275m compared with a year ago, to EUR 652m. Securities valued at EUR 250m were held at the end of the financial year. Cash balances amounted to EUR 402m (previous year: EUR 377m).

As a result, the balance sheet structure showed a slight shift away from non-current assets, which now only just make up 83 per cent of total assets (previous year: 85 per cent).

Shareholders' equity rose by EUR 1.1bn, or 30.3 per cent, primarily as a result of net profit for the year, and totalled EUR 4.5bn as of the reporting date. As a result, the equity ratio, as a proportion of higher total assets, rose to 20.4 per cent (previous year: 16.8 per cent).

Non-current borrowing went up in the reporting year, in particular due to higher provisions for pensions and the issue of a new bond (EUR 500m) to EUR 7.1bn (previous year: EUR 6.9bn). In contrast, a bond issued in 2009 was reclassified as a current liability as of 31 December 2015. As a result of changes in equity and non-current borrowing, long-term funding increased to make up 52.4 per cent of total equity and liabilities (previous year: 50.3 per cent). Non-current funds consequently cover 63.4 per cent (previous year: 59.3 per cent) of non-current assets.

Net debt went up again year on year to EUR 3.1bn (previous year: EUR 2.9bn).

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/corporate-governance-declaration-section-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. Further information can be found in the chapter "Passenger Airline Group business segment" on p. 42–92.

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 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. 86–90.

Consolidated financial statements

Consolidated income statement
for the financial year 2015

in €m	Notes	2015	2014 [1]
Traffic revenue	3	25,322	24,388
Other revenue	4	6,734	5,623
Total revenue		**32,056**	**30,011**
Changes in inventories and work performed by entity and capitalised	5	203	212
Other operating income	6	2,832	1,890
Cost of materials and services	7	–17,640	–17,283
Staff costs	8	–8,075	–7,335
Depreciation, amortisation and impairment	9	–1,715	–1,528
Other operating expenses	10	–6,106	–5,088
Profit/loss from operating activities		**1,555**	**879**
Result of equity investments accounted for using the equity method	11	111	77
Result of other equity investments	11	10	44
Interest income	12	186	159
Interest expenses	12	–356	–415
Other financial items	13	520	–564
Financial result		**471**	**–699**
Profit/loss before income taxes		**2,026**	**180**
Income taxes	14	–304	–105
Profit/loss after income taxes		**1,722**	**75**
Profit/loss attributable to minority interests		–24	–20
Net profit/loss attributable to shareholders of Deutsche Lufthansa AG		**1,698**	**55**
Basic/diluted earnings per share in €	15	**3.67**	**0.12**

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

Statement of comprehensive income
for the financial year 2015

in €m	2015	2014
Profit / loss after income taxes	**1,722**	**75**
Other comprehensive income		
Other comprehensive income with subsequent reclassification to the income statement		
Differences from currency translation	240	94
Subsequent measurement of available-for-sale financial assets	−533	312
Subsequent measurement of cash flow hedges	77	−278
Other comprehensive income from investments accounted for using the equity method	4	−16
Other expenses and income recognised directly in equity	3	7
Income taxes on items in other comprehensive income	−27	41
Other comprehensive income without subsequent reclassification to the income statement		
Revaluation of defined-benefit pension plans	511	−2,831
Revaluation of defined-benefit pension plans within groups of disposal	−19	–
Income taxes on items in other comprehensive income	−172	719
Other comprehensive income after income taxes	**84**	**−1,952**
Total comprehensive income	**1,806**	**−1,877**
Comprehensive income attributable to minority interests	−29	−25
Comprehensive income attributable to shareholders of Deutsche Lufthansa AG	**1,777**	**−1,902**

Consolidated balance sheet
as of 31 December 2015

Assets

in €m	Notes	31.12.2015	31.12.2014
Intangible assets with an indefinite useful life[1)]	16	1,235	1,197
Other intangible assets	17	422	390
Aircraft and reserve engines	18 20	14,591	13,572
Repairable spare parts for aircraft		1,388	1,083
Property, plant and other equipment	19 20	2,173	2,109
Investments accounted for using the equity method	21	520	445
Other equity investments	22 42	201	776
Non-current securities	22 42	15	10
Loans and receivables	23 42	516	515
Derivative financial instruments	42	1,234	599
Deferred charges and prepaid expenses	26	12	11
Effective income tax receivables		19	31
Deferred tax assets	14	1,200	1,489
Non-current assets		**23,526**	**22,227**
Inventories	24	761	700
Trade receivables and other receivables	25 42	4,389	3,995
Derivative financial instruments	42	440	456
Deferred charges and prepaid expenses	26	158	147
Effective income tax receivables		85	122
Securities	27 42	1,994	1,785
Cash and cash equivalents	28 42	1,099	953
Assets held for sale	29	10	89
Current assets		**8,936**	**8,247**
Total assets		**32,462**	**30,474**

1) Including Goodwill.

Shareholders' equity and liabilities

in €m	Notes	31.12.2015	31.12.2014
Issued capital	30	1,189	1,185
Capital reserve	31	187	170
Retained earnings	31	1,612	1,237
Other neutral reserves	31	1,082	1,321
Net profit/loss		1,698	55
Equity attributable to shareholders of Deutsche Lufthansa AG		**5,768**	**3,968**
Minority interests		77	63
Shareholders' equity		**5,845**	**4,031**
Pension provisions	32	6,626	7,231
Other provisions	33	526	601
Borrowings	34 42	5,031	5,364
Other financial liabilities	35	121	136
Advance payments received, deferred income and other non-financial liabilities	36	1,223	1,179
Derivative financial instruments	42	307	719
Deferred tax liabilities	14	346	239
Non-current provisions and liabilities		**14,180**	**15,469**
Other provisions	33	1,075	953
Borrowings	34 42	1,339	594
Trade payables and other financial liabilities	37 42	4,847	4,635
Liabilities from unused flight documents		2,901	2,848
Advance payments received, deferred income and other non-financial liabilities	38	918	924
Derivative financial instruments	42	1,221	766
Effective income tax obligations		136	228
Liabilities related to assets held for sale		–	26
Current provisions and liabilities		**12,437**	**10,974**
Total shareholders' equity and liabilities		**32,462**	**30,474**

Consolidated statement of changes in shareholders' equity

as of 31 December 2015

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 31.12.2013	**1,180**	**886**	**332**	**270**	**236**	**328**	**1,166**	**2,511**	**313**	**6,056**	**52**	**6,108**
Capital increases/reductions	5	16	–	–	–	–	–	–	–	21	–	21
Reclassifications	–	–732	–	–	–	–	–	838	–106	–	–	–
Dividends to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	–207	–207	–15	–222
Transactions with minority interests	–	–	–	–	–	–	–	–	–	–	1	1
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	55	55	20	75
Other expenses and income recognised directly in equity	–	–	75	94	–	–14	155	–2,112	–	–1,957	5	–1,952
As of 31.12.2014	**1,185**	**170**	**407**	**364**	**236**	**314**	**1,321**	**1,237**	**55**	**3,968**	**63**	**4,031**
Capital increases/reductions	4	17	–	–	–	–	–	–	–	21	2	23
Reclassifications	–	–	–	–	–	–	–	55	–55	–	–	–
Dividends to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	–	–	–14	–14
Transactions with minority interests	–	–	–	–	–	–	–	–	–	–	–1	–1
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	1,698	1,698	24	1,722
Other expenses and income recognised directly in equity	–	–	–483	240	–	4	–239	320	–	81	3	84
As of 31.12.2015	**1,189**	**187**	**–76**	**604**	**236**	**318**	**1,082**	**1,612**	**1,698**	**5,768**	**77**	**5,845**

Consolidated cash flow statement

for the financial year 2015

in €m	Notes	2015	2014[1)]
Cash and cash equivalents 1.1.		**828**	**1,407**
Net profit/loss before income taxes		2,026	180
Depreciation, amortisation and impairment losses on non-current assets (net of reversals)	9 13	1,708	1,516
Depreciation, amortisation and impairment losses on current assets (net of reversals)		82	−8
Net proceeds on disposal of non-current assets	6	−53	139
Result of equity investments	11	−121	−121
Net interest	12	170	256
Income tax payments/reimbursements		−197	−220
Significant non-cash-relevant expenses/income		−691	460
Change in trade working capital		−392	−484
Change in other assets/shareholders' equity and liabilities		861	259
Cash flow from operating activities		**3,393**	**1,977**
Capital expenditure for property, plant and equipment and intangible assets	17 – 20	−2,454	−2,699
Capital expenditure for financial investments	22 23	−91	−60
Additions/loss to repairable spare parts for aircraft		−367	−100
Proceeds from disposal of non-consolidated equity investments		34	49
Proceeds from disposal of consolidated equity investments		−122	0*
Cash outflows for acquisitions of non-consolidated equity investments	21 22 42	−23	−14
Cash outflows for acquisitions of consolidated equity investments	1	−1	−4
Proceeds from disposal of intangible assets, property, plant and equipment and other financial investments		138	161
Interest income		271	256
Dividends received		56	137
Net cash from/used in investing activities		**−2,559**	**−2,274**
Purchase of securities/fund investments		−1,845	−974
Disposal of securities/fund investments		1,131	1,758
Net cash from/used in investing and cash management activities		**−3,273**	**−1,490**
Capital increase	30 31	–	–
Transactions by minority interests		2	–
Non-current borrowing		986	1,102
Repayment of non-current borrowing		−682	−1,572
Dividends paid		−14	−222
Interest paid		−266	−380
Net cash from/used in financing activities		**26**	**−1,072**
Net increase/decrease in cash and cash equivalents		**146**	**−585**
Changes due to currency translation differences		22	6
Cash and cash equivalents 31.12.	28	**996**	**828**
Securities	27	1,994	1,785
Liquidity		**2,990**	**2,613**
Net increase/decrease in liquidity		377	−1,940

* Rounded below EUR 1m.
[1)] Previous year's figures have been adjusted.

Further details can be found in the section "Notes to the consolidated cash flow statement" starting on p. 163.

Notes to the consolidated financial statements
of Deutsche Lufthansa AG for 2015

General remarks

The Lufthansa Group is a global aviation enterprise whose subsidiaries and equity investments were organised into four operating segments in the financial year 2015: Passenger Airline Group, Logistics, MRO and Catering.

Deutsche Lufthansa AG has its headquarters in Cologne, Germany, and is filed in the Commercial Register of Cologne District Court under HRB 2168.

The declaration on the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) was issued and made available to shareholders on the internet at i www.lufthansagroup.com/entsprechenserklaerung.

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 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 millions, therefore comply with the IFRSs as applicable in the EU and with the further commercial law provisions of Section 315a Paragraph 1 HGB. Its financial year is the calendar year.

With the exception of the changes required by new or amended standards, the accounting policies applied in the previous year have been retained. The new management and earnings indicators had an impact on the structure of the income statement and the relevant notes in the reporting year; further information in the "Notes to the consolidated income statement" starting on p. 129.

The consolidated financial statements for 2015 were examined and approved for publication by the Supervisory Board of Deutsche Lufthansa AG in its meeting on 16 March 2016.

International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) to be applied for the first time in the financial year and amendments to standards and interpretations

The first-time application of the following amended accounting standards had no or no material effect on the presentation of the net assets, financial and earnings position or on earnings per share.

IFRS pronouncement
IFRIC 21, Levies
Annual Improvements to IFRS (2011–2013 Cycle)

Published International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) not yet applied/applicable and amendments to standards and interpretations

The following standards and amendments have already been endorsed by the European Union but are only mandatory for financial statements after 31 December 2015:

IFRS pronouncement	Mandatory application for financial years beginning on or after
Amendments to IAS 1, Presentation of Financial Statements	1.1.2016
Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations	1.1.2016
Amendments to IFRS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation	1.1.2016
Amendments to IAS 16 and IAS 41, Agriculture: Bearer Plants	1.1.2016
Amendments to IAS 19, Defined Benefit Plans: Employee Contributions	1.2.2015
Amendments to IAS 27, Equity Method in Separate Financial Statements	1.1.2016
Annual Improvements to IFRS, 2010–2012 Cycle	1.2.2015
Annual Improvements to IFRS, 2012–2014 Cycle	1.1.2016

On 18 December 2014, the IAS published **Amendments to IAS 1, Presentation of Financial Statements,** as part of its disclosure initiative. The amendments relate particularly to clarifications on assessing the materiality of information in the financial statements, the presentation of additional line items in the balance sheet and the statement of comprehensive income, the presentation of other comprehensive income attributable to associated companies and

joint ventures accounted for using the equity method, the structure of disclosures in the notes, and the presentation of significant accounting policies. Early application is allowed. Its effects on the consolidated financial statements, in particular on the notes to the consolidated financial statements, are under review.

The first-time application of these standards is not expected to have any material effects on the consolidated financial statements of the Lufthansa Group.

The IASB and the IFRS Interpretations Committee have adopted other standards and interpretations whose application is not mandatory for the financial year 2015:

IFRS pronouncement	Mandatory application for financial years beginning on or after
IFRS 9, Financial Instruments	1.1.2018
IFRS 15, Revenue from Contracts with Customers	1.1.2018
IFRS 16, Leases	1.1.2019
Amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exceptions	1.1.2016
Amendments to IAS 12, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses	1.1.2017
Amendments to IAS 7, Statement of Cash Flows – Disclosure Initiative	1.1.2017
Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	deferred indefinitely

IFRS 9, Financial Instruments, includes guidelines for recognition and measurement, derecognition and hedge accounting. The IASB published the final version of the standard on 24 July 2014 when the various phases of its extensive project on financial instruments were completed. All accounting for financial instruments can now take place in accordance with IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement. The published version of IFRS 9 supersedes all previous versions. Early application is allowed. The Company is currently reviewing what effects the application of IFRS 9 will have on its consolidated financial statements. The recognition in other comprehensive income (OCI) of fair value changes in the time value of options over the term of the hedging relationship in accordance with IFRS 9, rather than in the income statement in accordance with IAS 39, is expected to have a particular effect.

The IASB published the final standard **IFRS 15, Revenue from Contracts with Customers,** on 28 May 2014. The core principle of IFRS 15 for the recognition of revenue consists of recognising the delivery of goods and services to customers at an amount that corresponds to the consideration the company can expect to receive in exchange for these goods or services. Revenue is recognised when the goods or services have been transferred to the customer. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. Furthermore, the new standard requires a set of quantitative and qualitative disclosures to enable users of the Company's consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 replaces IAS 11, Construction Contracts; IAS 18, Revenue; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfers of Assets from Customers; and SIC-31, Revenue – Barter Transactions Involving Advertising Services. The new guidance could mean changes to the point in time at which revenue is recognised, especially from transactions with multiple components. Clarifications concerning principal-agent transactions may also give rise to adjustments in the gross or net amount of revenue recognised. Differences may arise in future in the course of allocating estimated transaction prices to the identified performance obligations in connection with customer loyalty programmes, since at present, for example, the individual sales price of the bonus component can be determined on the basis of the isolated market value of the bonus, i.e. without considering the corresponding market values of the other components. Disclosure requirements are also extended, such as the opening and closing balances of net contractual assets and liabilities and the cumulative amount of unsatisfied performance obligations from all relevant customer contracts as of the balance sheet date. The effects on the presentation of the net assets, financial and earnings position are currently being reviewed in a Group-wide project on IFRS 15. The Group can therefore not yet give a final assessment of the effects that the first-time application of the standard will have.

On 13 January 2016, the IASB published the new standard **IFRS 16, Leases.** IFRS 16 replaces IAS 17, Leases and the related interpretations, IFRIC 4, Determining whether an Arrangement Contains a Lease; SIC-15, Operating Leases – Incentives; and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is mandatory from 1 January 2019. Early application is permitted, but only if IFRS 15, Revenue from Contracts with Customers, is also applied at the same time. The new guidance requires lessees to recognise a lease liability reflecting future lease payments and a right of use asset for virtually all lease contracts. In all cases, the lease is presented in the income statement as a financing transaction, i.e. the right-of-use is generally amortised on a straight-line basis and the leasing liability is discounted using the effective interest method. Lease payments include fixed payments, variable payments to the extent that they are index-based, expected payments under residual value guarantees, plus any strike prices of call options and contractual penalties for the early termination of the lease. Recognition is not required for leases with a total term of twelve months or less, and for leases where the underlying asset has a low value when new. In these cases, the lessee may choose to account for lease payments in the same way as for an operating lease previously. It can generally be assumed that the first-time application of IFRS 16 will result in a not immaterial increase in non-current assets and liabilities, which will have a corresponding impact on total equity and liabilities, net debt and the equity ratio. The exact effects still have to be analysed for the consolidated financial statements.

With the **Amendments to IAS 12, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses,** the IASB has clarified that write-downs to a lower market value of debt instruments measured at fair value due to a change in market interest rates give rise to a deductible temporary difference. For all deductible temporary differences together, a fundamental assessment must be made as to whether sufficient taxable income will be generated in future to allow their use, and therefore their recognition. A separate assessment is only required if and to the extent that tax law distinguishes between different types of taxable profits. The amendments are applicable retrospectively for financial years beginning on or after 1 January 2017. The Company is currently reviewing what effects application will have on its consolidated financial statements.

On 29 January 2016, the IASB published **Amendments to IAS 7, Statement of Cash Flows – Disclosure Initiative,** which will require a reconciliation of the changes during the reporting period of those liabilities where different cash flows are to be presented in the cash flow statement as cash flows from financing activities. The amendments are applicable for financial years beginning on or after 1 January 2017. No comparable figures are required for the year of first-time application. Its effects on the consolidated cash flow statement and on the notes to the consolidated financial statements are under review.

At the present time, the other new or amended IFRS pronouncements listed in the table are not expected to have a material impact on the presentation of the net assets, financial and earnings position.

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

The consolidated financial statements of Deutsche Lufthansa AG include all major subsidiaries, joint ventures and associated companies.

Subsidiaries are entities over which Deutsche Lufthansa AG has rights that give it the ability to control the entity's relevant activities. Relevant activities are those activities that have a significant influence on the return from the entity. Deutsche Lufthansa AG therefore only has control over a company when it is exposed to variable returns from the company and its power over the company's relevant activities enables it to influence these returns. This definition of control also applies to structured entities which are identified as such in the list of major Group companies. In general, the ability to control subsidiaries arises when Deutsche Lufthansa AG holds a direct or indirect majority of voting shares.

Joint arrangements are classified either as joint ventures or as joint operations. A joint arrangement exists when the Lufthansa Group has joint control over the joint arrangement on the basis of a contractual agreement with a third party. Joint management or control only exists when decisions on activities that have a significant effect on the returns from an agreement require the unanimous approval of the parties sharing control.

Significant interests in companies that are managed jointly with one or more partners (joint ventures) are accounted for using the equity method. Joint operations are defined by the fact that the parties exercising joint control over the arrangement have rights to the assets attributed to the arrangement and are liable for its debts. Assets and liabilities, revenue and expenses from the major joint operations are recognised in the consolidated financial statements of the Lufthansa Group in proportion to these rights and obligations.

Associated companies are companies in which Deutsche Lufthansa AG has the power to exercise significant influence over financial and operating policy based on an interest of between 20 per cent and 30 per cent. Major associated companies are accounted for in the consolidated financial statements using the equity method.

A list of major subsidiaries, joint arrangements and associated companies can be found on p. 185–191. The list of shareholdings is attached at the end of these notes.

In addition to Deutsche Lufthansa AG as the parent company, the group of consolidated companies includes 66 domestic and 249 foreign companies, including structured entities (previous year: 70 domestic and 237 foreign companies).

One material joint operation was also included in the consolidated financial statements on a pro rata basis in accordance with IFRS 11. It consists of a German cargo airline operated jointly by Deutsche Post AG and Deutsche Lufthansa AG, which each hold 50 per cent of the share capital and voting rights. The two shareholders are also customers of the company and use the capacities of its cargo aircraft. In contrast to its capital and voting rights, the Company's assets and liabilities, as well as its income and expenses, are allocated based on the user relationship.

Changes in the group of consolidated companies during the 2015 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			
Dia Himmel Ltd., Tokyo, Japan	29.1.2015		Established
CASTOR Ltd., Tokyo, Japan	29.1.2015		Established
Dia Vogel Ltd., Tokyo, Japan	29.1.2015		Established
AURA Leasing Co. Ltd., Tokyo, Japan	29.1.2015		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 29, Salzburg, Austria	26.2.2015		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 30, Salzburg, Austria	26.2.2015		Established
Tyrolean Airways Luftfahrzeuge Technik GmbH, Vienna, Austria	1.3.2015		Consolidated for the first time
Eurowings Commercial & Service GmbH, Cologne	17.7.2015		Established
EWAT GmbH, Vienna Airport, Austria	3.9.2015		Established
LHAMIP LIMITED, Dublin, Ireland	1.12.2015		Consolidated for the first time
ORIX Himalia Corporation Ltd., Tokyo, Japan	15.12.2015		Established
ORIX Miranda Corporation Ltd., Tokyo, Japan	15.12.2015		Established
Yamasa Aircraft LH12 Kumiai Ltd., Okayama, Japan	15.12.2015		Established
Lufthansa Leasing GmbH & Co. Foc-Golf oHG, Grünwald		1.1.2015	Merger
TAF Earth Lease Ltd., Tokyo, Japan		28.1.2015	Liquidation
TAF Jupiter Lease Ltd., Tokyo, Japan		19.2.2015	Liquidation
LPC/LNP/LNQ Finance Ltd., George Town, Cayman Islands		20.2.2015	Liquidation
Lufthansa Leasing Austria GmbH & Co. OG Nr. 8, Salzburg, Austria		20.2.2015	Merger
TAF Moon Lease Ltd., Tokyo, Japan		20.2.2015	Liquidation
Tyrolean Airways Tiroler Luftfahrt GmbH, Innsbruck, Austria		1.4.2015	Merger
ULH Altair Ltd., Tokyo, Japan		25.6.2015	Liquidation
TraviAustria GmbH, Vienna, Austria		22.10.2015	Sale
Lufthansa Leasing Austria GmbH & Co. OG Nr. 9, Salzburg, Austria		14.11.2015	Merger
Lufthansa Leasing Austria GmbH & Co. OG Nr. 1, Salzburg, Austria		1.12.2015	Merger
Raffles Leasing Ltd., Hamilton, Bermuda		30.12.2015	Liquidation
Syracuse Ltd., Hamilton, Bermuda		30.12.2015	Liquidation
Logistics segment			
LHAMIC LIMITED, Dublin, Ireland	31.7.2015		Consolidated for the first time
Lufthansa Leasing GmbH & Co. Echo-Zulu oHG, Grünwald		28.12.2015	Merger
MRO segment			
Lufthansa Technik Puerto Rico LLC, San Juan, Puerto Rico	1.1.2015		Consolidated for the first time
Catering segment			
Sky Chefs Things Remembered Services Limited, Lagos, Nigeria	4.2.2015		Established
Material Marketing Solutions Limited, West Drayton, UK		20.5.2015	Liquidation
UAB Airo Catering Services Lietuva, Vilnius, Lithuania		21.7.2015	Sale
LSG Sky Chefs Nürnberg GmbH, Neu-Isenburg		1.9.2015	Merger
Other			
LHAMIH LIMITED, Dublin, Ireland	31.7.2015		Consolidated for the first time
Lufthansa Systems GmbH & Co. KG, Kelsterbach		19.3.2015	Spin-off
INF Services GmbH & Co. KG, Kelsterbach		1.4.2015	Sale

The following fully consolidated German Group companies made use of the exemption provisions in Section 264 Paragraph 3 and Section 264b HGB in 2015.

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	Neu-Isenburg
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 Objekt- und Verwaltungs-gesellschaft mbH	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
Lufthansa Cargo AG	Frankfurt/Main
Jettainer GmbH	Raunheim
Lufthansa CityLine GmbH	Munich
Lufthansa Commercial Holding GmbH	Cologne
Lufthansa Flight Training Berlin GmbH	Berlin
Lufthansa Flight Training GmbH	Frankfurt/Main
LSY GmbH	Norderstedt
Lufthansa Industry Solutions AS GmbH	Norderstedt
Lufthansa Industry Solutions BS GmbH	Raunheim
Lufthansa Industry Solutions GmbH & Co. KG	Norderstedt
Lufthansa Systems GmbH & Co. KG	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/Main
Lufthansa Technik Objekt- und Verwaltungs-gesellschaft mbH	Hamburg
Lufthansa Training & Conference Center GmbH	Seeheim-Jugenheim
Lufthansa Global Business Services GmbH	Frankfurt/Main
Miles & More GmbH	Neu-Isenburg
Lufthansa Asset Management GmbH	Frankfurt/Main
Lufthansa Technik Logistik Services GmbH	Hamburg

The consolidated financial statements include investments in 37 joint ventures and 40 associated companies (previous year: 39 joint ventures and 36 associated companies), of which eight joint ventures (previous year: nine) and 19 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.

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 IFRSs 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.

Amendments to accounting policies as a result of revised and new standards are applied retrospectively unless provided otherwise for a specific standard. The income statement for the previous year and the opening balance sheet for the comparable period are adjusted as if the new accounting policies had always been applied.

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 Other segments with the remaining IT functions of the former IT Services segment 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.

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.

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.

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 gained are set off directly against equity.

Goodwill is not amortised, but tested annually for impairment. The 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 2015 information can be found in "Note 16" starting on p. 134.

Additional impairment tests are also applied during the course of the year if events give reason to believe that goodwill could be permanently impaired.

Once an impairment loss has been recognised on goodwill, it is not reversed in subsequent periods.

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 fair value are recognised in equity (e.g. available-for-sale equity instruments) are not reflected in profit or loss.

The most important exchange rates used in the consolidated financial statements have developed in relation to the euro as follows:

	2015		2014	
	Balance sheet exchange rate	**Income statement average rate**	Balance sheet exchange rate	Income statement average rate
USD	0.91655	0.90391	0.82254	0.74878
JPY	0.00760	0.00748	0.00688	0.00715
GBP	1.35892	1.38466	1.27972	1.24017
CAD	0.65992	0.70860	0.70885	0.67950
HKD	0.11825	0.11661	0.10603	0.09655
THB	0.02543	0.02645	0.02501	0.02309
SEK	0.10880	0.10671	0.10620	0.10992
NOK	0.10400	0.11211	0.11056	0.12021
DKK	0.13402	0.13406	0.13429	0.13413
CHF	0.92601	0.94188	0.83159	0.82296
KRW	0.00078	0.00080	0.00075	0.00072

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, while 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. The financing rate used was 3.4 per cent (previous year: 3.4 per cent).

Key components of a tangible asset that have different useful lives are recognised and depreciated separately. If costs are incurred in connection with regular, extensive maintenance work (e.g. overhauling aircraft), these costs are recognised as a separate component insofar as they meet the criteria for recognition.

The following depreciation periods are applied throughout the Group:

Property, plant and equipment	Useful life
Buildings	20 to 45 years
New commercial aircraft and reserve engines	20 years to a residual value of 5%
Technical equipment and machinery	8 to 20 years
Other equipment, operating and office equipment	3 to 20 years

Buildings, fixtures and fittings on rented premises are depreciated according to the terms of the lease or over a shorter useful life.

Assets acquired second-hand are depreciated over their expected remaining useful life.

When assets are sold, closed down or scrapped, the difference between the net proceeds and the net carrying amount of the assets is recognised as a gain or loss in the other operating income or expenses, respectively.

Finance leases
In accordance with IAS 17, the economic ownership of leased assets is deemed to be transferred to the lessee if the lessee bears significantly all the risks and rewards associated with ownership of the leased asset. In addition to the duration of the non-terminable 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 start of the leasing contract at the lower of the present value of the leasing instalments and the asset's fair value, plus any incidental expenses borne by the lessee. Depreciation methods and useful economic lives correspond to those applied to comparable purchased assets.

Operating leases
With an operating lease, the lease payment made by the lessee is recognised as an expense and the payment received by the lessor as income. The leased asset is still recognised in the consolidated balance sheet as a tangible asset.

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 or 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 up to the amount of the asset's amortised cost.

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 phase of the fleet models for which they can be used.

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", "available-for-sale financial assets" and "derivative financial instruments as an effective part of a hedging relationship".

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 classified in a separate category.

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 matures.

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 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, in "Note 42" starting on p. 166, 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 satisfy the strict criteria for effectiveness as defined in IAS 39, however. Changes in the fair value of these transactions are therefore recognised directly in profit or loss.

Financial guarantees given to third parties are recognised for the first time 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.

Emissions certificates

CO_2 emissions certificates are recognised as intangible assets and presented under other receivables. Rights, both those purchased and allocated free of charge, are measured at cost and not amortised.

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 97 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 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. These assets are no longer depreciated.

Cash and cash equivalents
Cash and cash equivalents comprise cash-in-hand, cheques received and credit balances at banks and other companies. Cash equivalents are financial investments that can be liquidated at short notice. At the time of purchase or investment, they have a maturity of three months or less.

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. The discount rate is determined by reference to high-quality corporate bonds with an issue volume of at least EUR 100m and an AA rating from at least one of the rating agencies Moody's Investor Service, Fitch Ratings or Standard & Poor's Rating Services.

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 are recognised for present legal and constructive obligations arising from past events that will probably give rise to a future outflow of resources, provided that a reliable estimate can be made of the amount of the obligations.

The amount of the provision is determined by the best estimate of the amount required to settle the present obligation. Past experience, current cost and price information and estimates from internal and external experts are used to determine the amount of provisions.

The management regularly analyses the current information on legal risks and makes provisions for probable obligations. These provisions cover estimated payments to the claimant, the costs of the court and proceedings, the costs of lawyers and of any out-of-court settlement. Internal and external lawyers assist with the estimate. When deciding on the necessity of a provision for litigation, the management takes the probability of an unfavourable outcome and the chance of making a sufficiently accurate estimate of the amount of the obligation into account. The commencement of legal proceedings or the formal assertion of a claim against the Group or the disclosure of certain litigation in the notes does not automatically mean that a provision was made for the risk concerned. A ruling in court proceedings, a decision by a public authority or an out-of-court settlement may cause the Group to incur expenses for which no provision was made because the amount could not be reliably determined or for which the provision made and the insurance coverage is not sufficient.

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.

If no provision could be recognised because one of the stated criteria was not fulfilled, the corresponding obligations are shown as contingent liabilities and discussed in the relevant section.

Obligations towards tax authorities which are uncertain with a view to occurence, probability and amount are recorded as **tax provisions** on the basis of reasonable estimates. Existing contingent liabilities in connection with this are addressed separately.

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 spot rate on the balance sheet date.

Obligations from share programmes were measured at fair value in accordance with IFRS 2, Cash-settled Share-based Payment Transactions. Fair value was measured using the Monte Carlo simulation.

The liability is recognised on the basis of the resulting fair value, taking the term of the programme into account. Changes are recognised as staff costs in profit or loss.

Details of the assumptions used for the model and the structure of the share programmes can be found in “Note 36” starting on p. 160.

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 anymore are also recognised as traffic revenue in the income statement at their estimated value at the end of the year. The estimate is based on historical statistical data.

Obligations under bonus miles programmes

The 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 lapsed in the past is used to estimate the number of miles that will probably lapse subject 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 at third parties are shown under other non-financial liabilities.

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 planning period used to assess this probability is determined by the individual Group company according to the specific circumstances and lies generally between three and five years.

Deferred foreign tax rates in the 2015 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 if the deferred tax assets and liabilities relate to the same tax authority.

Effective income taxes

The Lufthansa Group is liable for income taxes in various countries. Material assumptions are necessary to calculate the income tax liabilities. For certain transactions and calculations, the final taxation cannot be assessed definitively in the course of normal business. The amount of the liability for future tax inspections is based on estimates of whether additional income taxes will be owed, and if so, at which amount. Estimates will be corrected as necessary in the period in which taxation is definitively assessed.

Notes to the consolidated income statement

The new management and earnings indicators will also have an impact on the structure of the income statement and the relevant notes. General comments on earnings and expenses in the reporting period are now based on EBIT and are followed by an explanation of the reconciliation with Adjusted EBIT. In the course of this transition, the following changes will be made to the presentation of the income statement in order to make the main earnings indicators easier to understand. The result of equity investments has been shown as part of EBIT since the start of the year. Losses of EUR 144m (previous year: EUR –151m) from the measurement and realisation of financial liabilities were previously recognised in the operating result. They are now shown in other financial items and thus share a single line item with the associated interest rate and exchange rate hedges. Impairment losses of EUR 59m (previous year: EUR 16m) on financial investments were previously recognised in other financial items. As of the financial year 2015, they will be shown in the operating result along with impairment losses on other assets. Gains of EUR 77m (previous year: EUR 23m) on the disposal of current financial investments were previously shown in other operating income and other operating expenses and will be recognised in net interest from 2015. The figures for last year have been adjusted due to the new reporting method.

3 Traffic revenue

Traffic revenue by sector

in €m	2015	2014
Passenger	22,611	21,566
Freight and mail	2,711	2,822
	25,322	**24,388**

EUR 2,274m of freight and mail revenue (previous year: EUR 2,362m) was generated in the Logistics segment. Freight and mail revenue of EUR 437m (previous year: EUR 460m) stems mainly from marketing belly capacities on SWISS passenger flights and is included under other revenue in the segment reporting for the Passenger Airline Group.

4 Other revenue

Revenue by sector

in €m	2015	2014
MRO services	3,025	2,461
Catering services	2,128	1,813
Travel services (commissions)	246	175
IT services	287	296
Ground services	123	102
Other services	925	776
	6,734	**5,623**

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.

Other revenue includes revenue of EUR 286m (previous year: EUR 548m) 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 303m (previous year: EUR 519m). Profits of EUR 14m were set off against them (previous year: EUR 58m). Advance payments by customers amounted to EUR 166m (previous year: EUR 436m). Unfinished contracts with a net credit balance – less any write-downs – are disclosed in trade receivables, "Note 25" on p. 146. Unfinished contracts for which advance payments by customers exceed the costs plus any offset pro rata profit are recognised as advance payments; further information in "Note 38" on p. 162. 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	2015	2014
Increase / decrease in finished goods and work in progress	22	6
Other internally produced and capitalised assets	181	206
	203	**212**

6 Other operating income

Other operating income

in €m	2015	2014*
Income from the disposal of non-current assets	14	26
Income from the disposal of non-current available-for-sale financial assets	53	11
Income from the reversal of impairment losses on fixed assets	8	38
Foreign exchange gains	1,522	729
Income from the reversal of provisions and accruals	245	168
Commission income	285	264
Reversal of write-downs on receivables	32	46
Income from staff secondment	33	30
Compensation received for damages	25	29
Rental income	33	32
Income from sub-leasing aircraft	6	10
Miscellaneous other operating income	576	507
	2,832	**1,890**

* Previous year's figures have been adjusted due to the new reporting method.

Income from the disposal of non-current available-for-sale financial assets includes income of EUR 34m from purchase price adjustments in connection with the contract signed last year for the sale of the former Lufthansa Systems AG's IT Infrastructure unit.

Foreign exchange gains (excluding financial liabilities) 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; further information can be found in "Note 10" on p. 131. Effects of exchange rates on borrowings are recognised in other financial items.

Income from the release 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 and other services provided by the Group.

7 Cost of materials and services

Cost of materials and services

in €m	2015	2014
Aircraft fuel and lubricants	5,784	6,751
Other raw materials, consumables and supplies	2,670	2,252
Purchased goods	549	476
Total cost of raw materials, consumables and supplies and of purchased goods	**9,003**	**9,479**
Fees and charges	5,651	5,265
Charter expenses	235	215
External MRO services	1,341	1,133
In-flight services	347	317
Operating lease payments	50	52
External IT services	285	174
Other services	728	648
Total cost of purchased services	**8,637**	**7,804**
	17,640	**17,283**

8 Staff costs

Staff costs

in €m	2015	2014
Wages and salaries	6,353	5,904
Social security contributions	854	810
Expenses for pension plans and other employee benefits	868	621
	8,075	**7,335**

Expenses for retirement benefits principally consist of additions to the pension provisions; further information can be found in "Note 32" starting on p. 149.

Employees

	Average for the year 2015	Average for the year 2014	As of 31.12.2015	As of 31.12.2014
Ground staff	82,781	82,708	83,415	82,724
Flight staff	35,720	35,181	36,083	35,000
Trainees	1,058	1,084	1,154	1,057
	119,559	**118,973**	**120,652**	**118,781**

The annual average is calculated pro rata temporis from the time companies are consolidated or deconsolidated.

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 1,715m (previous year: EUR 1,528m).

Impairment losses of EUR 159m were recognised in the financial year 2015. EUR 62m of the total was recognised on existing investments in connection with the project costs for a possible new freight centre at Frankfurt Airport. Given the limit imposed on capital expenditure, a decision was taken to postpone the possible construction project for at least two years. This decision reduced the value of the investments that had already been made. Other impairment losses related mainly to non-performing loans (EUR 59m), the write-downs of LSG Belgium N.V. and ZAO AeroMEAL (EUR 17m) due to poor performance, as well as to impairment charges for two Boeing 747-400s and eleven B737s held for sale (EUR 12m). Capitalised planning costs for an abandoned construction project were also impaired and written down (EUR 7m).

Other operating expenses included a further EUR 4m in impairment losses on assets held for sale.

Detailed information on impairment testing can be found in "Note 16" starting on p. 134.

Impairment losses of EUR 100m in total had been recognised in the previous 2014 financial year. EUR 50m of the total related to the sale of the IT Infrastructure unit of Lufthansa Systems AG to the IBM Group. A further EUR 22m was recognised for a total of twelve 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. The previous year's impairment losses also related to goodwill in the Catering segment (EUR 7m), intangible assets (EUR 15m) and other property, plant and equipment (EUR 6m).

Other operating expenses included additional write-downs of EUR 2m on repairable spare parts for aircraft, which were shown in the balance sheet as of 31 December 2014 under assets held for sale.

10 Other operating expenses

Other operating expenses

in €m	2015	2014*
Sales commission paid to agencies	332	322
Rental and maintenance expenses	878	826
Staff-related expenses	1,041	955
Expenses for computerised distribution systems	411	339
Advertising and sales promotions	358	333
Foreign exchange losses	1,606	865
Auditing, consulting and legal expenses	207	169
Other services	140	134
Insurance premiums for flight operations	47	42
Write-downs on receivables	90	86
Communications costs	59	46
Other taxes	83	72
Losses on disposal of non-current assets	14	176
Consultancy fees in connection with financial transactions	4	5
Miscellaneous other operating expenses	836	718
	6,106	**5,088**

* Previous year's figures have been adjusted due to the new reporting method.

Foreign exchange losses (excluding financial liabilities) 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; further information can be found in "Note 6" on p. 130. Effects of exchange rates on borrowings are recognised in other financial items.

Staff-related expenses also include travel and training costs for Group employees and the costs of outside staff.

Losses of EUR 160m on the disposal of assets in the previous year related to the sale of the IT Infrastructure unit of Lufthansa Systems AG decided in 2014.

11 Result from equity investments

Result from equity investments

in €m	2015	2014
Result of joint ventures accounted for using the equity method	70	66
Result of associated companies accounted for using the equity method	41	11
Result of equity investments accounted for using the equity method	**111**	**77**
Dividends from other joint ventures	10	5
Dividends from other associated companies	5	8
Income from profit transfer agreements	22	27
Expenses from loss transfer agreements	−37	−19
Dividends from other equity investments	10	23
Result of other equity investments	**10**	**44**
	121	**121**

Income and expenses from profit and loss transfer agreements are shown including tax contributions.

12 Net interest

Net interest

in €m	2015	2014*
Income from other securities and non-current financial loans	9	7
Other interest and similar income	177	152
Interest income	**186**	**159**
Interest expenses on pensions obligations	−182	−165
Interest expenses on other provisions	−10	−7
Interest and other similar expenses	−164	−243
Interest expenses	**−356**	**−415**
	−170	**−256**

* Previous year's figures have been adjusted due to the new reporting method.

Net interest comprises interest income and expenses – calculated using the effective interest method in accordance with IAS 39 – from financial assets and liabilities not classified as at fair value through profit or loss.

13 Other financial items

Other financial items

in €m	2015	2014*
Gains / losses on fair value changes of hedged items	7	−20
Gains / losses on fair value changes of derivatives used as fair value hedges	−7	20
Gains from the disposal of JetBlue shares	673	–
Result of derivatives held for trading classified as at fair value through profit or loss	−17	−201
Ineffective portion of derivatives used as cash flow hedges	8	−212
Exchange rates effects from financial liabilities	−144	−151
	520	**−564**

* Previous year's figures have been adjusted due to the new reporting method.

EUR 673m in profit from the sale of the JetBlue shares was offset by expenses of EUR 170 from the measurement of the conversion option in the convertible bond issued for the JetBlue shares. They are included in the result of derivatives held for trading classified as at fair value through profit or loss.

14 Income taxes

Income taxes

in €m	2015	2014
Current income taxes	144	156
Deferred income taxes	160	−51
	304	**105**

Current income taxes for 2015 include corporation tax, solidarity surcharge, trade tax and other income taxes paid outside Germany totalling EUR 148m (previous year: EUR 104m). Tax income of EUR 4m (previous year: tax expense of EUR 52m) was reported for 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	2015 Basis of assessment	2015 Tax expenses	2014 Basis of assessment	2014 Tax expenses
Expected income tax expenses/refund	2,026	506	180	45
Tax-free income, other allowances and permanent differences	–	–189	–	–7
Non-taxable income from equity investments	–	–23	–	–21
Difference between local taxes and the deferred tax rates of the parent company*	–	–3	–	55
Unrecognised tax loss carry-forwards and deferred tax assets on losses	–	12	–	33
Other	–	1	–	0
Recognised income tax expenses	**–**	**304**	**–**	**105**

* Including taxes from other periods recognised in effective tax expenses.

Deferred tax liabilities of EUR 7m (previous year: EUR 1m) 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 and liabilities in 2015 and 2014 are attributable to the following categories:

in €m	31.12.2015 Assets	31.12.2015 Liabilities	31.12.2014 Assets	31.12.2014 Liabilities
Tax loss carry-forwards and tax credits	306	–	236	–
Pension provisions	1,767	–	1,701	–
Finance leases aircraft	1	–	–	–
Intangible assets, property, plant and equipment	–	971	–	725
Non-current financial assets	–	161	1	–
Fair value measurement of financial instruments	–	10	103	–
Provisions for contingent losses	29	–	78	–
Receivables/liabilities/other provisions	–	113	–	166
Other	6	–	22	–
Offset amounts	–909	–909	–652	–652
	1,200	**346**	**1,489**	**239**

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 290m (previous year: EUR 228m) was recognised for companies incurring a net loss in the reporting year or in the previous year, because tax and earnings planning indicated that there is a high probability 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 2,557m (previous year: EUR 2,602m) exist for which no deferred tax assets could be recognised. The total amount of deferred tax assets that could not be capitalised as of 31 December 2015 was EUR 595m (previous year: EUR 587m).

Of the unrecognised tax loss carry-forwards, EUR 5m can only be used until 2016, EUR 1m until 2019, EUR 1m until 2020, EUR 5m until 2021, EUR 26m until 2022, EUR 23m until 2023, EUR 20m until 2024 and EUR 2,205m can also be used after 2024.

15 Earnings per share

Basic/diluted 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.

		2015	2014
Basic/diluted earnings per share	€	**3.67**	**0.12**
Consolidated net profit/loss	€m	1,698	55
Weighted average number of shares		463,074,917	461,391,177

As the parent company of the Group, Deutsche Lufthansa AG reported a distributable profit according to HGB of EUR 232m for the 2015 financial year. The Executive Board and Supervisory Board will table a proposal at the Annual General Meeting to be held on 28 April 2016 to pay a dividend of EUR 0.50 per share from this distributable profit.

No dividend was paid to shareholders in 2015 for the 2014 financial year.

Notes to the consolidated balance sheet

ASSETS

16 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 1.1.2014	916	574	1,490
Accumulated impairment losses	−300	−2	−302
Carrying amount 1.1.2014	**616**	**572**	**1,188**
Currency translation differences	4	7	11
Additions due to changes in consolidation	3	–	3
Additions	1	3	4
Reclassifications	–	0*	0*
Disposals due to changes in consolidation	–	–	–
Disposals	−2	–	−2
Reclassifications to assets held for sale	–	–	–
Impairment losses	−7	–	−7
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2014	**615**	**582**	**1,197**
Cost as of 1.1.2015	922	584	1,506
Accumulated impairment losses	−307	−2	−309
Carrying amount 1.1.2015	**615**	**582**	**1,197**
Currency translation differences	4	41	45
Additions due to changes in consolidation	0*	–	0*
Additions	0*	0*	0*
Reclassifications	0*	0*	0*
Disposals due to changes in consolidation	–	–	–
Disposals	–	–	–
Reclassifications to assets held for sale	–	–	–
Impairment losses	−7	–	−7
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2015	**612**	**623**	**1,235**
Cost as of 31.12.2015	924	625	1,549
Accumulated impairment losses	−312	−2	−314

* Rounded below EUR 1m.

All goodwill and intangible assets with an indefinite useful life were subjected to a regular impairment test in 2015 as required by IAS 36.

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 regarding the smallest possible cash-generating unit (CGU) in each case.

Name of the CGU	**Deutsche Lufthansa AG and regional partners**	**SWISS Aviation Training Ltd.**	**LSG Sky Chefs USA Group**	**LSG Sky Chefs Korea**	**LSG Starfood Finland Oy**	**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	€ 249m	€ 3m	€ 277m	€ 60m	€ 3m	€ 0m	€ 11m	€ 8m
Impairment losses	–	–	–	–	–	€ 4m	–	€ 3m
Revenue growth p.a. over planning period	0.4% to 1.7%	−6.8% to 8.2%	1.9% to 4.5%	−0.2% to 2.3%	−0.4% to 0%	1.3% to 11.1%	1% to 3%	−11.3% to 7.4%
Adjusted EBITDA margin over planning period	9% to 9.4%	13.3% to 15.9%	7%	25.9% to 26.7%	0.7% to 3.6%	6.8% to 8.0%	7.3% to 7.4%	9.6% to 25.2%
Investment ratio over planning period	6.2% to 6.8%	−5% to 38.2%	1.5% to 4.4%	2.4%	1% to 1.6%	4.2% to 4.3%	0.3% to 1.7%	0% to 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	2.2%	1.0%	2.0%	3.0%	2.0%	2.0%	3.0%	2.0% to 4.0%
Adjusted EBITDA margin after end of planning period	9%	18.8%	7%	26.7%	3.6%	7.9%	7.3%	9.6% to 25.2%
Investment ratio after end of planning period	5.7%	12.7%	2.5%	1.7%	1.6%	4.2%	1.7%	1.6% to 8%
Discount rate	4.9%[3]	4.9%[3]	5.8%[2]	7.1%[2]	5.8%[2]	11.7%[2]	5.5%[2]	5.0% to 9.9%[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 approved internal budgets and external sources for the planning period. 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 2.2 per cent at the end of the planning period by Deutsche Lufthansa AG and its regional partners as described in the table, the recoverable amount would exceed the carrying amount by a significant figure. Even if the assumptions for revenue growth and/or the discount rate and the Adjusted EBITDA margin were to be reduced significantly, the recoverable amount would still 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 significant sum. Even if the assumptions for sustained revenue growth, the discount rate, revenue growth in the detailed planning period and the Adjusted EBITDA margin were to be reduced significantly, which is not likely, the recoverable amount would still exceed the carrying amount.

The Adjusted 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 sensitivity analysis examines changes in one assumption at a time, whereby the other assumptions remain unchanged from the original calculation.

Allocation of the costs of central Group functions according to a fixed formula gave no indication of impairment.

The following table shows the assumptions used for the previous year's impairment tests.

Name of the CGU Segment	**Deutsche Lufthansa AG and regional partners** Passenger Airline Group	**SWISS Aviation Training Ltd.** Passenger Airline Group	**LSG Sky Chefs USA Group** Catering	**LSG Sky Chefs Korea** Catering	**LSG Sky Chefs Havacilik Hizmetleri A.S.** Catering	**ZAO AeroMEAL** Catering	**Constance Food Group** Catering	**Various LSG companies[1]** Catering
Carrying amount of goodwill	€ 249m	€ 3m	€ 277m	€ 58m	€ 0m	€ 4m	€ 10m	€ 15m
Impairment losses	–	–	–	–	€ 5m	–	–	€ 2m
Revenue growth p.a. over planning period	3.0% to 6.2%	−4.5% to 12.5%	1.3% to 9.6%	0.6% to 4.1%	−8.0% to 7.0%	−7.9% to 1.2%	3.0% to 3.8%	−41.9% to 11.5%
Adjusted EBITDA margin over planning period	8.0% to 8.3%	24.5% to 28.1%	5.2% to 7.1%	28.5% to 29.2%	0.6% to 2.3%	13.5% to 14.8%	7.2% to 7.5%	5.6% to 31.7%
Investment ratio over planning period	6.5% to 8.3%	6.4% to 54.7%	4.0% to 9.7%	1.7% to 1.8%	1.8% to 2.9%	1.0% to 1.6%	0.3%	1.0% to 130.9%
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	2.2%	1.0%	2.0%	3.0%	3.5%	3.0%	3.0%	1.0% to 4.0%
Adjusted EBITDA margin after end of planning period	7.8%	26.2%	7.1%	29.2%	2.3%	13.8%	7.2%	8.3% to 31.7%
Investment ratio after end of planning period	6.5%	12.4%	3.1%	1.6%	2.0%	0.9%	1.5%	1.7% to 5.7%
Discount rate	6.1%[3]	6.2%[3]	6.2%[2]	6.0%[2]	5.7%[2]	6.0%[2]	6.0%[2]	5.7 to 6.5%[2]

[1] Goodwill of less than EUR 5m in any individual instance.
[2] Pre-tax rate.
[3] After-tax rate.

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 made for regular impairment testing of the smallest cash-generating unit (CGU) in each case.

Name of the CGU Segment	**SWISS** Passenger Airline Group	**Austrian Airlines** Passenger Airline Group
Carrying amount for slots	€ 136m	€ 23m
Impairment losses	–	–
Revenue growth p.a. in planning period	−1.0% to 1.5%	−0.7% to 4.3%
Adjusted EBITDA margin over planning period	12.3% to 12.7%	8.6% to 9.2%
Investment ratio over planning period	7.5% to 14.8%	1.2% to 9.6%
Duration of planning period	3 years	3 years
Revenue growth p.a. after end of planning period	1.7%	1.3%
Adjusted EBITDA margin after end of planning period	12.7%	9.0%
Investment ratio after end of planning period	8.7%	5.7%
Discount rate	4.9%*	4.9%*

* After-tax rate.

The slots purchased by Deutsche Lufthansa AG with a carrying amount of EUR 112m as of 31 December 2015 were subjected to an impairment test on the same assumptions as those used for impairment testing the goodwill of the CGU Deutsche Lufthansa AG and its regional partners.

Assuming sustained revenue growth by SWISS of 1.7 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 sustained revenue growth, the discount rate, revenue growth in the detailed planning period and the Adjusted EBITDA margin were to be reduced significantly, which is not likely, the recoverable amount would still exceed the carrying amount.

Assuming sustained revenue growth by Austrian Airlines of 1.3 per cent at the end of the planning period as described in the table, the recoverable amount would exceed the carrying amount by a significant sum. Even if the assumptions for sustained revenue growth, the discount rate, revenue growth in the detailed planning period and the Adjusted EBITDA margin were to be reduced significantly, which is not likely, the recoverable amount would still exceed the carrying amount.

The sensitivity analysis takes into account changes in one assumption at a time, whereby the other assumptions remain unchanged from the original calculation.

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	€ 120m	€ 23m
Impairment losses	–	–
Revenue growth p.a. in planning period	3.3% to 4.3%	3.5% to 10.6%
Adjusted EBITDA margin over planning period	9.2% to 9.5%	6.6% to 7.0%
Investment ratio over planning period	10.3% to 15.2%	0.9% to 2.2%
Duration of planning period	3 years	3 years
Revenue growth p.a. after end of planning period	2.5%	3.2%
Adjusted EBITDA margin after end of planning period	9.5%	6.6%
Investment ratio after end of planning period	5.1%	4.2%
Discount rate	6.2%*	6.2%*

* 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	Edelweiss
Carrying amount for brand	€ 240m	€ 107m	€ 4m
Impairment losses	–	–	–
Revenue growth for brand p.a. in planning period	1.3% to 2.4%	−0.7% to 3.5%	14.6% to 22.8%
Duration of planning period	3 years	3 years	3 years
Revenue growth p.a. after end of planning period	1.7%	1.3%	1.7%
Savings in hypothetical leasing payments before taxes (royalty rate)	0.63%	0.35%	0.23%
Discount rate	4.9%*	4.9%*	4.9%*

* After-tax rate.

Assuming sustained revenue growth associated with the brand after the end of the planning period of 1.7 per cent, the recoverable amount for the SWISS brand significantly exceeds the carrying amount. Even if the assumptions for sustained brand-related revenue growth were to be reduced significantly, 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 1.3 per cent, the recoverable amount for the Austrian Airlines brands significantly exceeds the carrying amount.

The sensitivity analysis takes into account changes in one assumption at a time, whereby the other assumptions remain unchanged from the original calculation.

The following table shows the assumptions used for the previous year's impairment tests.

Group company	SWISS	Austrian Airlines	Edelweiss
Carrying amount for brand	€ 215m	€ 107m	€ 3m
Impairment losses	–	–	–
Revenue growth for brand p.a. in planning period	3.0% to 6.0%	4.1% to 10.7%	6.2% to 31.8%
Duration of planning period	3 years	3 years	3 years
Revenue growth p.a. after end of planning period	2.5%	3.2%	2.5%
Savings in hypothetical leasing payments before taxes (royalty rate)	0.63%	0.35%	0.23%
Discount rate	6.2%*	6.2%*	6.2%*

* After-tax rate.

17 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 1.1.2014	953	124	73	1,150
Accumulated amortisation	–660	–109	0*	–769
Carrying amount 1.1.2014	**293**	**15**	**73**	**381**
Currency translation differences	6	–	0*	6
Additions due to changes in consolidation	1	–	0*	1
Additions	26	2	74	102
Reclassifications	16	–	–17	–1
Disposals due to changes in consolidation	–	–	–	–
Disposals	0*	0*	0*	0*
Reclassifications to assets held for sale	–1	–	0*	–1
Amortisation	–75	–8	–15	–98
Reversal of impairment losses	–	–	–	–
Carrying amount 31.12.2014	**266**	**9**	**115**	**390**
Cost as of 1.1.2015	939	113	130	1,182
Accumulated amortisation	–673	–104	–15	–792
Carrying amount 1.1.2015	**266**	**9**	**115**	**390**
Currency translation differences	13	–	2	15
Additions due to changes in consolidation	–	–	–	0*
Additions	60	0*	51	111
Reclassifications	88	0*	–88	0*
Disposals due to changes in consolidation	–	–	–	–
Disposals	0*	–5	–1	–6
Reclassifications to assets held for sale	1	–	0*	1
Amortisation	–83	–3	–3	–89
Reversal of impairment losses	–	–	–	–
Carrying amount 31.12.2015	**345**	**1**	**76**	**422**
Cost as of 31.12.2015	1,091	102	93	1,286
Accumulated amortisation	–746	–101	–17	–864

* Rounded below EUR 1m.

Non-capitalised research and development expenses for intangible assets of EUR 15m (previous year: EUR 10m) were incurred in the period. Fixed orders have been placed for intangible assets worth EUR 12m (previous year: EUR 13m), but they are not yet at the Group's economic disposal.

18 Aircraft and reserve engines

in €m	Aircraft and reserve engines	Advance payments for aircraft and reserve engines	**Total**
Cost as of 1.1.2014	23,188	1,373	24,561
Accumulated amortisation	–12,202	–	–12,202
Carrying amount 1.1.2014	**10,986**	**1,373**	**12,359**
Currency translation differences	86	6	92
Additions due to changes in consolidation	–	–	–
Additions	1,431	858	2,289
Reclassifications	747	–744	3
Disposals due to changes in consolidation	–	–	–
Disposals	–8	–10	–18
Reclassifications to assets held for sale	–30	–	–30
Depreciation	–1,123	–	–1,123
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2014	**12,089**	**1,483**	**13,572**
Cost as of 1.1.2015	24,881	1,483	26,364
Accumulated amortisation	–12,792	–	–12,792
Carrying amount 1.1.2015	**12,089**	**1,483**	**13,572**
Currency translation differences	267	37	304
Additions due to changes in consolidation	–	–	–
Additions	1,029	970	1,999
Reclassifications	473	–473	0*
Disposals due to changes in consolidation	–	–	–
Disposals	–12	0*	–12
Reclassifications to assets held for sale	–12	–	–12
Depreciation	–1,260	–	–1,260
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2015	**12,574**	**2,017**	**14,591**
Cost as of 31.12.2015	26,006	2,017	28,023
Accumulated amortisation	–13,432	–	–13,432

* Rounded below EUR 1m.

The item “Aircraft” includes six aircraft (four Boeing MD-11Fs and two B747-400s) at a carrying amount of EUR 70m (previous year: EUR 90m) which are 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 sub-lease agreement with a shorter duration (14 to 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 operated 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 sub-lease agreement. In 2015, EUR 3m (previous year: EUR 5m) was recognised in other operating income.

The item also includes 79 aircraft carried at EUR 2,489m (previous year: 79 aircraft carried at EUR 2,519m), which have been sold and leased back to Japanese, French and Irish leasing companies, to leasing companies in the Bermudas and the Cayman Islands, with the aim of obtaining favourable financing terms. The leasing companies were fully consolidated as structured entities. The Group is entitled to buy the aircraft back at a fixed price at a given point in time.

In the reporting year debt capital costs of EUR 47m (previous year: EUR 24m) were capitalised.

Order commitments for aircraft and reserve engines amount to EUR 16.4bn (previous year: EUR 16.4bn).

Aircraft worth EUR 2,676m (previous year: EUR 2,682m) serve as collateral for current financing arrangements and aircraft worth EUR 317m (previous year: EUR 360m) were also acquired under finance leases; further information can be found in “Note 20” starting on p. 141.

19 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 1.1.2014	2,378	1,097	1,270	122	4,867
Accumulated depreciation	−1,096	−814	−898	–	−2,808
Carrying amount 1.1.2014	**1,282**	**283**	**372**	**122**	**2,059**
Currency translation differences	13	8	3	4	28
Additions due to changes in consolidation	16	3	5	0*	24
Additions	68	44	111	80	303
Reclassifications	44	16	15	−76	−1
Disposals due to changes in consolidation	–	–	–	–	–
Disposals	−9	−4	−1	−4	−18
Reclassifications to assets held for sale	−7	–	−1	0*	−8
Depreciation	−88	−46	−145	–	−279
Reversal of impairment losses	1	–	–	–	1
Carrying amount 31.12.2014	**1,320**	**304**	**359**	**126**	**2,109**
Cost as of 1.1.2015	2,497	1,123	1,227	126	4,973
Accumulated depreciation	−1,177	−819	−868	–	−2,864
Carrying amount 1.1.2015	**1,320**	**304**	**359**	**126**	**2,109**
Currency translation differences	12	6	2	3	23
Additions due to changes in consolidation	0*	0*	–	–	0*
Additions	22	33	107	182	344
Reclassifications	21	26	16	−63	–
Disposals due to changes in consolidation	–	–	–	–	–
Disposals	0*	−1	−2	−3	−6
Reclassifications to assets held for sale	0*	0*	−2	0*	−2
Depreciation	−97	−49	−91	−62	−299
Reversal of impairment losses	2	2	0*	–	4
Carrying amount 31.12.2015	**1,280**	**321**	**389**	**183**	**2,173**
Cost as of 31.12.2015	2,557	1,195	1,288	183	5,223
Accumulated depreciation	−1,277	−874	−899	0*	−3,050

* 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 223m (previous year: EUR 232m), as in the previous year. Other property, plant and equipment carried at EUR 23m (previous year: EUR 34m) serves as collateral for existing financing arrangements. Other equipment carried at EUR 130m (previous year: EUR 137m) was acquired by means of finance leases; further information can be found in "Note 20" starting on p. 141.

The following items of property, plant and equipment have been ordered, but are not yet at the Group's economic disposal:

in €m	**31.12.2015**	31.12.2014
Land and buildings	19	18
Technical equipment and vehicles	34	39
Operating and office equipment	41	39
	94	**96**

20 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 1.1.2014	–	629	–	256	–	6	3
Accumulated depreciation	–	–292	–	–115	–	–6	–2
Carrying amount 1.1.2014	**–**	**337**	**–**	**141**	**–**	**0***	**1**
Currency translation differences	–	2	–	2	–	0*	–
Additions due to changes in consolidation	–	–	–	–	–	0*	–
Additions	–	100	–	9	–	–	0*
Reclassifications	–	–6	–	2	–	–	0*
Disposals due to changes in consolidation	–	–	–	–	–	–	–
Disposals	–	–	–	–6	–	–	0*
Reclassifications to assets held for sale	–	–	–	–	–	–	–
Depreciation	–	–73	–	–12	–	0*	0*
Reversal of impairment losses	–	–	–	–	–	–	–
Carrying amount 31.12.2014	**–**	**360**	**–**	**136**	**–**	**0***	**1**
Cost as of 1.1.2015	–	726	–	263	–	1	3
Accumulated depreciation	–	–366	–	–127	–	–1	–2
Carrying amount 1.1.2015	**–**	**360**	**–**	**136**	**–**	**0***	**1**
Currency translation differences	–	16	–	5	–	0*	–
Additions due to changes in consolidation	–	–	–	–	–	–	–
Additions	–	27	–	0*	–	–	0*
Reclassifications	–	1	–	0*	–	–	0*
Disposals due to changes in consolidation	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	0*
Reclassifications to assets held for sale	–	–	–	–	–	–	–
Depreciation	–	–87	–	–12	–	0*	0*
Reversal of impairment losses	–	–	–	–	–	–	–
Carrying amount 31.12.2015	**–**	**317**	**–**	**129**	**–**	**–**	**1**
Cost as of 31.12.2015	–	805	–	271	–	1	3
Accumulated depreciation	–	–488	–	–142	–	–1	–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 447m (previous year: EUR 497m), of which EUR 317m (previous year: EUR 360m) relates to aircraft (three Airbus A340s, one A330, two A321s, 19 A320s, twelve A319s, one Boeing 777 and two 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	2016	2017–2020	from 2021
Lease payments	102	301	131
Discounted amounts	6	48	44
Present values	96	253	87

In the previous year, the following figures were given for finance leases:

in €m	2015	2016–2019	from 2020
Lease payments	93	291	163
Discounted amounts	5	47	56
Present values	88	244	107

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 24 aircraft on operating leases, these are tenancy agreements for buildings.

The operating leases for aircraft have a term of between one and ten 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 periods of up to 30 years.

The following payments are due in the years ahead:

in €m	2016	2017–2020	from 2021
Aircraft	56	187	26 p.a.
Various buildings	306	1,089	254 p.a.
Other leases	106	485	148 p.a.
	468	**1,761**	**428 p.a.**
Payments from sub-leasing (Sublease)	3	99	28 p.a.

In the previous year the following figures were given for operating leases:

in €m	2015	2016–2019	from 2020
Aircraft	44	99	7 p.a.
Various buildings	272	974	227 p.a.
Other leases	81	278	61 p.a.
	397	**1,351**	**295 p.a.**
Payments from sub-leasing (Sublease)	4	18	4 p.a.

Reserve engines and other non-current assets, legally and economically the property of the Group at the end of 2015, have been leased to third parties under non-terminable operating leases. These leases, which have remaining terms of up to four years, result in the following forecast payments:

in €m	2016	2017–2020	from 2021
Payments received from operating leases	3	5	–

Reserve engines and other non-current assets, legally and economically the property of the Group at the end of 2014, have been leased to third parties under non-terminable operating leases. These leases result in the following forecast payments:

in €m	2015	2016–2019	from 2020
Payments received from operating leases	3	6	1 p.a.

21 Investments accounted for using the equity method

in €m	Investments in joint ventures	Investments in associated companies	Total
Cost as of 1.1.2014	261	191	452
Accumulated impairment losses	–	–11	–11
Carrying amount 1.1.2014	**261**	**180**	**441**
Currency translation differences	14	12	26
Additions due to changes in consolidation	–	–	–
Additions	1	6	7
Changes with and without an effect on profit and loss	50	20	70
Reclassifications	–	–	–
Disposals due to changes in consolidation	–	–	–
Disposals	–	–6	–6
Dividends paid	–35	–58	–93
Reclassifications to assets held for sale	–	–	–
Impairment losses	–	–	–
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2014	**291**	**154**	**445**
Cost as of 1.1.2015	291	159	450
Accumulated impairment losses	–	–5	–5
Carrying amount 1.1.2015	**291**	**154**	**445**
Currency translation differences	9	15	24
Additions due to changes in consolidation	–	–	–
Additions	–	0*	0*
Changes with and without an effect on profit and loss	73	25	98
Reclassifications	–68	68	–
Disposals due to changes in consolidation	–	–	–
Disposals	–	–	–
Dividends paid	–37	–9	–46
Reclassifications to assets held for sale	–	–	–
Impairment losses	–	–1	–1
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2015	**269**	**251**	**520**
Cost as of 31.12.2015	269	256	525
Accumulated impairment losses	–	–5	–5

* Rounded below EUR 1m.

Aircraft Maintenance and Engineering Corp. (AMECO) was reclassified from joint ventures to associated companies in 2015 following a reduction in the equity interest.

Individual interests in companies accounted for using the equity method

The following tables contain summarised data from the income statements and balance sheet data for the individual material joint ventures accounted for using the equity method.

Balance sheet data Günes Ekspres Havacilik Anonim Sirketi (SunExpress), Antalya, Turkey

in €m	31.12.2015	31.12.2014
Current assets	287	191
Non-current assets	559	351
Cash and cash equivalents	74	50
Current liabilities	257	256
Non-current liabilities	392	157
Current financial liabilities (except trade and other payables and provisions)	24	19
Non-current financial liabilities (except trade and other payables and provisions)	239	89
Shareholders' equity	**197**	**129**
Share of equity	99	64
Other	21	21
Carrying amount	**119**	**85**

Income statement data Günes Ekspres Havacilik Anonim Sirketi (SunExpress), Antalya, Turkey

in €m	2015	2014
Revenue	1,126	1,021
Depreciation and amortisation	14	15
Interest income	5	3
Interest expenses	7	2
Income tax expense or income	7	13
Profit or loss from continuing operations	**63**	**46**
Profit or loss after tax from discontinued operations	–	–
Other comprehensive income	5	1
Total comprehensive income	**68**	**47**
Share of profit or loss from continuing operations	32	23
Share of comprehensive income	34	24

Balance sheet data Terminal 2 Gesellschaft mbH & Co. oHG, Freising, Germany

in €m	31.12.2015	31.12.2014
Current assets	95	182
Non-current assets	1,449	1,326
Cash and cash equivalents	–	–
Current liabilities	152	339
Non-current liabilities	1,410	1,196
Current financial liabilities (except trade and other payables and provisions)	55	199
Non-current financial liabilities (except trade and other payables and provisions)	1,375	1,145
Shareholders' equity	**–18**	**–27**
Share of equity	–7	–11
Other	7	11
Carrying amount	**–**	**–**

Income statement data Terminal 2 Gesellschaft mbH & Co. oHG, Freising, Germany

in €m	2015	2014
Revenue	257	259
Depreciation and amortisation	55	53
Interest income	–	–
Interest expenses	35	34
Income tax expense or income	8	8
Profit or loss from continuing operations	**54**	**67**
Profit or loss after tax from discontinued operations	–	–
Other comprehensive income	8	–38
Total comprehensive income	**62**	**29**
Share of profit or loss from continuing operations	22	27
Share of comprehensive income	25	12
Dividends received	53	27

The following tables contain summarised data from the income statements and balance sheet data for the individual material associated companies accounted for using the equity method.

Balance sheet data SN Airholding SA / NV, Brussels, Belgium

in €m	31.12.2015	31.12.2014
Current assets	429	379
Non-current assets	107	108
Cash and cash equivalents	202	157
Current liabilities	379	346
Non-current liabilities	184	202
Current financial liabilities (except trade and other payables and provisions)	–	–
Non-current financial liabilities (except trade and other payables and provisions)	95	116
Shareholders' equity	**–27**	**–61**
Share of equity	–12	–27
Other	12	27
Carrying amount	**–**	**–**

Income statement data SN Airholding SA / NV, Brussels, Belgium

in €m	2015	2014
Revenue	837	768
Depreciation and amortisation	14	16
Interest income	2	2
Interest expenses	4	4
Income tax expense or income	–	–
Profit or loss from continuing operations	**34**	**–23**
Profit or loss after tax from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	**34**	**–23**
Share of profit or loss from continuing operations	15	–10
Share of comprehensive income	15	–10

The item "Other" in the reconciliation with the carrying amount for SunExpress includes the difference from the first-time consolidation of the company. For SN Airholding and Terminal 2 Gesellschaft, the difference is shown between the negative pro rata equity and the carrying amount, which has not been reduced below zero. At SN Airholding, the negative earnings in previous years were offset against non-current loans to the company, reducing the carrying amount. At Terminal 2 Gesellschaft, the dividend payment is higher than the carrying amount, so the excess can no longer be offset against the carrying amount, but rather is recognised in profit or loss.

The time value of the call option in connection with the purchase of the remaining shares in SN Airholding SA/NV cannot be reliably determined and is therefore measured at cost as of 31 December 2015. There was no intention to exercise the call option as of the reporting date.

The following table contains summarised aggregated data from the income statement and carrying amounts for the individual immaterial joint ventures accounted for using the equity method.

Income statements data and carrying amounts of joint ventures accounted for using the equity method

in €m	2015	2014
Profit or loss from continuing operations	25	15
Profit or loss after tax from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	**25**	**15**
Carrying amount	**149**	**206**

The following table contains summarised aggregated data from the income statement and carrying amounts for the individual immaterial associated companies accounted for using the equity method.

Income statements data and carrying amounts of associated companies accounted for using the equity method

in €m	2015	2014
Profit or loss from continuing operations	25	20
Profit or loss after tax from discontinued operations	–	–
Other comprehensive income	3	–
Total comprehensive income	**28**	**20**
Carrying amount	**251**	**154**

22 Other equity investments and non-current securities

Other equity investments and non-current securities

in €m	31.12.2015	31.12.2014
Investments in affiliated companies	158	136
Investments	43	640
Other investments	201	776
Non-current securities	15	10

Shares in related parties are held at amortised cost.

The decline of EUR 575m in the "Other equity investments" item is mainly due to the disposal of virtually all the JetBlue shares previously held by the Lufthansa Group (carrying amount as of 31 December 2014: EUR 610m).

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 18m (previous year: EUR 29m) and non-current securities carried at EUR 7m (previous year: EUR 7m) there is no active market with publicly available prices. In the reporting year other equity investments and securities held at EUR 9m (previous year: EUR 1m) 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 10m (previous year: loss of EUR 1m). In the previous year, non-current securities not held at fair value were also sold for their carrying amount of EUR 10m.

23 Non-current loans and receivables

Non-current loans and receivables

in €m	31.12.2015	31.12.2014
Loans to and receivables from affiliated companies	116	125
Loans to and receivables from other equity investments	0*	0*
Other loans and receivables	359	340
Pre-financed rental property	–	–
Emissions certificates	41	50
	516	**515**

* 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 "Note 16" to the consolidated financial statements, starting on p. 134.

As in the previous year, other receivables include forecast reimbursements of EUR 3m for obligations for which provisions have been made (previous year: EUR 2m).

Non-current receivables of EUR 30m (previous year: EUR 38m) serve as collateral for liabilities.

24 Inventories

Inventories

in €m	31.12.2015	31.12.2014
Raw materials, consumables and supplies	593	563
Finished goods and work in progress	167	136
Advance payments	1	1
	761	**700**

Inventories valued at EUR 4m (previous year: EUR 4m) have been pledged as collateral for loans.

The gross value of impaired inventories as of 31 December 2015 was EUR 709m (previous year: EUR 670m). Inventories valued at EUR 493m (previous year: EUR 484m) are held at their net realisable value. Impairments of EUR 193m (previous year EUR 222m) had been made to net realisable value at the beginning of the financial year. In the reporting period, new impairments were made for EUR 30m (previous year: EUR 14m). Impairments of EUR 6m (previous year: EUR 49m) made in the previous years were reversed.

25 Trade receivables and other receivables

in €m	31.12.2015	31.12.2014
Trade receivables		
Trade receivables from affiliated companies	63	89
Trade receivables from other equity investments	2	2
Trade receivables from third parties	3,140	3,113
	3,205	**3,204**
of which: from unfinished orders less advance payments received	(187)	(177)
Other receivables		
Receivables from affiliated companies	39	71
Receivables from other equity investments	0*	0*
Other receivables	1,116	662
Emissions certificates	29	58
	1,184	**791**
Total	**4,389**	**3,995**

* Rounded below EUR 1m.

The carrying amount of these receivables corresponds to their fair value.

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 "Note 16" to the consolidated financial statements, starting on p. 134.

Collateral received for trade receivables has a fair value of EUR 2m (previous year: EUR 2m).

Other receivables include claims of EUR 252m against insurers in connection with the accident involving the Germanwings aircraft on 24 March 2015. As of the reporting date, these receivables are offset by provisions of EUR 232m for outstanding obligations relating to this accident.

26 Deferred charges and prepaid expenses

Deferred charges and prepaid expenses consist mainly of rents and insurance premiums paid in advance for subsequent periods.

27 Current securities

Current securities are almost exclusively fixed income securities, participation certificates and investments in money market funds.

28 Cash and cash equivalents

The bank balances denominated in euros with various banks mostly earned interest at a rate of 0.04 to 0.12 per cent (previous year: 0.09 to 0.18 per cent). US dollar balances were invested at an average interest rate of 1.18 per cent (previous year: 0.14 per cent) and balances in Swiss francs at an average rate of 0.25 per cent (previous year: 0.36 per cent). This item includes EUR 103m (previous year: EUR 125m) in fixed-term deposits with terms of three to twelve months.

In the previous year, EUR 5m of the bank balances were pledged as collateral for liabilities.

Bank balances in foreign currencies are translated at the exchange rate on the balance sheet date.

29 Assets held for sale

At year-end 2015, this item included, in particular, six Boeing 737-500s, seven Fokker F100s and three Fokker F70s with a total carrying amount of EUR 5m as well as a building with a carrying amount of EUR 2m. Impairment losses of EUR 159m were recognised on these assets, as well as on other aircraft and other assets; further information in "Note 9" on p. 131. Write-downs of EUR 4m were also recognised in other operating expenses; further information can be found in "Note 10" on p. 131.

In the previous year, this item included, in particular, assets and liabilities in connection with the contract signed in October 2014 for the sale of the IT Infrastructure unit of Lufthansa Systems AG to the IBM Group, which were transferred as of 1 April 2015.

Impairment losses of EUR 58m in total were recognised on these assets. Under the sales contract, Deutsche Lufthansa AG also incurred payment obligations. They were estimated at EUR 160m and have been recognised in other operating expenses.

Other assets held for sale in the previous year included two Boeing 747-400s, four B737-500s, eleven Canadair Regional Jet 700s and two Avro RJs with a total carrying amount of EUR 55m and two buildings carried at EUR 9m.

SHAREHOLDERS' EQUITY AND LIABILITIES

30 Issued capital

Issued capital

Deutsche Lufthansa AG's issued capital totals EUR 1,189.2m. Issued capital is divided into 464,538,750 registered shares, with each share representing EUR 2.56 of issued capital.

Authorised capital

A resolution passed at the Annual General Meeting on 29 April 2015 authorised the Executive Board until 28 April 2020, 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). In certain cases, the shareholders' subscription rights can be excluded with the approval of the Supervisory Board.

A resolution passed at the Annual General Meeting on 29 April 2014 authorised the Executive Board until 28 April 2019, subject to approval by the Supervisory Board, to increase the issued capital by up to EUR 29m, 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, with the approval of the Supervisory Board, to make use of the authorisation voted at the Annual General Meeting on 29 April 2014 (Authorised Capital B) and increase the Company's issued capital by EUR 4,522,199.04 excluding shareholders' subscription rights, by issuing 1,766,484 new registered shares with transfer restrictions and profit entitlement from 1 January 2015 for payment in cash. The capital increase was entered in the Commercial Register of Cologne District Court (HRB 2168) on 20 October 2015. As of 31 December 2015, Authorised Capital B amounted to EUR 20,132,800.00.

Contingent capital

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.

Authorisation to purchase treasury shares

A resolution passed at the Annual General Meeting held on 29 April 2015 authorised the Executive Board pursuant to Section 71 Paragraph 1 No. 8 Stock Corporation Act (AktG) to purchase treasury shares until 28 April 2019. 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. The authorisation states that the Executive Board can use the shares, in particular, for the purposes defined in the resolution passed at the Annual General Meeting. According to the resolution of the Annual General Meeting held on 29 April 2015, the Executive Board is also authorised to purchase treasury shares by means of derivatives and to conclude corresponding derivative transactions.

In 2015, Deutsche Lufthansa AG bought back 168,499 of its own shares at an average price of EUR 13.85. This is equivalent to 0.04 per cent of issued capital.

The shares purchased or created by means of the capital increase were used as follows:

- 1,173,327 shares were transferred to the staff of Deutsche Lufthansa AG and 37 other affiliated companies and equity investments as part of the profit-sharing scheme for 2014, at a share price of EUR 12.67.
- 729,481 shares were transferred as part of performance-related variable remuneration in 2015 to managers and non-payscale staff of Deutsche Lufthansa AG and to 33 further affiliated companies and equity investments at a price of EUR 13.43.
- 26,805 shares were transferred to Executive Board members at a price of EUR 13.43 as part of the share programme for 2015.
- 1,694 shares were transferred to managers and non-payscale staff as part of performance-related remuneration for 2014 at a price of EUR 11.79.

3,676 shares were resold at a price of EUR 14.54.

On the balance sheet date, treasury shares were no longer held.

Capital management

The Lufthansa Group continues to aim for a sustainable equity ratio of 25 per cent, in order to ensure long-term financial flexibility and stability as a basis for its growth targets. As of 31 December 2015 and 2014, equity and total assets were as follows:

in €m	31.12.2015	31.12.2014
Shareholders' equity	5,845	4,031
in % of total assets	18.0	13.2
Liabilities	26,617	26,443
in % of total assets	82.0	86.8
Total capital	**32,462**	**30,474**

In the financial year 2015, the equity ratio improved year on year by 4.8 percentage points to 18.0 per cent. This significant increase is mainly due to lower pension provisions as a result of the change in the discount rate.

Lufthansa's Articles of Association do not stipulate any capital requirements.

31 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 2015:

Notes on other comprehensive income

in €m	2015	2014
Other comprehensive income after income taxes		
Currency translation differences		
Profit/loss for the period	240	94
Reclassification adjustments recognised in profit or loss	–	–
Subsequent measurement of available-for-sale financial assets		
Profit/loss for the period	198	338
Reclassification adjustments recognised in profit or loss	–731	–26
Subsequent measurement of cash flow hedges		
Profit/loss for the period	–498	–242
Reclassification adjustments recognised in profit or loss	669	–63
Transfer to cost of hedged items	–94	27
Other comprehensive income from investments accounted for using the equity method		
Profit/loss for the period	4	–16
Reclassification adjustments recognised in profit or loss	–	–
Revaluation of defined-benefit pension plans	511	–2,831
Revaluation of defined-benefit pension plans within disposal groups	–19	–
Other expenses and income recognised directly in equity	3	7
Income taxes on items in other comprehensive income	–199	760
Other comprehensive income after income taxes	**84**	**–1,952**

Note on income taxes recognised for other comprehensive income

in €m	2015 Amount before income taxes	2015 Tax expenses/income	2015 Amount after income taxes	2014 Amount before income taxes	2014 Tax expenses/income	2014 Amount after income taxes
Currency translation differences	240	–	240	95	–	95
Subsequent measurement of available-for-sale financial assets	–533	6	–527	312	–3	309
Subsequent measurement of cash flow hedges	77	–33	44	–278	44	–234
Other comprehensive income from investments accounted for using the equity method	4	–	4	–16	–	–16
Revaluation of defined-benefit pension plans	511	–177	334	–2,831	719	–2,112
Revaluation of defined-benefit pension plans within disposal groups	–19	5	–14	–	–	–
Other expenses and income recognised directly in equity	3	–	3	6	–	6
Other comprehensive income	**283**	**–199**	**84**	**–2,712**	**760**	**–1,952**

The overall change in equity is shown in the consolidated statement of changes in Lufthansa shareholders' equity.

32 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 19, 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.

A collective agreement on the future core elements of retirement benefits for the some 30,000 ground staff employed in Germany, in particular by Deutsche Lufthansa AG, Lufthansa Cargo AG, the Lufthansa Technik group and the LSG group, was signed with the United Services Union (ver.di) on 28 November 2015. The Lufthansa company pension agreement for ground staff dating from 1 July 2003 was terminated as of 31 December 2013, but remains in force until 31 December 2015 (also for new members of staff up to this date) and is replaced as of 1 January 2016. For employees recruited before 1 January 2016, the entitlements vested up until 31 December 2015 are maintained. For service periods from 1 January 2016 onwards, they receive employer contributions of an individually agreed amount, which are paid into a "Basic account" that pays interest at a fixed rate of 3.5 per cent. Employees recruited after 1 January 2016 receive employer contributions of 5.2 per cent of the qualifying salary, paid into a "DC account". All employees make their own contributions of 1.0 per cent of the qualifying salary, paid into a "Supplementary account". The funds in the Supplementary account and DC account are invested on capital markets with a capital guarantee for the contributions. When the employee reaches retirement age, the balance in the Basic, Supplementary and DC accounts is converted into an annuity on the basis of the applicable BilMoG interest rate and paid in addition to any benefits vested as of 31 December 2015. All current benefits are increased by 1.0 per cent per annum.

As collective bargaining is still taking place with the other labour 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 with these unions.

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). Pension entitlements continue to accrue while transitional benefits are being received.

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 Air Lines 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.

The pension obligations for employees of Austrian Airlines AG are mostly on a defined-contribution basis and have been outsourced to a pension fund. They consist of retirement, invalidity and dependant persons' benefits.

Obligations under defined-benefit plans at Austrian Airlines AG relate to former directors and Executive Board members and others already drawing their pensions. Their contribution-free entitlements are determined by converting plan assets into an annuity. Only defined-contribution pension obligations exist for active pilots, flight attendants and members of the top management level.

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 405m in 2015 (previous year: EUR 390m).

In the 2004 financial year, work began on building up plan assets to fund and safeguard future pension payments. The aim was to fund the pension obligations in Germany in full within 10 to 15 years. Contractual trust arrangements (CTAs) were set up for this purpose.

The main 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, make a payment to Lufthansa Pension Trust e.V. Deutsche Lufthansa AG and its Lufthansa Technik AG and Lufthansa Cargo AG subsidiaries are parties to the contractual trust arrangement. The trust assets have largely 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.

For other German subsidiaries, funding contributions for pension obligations are also made to an external trustee, Deutsche Treuinvest Stiftung, as part of a contractual trust arrangement.

A further EUR 595m (previous year: EUR 596m) was contributed to plan assets for employees in Germany in 2015. Contributions of around EUR 600m a year have been made on a voluntary basis since 2004 and are reviewed annually.

Amounts shown in the balance sheet for defined-benefit commitments are made up as follows:

Defined-benefit commitments

in €m	31.12.2015				31.12.2014			
	Defined-benefit obligations (DBO)	**Fair value of plan assets**	**Effect of asset ceiling**	**Net carrying amount for defined-benefit obligations**	Defined-benefit obligations (DBO)	Fair value of plan assets	Effect of asset ceiling	Net carrying amount for defined-benefit obligations
Retirement benefits Germany	11,497	−8,611	–	2,886	11,579	−8,010	–	3,569
Transitional benefits Germany	3,175	−364	–	2,811	3,172	−369	–	2,803
Switzerland	3,195	−2,603	–	592	2,726	−2,344	1	383
Austria	399	−212	–	187	526	−206	–	320
USA	424	−318	–	106	418	−308	–	110
Other countries	289	−258	–	31	290	−247	–	43
Carrying amounts	**18,979**	**−12,366**	**–**	**6,613**	**18,711**	**−11,484**	**1**	**7,228**
of which pension provisions	–	–	–	6,626	–	–	–	7,231
of which other assets	–	–	–	13	–	–	–	3

Reconciliation between the funding status and the amounts shown in the consolidated balance sheet is as follows:

in €m	**2015**	2014
Present value of funded pension obligations	18,508	18,100
Plan assets	−12,366	−11,484
Funding status (net)	**6,142**	**6,616**
Present value of unfunded pension obligations	**471**	**611**
Adjustment for asset ceiling	–	1
Carrying amounts	**6,613**	**7,228**
of which pension provisions	6,626	7,231
of which other assets	13	3

During the reporting period, the present value of defined-benefit pension obligations changed as follows:

Change in present value of pension obligations

in €m	**2015**	2014
Balance on 1.1.	18,711	14,999
Current service costs	750	581
Interest expenses	453	523
Past service cost / effects of curtailments	25	−3
Effects of settlements	–	−46
Revaluations		
Actuarial gains / losses from changes in demographic assumptions	−97	−92
Actuarial gains / losses from changes in financial assumptions	−594	3,429
Experience adjustments	−115	−175
Currency translation differences	368	108
Changes in the group of consolidated companies	–	–
Plan contributions – employees	35	31
Pension payments	−564	−445
Settlement payments	–	−123
Reclassifications according to IFRS 5	–	−86
Other*	7	10
As of 31.12.	**18,979**	**18,711**

* The amounts are partly for benefit obligations which were measured in accordance with IAS 19 for the first time.

Actuarial gains/losses from changes in financial assumptions include gains due to the slight increase in the discount rate compared with the previous year. In late 2015, an agreement was reached with ver.di on the future core elements of retirement benefits for ground staff. Allocations were adjusted following the switch to a defined-contribution system, which led to actuarial losses of EUR 220m, thereby increasing the amount of the obligation. This was offset by a reduction in the pension trend from 1.5 per cent to 1.0 per cent for this group of employees, which reduced the amount of provisions by an actuarial gain of EUR 340m.

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	2015	2014
Balance on 1.1.	11,484	10,283
Interest income	271	358
Revaluations		
Income from plan assets, without amounts included in interest	–296	331
Currency translation differences	314	90
Changes in the group of consolidated companies	0	0
Plan contributions – employers	722	736
Plan contributions – employees	35	31
Pension payments	–165	–139
Settlement payments	–	–123
Administrative costs related to obligations	–3	–3
Reclassifications according to IFRS 5	–	–82
Other*	4	2
As of 31.12.	**12,366**	**11,484**

* The amounts are partly for benefit obligations which were measured in accordance with IAS 19 for the first time.

In the financial years 2015 and 2014, pension provisions developed as follows:

Pension provisions

in €m	2015	2014
Carried forward	7,231	4,718
Currency translation differences carried forward	54	15
Changes in the group of consolidated companies	–	–
Pensions payments	–399	–307
Current service costs	750	581
Interest expenses	453	523
Interest income	–271	–358
Effects of amendments incl. curtailments, settlements and administrative costs	28	–43
Revalutations		
Acturial gains/losses and experience adjustments	–806	3,162
Income from plan assets, without amounts included in interest	296	–331
Net effect of adjustments for asset ceiling	–1	–
Plan contributions/staff changes	–709	–724
Reclassifications according to IFRS 5	–	–5
As of 31.12.	**6,626**	**7,231**

Expenses and income for defined-benefit plans are made up as follows:

in €m	2015	2014
Current service costs	750	581
Past service cost/effects of curtailments	25	–3
Income from settlements	–	–46
Accrued interest on projected pension obligations	453	523
Interest income on plan assets	–271	–358
Administrative costs related to obligations	3	3
Balance of expenses and income recognised in the income statement	**960**	**700**
Income from plan assets, without amounts included in interest	296	–331
Actuarial gains and losses	–806	3,162
Net effect of adjustment for asset ceiling	–1	–
Other comprehensive income	**–511**	**2,831**
	449	**3,531**

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.

Costs of EUR 25m were incurred for plan assets in the financial year 2015. This amount is made up of the interest income recognised in the income statement and the revaluation component for plan assets. Total income of EUR 689m was recognised in the previous year.

As in the previous year, there were no significant effects from the asset ceiling defined in IAS 19.64.

Past service expenses were incurred in the reporting year for the retroactive increase in pension obligations at Deutsche Lufthansa AG from extending the group of beneficiaries, which was offset by amendments to the amount and division of contributions to the pension fund for two plans at Swiss International Air Lines AG.

The main actuarial assumptions used to calculate pension obligations and the corresponding plan assets are shown below:

Main actuarial assumptions for German companies

in %	**31.12.2015**	31.12.2014
Interest rate		
Retirement benefits	2.8	2.6
Transitional benefits	2.8	2.6
Salary increase		
Retirement benefits	2.5	2.5
Transitional benefits	2.5	2.5
Pension increase		
Retirement benefits	1.5	1.5
Transitional benefits	2.5	2.5

A different pension trend of 1.0 per cent annually has been set for retirement benefit commitments for ground staff on the basis of the agreement reached with ver.di in late 2015 on the future core elements of retirement benefits.

As in the previous year, 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 %	**31.12.2015**	31.12.2014
Interest rates		
Austria	2.8	2.6
Switzerland	0.9	1.2
USA	4.5	4.1
Salary increase		
Austria	1.9	1.9
Switzerland	1.5	1.5
USA	–	–
Pension increase		
Austria	1.8	1.8
Switzerland	0.25	0.25
USA	–	–

As in the previous year, 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 31.12.2015 in €m	Change in %
Present value of the obligation*	18,979	–
Interest rate		
Increase by 0.5 percentage points	17,345	−8.6
Decrease by 0.5 percentage points	20,870	+10.0
Salary trend		
Increase by 0.5 percentage points	19,302	+1.7
Decrease by 0.5 percentage points	18,677	−1.6
Pension trend		
Increase by 0.5 percentage points	19,633	+3.4
Decrease by 0.5 percentage points	18,421	−2.9

* Present value of the obligation using the assumptions shown in the "Actuarial assumptions" tables.

Change in actuarial assumptions

	Effect on the defined-benefit contribution as of 31.12.2014 in €m	Change in %
Present value of the obligation*	18,711	–
Interest rate		
Increase by 0.5 percentage points	17,004	−9.1
Decrease by 0.5 percentage points	20,694	+10.6
Salary trend		
Increase by 0.5 percentage points	19,085	+2.0
Decrease by 0.5 percentage points	18,358	−1.9
Pension trend		
Increase by 0.5 percentage points	19,654	+5.1
Decrease by 0.5 percentage points	17,823	−4.7

* 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 325m as of 31 December 2015 (previous year: EUR 323m).

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 injections and positive capital market returns in the medium term (2014 to 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 Lufthansa. 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 2017. 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. Last but not least, 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-oriented 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

	31.12.2015				31.12.2014			
	Listed price in an active market in €m	No listed price in an active market in €m	Total in €m	in %	Listed price in an active market in €m	No listed price in an active market in €m	Total in €m	in %
Equities			**3,312**	**26.8**			**3,062**	**26.7**
Europe	2,671	–			1,520	–		
Other	641	–			1,542	–		
Fixed-income securities			**4,682**	**37.9**			**4,573**	**39.8**
Government bonds	1,841	–			2,180	–		
Corporate bonds	2,841	–			2,393	–		
Share funds	187	–	**187**	**1.5**	74	–	**74**	**0.7**
Fixed-income funds	472	–	**472**	**3.8**	231	–	**231**	**2.0**
Mixed funds[1]	158	–	**158**	**1.3**	149	–	**149**	**1.3**
Money market investments	1,539	–	**1,539**	**12.4**	1,564	–	**1,564**	**13.6**
Property			**619**	**5.0**			**492**	**4.3**
Direct investments	2	13			308	167		
Indirect investments	565	39			17	–		
Insurance contracts	0	45	**45**	**0.4**	–	154	**154**	**1.3**
Bank balances	249	–	**249**	**2.0**	166	–	**166**	**1.4**
Other investments[2]	126	977	**1,103**	**8.9**	192	827	**1,019**	**8.9**
Total	**11,292**	**1,074**	**12,366**	**100.0**	**10,337**	**1,147**	**11,484**	**100.0**

[1] Includes equities and interest-bearing securities.
[2] 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 goes up.

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.

Based on current knowledge, an estimated EUR 1.0bn is expected to be transferred to pension plans in 2016 (previous year: EUR 1.1bn). 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 20 years as of 31 December 2015 (previous year: 20 years).

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 31.12.2015
2016	470
2017	477
2018	498
2019	532
2020	534
2021–2025	3,211

Forecast maturities of undiscounted pension payments

in €m	Forecast pension payments 31.12.2014
2015	520
2016	433
2017	459
2018	488
2019	524
2020–2024	3,366

33 Other provisions

Other provisions disclosed in the balance sheet as non-current and current provisions are made up as follows:

	31.12.2015			31.12.2014		
in €m	**Total**	Non-current	Current	**Total**	Non-current	Current
Obligations under partial retirement contracts	**23**	14	9	**14**	10	4
Other staff costs	**164**	120	44	**163**	117	46
Obligation to return emissions certificates	**28**	–	28	**59**	–	59
Onerous contracts	**91**	47	44	**264**	58	206
Environmental restoration	**29**	26	3	**28**	24	4
Legal proceedings	**119**	23	96	**119**	22	97
Restructuring / severance payments	**218**	113	105	**242**	123	119
Fixed-price customer maintenance contracts	**129**	3	126	**122**	22	100
Maintenance of operating lease aircraft	**327**	142	185	**294**	189	105
Warranties	**44**	–	44	**25**	–	25
Other provisions	**429**	38	391	**224**	36	188
Total	**1,601**	**526**	**1,075**	**1,554**	**601**	**953**

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 future programme.

A provision for the obligation to submit CO_2 emissions certificates to the relevant authorities is recognised for an amount equivalent to the carrying amount of the capitalised CO_2 certificates. If the obligation is not fully covered by available certificates, the outstanding amount of the provision is measured using the market price of the emissions certificates as of the reporting date.

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.

The provision for the overhaul of aircraft on operating leases mainly relates to obligations for the maintenance, overhaul and repair of aircraft.

Of the other provisions EUR 232m relate to outstanding obligations in connection with the accident involving the Germanwings aircraft on 24 March 2015.

Changes in groups of individual provisions in 2015 were as follows:

in €m	Obligations under partial retirement contracts	Other staff costs	Obligation to return emissions certificates	Onerous contracts	Environmental restoration	Legal proceedings
As of 1.1.2015	14	163	59	264	28	119
Changes in the group of consolidated companies	–	0*	–	–	–	–
Currency translation differences	–	2	0*	0*	–	0*
Utilisation	–47	–29	–58	–99	–1	–15
Increase / addition	64	30	28	23	2	39
Interest added back	2	2	–	1	0*	0*
Reversal	–1	–3	–1	–43	–	–24
Transfers	–9	–1	–	–55	–	0*
As of 31.12.2015	**23**	**164**	**28**	**91**	**29**	**119**

* Rounded below EUR 1m.

in €m	Restructuring / severance payments	Fixed-price customer maintenance contracts	Maintenance of operating lease aircraft	Warranties	Other provisions	**Total**
As of 1.1.2015	242	122	294	25	224	**1,554**
Changes in the group of consolidated companies	–	–	–	–	–1	**–1**
Currency translation differences	1	0*	24	0*	5	**32**
Utilisation	–86	–89	–140	–10	–80	**–654**
Increase / addition	68	97	162	30	318	**861**
Interest added back	2	1	2	–	–	**10**
Reversal	–10	0*	–15	0*	–36	**–133**
Transfers	1	–2	0*	–1	–1	**–68**
As of 31.12.2015	**218**	**129**	**327**	**44**	**429**	**1,601**

* Rounded below EUR 1m.

Changes in groups of individual provisions in the previous year were as follows:

in €m	Obligations under partial retirement contracts	Other staff costs	Obligation to return emissions certificates	Onerous contracts	Environmental restoration	Legal proceedings
As of 1.1.2014	16	160	35	127	29	109
Changes in the group of consolidated companies	–	0*	–	–	–	–
Currency translation differences	–	0*	0*	1	0*	0*
Utilisation	–40	–43	–	–33	–2	–15
Increase / addition	53	47	24	177	1	38
Interest added back	–4	3	–	2	0*	0*
Reversal	0*	0*	–	–10	0*	–13
Transfers	–9	–3	–	–	–	0*
Reclassifications according IFRS 5	–2	–1	–	–	–	–
As of 31.12.2014	**14**	**163**	**59**	**264**	**28**	**119**

* Rounded below EUR 1m.

in €m	Restructuring / severance payments	Fixed-price customer maintenance contracts	Maintenance of operating lease aircraft	Warranties	Other provisions	**Total**
As of 1.1.2014	306	116	301	25	240	**1,464**
Changes in the group of consolidated companies	–	–	–	0*	1	**1**
Currency translation differences	0*	0*	23	0*	2	**26**
Utilisation	–146	–63	–222	–11	–112	**–687**
Increase / addition	82	70	202	11	111	**816**
Interest added back	2	0*	1	–	3	**7**
Reversal	0*	–1	–1	0*	–16	**–41**
Transfers	0*	–	–10	0*	3	**–19**
Reclassifications according IFRS 5	–2	–	–	–	–8	**–13**
As of 31.12.2014	**242**	**122**	**294**	**25**	**224**	**1,554**

* Rounded below EUR 1m.

The funding status for provisions for obligations to staff under partial retirement agreements is as follows:

Funding status

in €m	**2015**	2014
Present value of funded obligations under partial retirement agreements	173	158
External plan assets	–156	–172
	17	**–14**
of which pension provisions	23	14
of which other assets	6	28

In 2005, EUR 97m was transferred to an external trust fund as insolvency insurance for employer's performance arrears as part of 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. A total of EUR 17m was refunded from the trust fund in 2015 because the obligation ceased to exist.

Obligations under partial retirement agreements were calculated on the basis of the following interest rate assumptions:

Assumptions

in %	2015	2014	2013	2012	2011
Interest rate	0.46	0.46	1.46	1.26	2.53

The following cash outflows are estimated for the non-current portion of the other groups of provisions:

in €m	2017	2018	2019	2020 and thereafter
Onerous contracts	18	15	8	8
Environmental restoration	3	3	3	18
Restructuring / severance payments	46	40	1	26
Fixed-price customer maintenance contracts	1	2	–	–
Maintenance of aircraft on operating leases	64	16	22	44
Other provisions	23	8	8	35

At the end of 2014, the corresponding cash outflows were estimated as follows:

in €m	2016	2017	2018	2019 and thereafter
Onerous contracts	16	14	18	14
Environmental restoration	4	4	4	15
Restructuring / severance payments	67	45	12	1
Fixed-price customer maintenance contracts	21	2	–	–
Maintenance of aircraft on operating leases	80	43	17	50
Other provisions	21	11	6	41

34 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 31.12.2015

in €m	Total	Non-current	Current
Bonds	1,749	998	751
Liabilities to banks	1,079	949	130
Leasing liabilities and other loans	3,542	3,084	458
	6,370	**5,031**	**1,339**

Borrowings 31.12.2014

in €m	Total	Non-current	Current
Bonds	1,468	1,468	–
Liabilities to banks	1,057	937	120
Leasing liabilities and other loans	3,433	2,959	474
	5,958	**5,364**	**594**

Collateral was provided for EUR 179m of the liabilities to banks (previous year: EUR 268m).

There were no delays or defaults on payment obligations under these loan agreements in either 2015 or 2014.

Leasing liabilities and other loans relate almost exclusively to finance leases described in "Note 20" starting on p. 141 and to aircraft financing arrangements described in "Note 18" on p. 139.

35 Other non-current financial liabilities

Other non-current financial liabilities

in €m	31.12.2015	31.12.2014
Liabilities due to affiliated companies	1	2
Liabilities due to other equity investments	–	–
Other financial liabilities	120	134
	121	**136**

The carrying amount for financial liabilities is equivalent to their fair value, as they pay interest at a floating or market standard rate.

36 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	31.12.2015	31.12.2014
Advance payments received	4	5
Deferred income	734	700
Other non-financial liabilities	485	474
	1,223	**1,179**

A total of 211 billion miles from bonus miles programmes (previous year: 209 billion miles) were to be measured as of 31 December 2015. Non-current deferred income includes EUR 722m (previous year: EUR 690m) of deferred income relating to obligations under bonus miles programmes. Other non-current, non-financial liabilities include EUR 477m (previous year: EUR 461m) in obligations under bonus miles programmes.

In addition, deferred income includes EUR 8m (previous year: EUR 8m) 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 1m (previous year: EUR 4m).

The 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-payscale staff was EUR 6m (previous year: EUR 8m). A further EUR 5m (previous year: EUR 6m) 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-payscale staff. The option packages granted in 2012, 2013, 2014 and 2015 consist of an outperformance option and a performance option. At the end of the programme, the participants receive a cash payment if the conditions are met.

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 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 performance options for 2013 and 2014 result 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. The performance option for 2015 results in a cash payment if the share price goes up by more than 29 per cent. This is capped at a share price increase of more than 44 per cent.

2012, 2013, 2014 and 2015 programmes outperformance option

	€ per percentage point from 1%	Maximum per tranche in €
Board member	1,000	20,000
Managers	400	8,000
Non-payscale staff (per 5 pts)	200	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-payscale staff	500 + 100 per performance unit	1,000

2013 and 2014 programmes 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-payscale staff	500 + 100 per performance unit	1,000

2015 programme 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-payscale staff	500 + 100 per performance unit	1,000

The programmes are scheduled to run for four years.

All options can be exercised at a fixed time in the final year. The performance and outperformance in all programmes are calculated on the principle of total shareholder return. The shares invested in personally may not be sold until the option is exercised.

No payments were made to Executive Board members, managers and non-payscale staff under the outperformance option for 2011. The same applied to the performance option for 2011, since the hurdle rate of 38 per cent was not achieved.

In the previous year, no payments were made to Executive Board members, managers and non-payscale staff under the exceptional outperformance option for 2011. Payments of EUR 9m were made under the three-year 2011 performance option, because the threshold was exceeded (29 per cent).

Results of LH-Performance as of 31.12.2015

in %	End of programme	Outperformance as of 31.12.2015	Performance as of 31.12.2015
LH-Performance 2015	2019	9	11
LH-Performance 2014	2018	−16	9
LH-Performance 2013	2017	−35	0
LH-Performance 2012	2016	−115	33

Results of LH-Performance as of 31.12.2014

in %	End of programme	Outperformance as of 31.12.2014	Performance as of 31.12.2014
LH-Performance 2014	2018	−3	5
LH-Performance 2013	2017	−18	−4
LH-Performance 2012	2016	−76	28
LH-Performance 2011	2015	−97	35

Over the financial years 2015 and 2014, the number of options changed as follows:

	2015		2014	
	Number of options/option packages	**Cash settlement in € thousands**	Number of options/option packages	Cash settlement in € thousands
Outstanding options on 1.1.	16,914	–	16,978	–
Options issued	4,743	–	4,382	–
Expired or unused options	361	–	289	–
Options exercised	4,150	–	4,157	9,000
Outstanding options on 31.12.	17,146	–	16,914	–

On 1 January 2015, members of the Executive Board, managers and non-payscale staff held 4,140,750 shares under the various programmes, and on 31 December 2015 they held 3,944,026 shares.

The fair values of the twelve share programmes still running were calculated using Monte Carlo simulations. This involves simulating the future returns of the shares in the comparative 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 as of 31.12.2015**	Fair value as of 31.12.2014
Board member			
Options 2011 (after four years)	2,000	**–**	9,630
Options 2012	2,000	**6,823**	8,736
Options 2013	2,000	**5,175**	8,577
Options 2014	2,000	**9,353**	12,220
Options 2015	2,000	**13,903**	–
Managers			
Options 2011 (after four years)	2,000	**–**	3,882
Options 2012	2,000	**2,816**	3,620
Options 2013	2,000	**2,067**	3,428
Options 2014	2,000	**3,738**	4,885
Options 2015	2,000	**5,558**	–
Non-payscale staff			
Options 2011 (after four years)	1,000	**–**	480
Options 2012	1,000	**325**	418
Options 2013	1,000	**260**	431
Options 2014	1,000	**470**	614
Options 2015	1,000	**698**	–

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

		Options 2012	Options 2013	Options 2014	Options 2015
Lufthansa	EUR	10.61	14.09	12.59	12.34
Air France-KLM	EUR	5.00	7.00	7.45	6.32
IAG	GBP	154.41	329.78	363.46	574.73
Ryanair	EUR	4.40	6.32	7.25	13.05
easyJet	GBP	582.27	1,290.46	1,376.98	1,733.22
Air Berlin	EUR	1.64	1.79	1.31	1.00

Projected volatilities

in % for:	Options 2012 as of 31.12.2015	Options 2012 as of 31.12.2014	Options 2013 as of 31.12.2015	Options 2013 as of 31.12.2014
Lufthansa	30.54	30.93	31.88	30.50
Air France-KLM	35.71	38.83	38.38	43.04
IAG	31.02	32.72	31.83	32.91
Ryanair	30.35	30.68	30.03	28.63
easyJet	30.13	31.90	30.86	29.97
Air Berlin	34.84	50.19	43.43	45.49
Risk-free interest rate	−0.41 respectively −0.42% for euro zone; 0.42 respectively 0.57% for UK (previous year: −0.03 to −0.02% for euro zone; 0.39 to 0.57% for UK)			
Fluctuation	4.7% (previous year: 4.8%)			

Projected volatilities

in % for:	Options 2014 as of 31.12.2015	Options 2014 as of 31.12.2014	Options 2015 as of 31.12.2015	Options 2015 as of 31.12.2014
Lufthansa	30.78	32.16	30.50	–
Air France-KLM	37.82	44.25	41.35	–
IAG	32.15	34.82	32.44	–
Ryanair	30.56	28.79	29.06	–
easyJet	31.33	32.92	30.03	–
Air Berlin	45.62	44.49	43.07	–
Risk-free interest rate	−0.38 respectively −0.30% for euro zone; 0.81 respectively 1.03% for UK (previous year: −0.04 to 0.01% for euro zone; 0.83 to 1.07% for UK)			
Fluctuation	4.7% (previous year: 4.8%)			

Staff costs include total expenses of EUR 5m for share programmes (previous year: EUR 8m).

37 Trade payables and other current financial liabilities

in €m	31.12.2015	31.12.2014
Trade payables		
Trade payables to affiliated companies	37	43
Trade payables to other equity investments	1	1
Trade payables to third parties	2,910	2,899
	2,948	**2,943**
Other liabilities		
Liabilities to banks	70	198
Other liabilities to affiliated companies	247	249
Other liabilities to equity investments	–	0*
Other financial liabilities	1,582	1,245
	1,899	**1,692**
Total	**4,847**	**4,635**

* Rounded below EUR 1m.

The carrying amount of these liabilities corresponds to their fair value.

38 Current advance payments received, deferred income and other non-financial liabilities

in €m	31.12.2015	31.12.2014
Advance payments received	62	57
Net debit balance of advance payments received and receivables from unfinished contracts	50	51
Deferred income	333	354
Other non-financial liabilities	473	462
	918	**924**

Obligations of EUR 295m (previous year: EUR 320m) under bonus miles programmes ("Note 36" starting on p. 160) are recognised in current deferred income, and obligations of EUR 227m (previous year: EUR 214m) in other current non-financial liabilities.

Other liabilities include deferrals of EUR 235m (previous year: EUR 239m) for outstanding holiday allowance and overtime, and EUR 5m (previous year: EUR 6m) for the current portion of fair value obligations under share-based remuneration agreements ("Note 36" starting on p. 160).

Other disclosures

39 Notes to the consolidated cash flow statement

The cash flow statement shows how cash and cash equivalents have changed over the reporting period at the Lufthansa Group. 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, without fixed-term deposits with terms of three to twelve months, amounting to EUR 103m (previous year: EUR 125m). The amount of liquidity in the broader sense is reached by adding short-term securities.

For greater transparency, the consolidated cash flow statement was broken down further from "Working capital" into "Trade working capital" and "Other assets/liabilities" this year. The individual changes are described below. Net interest was also adjusted as a result of introducing the new management and earnings indicators; further information can be found in "Note 12" on p. 132.

Additional information on the cash flow statement

Cash flow from operating activities

Cash flow from operating activities is derived from profit/loss before income taxes using the indirect method. It is adjusted for non-cash income and expenses as well as changes in trade working capital and in other assets/liabilities that are not attributable to investing or financing activities.

In the current financial year, the Group primarily recognised the following non-cash income and expenses:

in €m	2015	2014
Measurement of financial derivates	–664	413
Measurement of financial debts	160	174
Write-downs on receivables	90	86
Reversal of write-downs on receivables	–32	–46
Income from the reversal of provisions and accruals	–245	–167
Total	**–691**	**460**

Trade working capital consists of changes in the carrying amounts of inventories, trade receivables and payables, half-finished goods and down payments, other current assets and other current liabilities, current deferrals and prepaid expenses and obligations from unused flight documents.

Other assets/liabilities mainly include corrections between pension expenses and payments, changes in other provisions and corrections for non-cash effects from currency translation.

Cash flow from investing (and cash management) activities

Cash flows from investing and financing activities are calculated on the basis of payments.

Cash flow from investing activities resulted mainly from investments and disinvestments in non-current assets.

Assets capitalised by the Lufthansa Group that meet the criteria for finance leases are categorised as cash flow from investing activities. In the reporting year, they amounted to EUR 19m (previous year: EUR 98m).

The Group contributed EUR 722m to pension assets in 2015 (previous year: EUR 736m). These payments were categorised as cash flow from investing and cash management activities. Pensions paid from fund assets represent cash inflows from investments, which correspond to cash outflows from operating activities.

Cash flow from financing activities

Cash flow from financing activities includes outflows for the repayment of finance lease liabilities. Inflows of EUR 19m from new borrowing (previous year: EUR 98m) are shown corresponding to cash outflows from investing activities for new finance lease transactions.

A material non-cash transaction affecting both financing and investing activities in 2015 was the redemption of the convertible bond for JetBlue shares by disposing of the corresponding holding of JetBlue shares carried at EUR 220m.

40 Contingencies and events after the balance sheet date

Contingent liabilities

in €m	31.12.2015	31.12.2014
From guarantees, bills of exchange and cheque guarantees	843	889
From warranty contracts	872	1,046
From providing collateral for third-party liabilities	47	47
	1,672	**1,982**

Warranty agreements included EUR 373m (previous year: EUR 348m) in contingent liabilities towards creditors of joint ventures. Liabilities under collateral agreements include contingent liabilities of EUR 13m (previous year: EUR 13m) towards creditors of joint ventures. A total of EUR 1,199m (previous year: EUR 1,213m) relates to joint and several guarantees and warranties. These are matched by compensatory claims against the other co-debtors amounting to EUR 1,085m (previous year: EUR 1,106m). Insofar as annual financial statements have yet to be published, these figures are preliminary.

Otherwise, several provisions for other risks 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 51m (previous year: EUR 121m).

Contracts signed at the end of the previous year for the sale of eleven Canadair Regional Jet 700s resulted in profits for the financial year 2015 of EUR 2m and cash inflows of EUR 49m.

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; further information can be found in "Note 33" starting on p. 156.

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. Due to the existing uncertainties and to those described below, we cannot make an assessment of the amount of the respective contingent liabilities or of the group of contingent liabilities.

The legal disputes that these statements refer to include, among other things:

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, Israel, Korea and the Netherlands. The plaintiffs are mostly claiming for unspecified damages. In Germany, a subsidiary of Deutsche Bahn AG has filed a lawsuit for disclosure and damages of at least EUR 30m up to EUR 1bn against Lufthansa Cargo AG and Qantas Airways with the Cologne District Court. On 28 November 2014, the lawsuit was extended to ten additional airlines and the amount of the claim increased to approximately EUR 3bn.

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 borne 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 has come 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). Based on current assessments, there is nonetheless a slight probability of losing some of these lawsuits, which could have not immaterial effects on the Group's net assets, financial and earnings position.

Price fixing in passenger transport

In a lawsuit filed with a court in Ontario, Canada, Deutsche Lufthansa AG and six other airlines are accused of colluding to fix prices and surcharges for passenger transport on transatlantic routes to and from Canada since 2000. As far as the Company is aware, there are currently no indications whatsoever of such illegal price fixing.

Introduction of the Distribution Cost Charge (DCC) as part of the Content 2.0 project

The DCC of EUR 16.00, which was introduced in the course of the Content 2.0 project for all bookings made via computerised reservation systems (CRS), is subject to judicial or regulatory review in various jurisdictions.

Four complaints from travel agents' associations or online agents have been filed with the European Commission (DG Mobility and Transport). By introducing the DCC for CRS bookings, Lufthansa Passenger Airlines is accused of breaching EU Regulation 80/2009, because the DCC is not levied on its own LHGroup-agent.com distribution channel. It is currently unclear whether the Commission will open formal proceedings against Lufthansa Passenger Airlines by sending a list of the complaints.

In Germany, the online agent, Unister, has sought a preliminary injunction from Leipzig regional court. Unister also claims that the charge constitutes a breach of EU Regulation 80/2009, based on the German Act Against Unfair Competition (UWG). Its application was rejected in a ruling dated 6 November 2015. It remains to be seen whether Unister will appeal against the ruling.

In Switzerland, the Swiss travel agents' association, SRV, filed a complaint against SWISS with the Swiss competition commission. Essentially, the association claims that the introduction of the DCC contravenes Swiss competition law. SWISS had until 18 January 2016 to comment on the allegations as part of the formal preliminary investigation. It is not currently possible to say what the chances of success or the duration of proceedings may be.

In Austria, the Association for the Promotion and Protection of Fair Competition (VFSW) has applied to Korneuburg regional court for an injunction to prevent Austrian Airlines from levying the DCC and withholding "full content". The plaintiff is invoking Section 1 et seq. UWG and claims that by withholding "full content", Austrian Airlines is discriminating against agents and deceiving consumers by not showing prices correctly. Austrian Airlines responded to the lawsuit by the 6 November 2015 deadline. The initial hearing took place on 14 January 2016 – at the instigation of Austrian Airlines, the proceedings have now been referred to the Vienna Commercial Court. It is not currently possible to say what the chances of success or the duration of proceedings may be, partly because the plaintiff's plea is very disorganised.

The travel agents' trade association in the Austrian Federal Economic Chamber has filed a complaint against Lufthansa Passenger Airlines with the federal competition authorities in connection with the DCC. It claims that the charge infringes Austrian and European competition law. Lufthansa Passenger Airlines now has the opportunity to respond to the allegations. It is not currently possible to say what the chances of success or the duration of proceedings may be.

Two online agents in Greece have sought a preliminary injunction against the introduction of the DCC. They, too, justify their application largely by construing an infringement of EU Regulation 80/2009. A hearing took place on 31 August 2015, but a preliminary injunction was initially denied in the first stage of proceedings. The full hearing in the injunction proceedings took place on 12 October 2015, and the case has since been dismissed.

Tax risks

Tax risks exist largely because of differences in legal opinions between the German tax authorities and the Company. In tax audits for the financial years 2001 to 2009, the tax authorities came to a number of different conclusions to those on which the Company had based its tax returns, relating, in particular, to partial write-downs on shareholder loans, the treatment of various lease structures, the acquisition of a foreign subsidiary and the recognition of certain provisions. The Lufthansa Group has appealed against the resulting tax assessments. Based on current information, the Lufthansa Group assumes that there is a very strong likelihood of winning in all the matters at dispute. As of the reporting date, no provision had therefore been made. There is, however, the risk of a possible subsequent payment totalling some EUR 600m for the circumstances mentioned. The assessment of the amount is subject to uncertainty. Should Lufthansa's legal position be upheld, there is no risk.

Information on events after the reporting period

Deutsche Lufthansa AG and UFO sign arbitration agreement

Deutsche Lufthansa AG and the UFO flight attendants' union agreed to arbitration on 22 January 2016. The talks are expected to last until mid 2016, and it has been agreed that no strikes will take place while they are ongoing. Before the arbitration process began, the collective bargaining partners concluded a new wage agreement as well as an agreement on future benefits for cabin crew at Lufthansa Passenger Airlines. The wage agreement runs until 30 September 2016. The arbitration process will include talks on the pay conditions in place from 1 October 2016 as well as on other outstanding issues from the framework agreement.

Austrian Airlines renews finance lease at Vienna Airport

In January 2016, Austrian Airlines restructured the lease for its operational base at Vienna Airport and extended the term of the agreement. This transaction resulted in a book gain for the company in the mid double-digit million range. This has had a positive effect on both EBIT and Adjusted EBIT.

41 Other financial obligations

As of 31 December 2015, there were purchase commitments for EUR 16.5bn (previous year: EUR 16.5bn) for capital expenditure on property, plant and equipment and for intangible assets. There were also capital and shareholder loan commitments of EUR 89m towards equity investments (previous year: EUR 57m).

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 31.12.2015

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	–	–	201	–
Non-current securities	–	–	15	–
Loans	182	–	–	–
Non-current receivables	293	–	–	–
Non-current derivative financial instruments	–	201	–	1,033
Trade receivables and other current receivables	4,360	–	–	–
Current derivative financial instruments	–	58	–	382
Current securities	–	–	1,994	–
Cash and cash equivalents	–	–	1,099	–
Total	**4,835**	**259**	**3,309**	**1,415**

Financial assets in the balance sheet as of 31.12.2014

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	–	–	776	–
Non-current securities	–	–	10	–
Loans	190	–	–	–
Non-current receivables	275	–	–	–
Non-current derivative financial instruments	–	134	–	465
Trade receivables and other current receivables	3,937	–	–	–
Current derivative financial instruments	–	70	–	386
Current securities	–	–	1,785	–
Cash and cash equivalents	–	–	953	–
Total	**4,402**	**204**	**3,524**	**851**

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 1m (previous year: EUR 2m) which are to be recognised in the financial result. Otherwise, no financial assets have been classified as “at fair value through profit or loss”.

The net result of the different categories of financial assets is made up as follows:

2015

in €m	Other operating income	Depreciation	Other operating expenses	Other financial items	**Net result**
Loans and receivables	35	–59	–90	–	**–114**
Derivatives held for trading classified as “at fair value through profit or loss”	–	–	–	–17	**–17**
Ineffective portion of derivatives used as cash flow hedges	–	–	–	8	**8**
Available-for-sale financial assets	53	–	–	673	**726**

2014*

in €m	Other operating income	Depreciation	Other operating expenses	Other financial items	**Net result**
Loans and receivables	48	−10	−86	–	**−48**
Derivatives held for trading classified as "at fair value through profit or loss"	–	–	–	−201	**−201**
Ineffective portion of derivatives used as cash flow hedges	–	–	–	−212	**−212**
Available-for-sale financial assets	16	−6	–	–	**10**

* Previous year's figures have been adjusted due to the new reporting method.

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 31.12.2015

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	–	–	6,370
Derivative financial instruments	85	1,443	–
Trade payables	–	–	2,948
Other financial liabilities	–	–	2,020
Total	**85**	**1,443**	**11,338**

Financial liabilities in the balance sheet as of 31.12.2014

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	–	–	5,958
Derivative financial instruments	517	968	–
Trade payables	–	–	2,943
Other financial liabilities	–	–	1,828
Total	**517**	**968**	**10,729**

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. The market values given for the bonds are their quoted 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

	31.12.2015		31.12.2014	
in €m	Carrying amount	Market value	Carrying amount	Market value
Bonds	1,749	1,789	1,468	1,535
Liabilities to banks	1,079	1,095	1,057	1,061
Leasing liabilities and other loans	3,542	3,663	3,433	3,584
Total	**6,370**	**6,547**	**5,958**	**6,180**

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 31.12.2015

in €m	Level 1	Level 2	Level 3	**Total**
Financial assets at fair value through profit and loss				
Financial derivatives classified as held for trading	–	259	–	259
Current securities	–	–	–	–
Total financial assets through profit and loss	**–**	**259**	**–**	**259**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**1,415**	**–**	**1,415**
Available-for-sale financial assets				
Equity instruments	238	51	24	313
Debt instruments	–	1,714	–	1,714
	238	**1,765**	**24**	**2,027**
Total assets	**238**	**3,439**	**24**	**3,701**

Liabilities 31.12.2015

in €m	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments at fair value through profit or loss	–	85	–	85
Derivative financial instruments which are an effective part of a hedging relationship	–	1,443	–	1,443
Total liabilities	**–**	**1,528**	**–**	**1,528**

In the financial year 2014, the fair value hierarchy for assets held at fair value was as follows:

Assets 31.12.2014

in €m	Level 1	Level 2	Level 3	**Total**
Financial assets at fair value through profit and loss				
Financial derivatives classified as held for trading	–	204	–	204
Current securities	–	–	–	–
Total financial assets through profit and loss	**–**	**204**	**–**	**204**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**851**	**–**	**851**
Available-for-sale financial assets				
Equity instruments	847	58	–	905
Debt instruments	–	1,494	–	1,494
	847	**1,552**	**–**	**2,399**
Total assets	**847**	**2,607**	**–**	**3,454**

Liabilities 31.12.2014

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

Additional disclosures on financial assets in Level 3

in €m	1.1.2015	Recognised in result for the period	Change in market value recognised in equity	Additions/disposals	31.12.2015
Available-for-sale financial assets	–	–	24	–	24
Total	**–**	**–**	**24**	**–**	**24**

Additional disclosures on financial assets in Level 3

in €m	1.1.2014	Recognised in result for the period	Change in market value recognised in equity	Additions/disposals	31.12.2014
Financial assets at fair value through profit or loss	1	–	–	–1	–
Available-for-sale financial assets	40	0*	0*	–40	–
Total	**41**	**0***	**0***	**–41**	**–**

* 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 31.12.2015

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Net amount
Trade receivables and other current receivables	4,481	–121	4,360	–	4,360
Derivative financial instruments – assets	1,674	–	1,674	–848	826
Cash and cash equivalents	1,132	–33	1,099	–	1,099
Total assets	**7,287**	**–154**	**7,133**	**–848**	**6,285**

Liabilities 31.12.2015

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Net amount
Trade payables and other financial liabilities	5,122	–154	4,968	–35	4,933
Derivative financial instruments – liabilities	1,528	–	1,528	–813	715
Total liabilities	**6,650**	**–154**	**6,496**	**–848**	**5,648**

In the previous year, the net balances were as follows:

Assets 31.12.2014

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Net amount
Trade receivables and other current receivables	4,003	−66	3,937	–	3,937
Derivative financial instruments – assets	1,055	–	1,055	−542	513
Cash and cash equivalents	977	−24	953	–	953
Total assets	**6,035**	**−90**	**5,945**	**−542**	**5,403**

Liabilities 31.12.2014

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Net amount
Trade payables and other financial liabilities	4,861	−90	4,771	−10	4,761
Derivative financial instruments – liabilities	1,485	–	1,485	−532	953
Total liabilities	**6,346**	**−90**	**6,256**	**−542**	**5,714**

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, Lufthansa 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 Chinese renminbi, the Swiss franc, the pound sterling, the Japanese yen, 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 2015, exposure from operations for the next 24 months was as follows:

in millions	USD	CNY	JPY	GBP	INR
Exposure (currency)	−3,394	9,552	127,566	731	59,138
Exposure (EUR at spot rate)	−3,117	1,353	973	996	821
Hedges (currency)	1,422	−4,153	−60,647	−306	−13,602
Hedging level	42%	43%	48%	42%	23%

50 per cent of the currency risks from capital expenditure are hedged when the contract is signed. The hedging level is reviewed and increased, where necessary, 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 may be used as hedging instruments.

From the position at year-end 2015, exposure for capital expenditure was as follows:

in millions	2016	2017	2018	2019	2020	2021	2022	2023	2024–25
Exposure from net capital expenditure (USD)	–1,191	–557	–745	–1,658	–1,816	–1,898	–1,858	–1,588	–1,895
Exposure from net capital expenditure (EUR at spot rate)	–1,092	–511	–683	–1,519	–1,664	–1,739	–1,703	–1,455	–1,737
Hedges (USD)	1,040	453	493	661	1,111	1,074	1,583	1,386	1,350
Hedging level	87%	81%	66%	40%	61%	57%	85%	87%	71%

The following sensitivity analysis required by IFRS 7 shows how net profit and equity would change if the currencies identified as price risk variables had been different from those at the balance sheet date.

in €m	Effects on net profit[1)]	Effects on equity[1)]
Currency – USD		
+10%	–60	612
–10%	56	–500
Currency – JPY		
+10%	0*	–38
–10%	0*	31
Currency – CHF		
+10%	–14	–123
–10%	13	100
Currency – GBP		
+10%	7	–34
–10%	–6	28
Currency – CNY		
+10%	2	–47
–10%	–1	38
Currency – INR		
+10%	2	–15
–10%	–1	12

* Rounded below EUR 1m.
[1)] 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 2015, the ratio of floating to fixed interest rates for long-term borrowing was as follows:

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 as trading in accordance with IAS 39.

The following sensitivity analysis required by IFRS 7 shows how net profit and equity would change if the interest rate identified as a price risk variable had been different from the perspective of the balance sheet date. In view of the current, low interest rates, a reduction of more than 50 basis points is not considered likely, which is why the analysis was limited to this figure.

in €m	Effects on net profit[1)]	Effects on equity[1)]
Interest		
+100 basis points	–10	–36
–50 basis points	5	19

[1)] All amounts after deferred tax effects; +/– signs relate to net profit and / or equity.

Fuel price risk

In 2015, fuel costs accounted for 17.2 per cent of the Lufthansa Group's operating expenses (previous year: 21.6 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.

Exposure

in €m	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fixed	1,062	845	614	532	399	322	319	307	227	100	–
Floating	4,891	3,821	3,134	2,683	1,793	1,531	697	524	332	238	180
Floating / fixed ratio	82%	82%	84%	83%	82%	83%	69%	63%	59%	70%	100%

Executive Board approval may be obtained to extend the hedging period and to increase the monthly hedging volume in order to exploit market opportunities. The target hedging level is up to 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

		2016	2017	2018
Fuel requirement	in 1,000 tonnes	9,428	9,846	9,879
Hedges	in 1,000 tonnes	7,187	3,313	328
Hedging level	in %	76	34	3

The following sensitivity analysis required by IFRS 7 shows how net profit and equity would change if the fuel price identified as a risk variable had been different from the perspective of the balance sheet date.

in €m	Effects on net profit*	Effects on equity*
Fuel price		
+10%	−17	+211
−10%	+21	−213

* All amounts after deferred tax effects; +/– signs relate to net profit and / or equity.

Market values of the derivative financial instruments used for hedging

At the balance sheet date, exchange rate, interest and fuel price risks are hedged by means of the following hedging transactions:

	31.12.2015		31.12.2014	
in €m	**Positive market value**	**Negative market value**	Positive market value	Negative market value
Fair value hedge				
Interest rate swaps	84	−1	85	0*
Cash flow hedge				
Call options for fuel hedging	–	–	0*	0*
Spread options for fuel hedging	0*	−169	0*	−10
Swaps for fuel hedging	–	−14	–	−6
Hedging combinations for fuel hedging	–	−963	0*	−675
Futures contracts for currency hedging	1,331	−296	766	−277
Total	**1,415**	**−1,443**	**851**	**−968**
of which current	382	−1,180	386	−702

* Rounded below EUR 1m.

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
2016	−840	40	−800
2017	−178	36	−142
2018	−21	59	38
2019	–	79	79
2020	–	126	126
2021	–	118	118
2022	–	181	181
2023	–	154	154
2024	–	102	102
2025	–	33	33
Total	**−1,039**	**928**	**−111**

[1] Positive signs mean reduced acquisition costs.

In the 2015 financial year, EUR 805m was transferred for maturing interest rate swaps from equity to fuel expenses, increasing these expenses. For currency hedges, EUR 783m was transferred from equity to other operating income and EUR 647m to other operating expenses. A further EUR 94m was recognised by reducing acquisition costs for aircraft.

Derivative financial instruments measured at fair value through profit or loss are shown in the following table:

Derivative financial instruments trading

in €m	31.12.2015	31.12.2014
Positive market value – non-current	201	134
Positive market value – current	58	70
Negative market value – non-current	−44	−453
Negative market value – current	−41	−64
	174	**−313**

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 time values of options used for hedging. Derivatives that do not qualify as effective hedging instruments within a hedging relationship include cross currency 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 cross currency 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.

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. 132.

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 picture of anticipated liquidity developments as regards the Company and currencies.

In principle, Lufthansa holds a liquidity reserve of at least EUR 2.3bn that is available at short notice. In addition, the Lufthansa Group held confirmed unused lines of credit as of 31 December 2015 totalling EUR 0.8bn (previous year: EUR 0.8bn).

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 2015. 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	3,003	−3,205	**−202**
Up to 1 year*	5,483	−6,037	**−554**
1 – 5 years	5,304	−4,829	**475**
Later	5,746	−4,351	**1,395**

* Without payments in first quarter.

Non-derivative financial instruments

in €m	Outflows
1st quarter	**−3,736**
Up to 1 year*	**−2,523**
1 – 5 years	**−3,483**
Later	**−2,273**

* Without payments in first 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. Nonetheless, credit terms for agents in some markets were tightened significantly in cooperation with the International Air Transport Association (IATA) in order to reduce credit risks even further.

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. To reduce risks even further, a permanent analysis process examines whether to tighten credit terms for some settlement partners. 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 2015, the maximum credit risk from the potential insolvency of debtors for loans and receivables was EUR 4,835m, made up as follows:

in €m	31.12.2015	31.12.2014
Loans	182	190
Non-current receivables	293	275
Trade receivables and other current receivables	4,360	3,937
	4,835	**4,402**

Impairments on loans and receivables developed as follows:

in €m	1.1.2015
Gross amount	266
Impairment charges	−237
Carrying amount 1.1.2015	**29**

in €m	31.12.2015
Gross amount	260
Impairment charges	−219
Carrying amount 31.12.2015	**41**

A further EUR 173m (previous year: EUR 125m) were overdue but not yet written down.

The term structure of overdue receivables is as follows:

in €m	
Up to 90 days	102
Between 90 and 180 days	26
Over 180 days	45

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	31.12.2015
Debt instruments	1,714
Equity instruments	295
Total securities	**2,009**

Securities representing debt are rated as follows (Standard & Poor's):

in €m	
AAA	425
AA+	62
AA	210
AA−	148
A+	188
A	310
A−	174
BBB+	144
BBB	41
Below BBB or unrated	12
Total	**1,714**

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 2015, the credit risk from derivative financial instruments, which are an effective part of a hedging relationship, was EUR 1,415m (as of 31 December 2014: EUR 851m). 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	43
AA–	112
A+	455
A	285
A–	210
BBB+	154
BBB	155
Below BBB or unrated	1
Total	**1,415**

The credit risk arising from financial derivatives shown at fair value through profit and loss amounted to EUR 259m as of 31 December 2015, and consisted of the total amount of business with contractual partners that on balance showed a positive market value. The contractual partners have the following ratings (Standard & Poor's):

in €m	
AA	18
AA–	17
A+	26
A	81
A–	50
BBB+	28
BBB	35
Below BBB or unrated	4
Total	**259**

43 Segment reporting

Notes on the reportable segments

As of 31 December 2015, the Lufthansa Group operates in four reportable segments, which make up its Group activities. The segments are defined in line with the internal reporting and management structure, and there have been changes compared with the previous year. The sale of the IT Infrastructure unit meant that IT Services was no longer presented as a separate operating segment requiring reporting from the beginning of the financial year. The remaining IT functions have been transferred to "Service and Financial Functions" and are presented as part of the "Other" segment.

The Passenger Airline Group segment comprises the Group's core business segment, the passenger transport of the airlines Deutsche Lufthansa AG, Lufthansa CityLine GmbH, Swiss International Air Lines AG, Austrian Airlines AG, Air Dolomiti S.p.A., Eurowings Luftverkehrs AG, Germanwings GmbH, Lufthansa Flight Training GmbH as well as Miles & More GmbH. These activities have been combined in one reporting segment, as the economic characteristics of the individual airlines are similar. Further information about the individual airlines can be found in the management report starting on p. 46.

Lufthansa Cargo is the logistics specialist within the Lufthansa Group and Europe's leading cargo airline.

The MRO segment is a leading global provider of maintenance, repair and overhaul services for civil and commercial aircraft, represented by the Lufthansa Technik group.

The Catering segment, represented by LSG Lufthansa Service/ Sky Chefs group, is the global market leader in airline catering.

Business activities not allocated to a reportable segment are presented in the "Other" column of the segment reporting along with the income and expenses of central Group functions. They include income and expenses of Lufthansa Commercial Holding GmbH, Lufthansa AirPlus Servicekarten GmbH and other Group companies.

Notes on segment data and internal management

The accounting policies for the reportable segments correspond to those described in "Note 2" starting on p. 122.

The Group measures the performance of its segments using two segment earnings indicators: EBIT and Adjusted EBIT. EBIT corresponds to operating earnings as defined by IFRS, plus the result from equity investments. Adjusted EBIT is then obtained by correcting EBIT for gains and losses on the disposal of assets, impairment losses and earnings attributable to other periods in connection with pension obligations (plan adjustments and plan settlements).

Sales and revenue between reportable segments are based on arm's length prices. Administrative services are charged as cost allocations.

Further information on external traffic revenue can be found in "Note 3" on p. 129.

Capital employed largely comprises segment assets, adjusted for derivative financial instruments and deferred tax items, less non-interest-bearing debt.

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.

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 information by reportable operating segment 2015

in €m	Passenger Airline Group	Logistics	MRO	Catering	Total reportable operating segments	Other	Reconciliation		Group
							Not allocated	Consoli-dation	
External revenue	23,821	2,331	3,256	2,386	31,794	262	–	–	32,056
of which traffic revenue	22,610	2,275	–	–	24,885	–	437	–	25,322
Inter-segment revenue	678	24	1,843	636	3,181	222	–	−3,403	–
Total revenue	**24,499**	**2,355**	**5,099**	**3,022**	**34,975**	**484**	**–**	**−3,403**	**32,056**
Other operating income	1,406	58	317	73	1,854	2,031	–	−850	3,035
Total operating income	**25,905**	**2,413**	**5,416**	**3,095**	**36,829**	**2,515**	–	**−4,253**	**35,091**
Operating expenses	**24,508**	**2,435**	**4,971**	**3,032**	**34,946**	**2,901**	–	**−4,311**	**33,536**
of which cost of materials and services	15,146	1,577	2,656	1,299	20,678	193	–	−3,231	17,640
of which staff costs	4,675	414	1,317	1,113	7,519	563	–	−7	8,075
of which depreciation and amortisation	1,301	152	103	80	1,636	79	–	–	1,715
of which other operating expenses	3,386	292	895	540	5,113	2,066	–	−1,073	6,106
Results of equity investments	**68**	**25**	**3**	**22**	**118**	**3**	–	–	**121**
of which result of investments accounted for using the equity method	58	21	15	15	109	2	–	–	111
EBIT	**1,465**	**3**	**448**	**85**	**2,001**	**−383**	–	**58**	**1,676**
of which reconciliation items									
Impairment losses/gains	−28	−71	1	−12	−110	−45	–	–	−155
Effects from pension provisions	−13	−3	−6	−2	−24	−1	–	–	−25
Results of disposal of assets	1	3	−1	–	3	33	–	3	39
Adjusted EBIT[1]	**1,505**	**74**	**454**	**99**	**2,132**	**−370**	–	**55**	**1,817**
Total adjustments									−141
Other financial result	–	–	–	–	–	–	–	–	350
Profit/loss before income taxes	–	–	–	–	–	–	–	–	2,026
Capital employed[2]	11,788	1,160	3,377	1,290	17,615	1,308	–	−118	18,805
of which from investments accounted for using the equity method	119	57	207	132	515	5	–	–	520
Segment capital expenditure[3]	2,147	116	148	127	2,538	16	65	−50	2,569
of which from investments accounted for using the equity method	–	–	–	–	–	–	–	–	
Number of employees at end of period	55,255	4,607	20,661	34,310	114,833	5,819	–	–	120,652
Average number of employees	55,169	4,643	20,289	33,543	113,644	5,915	–	–	119,559

[1] Further information on page 32 of Group management report for reconciliation from Adjusted EBIT to EBIT.
[2] The capital employed results from total assets adjusted for non-operating items (deferred taxes, positive market values, derivatives) less non-interest bearing liabilities (including trade payables and liabilities from unused flight documents).
[3] Capital expenditure for intangible assets, property, plant and equipment, and investments accounted for using the equity method. Under the heading "Group" all investments (excluding interest from liabilities which has been capitalised) are shown.

Segment information by reportable operating segment 2014

in €m	Passenger Airline Group	Logistics	MRO	Catering	Total reportable operating segments	Other	Reconciliation Not allocated	Reconciliation Consoli-dation	Group
External revenue	22,636	2,410	2,673	2,022	29,741	270	–	–	30,011
of which traffic revenue	21,564	2,364	–	–	23,928	–	460	–	24,388
Inter-segment revenue	684	25	1,664	611	2,984	365	–	–3,349	–
Total revenue	**23,320**	**2,435**	**4,337**	**2,633**	**32,725**	**635**	**–**	**–3,349**	**30,011**
Other operating income	1,031	85	209	74	1,399	1,297	–	–594	2,102
Total operating income	**24,351**	**2,520**	**4,546**	**2,707**	**34,124**	**1,932**	–	**–3,943**	**32,113**
Operating expenses	**23,681**	**2,415**	**4,123**	**2,644**	**32,863**	**2,308**	–	**–3,937**	**31,234**
of which cost of materials and services	15,161	1,690	2,154	1,156	20,161	193	–	–3,071	17,283
of which staff costs	4,234	387	1,186	964	6,771	572	–	–8	7,335
of which depreciation and amortisation	1,178	64	93	79	1,414	115	–	–1	1,528
of which other operating expenses	3,108	274	690	445	4,517	1,428	–	–857	5,088
Results of equity investments	**45**	**18**	**10**	**12**	**85**	**37**	–	**–1**	**121**
of which result of investments accounted for using the equity method	39	16	14	8	77	–	–	–	77
EBIT	**715**	**123**	**433**	**75**	**1,346**	**–339**	–	**–7**	**1,000**
of which reconciliation items									
Impairment losses/gains	–9	0*	6	–14	–17	–63	–	–	–80
Effects from pension provisions	7	0*	38	4	49	–	–	–1	48
Results of disposal of assets	16	0*	9	–3	22	–160	–	–1	–139
Adjusted EBIT[1)]	**701**	**123**	**380**	**88**	**1,292**	**–116**	–	**–5**	**1,171**
Total adjustments									–171
Other financial result	–	–	–	–	–	–	–	–	–820
Profit/loss before income taxes	–	–	–	–	–	–	–	–	180
Capital employed[2)]	11,433	1,232	2,989	1,276	16,930	815	–	–161	17,584
of which from investments accounted for using the equity method	85	50	182	122	439	6	–	–	445
Segment capital expenditure[3)]	2,248	214	118	140	2,720	36	40	–19	2,777
of which from investments accounted for using the equity method	–	–	1	6	7	–	–	–	7
Number of employees at end of period	54,960	4,663	20,079	32,843	112,545	6,236	–	–	118,781
Average number of employees	55,516	4,656	20,085	32,526	112,783	6,190	–	–	118,973

1) Further information on page 32 of Group management report for reconciliation from Adjusted EBIT to EBIT.
2) The capital employed results from total assets adjusted for non-operating items (deferred taxes, positive market values, derivatives) less non-interest bearing liabilities (including trade payables and liabilities from unused flight documents).
3) Capital expenditure for intangible assets, property, plant and equipment, and investments accounted for using the equity method. Under the heading “Group” all investments (excluding interest from liabilities which has been capitalised) are shown.

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 segment revenue generated with other consolidated segments is shown in the reconciliation column for revenue.

The amounts in the reconciliation column for EBIT 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.

Notes on geographical regions in 2015

The allocation of traffic revenue to geographic regions is based on the original location of sale. Non-current assets are allocated according to the location of the relevant asset.

The allocation of other revenue to the individual regions 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.

External revenue, non-current assets and capital expenditure are as follows:

Figures by region for 2015

in €m	Europe	North America	Central and South America	Asia / Pacific	Middle East	Africa	**Group**
Traffic revenue	16,042	4,217	784	3,164	735	380	**25,322**
Other revenue	2,517	1,816	334	1,179	608	280	**6,734**
Non-current assets[1) 2)]	17,867	265	42	217	12	18	**18,421**
Capital expenditure on non-current assets[1)]	2,417	55	10	15	2	4	**2,503**

The figures for the main countries are as follows:

in €m	Germany	USA
Traffic revenue	7,400	3,792
Other revenue	904	1,458
Non-current assets[1) 2)]	13,631	219
Capital expenditure on non-current assets[1)]	1,929	51

1) Non-current assets include property, plant and equipment and intangible assets with the exception of repairable spare parts for aircraft.
2) Aircraft are allocated according to their location of registration.

Notes on geographical regions in 2014

External revenue, non-current assets and capital expenditure are as follows:

Figures by region for 2014

in €m	Europe	North America	Central and South America	Asia/Pacific	Middle East	Africa	Group
Traffic revenue	15,945	3,597	795	3,005	677	369	**24,388**
Other revenue	2,546	1,400	191	971	318	197	**5,623**
Non-current assets[1) 2)]	16,802	202	32	203	12	18	**17,269**
Capital expenditure on non-current assets[1)]	2,658	26	7	31	2	2	**2,726**

The figures for the main countries are as follows:

in €m	Germany	USA
Traffic revenue	7,228	3,237
Other revenue	934	1,122
Non-current assets[1) 2)]	13,071	187
Capital expenditure on non-current assets[1)]	2,232	23

1) Non-current assets include property, plant and equipment and intangible assets with the exception of repairable spare parts for aircraft.
2) Aircraft are allocated according to their location of registration. Previous year's figures have been adjusted.

Revenues from transactions with a single customer in no case exceeded 10 per cent of Lufthansa Group sales in 2015.

44 Related party disclosures

Balances and transactions between the Company and its fully consolidated subsidiaries, which constitute related parties, have been eliminated in the course of consolidation and are not commented on in this Note. Details of transactions between the Group and other related parties are disclosed below.

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 2015	Volume of services rendered 2014	Volume of services received 2015	Volume of services received 2014
Non-consolidated subsidiaries				
Airline Training Center Arizona Inc., USA	0*	0*	14	3
Albatros Versicherungsdienste GmbH, Germany	2	4	50	46
Austrian Airlines Technik-Bratislava, s.r.o., Slovakia	2	1	4	7
Delvag Luftfahrtversicherungs-AG, Germany	6	7	5	4
DLH Fuel Company mbH, Germany	0*	0*	573	722
Global Tele Sales (PTY) Ltd., South Africa	1	1	7	7
Global Telesales of Canada, Inc., Canada	1	–	6	–
handling counts GmbH, Germany	1	1	15	16
Lufthansa Consulting GmbH, Germany	1	2	8	7
Lufthansa Engineering and Operational Services GmbH, Germany	5	5	29	27
Lufthansa Flight Training – CST GmbH, Germany	4	4	10	2
Lufthansa Global Business Services Hamburg GmbH, Germany	15	–	31	–
Lufthansa Global Business Services S.A. de C.V., Mexico	0*	0*	5	5
Lufthansa Global Business Services Sp. z o. o., Poland	1	1	23	17
Lufthansa Global Tele Sales GmbH, Germany	4	9	57	50
Lufthansa Industry Solutions TS GmbH, Germany	0*	0*	6	5
Lufthansa Super Star gemeinnützige Gesellschaft mit beschränkter Haftung, Germany	26	–	18	–
Lufthansa Systems FlightNav AG, Switzerland	1	1	24	20
Lufthansa Systems Hungaria Kft, Hungary	1	2	13	33
Lufthansa Systems Poland sp. z o.o., Poland	1	1	17	15
Lufthansa Technical Training GmbH, Germany	4	5	26	16
Lufthansa Technik Logistik of America LLC, USA	6	6	23	19
Lufthansa Technik Shenzhen Co., Ltd., China	14	11	19	9
Lufthansa Technik Turbine Shannon Limited, Ireland	2	3	15	13
LZ-Catering GmbH, Germany	9	9	16	16
Joint ventures				
Airfoil Services Sdn. Bhd., Malaysia	1	0*	7	5
EFM – Gesellschaft für Enteisen und Flugzeugschleppen am Flughafen München mbH, Germany	0*	0*	6	8
FraCareServices GmbH, Germany	9	9	2	1
Global Airline Services S.r.l., Italy	0*	0*	8	9
Günes Ekspres Havacilik Anonim Sirketi (SunExpress), Turkey	2	11	0*	0*
Idair GmbH, Germany	3	6	6	7
Lufthansa Bombardier Aviation Services GmbH, Germany	5	6	4	5
N3 Engine Overhaul Services GmbH & Co. KG, Germany	7	9	2	1
Shanghai Pudong International Airport Cargo Terminal Co. Ltd., China	1	1	11	29
Spairliners GmbH, Germany	42	30	40	27
Terminal 2 Gesellschaft mbH & Co. oHG, Germany	2	2	9	11
Terminal One Group Association, L.P., USA	4	2	5	7
Associated companies				
Aircraft Maintenance and Engineering Corp., China	37	6	16	17
Airmail Center Frankfurt GmbH, Germany	0*	0*	7	7
AviationPower GmbH, Germany	0*	0*	36	33
HEICO Aerospace Holdings Corp., USA	–	0*	12	10
Other affiliated companies				
Brussels Airlines NV/SA, Belgium	82	83	33	28
Shanghai Pudong International Airport Public Cargo Terminal Co. Ltd. (West), China	0*	0*	78	78
SunExpress Germany GmbH, Germany	22	22	0*	0*

* Rounded below EUR 1m.

The following tables show receivables owed by and liabilities to related parties:

Receivables from affiliated companies

in €m	2015	2014
Trade receivables from non-consolidated subsidiaries	23	47
Trade receivables from joint ventures	24	31
Trade receivables from associated companies	5	2
Trade receivables from other affiliated companies	11	9
Total trade receivables	**63**	**89**
Other receivables from non-consolidated subsidiaries	11	16
Other receivables from joint ventures	22	35
Other receivables from associated companies	6	20
Total other receivables	**39**	**71**
Loans to non-consolidated subsidiaries	51	46
Loans to joint ventures	39	32
Loans to associated companies	26	30
Loans to other affiliated companies	–	17
Total non-current receivables	**116**	**125**

Liabilities to affiliated companies

in €m	2015	2014
Trade payables to non-consolidated subsidiaries	12	21
Trade payables to joint ventures	14	13
Trade payables to associated companies	9	7
Trade payables to other affiliated companies	2	2
Total trade payables	**37**	**43**
Other liabilities to non-consolidated subsidiaries	247	247
Other liabilities to joint ventures	0*	2
Total other liabilities	**247**	**249**

* Rounded below EUR 1m.

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" starting on p. 181.

45 Supervisory Board and Executive Board

The disclosure of remuneration for key managers required by IAS 24 includes the remuneration of the active members of the Executive Board and Supervisory Board.

The members of the Executive Board and the Supervisory Board as well as the other offices that they hold are named in the combined management report in the section "Corporate governance" starting on p. 91.

The principles of the remuneration system and the amount of remuneration paid to Executive Board and Supervisory Board members are shown and explained in detail in the "Remuneration report". The remuneration report forms part of the combined management report, p. 96–104.

Total Executive Board remuneration under IFRS was EUR 10.6m (previous year: EUR 9.7m), including current service costs for pensions of EUR 2.1m (previous year: EUR 1.8m).

The active members of the Executive Board in past reporting years were remunerated as follows:

Executive Board remuneration (IFRS)

in € thousands	2015	2014
Basic salary	4,228	4,015
Other	422	517
One-year variable remuneration	2,261	1,156
Total short-term remuneration	**6,911**	**5,688**
Long-term variable remuneration*	1,274	649
Share-based remuneration	309	–65
Current service cost for retirement benefits	2,090	1,755
Total long-term remuneration	**3,673**	**2,469**
Severance payments	–	1,570
Total	**10,584**	**9,727**

* Expenses recognised in the reporting year for long-term variable remuneration for the financial years 2013 to 2015.

Pension provisions for Executive Board members active until 31 December 2015 came to EUR 6.9m (previous year: EUR 5.0m).

In addition to the provision for the one-year variable remuneration of EUR 2,261,000 (previous year: EUR 1,156,000), provisions totalling EUR 1,274,000 (previous year: EUR 649,000) were recognised for the future payment of long-term variable remuneration for the Executive Board members active as of 31 December 2015. In addition, provisions of EUR 1,206,000 in total (previous year: EUR 897,000) were recognised for the future payment of long-term, share-based remuneration for the Executive Board members active as of 31 December 2015.

Total remuneration (HGB) paid to the Executive Board of Deutsche Lufthansa AG in the financial year 2015 came to EUR 9,605,000 (previous year: EUR 7,994,000). This includes EUR 2,294,000 for the new share programme, in which the Executive Board acquired a total of 49,005 shares.

Current payments and other benefits for former members of the Executive Board and their surviving dependants came to EUR 5.9m (previous year: EUR 4.9m). 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 67.4m (previous year: EUR 71.9m). These amounts are included in pension provisions; see "Note 32" starting on p. 149.

Expenses for the fixed remuneration of Supervisory Board members came to EUR 2,152,000 in 2015 (previous year: EUR 2,110,000). Other remuneration, mainly attendance fees, amounted to EUR 110,000 (previous year: EUR 88,000). The Deutsche Lufthansa AG Supervisory Board members were also paid EUR 59,000 (previous year: EUR 63,000) for work on supervisory boards of Group companies.

In the reporting year, as in the previous year, no loans or advance payments were made to members of the Executive Board and Supervisory Board.

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 1.3m in total for 2015 (previous year: EUR 1.0m).

46 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	2015	2014
Annual audit	2.9	2.9
Other assurance services	0.8	0.7
Tax advisory services	0.5	0.4
Other services	2.0	2.8
Total	**6.2**	**6.8**

The following fees paid to the global PricewaterhouseCoopers network, especially abroad, were additionally recognised as expenses.

in €m	2015	2014
Annual audit	3.6	3.0
Other assurance services	0.2	0.2
Tax advisory services	0.7	0.4
Other services	0.3	0.8
Total	**4.8**	**4.4**

Dr Bernd Roese is the German Public Auditor responsible for Lufthansa at PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. Dr Bernd Roese has fulfilled this role in five audits so far.

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, includes a fair view of the course of business, including the business result, and the situation of the Group, and suitably presents the principal opportunities and risks to its future development.

Cologne, 7 March 2016
Executive Board

Carsten Spohr
Chairman of the
Executive Board and CEO

Karl Ulrich Garnadt
Member of the Executive Board
Eurowings and Aviation Services

Harry Hohmeister
Member of the Executive Board
Hub Management

Simone Menne
Member of the Executive Board
and Chief Financial Officer

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

Independent auditors' report

To Deutsche Lufthansa Aktiengesellschaft, Cologne

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, 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, 2015 to December 31, 2015.

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.

Auditor's 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 auditor's 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, 2015 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, which is combined with the management report of the company, of Deutsche Lufthansa AG for the business year from January 1, 2015 to December 31, 2015. The Board of Managing Directors is of Deutsche Lufthansa AG is responsible for the preparation of the combined 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 combined 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 combined management report to obtain reasonable assurance about whether the combined 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 combined management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined 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.

Dusseldorf, 7 March 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Petra Justenhoven
Wirtschaftsprüferin
(German Public Auditor)

Dr Bernd Roese
Wirtschaftsprüfer
(German Public Auditor)

Major subsidiaries

Major subsidiaries as of 31.12.2015

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
Passenger Airline Group segment			
A319 LDA-LDB-LDC Ltd., George Town, Grand Cayman, Cayman Islands	0.00	0.00 [6]	
A319 LDD-LDE-LDF Ltd., George Town, Grand Cayman, Cayman Islands	0.00	0.00 [6]	
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 [6]	
Air Sylph Ltd., Tokyo, Japan	0.00	0.00 [6]	
AirTrust AG, Zug, Switzerland	100.00	100.00	June
AirUtopia Ltd. Japan, Tokyo, Japan	0.00	0.00 [6]	
ALIP No. 4 Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
ALIP No. 5 Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
ALIP No. 6 Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
ALIP No. 7 Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
All Nippon Airways Trading Sky Leasing Ltd., Tokyo, Japan	0.00	0.00 [6]	
AUA Beteiligungen Gesellschaft m.b.H., Vienna Airport, Austria	100.00	100.00	
AUA LNR/LNS/LNT/LNU Ltd., George Town, Grand Cayman, Cayman Islands	0.00	0.00 [6]	
Aura Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 [6]	
Austrian Airlines AG, Vienna Airport, Austria	100.00	100.00	
Austrian Airlines Lease and Finance Company Ltd., Guernsey, UK	100.00	100.00	
Benjamin LH6 Kumiai Japan, Okayama, Japan	0.00	0.00 [6]	
Canary Ltd., Tokyo, Japan	0.00	0.00 [6]	
CASTOR Ltd., Tokyo, Japan	0.00	0.00 [6]	
Common Ground BER GmbH, Frankfurt/Main	100.00	100.00	
Common Ground BRE GmbH, Frankfurt/Main	100.00	100.00	
Common Ground CGN GmbH, Frankfurt/Main	100.00	100.00	
Common Ground DUS GmbH, Frankfurt/Main	100.00	100.00	
Common Ground HAJ GmbH, Frankfurt/Main	100.00	100.00	
Common Ground HAM GmbH, Frankfurt/Main	100.00	100.00	
Common Ground NUE GmbH, Frankfurt/Main	100.00	100.00	
Common Ground STR GmbH, Frankfurt/Main	100.00	100.00	
Crossbow Finance Limited, Grand Cayman, Cayman Islands	0.00	0.00 [6]	
Dia Himmel Ltd., Tokyo, Japan	0.00	0.00 [6]	
Dia Kranich Ltd., Tokyo, Japan	0.00	0.00 [6]	
Dia Vogel Ltd., Tokyo, Japan	0.00	0.00 [6]	
Edelweiss Air AG, Kloten, Switzerland	100.00	100.00	
Ellen Finance 2010 S.N.C., Paris, France	0.00	0.00 [6]	
Empyrée S.A.S., Paris, France	0.00	0.00 [6]	
Eurowings Commercial & Service GmbH, Cologne	100.00	100.00	
Eurowings GmbH, Dusseldorf	100.00	100.00	
EWAT GmbH, Vienna Airport, Austria	100.00	100.00	
FG Honest Leasing Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
FG Unity Leasing Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
FG Vision Leasing Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
FI Beauty Leasing Ltd., Tokyo, Japan	0.00	0.00 [6]	
First Valley Highway Kumiai, Tokyo, Japan	0.00	0.00 [6]	
Fleur Leasing Co. Ltd. Japan, Tokyo, Japan	0.00	0.00 [6]	
FL Falcon Leasing Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
FL Uranus Leasing Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
Gabriela Finance 2012 Limited, Dublin, Ireland	0.00	0.00 [6]	
Germanwings GmbH, Cologne	100.00	100.00	
Gina Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 [6]	
Global Brand Management AG, Basel, Switzerland	100.00	100.00	

Major subsidiaries as of 31.12.2015 (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
Heike LH8 Kumiai Ltd., Okayama, Japan	0.00	0.00 [6]	
Hummels Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 [6]	
Ingrid Finance 2010 S.N.C., Paris, France	0.00	0.00 [6]	
Jour Leasing Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
Lahm Leasing Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
Lark Ltd., Tokyo, Japan	0.00	0.00 [6]	
LeaseAir GmbH & Co. Verkehrsflugzeuge V KG, Dortmund	100.00	100.00	
LHAMIP LIMITED, Dublin, Ireland	100.00	100.00	
LHBD Holding Limited, London, UK	100.00	100.00	
Lily Port Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 [6]	
Lufthansa CityLine GmbH, Munich Airport	100.00	100.00	
Lufthansa Flight Training Berlin GmbH, Berlin	100.00	100.00	
Lufthansa Flight Training GmbH, Frankfurt/Main	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. 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. 10, 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	
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 Austria GmbH & Co. OG Nr. 27, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 28, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 29, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 30, Salzburg, Austria	100.00	100.00	
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	
Matterhorn Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 [6]	
Miles & More GmbH, Neu-Isenburg	100.00	100.00	
Mitsui & Co. Ltd. Tokyo (Dreamcatcher), Tokyo, Japan	0.00	0.00 [6]	
Mitsui & Co. Ltd. Tokyo (Flying Carp.), Tokyo, Japan	0.00	0.00 [6]	
Mitsui & Co. Ltd. Tokyo (Wishbone), Tokyo, Japan	0.00	0.00 [6]	
Muller Leasing Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
NBB Cologne Lease Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
NBB Koblenz Lease Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
NBB Rhine Valley Lease LLC, Tokyo, Japan	0.00	0.00 [6]	
Nicolai LH7 Kumiai Japan, Okayama, Japan	0.00	0.00 [6]	
ÖLB Österreichische Luftverkehrs-Beteiligungs GmbH, Vienna Airport, Austria	100.00	100.00	
ÖLH Österreichische Luftverkehrs-Holding GmbH, Vienna Airport, Austria	100.00	100.00 [1]	
ÖLP Österreichische Luftverkehrs-Privatstiftung, Vienna Airport, Austria	0.00	0.00 [2]	
ORIX Himalia Corporation Ltd., Tokyo, Japan	0.00	0.00 [6]	
ORIX Miranda Corporation Ltd., Tokyo, Japan	0.00	0.00 [6]	
SBL Beta Co. Ltd., Tokyo, Japan	0.00	0.00 [6]	
SBL Gamma Co. Ltd., Tokyo, Japan	0.00	0.00 [6]	

Major subsidiaries as of 31.12.2015 (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
Second Valley Highway Kumiai, Tokyo, Japan	0.00	0.00 [6]	
SJ Frankfurt Co. Ltd., Tokyo, Japan	0.00	0.00 [6]	
SL Aurora Ltd., Tokyo, Japan	0.00	0.00 [6]	
SL Crane Ltd., Tokyo, Japan	0.00	0.00 [6]	
SL Opal Ltd., Tokyo, Japan	0.00	0.00 [6]	
SL Prairie Ltd., Tokyo, Japan	0.00	0.00 [6]	
SL Victoria Ltd., Tokyo, Japan	0.00	0.00 [6]	
SMFL Alphard Co. Ltd., Tokyo, Japan	0.00	0.00 [6]	
SMFL Y Lease, Tokyo, Japan	0.00	0.00 [6]	
SMLC Antila Co. Ltd., Tokyo, Japan	0.00	0.00 [6]	
SMLC Circinus Co. Ltd., Tokyo, Japan	0.00	0.00 [6]	
SMLC Crater Co. Ltd., Tokyo, Japan	0.00	0.00 [6]	
Soir Leasing Co., Ltd., Tokyo, Japan	0.00	0.00 [6]	
Stork Ltd., Tokyo, Japan	0.00	0.00 [6]	
Swiss Aviation Software AG, Basel, Switzerland	100.00	100.00	
Swiss AviationTraining AG, Kloten, Switzerland	100.00	100.00	
Swiss Global 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 [6]	
TimBenNico Finance 2011 S.N.C., Paris, France	0.00	0.00 [6]	
Tim LH5 Kumiai Japan, Okayama, Japan	0.00	0.00 [6]	
TLC Amaryllis Ltd., Tokyo, Japan	0.00	0.00 [6]	
TLC Petunia Ltd., Tokyo, Japan	0.00	0.00 [6]	
TLC Saffron Ltd., Tokyo, Japan	0.00	0.00 [6]	
TLC Salvia Ltd., Tokyo, Japan	0.00	0.00 [6]	
Tyrolean Airways Luftfahrzeuge Technik GmbH, Vienna Airport, Austria	100.00	100.00	
Warbler Leasing Ltd., Tokyo, Japan	0.00	0.00 [6]	
Yamasa Aircraft LH1 Kumiai (AIKG), Okayama, Japan	0.00	0.00 [6]	
Yamasa Aircraft LH2 Kumiai (AIKH), Okayama, Japan	0.00	0.00 [6]	
Yamasa Aircraft LH3 Kumiai (AIKK), Okayama, Japan	0.00	0.00 [6]	
Yamasa Aircraft LH4 Kumiai (AIKM), Okayama, Japan	0.00	0.00 [6]	
Yamasa Aircraft LH9 Kumiai Ltd., Okayama, Japan	0.00	0.00 [6]	
Yamasa Aircraft LH10 Kumiai Ltd., Okayama, Japan	0.00	0.00 [6]	
Yamasa Aircraft LH11 Kumiai Ltd., Okayama, Japan	0.00	0.00 [6]	
Yamasa Aircraft LH12 Kumiai Ltd., Okayama, Japan	0.00	0.00 [6]	
Logistics segment			
Jettainer Americas Inc., Wilmington, USA	100.00	100.00	
Jettainer GmbH, Raunheim	100.00	100.00	
LHAMIC LIMITED, Dublin, Ireland	100.00	100.00	
Lufthansa Cargo AG, Frankfurt/Main	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 50, Salzburg, Austria	100.00	100.00	
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 [6]	
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 Repülőgép Nagyjavító Kft., Budapest, Hungary	100.00	100.00	
Lufthansa Technik Component Services LLC, Tulsa, USA	100.00	100.00	
Lufthansa Technik Immobilien- und Verwaltungsgesellschaft mbH, Hamburg	100.00	100.00	

Major subsidiaries as of 31.12.2015 (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
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/Main	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	
Lufthansa Technik Puerto Rico LLC, San Juan, Puerto Rico	100.00	100.00	
Lufthansa Technik Shannon Limited, Co., Claire, Ireland	100.00	100.00	
Lufthansa Technik Sofia OOD, Sofia, Bulgaria	75.10	75.10	
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	
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, Sotschi, 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	
Caterair Taiwan In-Flight Services, Inc. i.L., 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, Tansania	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 Linearis S.A.S., Paris, France	100.00	100.00	
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	

Major subsidiaries as of 31.12.2015 (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
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 [2)]	
LSG Lufthansa Service Saipan, Inc., Saipan, Micronesia	100.00	100.00	
LSG Lufthansa Service – Sky Chefs do Brasil Catering, Refeições Ltda., São Paulo, Brazil	100.00	100.00	
LSG Sky Chefs Argentina S.A., Buenos Aires, Argentinia	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 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., West Drayton, UK	100.00	100.00	
LSG Sky Chefs Finland Oy, Vantaa, Finland	0.00	0.00 [3)]	
LSG Sky Chefs – First Catering Schweiz AG, Bassersdorf, Switzerland	60.00	60.00	
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 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 Istanbul Catering Hizmetleri A.S., Istanbul, Turkey	100.00	100.00 [4)]	
LSG Sky Chefs Kenya Limited, Nairobi, Kenia	50.20	50.20	
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 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 Retail GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Rus, Moscow, Russia	100.00	100.00	
LSG Sky Chefs Schweiz 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 [2)]	
LSG Sky Chefs (Thailand) Ltd., Bangkok, Thailand	100.00	100.00	
LSG Sky Chefs UK Ltd., West Drayton, 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	
Myanmar LSG Lufthansa Service Ltd., Yangon, Myanmar	100.00	100.00	
Natal Catering Ltda., Natal, Brazil	70.00	70.00	

Major subsidiaries as of 31.12.2015 (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
Oakfield Farms Solutions Europe Ltd., West Drayton, UK	51.00	51.00	
Oakfield Farms Solutions, L.L.C., Wilmington, Delaware, USA	100.00	100.00	
Retail inMotion (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	
ServCater Internacional Ltda., Guarulhos, Brazil	90.00	90.00	
Siam Flight Services Ltd., Bangkok, Thailand	49.00	66.67	
Silver Wings Bulgaria OOD, Sofia, Bulgaria	28.75	28.75 [5]	
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	
Sky Chefs Things Remembered Services Limited, Lagos, Nigeria	51.00	51.00	
SkylogistiX GmbH, Neu-Isenburg	51.00	51.00	
Spiriant Asia Pacific Limited, Hong Kong, China	100.00	100.00	
Spiriant Bahrain Limited W.L.L., Manama, Bahrain	60.00	60.00	
Spiriant GmbH, Neu-Isenburg	100.00	100.00	
Starfood Finland Oy, Vantaa, Finland	100.00	100.00	
Starfood S.r.l., Fiumicino, Italy	100.00	100.00	
Supply Chain S.à.r.l., Senningerberg, Luxembourg	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	
LHAMIH LIMITED, Dublin, Ireland	100.00	100.00	
LSY GmbH, Norderstedt	100.00	100.00	
Lufthansa AirPlus Servicekarten GmbH, Neu-Isenburg	100.00	100.00	
Lufthansa Asset Management GmbH, Frankfurt/Main	100.00	100.00	
Lufthansa Commercial Holding GmbH, Cologne	100.00	100.00	
Lufthansa Global Business Services GmbH, Frankfurt/Main	100.00	100.00	
Lufthansa Industry Solutions AS GmbH, Norderstedt	100.00	100.00	
Lufthansa Industry Solutions BS GmbH, Raunheim	100.00	100.00	
Lufthansa Industry Solutions GmbH & Co. KG, Norderstedt	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 Systems Americas, Inc., Dallas, USA	100.00	100.00	
Lufthansa Systems GmbH & Co. KG, Raunheim	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 [6]	
MUSA Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, Grünwald	100.00	50.00 [6]	
Quinto Grundstücksgesellschaft mbH & Co. oHG, Grünwald	100.00	49.75 [6]	
TGV DLH, Dusseldorf	100.00	100.00 [6]	

[1] 50.20 per cent of the equity stakes and voting rights are attributed via ÖLP.
[2] Management responsibility for the company lies with the Group.
[3] 100 per cent of the equity shares and voting rights are attributed via a call option.
[4] 33.34 per cent of the equity stakes and 50.01 per cent of the voting rights are attributed via a call option.
[5] 28.75 per cent of the equity stakes and voting rights are attributed via a call option.
[6] Fully consolidated structured entity in accordance with IFRS 10.

Major joint ventures as of 31.12.2015[1]

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
Passenger Airline Group segment			
Günes Ekspres Havacilik Anonim Sirketi (SunExpress), Antalya, Turkey	50.00	50.00	
Terminal 2 Gesellschaft mbH & Co. oHG, Freising	40.00	40.00	
Logistics segment			
Shanghai Pudong International Airport Cargo Terminal Co. Ltd., Shanghai, China	29.00	22.22	
MRO segment			
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	

Joint operations as of 31.12.2015[2]

Aerologic GmbH, Leipzig	50.00	50.00	

Major associated companies as of 31.12.2015[1]

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			
Aircraft Maintenance and Engineering Corp., Beijing, China	25.00	28.57	
HEICO Aerospace Holdings Corp., Florida, USA	20.00	20.00	
Catering segment			
CateringPor – Catering de Portugal, S.A., Lissabon, Portugal	49.00	49.00	
Cosmo Enterprise Co., Ltd., Narita City, Japan	20.00	20.00	March
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 inMotion 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	
Wenzhou Longwan International Airport LSG Sky Chefs Co. Ltd., Wenzhou City, China	40.00	40.00	
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	

[1] Accounted for using the equity method.
[2] Included on a pro rata basis in accordance with IFRS 11.

Miscellaneous equity investments

Miscellaneous equity investments as of 31.12.2015

Name, registered office	Equity stake in %	Voting share 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 Marketing Services India Private Limited, Mumbai, India	100.00	100.00
Airline Training Center Arizona Inc., Goodyear, USA	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
ATC – Austrian Technik Consulting, s.r.o., Trencin, Slowakia	100.00	100.00
Austrian Airlines Technik-Bratislava, s.r.o., Bratislava, Slowakia	100.00	100.00
Austrian Airlines Tele Sales & Service GmbH, Innsbruck, Austria	100.00	100.00
Aviation Quality Services GmbH, Frankfurt/Main	100.00	100.00
Avionic Design GmbH, Hamburg	100.00	49.00
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
CrewAcademy GmbH, Frankfurt/Main	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
GGG Service for Airlines GmbH, Frankfurt/Main	100.00	100.00
Global Load Control (PTY) LTD, Capetown, South Africa	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
handling counts GmbH, Frankfurt/Main	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
IND Beteiligungs GmbH, Kelsterbach	100.00	100.00
INF Beteiligungs GmbH, Kelsterbach	100.00	100.00
In-Flight Management Solutions Latin America, S.A. de C.V., Mexico City, Mexico	100.00	100.00
LCAG Malta Pension Ltd., St. Julians, Malta	100.00	100.00
LCAG Malta Transition Limited, St. Julians, Malta	100.00	100.00
LCH Grundstücksgesellschaft Berlin mbH, Cologne	100.00	100.00
LGSP Lufthansa Ground Service Portugal, Unipessoal Lda., Maia/Oporto, Portugal	100.00	100.00
LHAMIW LIMITED, Dublin, Ireland	100.00	100.00

Miscellaneous equity investments as of 31.12.2015 (continued)

Name, registered office	Equity stake in %	Voting share in %
LH Cargo Holding GmbH, Frankfurt/Main	100.00	100.00
LHT Malta Pension Ltd., St. Julians, Malta	100.00	100.00
LSG Malta Pension Ltd., St. Julians, Malta	100.00	100.00
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/Main	100.00	100.00
Lufthansa Cagri Merkezi ve Müsteri Hizmetleri A.S., Istanbul, Turkey	100.00	100.00
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/Main	50.00	50.00
Lufthansa Consulting Brasil Ldta., Rio de Janeiro, Brazil	79.92	99.90
Lufthansa Consulting GmbH, Frankfurt/Main	80.00	80.00
Lufthansa Consulting Managementbeteiligungs GmbH & Co. KG, Cologne	48.70	48.70
Lufthansa Engineering and Operational Services GmbH, Frankfurt/Main	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 Hamburg GmbH, Hamburg	100.00	100.00
Lufthansa Global Business Services Ltd., Bangkok, Thailand	100.00	100.00
Lufthansa Global Business Services S.A. de C.V., Mexico City, Mexico	100.00	100.00
Lufthansa Global Business Services Sp. z o.o., Krakow, Poland	100.00	100.00
Lufthansa Global Tele Sales GmbH, Berlin	100.00	100.00
Lufthansa Industry Solutions TS GmbH, Oldenburg	100.00	100.00
Lufthansa Innovation Hub GmbH, Berlin	100.00	100.00
Lufthansa International Finance (Netherlands) N.V., Amsterdam, Netherlands	100.00	100.00
Lufthansa Job Services Norderstedt GmbH, Norderstedt	100.00	100.00
Lufthansa Malta Blues General Partner GmbH & Co. KG, Frankfurt/Main	100.00	100.00
Lufthansa Malta Pension Holding Ltd., St. Julians, Malta	100.00	100.00
Lufthansa Pension Beteiligungs GmbH, Frankfurt/Main	100.00	100.00
Lufthansa Pension GmbH & Co. KG, Frankfurt/Main	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 Super Star gemeinnützige Gesellschaft mit beschränkter Haftung, Berlin	100.00	100.00
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 Poland sp. z o.o., Gdansk, Poland	100.00	100.00
Lufthansa Systems Verwaltungs GmbH, Raunheim	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	0.00
Lufthansa Technik Services India Private Limited, New Delhi, India	100.00	100.00
Lufthansa Technik Shenzhen Co., Ltd., Shenzhen, China	80.00	80.00
Lufthansa Technik Turbine Shannon Limited, Shannon, Ireland	100.00	100.00
Lufthansa Technik Vostok OOO, Moscow, Russia	100.00	100.00
Lufthansa Technik Vostok Services OOO, Moscow, Russia	100.00	100.00
Lufthansa UK Pension Trustee Limited, West Drayton, Middlesex, UK	100.00	100.00
LZ-Catering GmbH, Hamburg	100.00	100.00

Miscellaneous equity investments as of 31.12.2015 (continued)

Name, registered office	Equity stake in %	Voting share in %
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
Pilot Training Network GmbH, Frankfurt/Main	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
Star Risk Services Inc., Southlake, Texas, USA	100.00	100.00
Swiss European Air Lines 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/Main	100.00	100.00
THG Grundbuchtreuhandgesellschaft mbH, Cologne	85.00	85.00
VPF Malta Pension Ltd., St. Julians, Malta	100.00	100.00
XP Reisen Vertriebs GmbH, Frankfurt/Main	100.00	100.00
ZeroG GmbH, Raunheim	100.00	100.00
Other equity investments		
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/Main	40.00	40.00
ATLECON Fuel LLC, 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/Main	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
FFS Frankfurt Fuelling Services (GmbH & Co.) OHG, Hamburg	33.33	33.33
Finairport Service S.r.l. i.L., Turin, Italy	36.00	36.00
Flight Training Alliance GmbH, Frankfurt/Main	50.00	50.00
Flughafen Düsseldorf Tanklager GmbH, Dusseldorf	20.00	20.00
Flughafen München Baugesellschaft mbH, Munich Airport	40.00	40.00
FMO Passenger Services GmbH, Greven	33.33	33.33
FraCareServices GmbH, Frankfurt/Main	49.00	49.00
FSH Flughafen Schwechat-Hydranten-Gesellschaft GmbH & Co. OG, Vienna Airport, Austria	14.29	14.29
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
Hydranten-Betriebs OHG, Frankfurt/Main	48.00	16.67
Idair GmbH, Hamburg	50.00	50.00
INAIRVATION GmbH, Edlitz-Thomasberg, Austria	50.00	50.00
Jade Cargo International Company Limited i.L., Shenzhen, China	25.00	28.57
LSG Gate Gourmet Paris S.A.S. i.L., Roissy, France	50.00	50.00

Miscellaneous equity investments as of 31.12.2015 (continued)

Name, registered office	Equity stake in %	Voting share in %
LSG Sky Chefs Catering Egypt S.A.E., Cairo, Egypt	15.00	15.00
Luftfahrzeugverwaltungsgesellschaft GOAL mbH, Grünwald	40.00	40.00
Lufthansa HNA Technical Training Co., Ltd., Meilan Airport, China	50.00	1.00
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
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 Chefs for Airlines Catering Company, Tripolis, Libyia	44.50	44.50
Star Alliance Services GmbH, Frankfurt / Main	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
Terminal One Group Association, L.P., New York, USA	24.75	0.00
Terminal One Management Inc., New York, USA	25.00	25.00
THBG BBI GmbH, Schönefeld	30.00	30.00
Turbo Fuel Services Sachsen (TFSS) GbR, Hamburg	20.00	20.00
Universal Air Travel Plan, Inc., Washington, USA	5.26	5.26
Vayant Travel Technologies, Inc., Delaware, USA	17.50	19.63
Xinjiang HNA LSG Sky Chefs Co. Ltd., Urumqi, China	49.00	40.00
Zentrum für Angewandte Luftfahrtforschung GmbH, Hamburg	20.00	20.00

Ten-year overview

		2015	2014[7]	2013[6]
Income statement Lufthansa Group				
Revenue	€m	32,056	30,011	30,027
Result				
Adjusted EBIT[1]	€m	1,817	1,171	986
Adjusted EBIT margin	%	5.7	3.9	3.3
Operating result[1]	€m			
Operating margin	%			
Profit / loss from operating activities	€m	1,555	879	851
Profit / loss before income taxes[2]	€m	2,026	180	546
Income taxes[2]	€m	–304	–105	–220
Net profit / loss attributable to shareholders of Deutsche Lufthansa AG	€m	1,698	55	313
Main cost items				
Staff costs	€m	8,075	7,335	7,356
Fees and charges	€m	5,651	5,265	5,167
Fuel for aircraft	€m	5,784	6,751	7,115
Depreciation, amortisation and impairment	€m	1,715	1,528	1,767
Net interest	€m	–170	–256	–346
Balance sheet Lufthansa Group				
Asset structure				
Non-current assets	€m	23,526	22,227	19,419
Current assets	€m	8,936	8,247	9,689
of which liquid assets	€m	3,093	2,738	4,698
Capital structure				
Shareholders' equity	€m	5,845	4,031	6,108
of which issued capital	€m	1,189	1,185	1,180
of which reserves	€m	2,881	2,728	4,563
Liabilities	€m	26,617	26,443	23,000
of which pension provisions	€m	6,626	7,231	4,718
of which borrowing	€m	6,370	5,958	6,337
Total assets	€m	32,462	30,474	29,108
Other financial data Lufthansa Group				
Capital expenditure	€m	2,568	2,773	2,499
of which on tangible and intangible assets	€m	2,454	2,699	2,444
of which on financial investments	€m	114	74	55
Cash flow from operating activities	€m	3,393	1,977	3,290
Free cash flow	€m	834	–297	1,307
Indebtedness				
gross	€m	6,440	6,156	6,393
net	€m	3,347	3,418	1,695
Deutsche Lufthansa AG				
Net profit / loss for the year	€m	1,034	–732	407
Transfer to / from reserves	€m	–802	732	–200
Dividends proposed / paid	€m	232	–	207
Dividend per share proposed / paid	€	0.50	–	0.45

2012[5]	2011	2010[4]	2009	2008	2007	2006
30,135	28,734	26,459	22,283	24,842	22,420	19,849
725	972	1,297				
2.4	3.4	4.9				
			130	1,280	1,378	845
			0.6	5.2	6.1	4.3
1,622	773	1,386	271	1,309	1,586	1,078
1,296	446	1,134	−134	730	2,125	1,129
−91	−157	−161	−112	178	365	232
1,228	−13	1,131	−34	542	1,655	803
6,741	6,678	6,491	5,996	5,692	5,498	5,029
5,167	5,000	4,318	3,762	3,499	3,174	2,824
7,392	6,276	4,964	3,645	5,377	3,860	3,355
1,839	1,722	1,654	1,475	1,289	1,204	1,051
−372	−288	−346	−325	−172	−194	−254
18,782	18,627	18,963	17,696	14,975	14,076	12,969
9,777	9,454	10,357	8,696	7,433	8,244	6,492
4,966	3,998	5,380	4,439	3,278	3,607	2,538
4,839	8,044	8,340	6,202	6,594	6,900	4,903
1,177	1,172	1,172	1,172	1,172	1,172	1,172
2,374	6,790	5,939	4,956	4,817	4,018	2,648
23,720	20,037	20,980	20,190	15,814	15,420	14,558
5,844	2,165	2,571	2,710	2,400	2,461	3,814
6,910	6,424	7,184	6,802	3,581	3,345	2,956
28,559	28,081	29,320	26,392	22,408	22,320	19,461
2,358	2,560	2,271	2,304	2,152	1,737	1,929
2,291	2,445	2,222	2,177	1,798	1,621	1,380
67	115	49	127	354	116	549
2,842	2,356	2,992	1,991	2,473	2,862	2,105
1,397	713	1,542	251	612	2,688	584
6,919	6,440	7,207	6,860	3,639	3,369	2,971
1,953	2,328	1,596	2,195	−125	−768	−101
592	−116	483	−148	276	1,123	523
−592	230	−208	148	44	−551	−202
–	114	275	–	320	572	321
–	0.25	0.60	–	0.70	1.25	0.70

Ten-year overview (continued)

		2015	2014[7]	2013[6]
Operational ratios Lufthansa Group				
Return on sales (Profit/loss before income taxes[2]/revenue)	%	6.3	0.6	1.8
Return on capital employed (Profit/loss before income taxes[2] plus interest on liabilities/total assets)	%	7.3	2.0	3.6
Return on equity (Profit/loss after income taxes/shareholders'equity)	%	29.5	1.9	5.3
Return on equity (Profit/loss before income taxes[2]/shareholders' equity)	%	34.7	4.5	8.9
Equity ratio (Shareholders' equity/total assets)	%	18.0	13.2	21.0
Gearing (Net indebtedness plus pension provisions/shareholders' equity)	%	170.6	264.2	105.0
Leverage (Net indebtedness/total assets)	%	10.3	11.2	5.8
Internal financing ratio (Cash flow/capital expenditure)	%	132.1	71.3	131.7
Debt repayment ratio (Net indebtedness/adjusted cash flow from operating activities)	%	30.7	20.8	37.0
Revenue efficiency (Cash flow/revenue)	%	10.6	6.6	11.0
Net working capital (Current assets less current liabilities)	€bn	–3.5	–2.7	–1.3
Non-current asset ratio (Non-current assets/total assets)	%	72.5	72.9	66.7
Depreciation ratio for aircraft/reserve engines (Accumulated depreciation/accumulated acquisition costs)	%	51.6	51.4	52.6
Staff ratios				
Average number of employees	number	119,559	118,973	117,414
Revenue/employee	€	268,119	252,251	255,736
Staff costs/revenue	%	25.2	24.4	24.5
Traffic figures Lufthansa Group[3]				
Passengers	millions	107.7	106.0	104.6
Available seat-kilometres	millions	273,975	268,104	262,682
Revenue seat-kilometres	millions	220,400	214,643	209,649
Passenger load factor	%	80.4	80.1	79.8
Freight/mail	tonnes	1,864,078	1,924,529	1,965,330
Available cargo tonne-kilometres	millions	14,971	14,659	14,893
Revenue cargo tonne-kilometres	millions	9,930	10,249	10,285
Cargo load factor	%	66.3	69.9	69.1
Total available tonne-kilometres	millions	42,424	41,548	41,218
Total revenue tonne-kilometres	millions	31,518	31,308	30,879
Overall load factor	%	74.3	75.4	74.9
Number of flights	number	1,003,660	1,001,961	1,028,260
Aircraft in service	number	600	615	622

[1] Since 2015, Adjusted EBIT has replaced the operating result as the main earnings metric for the Company's forecasts. The Adjusted EBIT figures for the previous years are calculated up to and including 2010.
[2] Until 2008 including the discontinued business segment Leisure Travel.
[3] Lufthansa Passage, SWISS, Austrian Airlines und Lufthansa Cargo.
[4] 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.
[5] The figures for the financial year 2012 were adjusted retrospectively due to the application of the revised IAS 19.
[6] The figures for the financial year 2013 were adjusted retrospectively due to IFRS 11.
[7] The figures for the financial year 2014 were adjusted retrospectively due to the new reporting method.

2012[5]	2011	2010[4]	2009	2008	2007	2006
4.3	1.6	4.3	−0.6	2.9	9.5	5.7
6.4	3.3	5.7	1.4	4.9	11.2	8.2
25.6	0.0	13.7	−0.4	8.4	25.5	18.3
26.8	5.5	13.6	−2.2	11.1	30.8	23.0
16.9	28.6	28.4	23.5	29.4	30.9	25.2
161.1	55.9	50.0	79.1	34.5	24.5	75.7
6.8	8.3	5.4	8.3	−0.6	−3.4	−0.5
120.5	92.0	131.7	86.4	114.9	164.8	109.1
34.4	49.7	59.7	38.1	97.0	154.7	54.9
9.7	8.8	11.9	8.9	10.0	12.8	10.6
0.0	−0.3	0.5	−0.1	−0.6	0.0	−0.2
65.8	66.3	64.7	67.1	66.8	63.1	66.6
54.2	54.4	53.9	54.2	58.9	58.0	57.9
118,368	119,084	117,066	112,320	108,123	100,779	93,541
254,587	241,292	226,018	198,384	229,757	222,467	212,196
22.4	23.2	24.5	26.9	22.9	24.5	25.3
103.6	100.6	92.7	77.3	70.5	62.9	53.4
260,169	258,263	234,377	208,226	195,431	169,108	146,720
205,015	200,376	186,452	162,286	154,156	135,011	110,330
78.8	77.6	79.6	77.9	78.9	79.8	75.2
1,984,157	2,120,191	2,022,670	1,712,167	1,914,925	1,910,846	1,758,968
14,749	16,260	15,298	14,372	15,141	13,416	11,969
10,240	10,861	10,429	8,706	9,510	9,043	8,103
69.4	66.8	68.2	60.6	62.8	67.4	67.7
40,925	40,798	37,664	35,469	34,960	30,339	26,667
30,408	29,908	28,274	24,943	24,972	22,613	19,216
74.3	73.3	75.1	70.3	71.4	74.5	72.1
1,067,362	1,050,728	1,008,988	899,928	830,832	749,431	664,382
627	696	710	722	524	513	430

Glossary

Aviation terminology

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.

Hub airlines 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.

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.

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.

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.

Financial terminology

Adjusted EBIT Main earnings metric for the Company's forecast. This relates to EBIT adjusted for asset valuations and disposals and for the measurement of pension provisions. Further information can be found starting on p. 30.

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; further information in the "consolidated cash flow statement" on p. 117.

Compliance Institutionalised arrangements for ensuring that a company's management and staff duly comply with all statutory provisions and prohibitions.

Debt repayment ratio A financial indicator. It represents the ratio of adjusted cash flow from operating activities to net indebtedness and pensions. Further information can be found on p. 37. The rating agencies' comparable criteria for an investment grade rating are met if a target of at least 60 per cent is achieved sustainably.

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.

Earnings After Cost of Capital – EACC Main indicator of value creation. This is calculated from EBIT plus interest income on liquidity less taxes of 25 per cent and costs of capital. A positive EACC means that the Company has created value in a given financial year; further information in the section "Management system and supervision" starting on p. 18.

EBIT Financial indicator denoting earnings before interest and taxes. From financial year 2015 main earnings indicator. This is calculated from total operating income less operating expenses plus the result from equity investments.

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.

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.

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.

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.

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 Capital Employed – ROCE Indicator of value creation. EBIT, to which interest income on liquidity has been added and taxes of 25 per cent subtracted, is divided by the average capital employed. The resulting value reflects the relative return on the capital employed.

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.

Trade working capital Financial indicator for assessing a company's liquidity, measured as the difference between its current assets and its current liabilities.

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.

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2016

17 March Press Conference and Analysts' Conference on 2015 results

28 April Annual General Meeting in Hamburg

3 May Release of Interim Report January – March 2016

2 Aug. Release of Interim Report January – June 2016

2 Nov. Release of Interim Report January – September 2016

2017

16 March Release of Annual Report 2016

27 April Release of Interim Report January – March 2017

5 May Annual General Meeting in Hamburg

2 Aug. Release of Interim Report January – June 2017

25 Oct. Release of Interim Report January – September 2017

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