Lufthansa Group

Destination

Time

SHAPING THE FUTURE TOGETHER

2nd INTERIM REPORT

JAN. – JUNE 2013

Lufthansa Group overview

Key figures Lufthansa Group

		Jan. – June 2013	Jan. – June[3] 2012	Change in %	**April – June 2013**	April – June[3] 2012	Change in %
Revenue and result							
Total revenue	€m	14,464	14,509	–0.3	7,836	7,890	–0.7
of which traffic revenue	€m	11,778	11,851	–0.6	6,441	6,502	–0.9
Operating result	€m	72	235	–69.4	431	594	–27.4
EBIT	€m	–79	87		418	484	–13.6
EBITDA	€m	858	1,011	–15.1	861	935	–7.9
Net profit / loss for the period	€m	–204	50		255	444	–42.6
Key balance sheet and cash flow statement figures							
Total assets	€m	29,562	29,949	–1.3	–	–	–
Equity ratio	%	17.5	16.1	1.4 pts	–	–	–
Net indebtedness	€m	1,224	2,295	–46.7	–	–	–
Cash flow from operating activities	€m	2,313	1,662	39.2	1,337	917	45.8
Capital expenditure (gross)	€m	1,352	1,385	–2.4	634	793	–20.1
Key profitability and value creation figures							
Adjusted operating margin[1]	%	0.9	1.9	–1.0 pts	6.0	7.9	–1.9 pts
EBITDA margin	%	5.9	7.0	–1.1 pts	11.0	11.9	–0.9 pts
Lufthansa share							
Share price at the quarter-end	€	15.60	9.11	71.2	–	–	–
Earnings per share	€	–0.44	0.11		0.55	0.97	–42.8
Traffic figures[2]							
Passengers	thousands	49,463	49,648	–0.4	27,825	27,658	0.6
Passenger load factor	%	78.1	76.9	1.2 pts	79.7	79.4	0.3 pts
Freight and mail	thousand tonnes	963	994	–3.1	499	501	–0.4
Cargo load factor	%	69.1	69.0	0.1 pts	67.9	68.2	–0.3 pts
Available tonne-kilometres	millions	19,919	20,196	–1.4	10,714	10,599	1.1
Revenue tonne-kilometres	millions	14,722	14,703	0.1	7,971	7,861	1.4
Overall load factor	%	73.9	72.8	1.1 pts	74.4	74.2	0.2 pts
Flights	number	502,207	528,948	–5.1	267,912	278,371	–3.8
Employees							
Employees as of 30.6.	number	116,816	117,416	–0.5	116,816	117,416	–0.5

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

Date of publication: 2 August 2013.

Contents

Ladies and gentlemen,

The first half of the year 2013 at the Lufthansa Group was dominated by structural change as a result of the SCORE programme. Both staff and management are contributing greatly to this and can see the progress being made. A wage agreement was reached with the trade union ver.di which, for the first time, provides for the economic capacities of the individual business segments. Negotiations with the co-determination bodies regarding the consolidation of administrative activities to Global Business Service are progressing well. All of our business segments are continuing to implement projects and measures successfully.

The efforts of staff and management are bearing fruit, as can be seen from the improvement in our operating result in the first half-year after adjusting for considerable one-off effects from the restructuring. We are proud of this, and our good performance strengthens us as we continue on our way.

The response of our customers also shows us that we are on the right track. As part of the largest passenger survey worldwide, Lufthansa was given top marks for its First Class in general, which was followed by top rankings for its First Class lounges and First Class Terminal, in particular, at the World Airline Awards 2013. Lufthansa Passenger Airlines was also voted “Best Western European Airline” and “Best Transatlantic Airline”. 18 million passengers from more than 100 countries took part in the survey, which is conducted annually by Skytrax, a specialist aviation research institute. The launch of the new Germanwings, which commenced services as scheduled on 1 July 2013 with a new product, and which now operates all of the Lufthansa Group’s decentralised traffic, will also enable us to achieve our high level of customer satisfaction with state-of-the-art processes and products.

We are therefore continuing to invest in the modernisation of our fleet and in consistently first-rate products across all of our business segments.

Looking to the second half-year, we expect the market to remain volatile. Fuel prices remain very unstable, as do exchange rates, and this makes it difficult to plan ahead. Market changes and political upheaval mean that developments vary across the different regions of the world. These and other unknown factors which are beyond our control, continue to put pressure on us and show how important it is for us to successfully cope with change.

The airlines in the Lufthansa Group will continue to pursue their policy of restrictive capacity management, thereby stabilising their earnings. The service companies continue to make a very valuable contribution to earnings.

The foundations have been laid for the future. We will press ahead along the path we have chosen with our SCORE programme.

Stay with us as we forge ahead on this exciting journey. We thank you for your trust.

C. Franz
Christoph Franz
Chairman of the
Executive Board

Harry Hohmeister
Member of the
Executive Board

Simone Menne
Member of the
Executive Board

C. Spohr
Carsten Spohr
Member of the
Executive Board

Bettina Volkens
Member of the
Executive Board

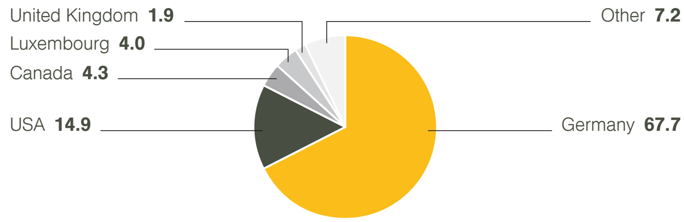
Lufthansa share

The German stock market performed well in the first half of 2013. The DAX climbed 4.6 per cent to reach 7,959 points at the end of June. The Lufthansa share was still able to outperform this growth. It increased 9.6 per cent in the same period to close at EUR 15.60 on 30 June 2013.

Analysts believe that the Lufthansa share has further potential for growth and now have an average target price of EUR 18.03 (EUR 16.85 as of 31 March 2013). The regular roadshows and expert events that took place to provide information on the SCORE programme were well received by the capital markets.

At the Annual General Meeting of Deutsche Lufthansa AG held on 7 May 2013 in Cologne, shareholders followed the recommendations made by the Executive and Supervisory Boards and passed a resolution to forgo a dividend for the 2012 financial year. As soon as the downward trend in earnings and margins is sustainably reversed, shareholders shall again participate in the Company's success directly. All of the other items on the agenda at the Annual General Meeting were also approved by the shareholders.

Shareholder structure by nationality in % (as of 30.6.2013)

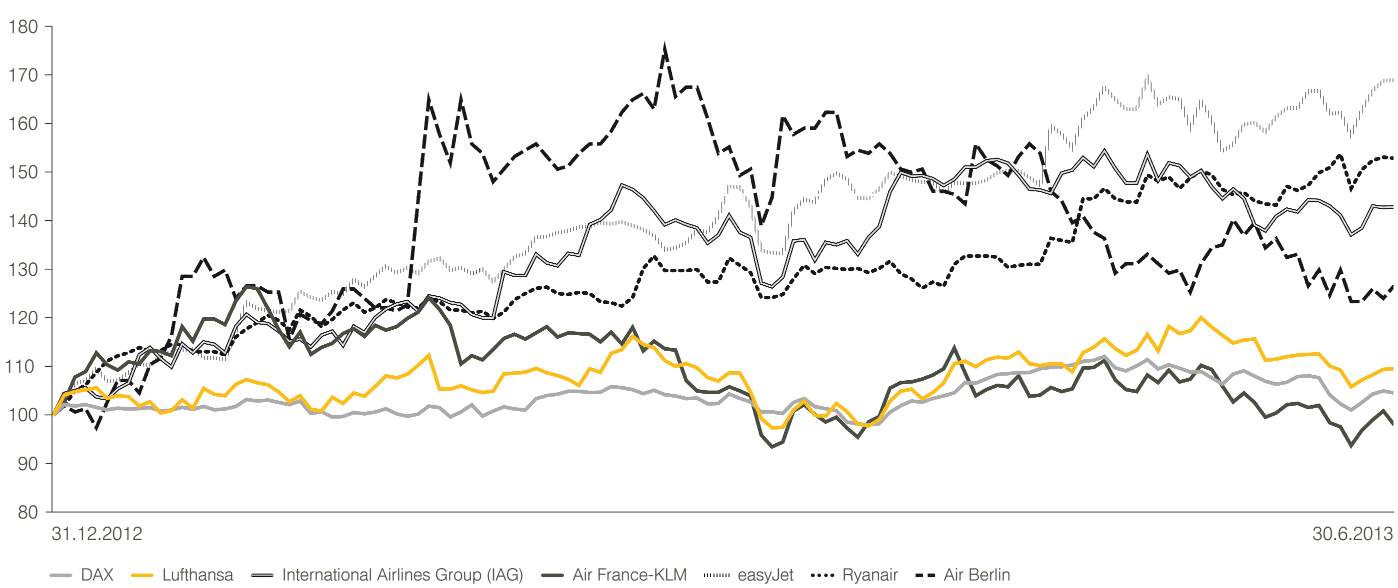


Free float: 100%

The free float for Lufthansa shares was unchanged at 100 per cent at the end of the first half-year. 67.7 per cent of Lufthansa shares were held by German investors. As before, the largest individual shareholders were BlackRock Inc. with 5.43 per cent and Templeton Global Advisors Limited with 5.00 per cent.

Information on analyst recommendations and the shareholder structure is updated regularly and made available on our website at i investor-relations.lufthansagroup.com.

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



Interim management report

Economic environment and sector performance

Macroeconomic situation Overall, the global economy recorded slight growth in the first half of 2013. Year-on-year growth in the second quarter of 2013 stood at 2.3 per cent. However, developments in different areas of the world varied greatly.

GDP growth 2013* compared with previous year

in %	Q1	Q2*	Q3*	Q4*	Full year
World	2.0	2.3	2.5	2.9	2.2
Europe	−0.5	−0.1	0.0	0.6	0.0
Germany	−0.3	0.2	0.4	1.6	0.5
North America	1.6	1.7	1.4	1.9	1.6
South America	2.1	2.9	3.5	3.4	3.0
Asia/Pacific	4.2	4.5	5.0	5.2	4.7
China	7.7	7.5	7.3	7.5	7.5
Middle East	2.8	2.8	3.0	3.2	2.9
Africa	4.5	4.2	4.2	4.2	4.3

Source: Global Insight World Overview as of 15.7.2013.
* Forecast.

While economic activity picked up again in emerging markets, the industrialised economies reported much lower growth rates. The countries of the euro zone are now in the longest period of recession since the end of the Second World War.

Since the beginning of the year, the price of crude oil has fallen from USD 111/barrel to USD 102/barrel as of 30 June 2013. The average price of around USD 108/barrel was 5.3 per cent lower than last year's figure. At the same time, the jet crack (price difference between crude oil and kerosene) was around 0.3 per cent higher than last year. Overall, the kerosene price fell year on year by an average of 4.5 per cent, see table on p. 3. Fuel costs for the Lufthansa Group came to EUR 3.5bn overall. Price hedging resulted in losses of EUR 67m.

The euro continued to gain in value on other key currencies compared with last year. On the cost side, the US dollar was down 1 per cent on average against the euro. The Swiss franc dropped around 2 per cent against the euro, while the Japanese yen and the pound sterling fell 21 and 3 per cent respectively. The Chinese renminbi rose about 1 per cent against the euro. Overall, exchange rate effects depressed the Lufthansa Group's operating result by EUR 23m.

Development of crude oil, kerosene and currency

		Minimum	Maximum	Average	30.6.2013
ICE Brent	in USD/bbl	97.69	118.90	107.92	102.16
Kerosene	in USD/t	881.75	1,103.75	980.68	940.50
USD	1 EUR/USD	1.2772	1.3671	1.3129	1.3005
JPY	1 EUR/JPY	113.9100	133.2000	125.1531	129.1700
CHF	1 EUR/CHF	1.2079	1.2616	1.2294	1.2305
CNY	1 EUR/CNY	7.8754	8.5193	8.1255	7.9834
GBP	1 EUR/GBP	0.8114	0.8739	0.8504	0.8565

Sector developments Global passenger traffic continues to grow. In the first five months of 2013, revenue passenger-kilometres worldwide increased by 4.3 per cent compared with last year. European airlines grew by 3.0 per cent, which was less than the growth level globally. In the premium segment, growth of 2.9 per cent across the industry was recorded in the first five months of 2013 compared with last year.

The cargo business was again much more subdued than global passenger traffic in the second quarter. Globally, revenue tonne-kilometres after the first five months were 0.2 per cent lower than last year. European cargo airlines reported a decline of 0.7 per cent in this period. Predictions by the International Air Transport Association (IATA) that airlines would increase their capacities in passenger traffic in 2012 by less than the rise in demand have so far proven to be correct. This could turn out to be instrumental in boosting load factors and therefore the profitability of the airline industry. However, this is likely to have very different effects in geographical terms.

Consolidation is continuing within the airline industry. The first half of 2013 was dominated by mergers and new partnerships in global aviation. In April 2013, IAG acquired a majority stake in the Spanish low-cost carrier Vueling. American Airlines and US Airways announced their merger to form what will be the world's largest airline. As announced, Emirates and Qantas launched their partnership in Australia-Europe traffic at the beginning of the second quarter. In April, Etihad announced its intention to acquire a 24 per cent stake in the Indian carrier Jet Airways. Also in April, Korean Air acquired 44 per cent of the Czech airline CSA. Delta Airlines acquired a 49 per cent stake in Virgin Atlantic in June. A transatlantic joint venture is expected to start in early 2014 as a result of the partnership.

The Brazilian airline TAM announced that as part of its merger with Chilean airline LAN, it would leave the Star Alliance in 2014 in favour of membership in the oneworld alliance. On the other hand, the Taiwanese carrier EVA Air officially became a new member of Star Alliance in June.

The German tour operator GTI Travel, which specialises in trips to Turkey, and its sister company, Sky Airlines, filed for insolvency in June.

Course of business

The ongoing sovereign debt crisis in the euro zone and the volatility of foreign currencies adversely affected the Lufthansa Group's result over the course of the first half-year. By contrast, changes in fuel costs as a result of less fuel consumed in the second quarter had a positive effect.

Strict capacity management meant that the Lufthansa Group's revenue decreased slightly. The operating result was down on last year's figure. However, if one-off effects in the same period last year were eliminated, an increase would have been recorded. Buoyed by the results of the Group's service segments, the operating result was positive. Only the Passenger Airline Group segment recorded a negative operating result due to seasonal reasons. The Logistics and MRO segments performed well, with each of them increasing their operating result on last year. The earnings contributions of the Catering and IT Services segments were both down slightly, but remained positive.

Significant events On 1 May 2013, the Employers' Federation for Air Transport Companies (AGVL) and the trade union ver.di reached an agreement for the some 33,000 ground staff employed in Germany by the Lufthansa Group. For the first time, the wage settlement provides for differences in the performance of the individual business segments. In return for a moderate pay rise, the Lufthansa Group has pledged to safeguard employees' jobs until 2015. The agreement followed a number of widespread warning strikes in Germany that the trade union ver.di had called for during negotiations. Lufthansa Passenger Airlines was forced to cancel around 2,400 flights in total as a result.

Pay negotiations are continuing with the Vereinigung Cockpit pilots' union for cockpit staff at Lufthansa Passenger Airlines (including Germanwings) and Lufthansa Cargo. On the other hand, Germanwings and representatives of the flight attendants' union UFO reached an agreement on the pay negotiations for cabin crew in June 2013. It has now been put to union members to vote on.

Lufthansa Passenger Airlines is investing in the comprehensive renewal of its fleet. To this end, an order for 100 aircraft from the Airbus A320 family, which had already been approved by the Executive and Supervisory Boards, was concluded at the Paris Air Show in Le Bourget in June. This will enable the Lufthansa Group to safeguard its position in the highly competitive passenger business in the long term and, based on the current planning, to cover its own growth and replacement needs in European traffic until 2025. The aircraft will mainly come from the new generation A320 family, which is characterised by lower fuel consumption and reduced noise emissions. They are to be financed from the Lufthansa Group's cash reserves or by means of external funding arrangements.

The new Germanwings commenced operations on 1 July 2013 as scheduled. More information about this can be found in the Lufthansa Passenger Airlines section on p. 13.

SCORE As part of the Group-wide SCORE programme, sustainable, structural changes are planned in all areas of the Group.

A number of sites in Germany are to be closed as part of the intended outsourcing and merging of activities from the areas of finance, purchasing and HR to shared service centres. This includes Deutsche Lufthansa AG's head office in Cologne with 365 jobs, and Lufthansa Revenue Services' offices in Norderstedt with 350 jobs. Discussions are being held with the co-determination bodies in this regard. So far, no decision has been made about the future location of Deutsche Lufthansa AG's headquarters.

Lufthansa Technik is planning to shed 650 administrative jobs in Germany. As part of SCORE, Lufthansa Passenger Airlines is currently examining all of its ground processes with a view to reducing interfaces and streamlining the organisation on a sustainable basis. The results of the review are being discussed with the co-determination bodies at present.

In June, it was announced that Lufthansa CityLine's head office would be moved from Cologne to Munich. Following consultation with the co-determination bodies, where necessary, this should be completed by 2014.

The systematic implementation and continuation of SCORE across all of the Lufthansa Group's business segments and subsidiaries will strengthen the future viability of the Group on a sustainable basis.

Staff and management On 6 May 2013, the Supervisory Board appointed two new members to the Executive Board of Deutsche Lufthansa AG. With effect from 1 July 2013, Dr Bettina Volkens (49) was appointed Chief Human Resources Officer with responsibility for Human Resources and Legal, while Harry Hohmeister (49) became the Executive Board member in charge of Group Airlines and Logistics. At the same time, Dr Bettina Volkens and Harry Hohmeister will continue in their roles as Head of Group HR and Chairman of the Executive Board and CEO of SWISS respectively. The two new Executive Board members succeed Stefan H. Lauer who, in agreement with the Executive and Supervisory Boards, resigned from his position after 13 years on the Executive Board of Deutsche Lufthansa AG with effect from 30 June 2013.

At the Annual General Meeting on 7 May 2013, the majority of the represented shareholders of Deutsche Lufthansa AG followed the recommendation of the Executive and Supervisory Boards and voted to discharge the members of both the Executive Board and the Supervisory Board. The Supervisory Board's shareholder representatives were also newly elected in line with the proposals by the Supervisory Board. Wolfgang Mayrhuber, former Chairman of the Executive Board and CEO of Deutsche Lufthansa AG among other positions, and Dr Karl-Ludwig Kley, Chairman of the Executive Board of Merck KGaA and former CFO of Deutsche Lufthansa AG among other positions, succeeded the previous members of the Supervisory Board, Dipl.-Ing. Dr.-Ing. E.h. Jürgen Weber and Dr Klaus G. Schlede, Chairman of the Supervisory Board and Chairman of the previous Supervisory Board's Audit Committee respectively. Neither of them sought re-election for age reasons. All of the previous Supervisory Board's shareholder representatives were re-elected. With regard to employee representatives, two members of the previous Supervisory Board were re-elected, while eight employee representatives were newly elected to the Supervisory Board. At the constitutive meeting of the Supervisory Board on 7 May 2013, Wolfgang Mayrhuber was elected as Chairman and Christine Behle as Deputy Chairman of the Supervisory Board, and Dr Karl-Ludwig Kley as Chairman of the Audit Committee. In recognition of his service to Deutsche Lufthansa AG, Dipl.-Ing. Dr.-Ing. E.h. Jürgen Weber was named Honorary Chairman of the Supervisory Board.

A detailed overview of all the Supervisory Board members and the composition of the committees can be found on the internet at i investor-relations.lufthansagroup.com.

Changes in reporting standards and in the group of consolidated companies Changes in reporting standards occurred with the mandatory application of IAS 19R Employee Benefits and IFRS 13 Fair Value Measurement as of 1 January 2013. To facilitate comparison, the figures presented in this report have been calculated as if IAS 19R had already been applied last year. For further details, see the notes to the consolidated financial statements from p. 28.

The other standards and interpretations mandatory for the first time as of 1 January 2013 did not have a significant effect on the Group's net assets, financial and earnings position as shown in the present interim report. For further details, see the notes to the consolidated financial statements from p. 28.

There have been no significant changes to the group of consolidated companies since this time last year. The individual changes compared with year-end 2012 and 30 June 2012 are shown in the table from p. 28. These changes had no significant effect on the consolidated balance sheet and income statement in comparison with the same period last year.

Earnings position

Traffic figures of the Lufthansa Group's airlines*

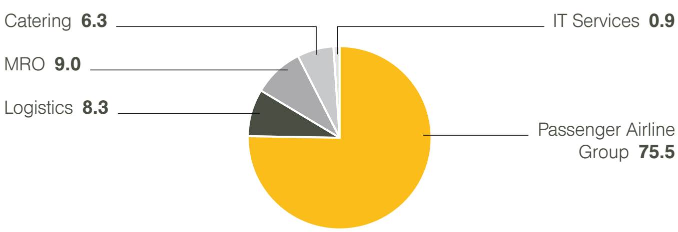
		Jan. – June 2013	Jan. – June 2012	Change in %
Passengers carried	thousands	49,463	49,648	–0.4
Available seat-kilometres	millions	126,915	127,071	–0.1
Revenue seat-kilometres	millions	99,102	97,771	1.4
Passenger load factor	%	78.1	76.9	1.2 pts
Freight / mail	thousand tonnes	963	994	–3.1
Available cargo tonne-kilometres	millions	7,235	7,391	–2.1
Revenue cargo tonne-kilometres	millions	5,000	5,103	–2.0
Cargo load factor	%	69.1	69.0	0.1 pts
Total available tonne-kilometres	millions	19,919	20,196	–1.4
Total revenue tonne-kilometres	millions	14,722	14,703	0.1
Overall load factor	%	73.9	72.8	1.1 pts
Flights	number	502,207	528,948	–5.1

* Previous year's figures have been adjusted.

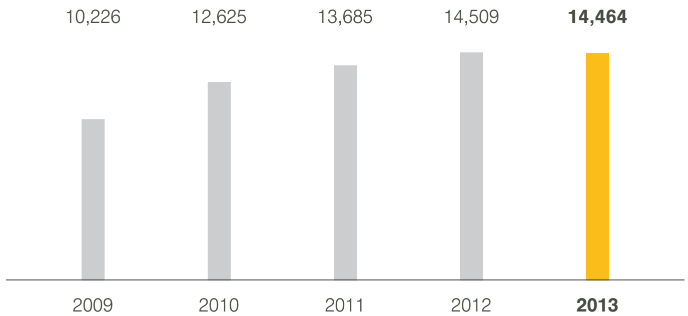
Change in accounting standard IAS 19 The revised version of IAS 19 Employee Benefits (revised in 2011, IAS 19R), application of which has been mandatory from 1 January 2013, had a substantial influence on the presentation of the earnings position in this interim report. The figures presented in this report for the first half of 2012 have been calculated in accordance with the effective IFRS, as if IAS 19R had already been applied last year. Due to the elimination of both delayed recognition of actuarial losses and the option of recognising past service expenses pro rata, service expenses have been presented as being EUR 258m lower in the first half of 2012. The change in accounting for partial retirement and similar programmes increased the staff costs recognised for the first half of 2012 by EUR 5m. By contrast, net interest expense for the first half of 2012 was EUR 27m higher as a result of adjusting forecast plan income to the discount rate applied at the beginning of the year. Adjusting the figures for the previous year meant that profit before income taxes for the first half of 2012 was EUR 226m higher and profit after income taxes was EUR 218m higher.

Discontinued operations As a result of the contract for the sale of British Midland Ltd. (bmi) to International Consolidated Airlines Group, S.A. (IAG) signed by Deutsche Lufthansa AG and IAG on 22 December 2011, British Midland Ltd. was presented in the Group's income statement and consolidated financial statements for 2011 and 2012 as a discontinued operation in line with IFRS 5.

External revenue share of the business segments in % (as of 30.6.2013)



Revenue development in €m (Jan. – June)



This form of presentation applied to the after-tax result for bmi for the first half of 2012 and to changes in the valuation or proceeds of disposal for the discontinued operation compared with the 2011 financial statements, which in this case were the proceeds of the aforementioned contractual agreement. For details of last year's result of the discontinued operation, we refer to the notes to the consolidated financial statements.

Revenue and income The traffic figures for the Lufthansa Group in the first half of 2013 were down on last year in both the passenger and cargo business. The airlines in the Group carried around 49.5 million, or 0.4 per cent, fewer passengers, while the amount of freight and mail fell by 3.1 per cent to 963 thousand tonnes. The individual performance data for the separate segments is presented in the respective chapters.

Revenue and income

	Jan. – June 2013 in €m	Jan. – June 2012 in €m	Change in %
Traffic revenue	11,778	11,851	−0.6
Other revenue	2,686	2,658	1.1
Total revenue	**14,464**	**14,509**	**−0.3**
Changes in inventories and work performed by the entity and capitalised	67	71	−5.6
Other operating income	987	969	1.9
Total operating income	**15,518**	**15,549**	**−0.2**

Despite a small reduction in traffic figures, sales in the passenger business were up 1.4 per cent on last year. As a result, the Group's traffic revenue in the first half-year only decreased by 0.6 per cent to EUR 11.8bn compared with last year's figure. While the higher sales boosted revenue by 1.0 per cent, a 0.6 per cent drop in prices (including fuel surcharge and air traffic tax) and negative currency effects (–1.0 per cent) led to a reduction in revenue. The Passenger Airline Group accounted for EUR 10.4bn (+0.4 per cent) of traffic revenue and the Logistics segment for EUR 1.2bn (–8.7 per cent).

At EUR 2.7bn, other revenue was 1.1 per cent up on last year. Of the total, the MRO segment generated EUR 1.3bn (+4.5 per cent), Catering EUR 919m (–0.9 per cent) and IT Services EUR 127m (+0.8 per cent). The airborne companies in the Passenger Airline Group and Logistics segment contributed EUR 341m (–5.8 per cent) to other revenue.

As a result, the Group's revenue was 0.3 per cent lower than last year's figure, totalling EUR 14.5bn. The development of revenue over the last five years is shown in the chart above. The Passenger Airline Group's share of total revenue rose to 75.5 per cent (+0.6 percentage points). The distribution of revenue by segment and region is shown in the segment reporting on p. 35.

Other operating income increased by 1.9 per cent to EUR 1.0bn. The rise is partly due to the reversal of write-downs recognised last year on other assets. The other individual items did not vary significantly compared with the same half last year.

Total operating income therefore fell only slightly by EUR 31m, or 0.2 per cent, compared with last year.

Expenses Operating expenses climbed by EUR 174m (+1.1 per cent) to a total of EUR 15.5bn. The cost of materials and services fell by 2.2 per cent to EUR 8.6bn, however. Within the cost of materials and services, fuel costs decreased by 2.5 per cent to EUR 3.5bn, due, in particular, to lower traffic. While the drop in volume reduced expenses by 3.8 per cent, the 1.3 per cent rise in fuel prices (after hedging) pushed expenses up. The development of the US dollar had no impact on fuel costs compared with last year. Fuel costs included a negative result of price hedging of EUR 67m. Other raw materials, consumables and supplies were down by 3.1 per cent at EUR 1.2bn.

Expenses

	Jan. – June 2013 in €m	Jan. – June 2012 in €m	Change in %
Cost of materials and services	8,561	8,754	−2.2
of which fuel	3,475	3,565	−2.5
of which fees and charges	2,508	2,532	−0.9
of which operating lease	44	61	−27.9
Staff costs	3,606	3,146	14.6
Depreciation	931	895	4.0
Other operating expenses	2,421	2,550	−5.1
Total operating expenses	**15,519**	**15,345**	**1.1**

Fees and charges fell by 0.9 per cent to EUR 2.5bn, principally due to lower traffic. Significant factors here were declines in air traffic control charges (–1.8 per cent), take-off and landing fees (–2.4 per cent) and air traffic tax (–5.1 per cent). Other purchased services totalled EUR 1.3bn, 2.9 per cent less than last year, due primarily to lower charter expenses.

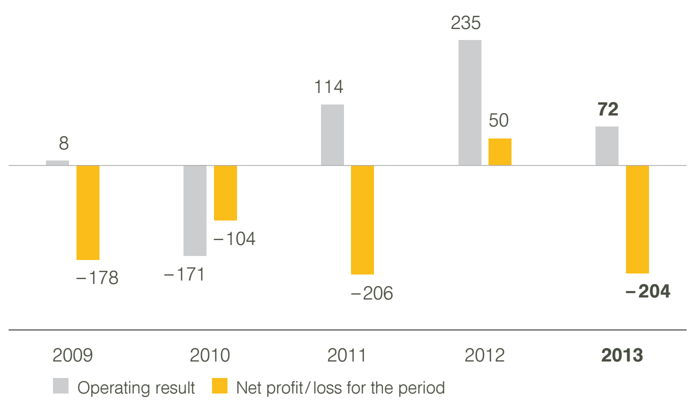
Average staff numbers (excluding bmi) declined by 0.6 per cent to 116,709. Staff costs rose by 14.6 per cent, however. This sharp increase can be attributed primarily to one-off effects in the first half of 2012. The transfer of Austrian Airlines' flight operations to Tyrolean Airways and the settlement of bmi's pension obligations reduced expenses in last year's financial statements by a total of EUR 325m. Adjusted for these effects, expenses went up by 3.9 per cent, which was due in particular to restructuring costs as part of SCORE and to interest-rate-related increases in additions to pension provisions.

Depreciation and amortisation rose to EUR 931m (+4.0 per cent). Depreciation of aircraft fell by 1.7 per cent to EUR 679m, whereas impairment losses on aircraft climbed to EUR 93m (previous year: EUR 45m). These related to four Airbus A340-300s, seven Boeing 737-500s, seven B737-300s and four Canadair Regional Jet 700s, which have been retired or are held for disposal.

Impairment losses of EUR 7m (previous year: EUR 12m) were also incurred on two B747-400s, one A340-300, four of the aforementioned A340-300s and 13 of the aforementioned B737s shown in the balance sheet as assets held for sale. These impairment charges are recognised in other operating expenses.

Other operating expenses were 5.1 per cent down on last year at EUR 2.4bn. The drop is largely due to lower exchange rate losses (EUR –104m) and a reduction in both agency commissions (EUR –28m) and write-downs on current assets (EUR –28m). These decreases were offset by higher expenses for advertising and sales promotion activities (EUR +22m). The individual other items did not vary significantly compared with last year.

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



Earnings development The profit from operating activities fell by EUR 205m to EUR –1m and was therefore almost at break-even point. The operating result fell by EUR 163m to EUR 72m compared with the same period last year. The adjusted operating margin was 0.9 per cent (previous year: 1.9 per cent). This is calculated as operating result plus write-backs of provisions divided by revenue.

The result from equity investments was almost unchanged on last year at EUR 33m (previous year: EUR 31m). While the result of the equity valuation improved by EUR 39m to EUR 11m, other income from equity investments recorded a decrease of EUR 37m to EUR 22m. The positive development of the equity valuation result is largely due to lower losses from the equity investments in SN Airholding and SunExpress and the first-time use of the equity method to value the Terminal 2 Betriebsgesellschaft. Net interest improved to EUR –162m (previous year: EUR –188m).

The result from other financial items also developed in a positive direction, coming in at EUR –111m (previous year: EUR –148m). The expenses were due entirely to changes in the market value of financial derivatives recognised through profit and loss (previous year: EUR 139m). Earnings before interest and taxes (EBIT) reflect the changes in the operating result, the result from equity investments and from other financial items and came to EUR –79m at the end of the first half-year (previous year: EUR 87m).

Earnings before taxes (EBT) fell by EUR 140m to EUR –241m. As the pre-tax result was negative, income taxes diminished the loss by EUR 44m (previous year: EUR 122m). After deducting minority interests (EUR 7m), the net loss for the period attributable to shareholders of Deutsche Lufthansa AG amounted to EUR 204m (previous year: EUR 50m). Earnings per share therefore amount to EUR –0.44 (previous year: EUR 0.11).

Cash flow and capital expenditure

In the first half of 2013, the Lufthansa Group increased cash flow from operating activities to EUR 2.3bn (previous year: EUR 1.7bn). As earnings before income taxes were down by EUR 140m, this increase is largely due to the significant improvement of EUR 749m in working capital compared with last year. As well as a fall of EUR 229m in the accumulation of trade receivables, this development can mainly be attributed to the non-cash changes in pension provisions through profit and loss (EUR 407m). Furthermore, last year was depressed by negative cash flow of EUR 82m from the discontinued operations at bmi.

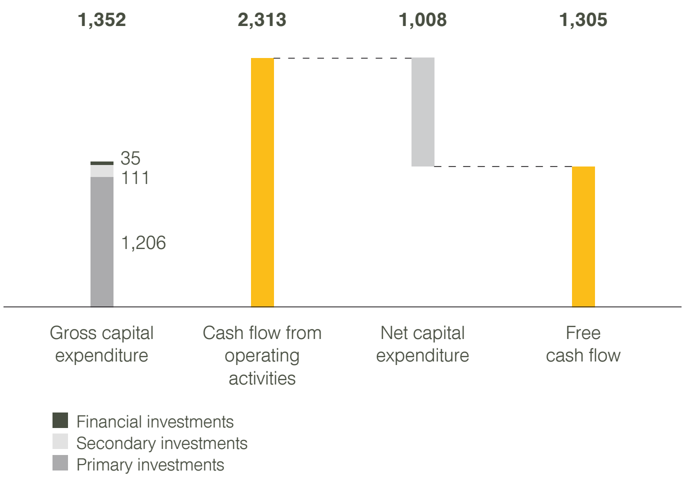
Gross capital expenditure of EUR 1.4bn was at the same level as last year. Of this amount, EUR 1.2bn related to 29 aircraft (four Boeing 747-8s, one Airbus A340, one A330, one A321, 13 A320s,

Reconciliation of results

in €m	Jan. – June 2013 Income statement	Jan. – June 2013 Reconciliation with operating result	Jan. – June 2012 Income statement	Jan. – June 2012 Reconciliation with operating result
Total revenue	**14,464**	**–**	**14,509**	**–**
Changes in inventories	67	–	71	–
Other operating income	987	–	969	–
of which book gains and current financial investments	–	–23	–	–27
of which income from reversal of provisions	–	–53	–	–45
of which write-ups on capital assets	–	–1	–	–8
of which period-end valuation of non-current financial liabilities	–	–5	–	–8
Total operating income	**15,518**	**–82**	**15,549**	**–88**
Cost of materials and services	–8,561	–	–8,754	–
Staff costs	–3,606	–	–3,146	–
of which past service cost	–	0*	–	0*
Depreciation, amortisation and impairment	–931	–	–895	–
of which impairment losses	–	93	–	47
Other operating expenses	–2,421	–	–2,550	–
of which impairment losses on assets held for sale – non-operating	–	7	–	12
of which expenses incurred from book losses and current financial investments	–	16	–	19
of which period-end valuation of non-current financial liabilities	–	39	–	41
Total operating expenses	**–15,519**	**155**	**–15,345**	**119**
Profit / loss from operating activities	**–1**	**–**	**204**	**–**
Total from reconciliation with operating result	–	73	–	31
Operating result	**–**	**72**	**–**	**235**
Result from equity investments	33	–	31	–
Other financial items	–111	–	–148	–
EBIT	**–79**	**–**	**87**	**–**
Write-downs (included in profit from operating activities)	931	–	895	–
Write-downs on financial investments, securities and assets held for sale	6	–	29	–
EBITDA	**858**	**–**	**1,011**	**–**

* Rounded below EUR 1m.

Cash flow and capital expenditure in €m (as of 30.6.2013)



four A319s, four Embraer 195s and one ATR 700) and to aircraft overhauling and down payments. An additional EUR 81m was invested in other property, plant and equipment. Intangible assets accounted for EUR 30m of the remaining capital expenditure. Financial investments of EUR 35m related to the acquisition of equity interests and loans. The funding requirement was partly covered by interest and dividend income (EUR 214m in total) and by proceeds of EUR 125m from the disposal of assets – mostly aircraft. The purchase and sale of current securities and funds resulted in a net cash outflow of EUR 563m. A total of EUR 1.6bn in net cash was therefore used for capital expenditure and cash management activities (previous year: EUR 1.6bn).

Free cash flow, defined as cash flow from operating activities less net capital expenditure, came to EUR 1.3bn and was therefore EUR 721m higher than last year.

The balance of financing activities was a net cash outflow of EUR 557m. New borrowing (EUR 411m) was offset by scheduled capital repayments totalling EUR 730m (of which EUR 500m related to the repayment of a EUR bond), dividend payments to minority shareholders (EUR 6m) and interest payments of EUR 232m.

Cash and cash equivalents rose by EUR 177m to EUR 1.6bn. This includes a decrease of EUR 8m in cash balances due to exchange rate movements. The internal financing ratio was 171.1 per cent (previous year: 120.0 per cent). Overall, cash including securities at the end of the first half-year went up to EUR 5.4bn (previous year: EUR 4.6bn). The detailed cash flow statement can be found on p. 27.

Assets and financial position

The revised version of IAS 19 Employee Benefits (revised in 2011, IAS 19R), application of which has been mandatory from 1 January 2013, had a substantial influence on the presentation of the assets and financial position in this interim report. The revision caused pension obligations and other provisions under partial retirement and similar programmes to go up by a total of EUR 3.8bn as of 1 January 2013 compared with the financial statements for 2012. Deferred tax assets rose by EUR 711m, deferred tax liabilities declined by EUR 148m and Group equity contracted by EUR 3.5bn. Furthermore, other assets fell by EUR 571m. The figures presented in this report for the 2012 financial statements have been calculated in accordance with the effective IFRS, as if IAS 19R had already been applied last year.

As of 30 June 2013, total Group assets of EUR 29.6bn were EUR 1.0bn higher than at year-end 2012. Non-current assets were up by EUR 103m and current assets by EUR 900m. Within non-current assets, the item aircraft and reserve engines rose by EUR 361m to EUR 12.2bn. The increase of EUR 27m in other equity investments is largely due to the change in the market value of the shares in JetBlue (EUR +23m), which is not recognised in profit and loss. Loans and receivables decreased by EUR 78m, primarily as a result of scheduled capital repayments. Derivative financial instruments (mainly interest rate hedges) fell by EUR 52m. In current assets, receivables increased by EUR 511m, mainly for seasonal and billing reasons. Exchange rate hedging increased by EUR 96m, which was offset by lower market values for fuel hedges (EUR –83m). Current financial derivatives therefore increased (EUR +23m), in part as a result of this. Cash and cash equivalents, consisting of current securities, bank balances and cash-in-hand, went up by EUR 403m to EUR 5.4bn. The proportion of non-current assets in the balance sheet total declined from 65.8 per cent at year-end 2012 to 63.9 per cent currently.

Shareholders' equity (including minority interests) climbed by EUR 328m (+6.8 per cent) to EUR 5.2bn as of the reporting date. EUR 425m of this increase was attributable to interest-rate-related decreases in pension provisions, whereby deferred taxes, which were recognised in shareholders' equity without effect on profit and loss, were also taken into consideration. In addition to this, positive changes in the market value of financial instruments (mainly exchange rate hedges) resulted in a rise of EUR 141m in neutral reserves. By contrast, the negative after-tax result and negative effects of currency translation led to a drop in shareholders' equity.

The equity ratio rose from 16.9 per cent at year-end 2012 to 17.5 per cent.

Non-current liabilities and provisions shrank by EUR 1.4bn to EUR 12.5bn, while current borrowing was increased by EUR 2.1bn to EUR 11.9bn. Within non-current borrowing, pension provisions plummeted by EUR 677m. The pension claims arising in the first half-year were offset by a reduction in pension provisions (EUR –587m) as a result of an increase in the discount rate from 3.5 per cent at year-end to 3.75 per cent as well as ongoing contributions to plan assets. The rise of EUR 46m in other provisions relates mainly to restructuring activities that form part of SCORE.

Non-current borrowing fell by EUR 811m, in particular because a EUR bond and a borrower's note loan (EUR 954m in total) were reclassified as current borrowing in view of their maturities. Other non-current provisions dropped by EUR 54m, primarily as a result of utilisations. Within current liabilities, financial liabilities increased by EUR 467m. This rise was due to their maturities and was offset by scheduled capital repayments, including the repayment of a EUR bond for EUR 500m. In addition, trade payables and other financial liabilities climbed (EUR +463m) – largely for seasonal and billing reasons – as did liabilities from unused flight documents (EUR +1.2bn).

Net indebtedness fell to EUR 1.2bn as of 30 June 2013 (year-end 2012: EUR 2.0bn).

Calculation of net indebtedness

	30 June 2013 in €m	31 Dec. 2012 in €m	Change as of 31 Dec. 2012 in %
Liabilities to banks	1,426	1,507	–5.4
Bonds	1,808	2,312	–21.8
Other non-current borrowing	3,332	3,091	7.8
	6,566	**6,910**	**–5.0**
Other bank borrowing	27	9	200.0
Group indebtedness	**6,593**	**6,919**	**–4.7**
Cash and cash equivalents	1,613	1,436	12.3
Securities	3,756	3,530	6.4
Net indebtedness	**1,224**	**1,953**	**–37.3**
Pension provisions	5,167	5,844	–11.6
Net indebtedness and pensions	**6,391**	**7,797**	**–18.0**

Group fleet – Number of commercial aircraft
Deutsche Lufthansa AG (LH), SWISS (LX), Austrian Airlines (OS), Germanwings (4U), Lufthansa CityLine (CLH), Air Dolomiti (EN) and Lufthansa Cargo (LCAG) as of 30.6.2013

Manufacturer/type	LH	LX	OS	4U	CLH	EN	LCAG	**Group fleet**	of which finance lease	of which operating lease	Change as of 31.12.12	Change as of 30.6.12
Airbus A310	2[3]							2			–	–
Airbus A319	35	5	7	36				83		16	+2	+5
Airbus A320	58	28	16					102	18	2	+13	+18
Airbus A321	62	8	6					76	4		+1	+2
Airbus A330	18	18						36		3	–	–1
Airbus A340	48	13	2[2]					63	2	2	–	–2
Airbus A380	10							10			–	–
Boeing 737	36							36			–9	–21
Boeing 747	30							30			+1	–
Boeing 767			6					6	2		–	–
Boeing 777			4					4			–	–
Boeing MD-11F							18	18			–	–
Bombardier CRJ	23[1]				32			55			–1	–2
Bombardier C-Series								0			–	–
Bombardier Q-Series			14					14			–	–
ATR	5[1]					6		11		5	–	–
Avro RJ		20			1			21		6	–1	–4
Embraer	43[1]		3[3]					46			+4	+4
Fokker F70			9					9			–	–
Fokker F100			15					15			–	–
Total aircraft	**370**	**92**	**82**	**36**	**33**	**6**	**18**	**637**	**26**	**34**	**10**	**–1**

[1] Let to Lufthansa regional airlines.
[2] Let to SWISS.
[3] Leased to company outside the Group.

Passenger Airline Group business segment

Key figures Passenger Airline Group[1]		Jan. – June 2013	Jan. – June 2012	Change in %	April – June 2013	April – June 2012	Change in %	of which Lufthansa Passenger Airlines Jan. – June 2013	Jan. – June 2012	Change in %
Revenue	€m	11,233	11,223	0.1	6,164	6,183	–0.3	8,230	8,192	0.5
of which with companies of the Lufthansa Group	€m	319	349	–8.6	162	181	–10.5			
Operating result	€m	–64	73	–	299	500	–40.2	–91	–268	66.0
Segment result	€m	–133	9	–	315	525	–40.0			
EBITDA[2]	€m	638	747	–14.6	712	824	–13.6	422	234	80.3
Segment capital expenditure	€m	1,108	1,177	–5.9	497	685	–27.4			
Employees as of 30.6.	number	54,881	55,913	–1.8	54,881	55,913	–1.8	40,048	40,960	–2.2
Passengers[3]	thousands	49,463	49,648	–0.4	27,825	27,658	0.6	35,963	36,052	–0.2
Available seat-kilometres[3]	millions	126,915	127,071	–0.1	68,809	67,357	2.2	93,822	93,595	0.2
Revenue seat-kilometres[3]	millions	99,102	97,771	1.4	54,856	53,490	2.6	72,581	71,556	1.4
Passenger load factor[3]	%	78.1	76.9	1.2 pts	79.7	79.4	0.3	77.4	76.5	0.9 pts

[1] Lufthansa Passenger Airlines, SWISS and Austrian Airlines.
[2] Before profit/loss transfer from other companies.
[3] Previous year's figures have been adjusted.

Segment structure and course of business The Passenger Airline Group segment comprises Lufthansa Passenger Airlines (including Germanwings), SWISS and Austrian Airlines. Other equity investments such as Brussels Airlines and SunExpress complete the portfolio. Supported by a multi-hub strategy, the Passenger Airline Group offers passengers a global route network combined with the greatest level of travel flexibility.

Volatile exchange rates and the continued sluggish growth of the global economy were major factors that influenced the performance of the Passenger Airline Group in the first half-year. Strikes organised by the trade union ver.di and others also had an adverse impact on the business of Lufthansa Passenger Airlines in particular. It was within this context that the Passenger Airline Group recorded a negative operating result. Although the result was higher than the figure initially reported for last year, it was below last year's figure after adjusting for valuation and one-off effects. The SCORE programme is also shaping the business of the companies in the Passenger Airline Group. A large number of restructuring measures were identified, launched and, in some cases, even completed in the first half-year. Details of these can be found in the following sections on the individual airlines.

Operating performance The airlines in the Passenger Airline Group carried 49.5 million passengers in the first half of 2013 (–0.4 per cent). As part of strict capacity management, the number of flights fell by 5.1 per cent compared with last year. However, available seat-kilometres remained stable (–0.1 per cent), primarily due to the use of larger aircraft and a higher proportion of Economy Class passengers. As revenue seat-kilometres rose by 1.4 per cent at the same time, the passenger load factor also improved by 1.2 percentage points to 78.1 per cent. Average yields per revenue seat-kilometre decreased by 1.0 per cent, while traffic revenue went up by 0.4 per cent overall.

Average yields varied considerably depending on the traffic region. Compared with last year, improvements were achieved in Europe and America, some of which were significant, whereas the Asia/Pacific and Middle East/Africa regions saw notable declines. Sales in the Europe traffic region were slightly above last year's figure. Higher average yields (+1.2 per cent) pushed traffic revenue up by 1.4 per cent. The Americas region performed very well. A substantial rise in sales combined with greater average yields (+2.0 per cent) enabled traffic revenue to soar here by 8.6 per cent. By contrast, sales shrank in the Asia/Pacific traffic region. With average yields plummeting (–7.2 per cent), traffic revenue was down by 8.8 per cent. The Middle East/Africa region also recorded a drop in sales. Here, too, this decrease, combined with lower average yields (–4.2 per cent), led to a fall in traffic revenue (–8.3 per cent).

The strategic joint venture, J+, between Lufthansa Passenger Airlines and the Japanese carrier All Nippon Airways (ANA) was expanded on 1 April 2013 to include SWISS and Austrian Airlines. The joint venture makes it possible to coordinate flight timetables and increase commercial partnership on routes between Japan and Europe.

The Passenger Airline Group will continue to make comprehensive investments and is working constantly on modernising the fleet. At Lufthansa Passenger Airlines, the eighth Boeing 747-8 was added to the fleet in June. At the same time, the entire long-haul fleet will now be refitted with the new Business Class cabins by summer 2015, which is sooner than planned. These measures will result in one-off expenses with a low three-digit million euro sum that will burden earnings in the fourth quarter of 2013. The withdrawal of the 70-seater fleet and the accelerated withdrawal of the Boeing 737 fleet in the short- and medium-haul segment will lead to the creation of more competitive unit cost structures. In addition, the Passenger Airline Group has ordered 100 Airbus medium-haul aircraft (30 A320s Current Engine Option, 35 A320s and 35 A321s New Engine Option), which have delivery dates running until 2025, as well as two more A380s for Lufthansa Passenger Airlines. The order list for SWISS includes 30 Bombardier C-Series aircraft, six Boeing 777-300ERs, one A330-300 and one A321.

Revenue and earnings development Despite a slight fall in traffic, at EUR 10.4bn (+0.4 per cent) the segment's traffic revenue was up on last year due to increased sales. While the volume sold grew by 1.4 per cent, negative currency effects (–1.0 per cent) dragged revenue down. Other operating income climbed sharply by 17.4 per cent to EUR 532m. The increase stemmed mainly from higher exchange rate gains (EUR +48m) as well as income of EUR 9m from the reversal of write-downs recognised last year on other assets. Total operating income went up accordingly by 0.8 per cent to EUR 11.8bn.

Compared with last year, operating expenses rose by 1.9 per cent to EUR 11.8bn. The cost of materials and services decreased by 2.1 per cent, largely as a result of the drop in traffic. Fuel costs were also down by 2.1 per cent to EUR 3.2bn, mainly due to lower volumes. Fees and charges only fell slightly, by 0.7 per cent to EUR 2.4bn. The main components of the decrease were lower air traffic control charges (–1.7 per cent), take-off and landing fees (–1.9 per cent) and the air traffic tax (–5.1 per cent). Other purchased services dropped by 3.5 per cent overall to EUR 1.7bn. This was largely due to declines in external MRO services (–3.4 per cent), charter expenses (–17.5 per cent) and expenses for operating leases (–26.2 per cent).

While the average workforce contracted by 1.7 per cent, staff costs rose by 24.0 per cent overall. The transfer of Austrian Airlines' flight operations to Tyrolean Airways and the settlement of bmi's pension obligations had reduced expenses by a total of EUR 325m in the first half of 2012. Adjusted for these effects, expenses went up by 3.5 per cent, which was due in particular to interest-rate-related increases in additions to pension provisions.

Depreciation and amortisation increased by 1.3 per cent to EUR 706m.

Other operating expenses shrank by 1.1 per cent to EUR 1.6bn. Lower exchange rate losses (EUR –40m) and a reduction in agency commissions (EUR –13m) were offset by higher expenses for advertising and sales promotion activities (EUR +25m) in particular. The operating result was down EUR 137m to EUR –64m. Comments on the earnings contributions from the individual airlines can be found on the following pages.

Other segment income of EUR 42m was attributable to income from write-backs of provisions (EUR 34m) as well as book gains on the disposal of non-current assets (EUR 8m).

Other segment expenses came to EUR 108m (previous year: EUR 62m). Impairment losses accounted for EUR 93m (previous year: EUR 59m) of this amount. These related to four Airbus A340-300s, seven Boeing 737-500s, seven B737-300s and four Canadair Regional Jet 700s, which have been retired or are held for disposal. Impairment losses of EUR 7m (previous year: EUR 12m) were also incurred on two B747-400s, one A340-300, four of the aforementioned A340-300s and 13 of the aforementioned B737s shown in the balance sheet as assets held for sale. These impairment charges are recognised in other operating expenses. The result of the equity valuation of EUR –3m (previous year: EUR –52m) relates to SunExpress, SN Airholding and Terminal 2 Gesellschaft. The segment result fell overall by EUR 142m to EUR –133m.

Trends in traffic regions Passenger Airline Group

	Net traffic revenue in €m external revenue		Number of passengers in thousands		Available seat-kilometres in millions		Revenue seat-kilometres in millions		Passenger load factor in %	
	Jan.–June 2013	Change in %	**Jan.–June 2013**	Change in %	**Jan.–June 2013**	Change in %	**Jan.–June 2013**	Change in %	**Jan.–June 2013**	Change in pts
Europe	4,877	1.4	39,573	–0.8	43,620	–3.1	31,745	0.2	72.8	2.4
America	2,839	8.6	4,597	6.0	40,839	6.0	34,422	6.5	84.3	0.4
Asia/Pacific	1,812	–8.8	3,026	–1.8	29,653	–1.1	23,638	–1.7	79.7	–0.5
Middle East/Africa	846	–8.3	2,268	–3.4	12,803	–5.4	9,297	–4.3	72.6	0.8
Total	**10,374**	**0.4**	**49,463**	**–0.4**	**126,915**	**–0.1**	**99,102**	**1.4**	**78.1**	**1.2**

Segment capital expenditure of EUR 1.1bn was 5.9 per cent lower than last year and was mainly incurred for new aeroplanes. As part of the ongoing fleet modernisation, 29 new aircraft were acquired in the first half-year. For detailed information, please see p. 8.

Forecast Business performance in the first half-year continued to be characterised by great disparity between the regions. In contrast to North America and Europe, the Asia/Pacific traffic region in particular performed much weaker. While currency developments were still the main reason for this, strong competition is increasingly becoming a factor here. This distinct performance is expected to continue as the year progresses. Advance bookings have developed solidly in the first six months of the year.

The performance of average yields will continue to be diluted by the structural effects of larger aircraft, a growing share of long-haul traffic and the temporary increase in the proportion of Economy Class seats. From the current perspective, these structural factors will have no long-term adverse effect on profitability, however.

On the assumption that conditions remain the same, the Passenger Airline Group still expects a modest increase in revenue and operating profit for 2013, above that reported for the 2012 financial year. The Passenger Airline Group's earnings are expected to be hit in the fourth quarter by one-off expenses arising from product-related measures. The amount in question will be a low three-digit million euro sum. Profitability is only forecast to improve significantly at a later date, when SCORE and investments in the product have been completed.

As in previous years, the absolute level of earnings depends to a large extent on macroeconomic developments and the trend in fuel prices and exchange rates.

Lufthansa Passenger Airlines

In the first half of 2013, Lufthansa Passenger Airlines improved its operating result in a difficult environment by EUR 177m compared with last year to EUR –91m. Revenue amounted to EUR 8.2bn and was therefore on par with last year. The start of the second quarter was once again hampered by warning strikes organised by various trade unions as well as the tail end of a harsh winter, prompting flight delays and cancellations. This had a countervailing effect on what was otherwise an improved business performance compared with last year.

On 1 July 2013, the new Germanwings was launched with its new and innovative product and brand concept. Between now and 2014, Germanwings will gradually be taking over decentralised European traffic outside the Frankfurt and Munich hubs from Lufthansa Passenger Airlines. Germanwings customers can now choose from three product categories that vary according to price and comfort features.

Alongside a sharp reduction of 5.4 per cent in the number of flights compared with last year and unchanged seating capacity as a result of using larger aircraft as well as an increasing long-haul share, Lufthansa Passenger Airlines was able to boost the load factor of its aircraft by 0.9 percentage points to 77.4 per cent in the first half-year thanks to optimised capacity management. At the same time, average yields fell slightly (–0.7 per cent). All in all, 36.0 million passengers (–0.2 per cent) were carried in the first half-year. Total operating income was the same as last year at EUR 8.6bn. Operating expenses decreased by 1.1 per cent to EUR 8.7bn at the same time.

Lufthansa Passenger Airlines' position as a premium carrier was confirmed in June by the largest passenger survey worldwide, which was conducted by the opinion research institute Skytrax. With the Lufthansa First Class having already received five stars, Lufthansa Passenger Airlines has now been awarded the accolades of "Best Western European Airline" and "Best Transatlantic Airline" and was commended for its outstanding First Class lounges and First Class Terminal in Frankfurt.

As the half-year came to a close, the organisational structure of Lufthansa Passenger Airlines was enhanced to put a greater emphasis on processes and divisional responsibilities. As a result, the way in which processes are organised has been completely overhauled and the organisational responsibilities within the various Executive Board divisions at Lufthansa Passenger Airlines have been reallocated. The "Finances and Information Management" division has been wound down completely. The responsibilities within this division were transferred to the other Executive Board divisions, as were the responsibilities for "Product and Marketing" and "Business Development". As part of this SCORE initiative, a total of 220 measures were developed along the core process chain, with which Lufthansa Passenger Airlines intends to improve its earnings by EUR 180m. Some of the measures are currently being agreed upon with the co-determination bodies.

For the full year 2013, Lufthansa Passenger Airlines still anticipates higher revenue and an improvement in the operating result. The absolute level of earnings will depend to a large extent on the development of fuel prices and exchange rates. Flexible capacity management and ongoing process optimisation will continue to be applied to address the difficult economic conditions, which remain a challenge.

Other Group airlines

SWISS[1)]

		Jan. – June 2013	Jan. – June 2012	Change in %
Revenue	€m	2,059	2,034	1.2
Operating result	€m	63	54	16.7
EBITDA	€m	215	204	5.4
Passengers carried[2)]	thousands	8,220	8,152	0.8
Employees as of 30.6.	number	8,589	8,267	3.9

[1)] Including Edelweiss Air.
[2)] Previous year's figures have been adjusted.
Further information on SWISS can be found at www.swiss.com.

Market conditions in Switzerland settled down in the second quarter of 2013. This enabled SWISS to improve its operating result to EUR 63m in the first half of the year. With the general economic situation recovering slightly and the commodities markets settling down, SWISS generated revenue of EUR 2.1bn, which was a rise of 1.2 per cent on last year. As a result of strict capacity management, the passenger load factor in the first half of 2013 increased to 82.3 per cent (+1.7 percentage points) alongside higher sales (+4.3 per cent), and the negative trend on the earnings side stabilised. Passenger numbers were up 0.8 per cent at 8.2 million. The strength of the Swiss franc continued to have an adverse impact, intensifying competitive pressure even further for SWISS.

To ensure sustainable profitability in the years ahead, a number of projects to cut costs and to boost productivity and revenue were launched. SWISS is aiming for cost-savings in the low double-digit million euro range by 2015 through improved fuel management. These will be achieved by reducing weight, optimising flight planning and flight procedures, and by using new technologies. A new one-way fare structure will be introduced at Geneva in September to provide customers with greater product and booking flexibility. In Geneva, an independent production base comprising around 150 crew members is also being established at present, which will facilitate more efficient flight operations.

In order to sustainably strengthen its promise of quality, SWISS is continuing to invest in its fleet. The current SWISS fleet, including Edelweiss Air, consists of 92 aircraft, with another five planes on wet leases. The launch of a direct service to Singapore in May 2013 means that SWISS now serves 24 intercontinental and 50 European destinations. For the full year 2013, the management at SWISS still anticipates that the operating result on a euro basis will be roughly on par with last year's, despite the continuing challenges in the operating environment.

Austrian Airlines

		Jan. – June 2013	Jan. – June 2012	Change in %
Revenue	€m	977	1,029	–5.1
Operating result	€m	–35	163	
EBITDA	€m	38	240	–84.2
Passengers carried*	thousands	5,280	5,444	–3.0
Employees as of 30.6.	number	6,244	6,686	–6.6

* Previous year's figures have been adjusted.
Further information on Austrian Airlines can be found at www.austrian.com.

Austrian Airlines successfully tackled the challenging market by pursuing the restructuring activities that began last year. This was also reflected in its figures for the first half of 2013. Compared with last year, its operating result fell to EUR –35m. However, adjusted for one-off effects relating to the transfer of operations last year, earnings improved by EUR 20m. At EUR 977m, Austrian Airlines' revenue was down 5.1 per cent on last year.

In the first half of 2013, Austrian Airlines carried 5.3 million passengers (–3.0 per cent). The decrease is primarily due to the downsizing of the medium-haul fleet. Capacity was cut by 7.4 per cent whereas sales were only down by 5.3 per cent. As a result, the passenger load factor improved by 1.7 percentage points to 75.7 per cent.

The restructuring measures already implemented are enabling the airline to make specific enhancements to existing services. On 17 May 2013, the number of connections to North America went up to 26 per week when Chicago was successfully included in the flight timetable. The programme to refit the wide-bodied fleet with the new Business Class cabins is proceeding apace and should be completed this autumn.

There has also been an emphasis on offering additional services to boost revenue. The innovative "Austrian smart upgrade" product provides passengers with an opportunity to purchase a seat in Business Class 72 hours before departure. Austrian Airlines wants to increase the number of additional services it offers in the future.

The restructuring activities are to be continued unchanged. This will have a positive impact on earnings in the current financial year. The aim for the full year 2013 remains to consolidate the initial success of the turnaround and thereby to achieve a positive operating result.

Logistics business segment

Key figures Logistics

		Jan. – June 2013	Jan. – June 2012	Change in %	**April – June 2013**	April – June 2012	Change in %
Revenue	€m	1,218	1,352	–9.9	619	690	–10.3
of which with companies of the Lufthansa Group	€m	13	13	0.0	8	6	33.3
Operating result	€m	61	48	27.1	34	28	21.4
Segment result	€m	73	57	28.1	42	31	35.5
EBITDA[1]	€m	87	88	–1.1	48	47	3.0
Segment capital expenditure	€m	129	83	55.4	68	49	38.8
Employees as of 30.6.	number	4,548	4,603	–1.2	4,548	4,603	–1.2
Freight and mail[2]	thousand tonnes	839	869	–3.5	436	439	–0.7
Available cargo tonne-kilometres[2]	millions	6,064	6,312	–3.9	3,244	3,264	–0.6
Revenue cargo tonne-kilometres[2]	millions	4,243	4,363	–2.8	2,227	2,222	0.2
Cargo load factor[2]	%	70.0	69.1	0.9 pts	68.7	68.1	0.6 pts

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

Segment structure and course of business In addition to Lufthansa Cargo AG, the Logistics segment includes the airfreight container specialist Jettainer GmbH and the equity investment in the cargo airline AeroLogic GmbH. An equity interest is still held in Jade Cargo International Ltd., which is no longer operational and in the first quarter of 2013 applied for insolvency proceedings to be opened. Lufthansa Cargo also holds equity investments in various handling companies.

Lufthansa Cargo markets capacities on its own freighters and chartered cargo aircraft along with belly capacities on passenger planes operated by Lufthansa Passenger Airlines and Austrian Airlines.

In the first quarter of 2013, Lufthansa Cargo reorganised its charter business. Since 1 April 2013, all of the charter activities performed by subsidiaries have been reintegrated into Lufthansa Cargo AG. A new partnership with the leading global charter broker Chapman Freeborn Airmarketing GmbH should also ensure better marketing of internal aircraft capacities that become available at short notice.

The first half of 2013 was characterised by continuing restrained demand on the global freight markets. Lufthansa Cargo's freight volume also dropped in the first six months of the year. However, thanks to flexible and demand-led capacity management, the cargo load factor increased slightly. The operating result improved further in the second quarter and came to EUR 61m for the first six months of the year.

Product and route network Lufthansa Cargo received many accolades from its customers in the first half-year. The US Airforwarders Association, for example, voted Lufthansa Cargo the best international cargo airline. At the prestigious "Cargo Airline of the Year Awards" presented by the UK-based Air Cargo Media Group, Lufthansa Cargo was again voted the best European cargo airline.

During the reporting period, Lufthansa Cargo continued to press ahead with its programme to digitalise processes. In May, the airline entered into an agreement established by the IATA to greatly simplify the use of electronic air waybills (eAWBs) in the future. Freight forwarders that want to use eAWBs only need to sign an agreement with IATA to recognise electronically transmitted air waybill data. This agreement is then automatically valid for all participating airlines.

In March, Lufthansa Cargo added Guadalajara to its route network and now serves the Mexican metropolis with two freighter flights a week.

Operating performance Freight volumes in the first half of 2013 were down 3.5 per cent on last year. Capacity was cut by 3.9 per cent. Since cargo tonne-kilometres only fell by 2.8 per cent for structural reasons, the cargo load factor rose by 0.9 percentage points to 70.0 per cent.

The drop in tonnage was sharpest in Asia/Pacific, at 6.0 per cent. As a result of successful capacity management, the cargo load factor in this traffic region improved substantially due to a considerable reduction in capacity.

Capacity cuts in Europe also led to an improvement in the cargo load factor there. In the Americas region, tonnage decreased by 4.2 per cent compared with last year. Only in the Middle East/Africa did freight volumes increase. However, since capacity was expanded by 2.4 per cent and sales only rose by 1.8 per cent, the load factor in this region was slightly down.

Revenue and earnings development Declining traffic revenue (–8.7 per cent) meant that Lufthansa Cargo's revenue for the first half of 2013 dropped by 9.9 per cent compared with last year to EUR 1.2bn. Other revenue sank to EUR 28m (–44.0 per cent) due to lower income from aircraft charters. Other operating income of EUR 48m was 26.3 per cent higher than last year's figure, primarily as a result of an increase in the foreign exchange result and reimbursements from restructuring measures in connection with the SCORE earnings improvement programme. Total operating income fell to EUR 1.3bn (–8.9 per cent).

Operating expenses decreased by 10.2 per cent year on year to EUR 1.2bn. This was largely due to the lower volume-related cost of materials and services, which came to EUR 881m (–10.3 per cent). Within this item, there were capacity-related declines in charter expenses to EUR 402m (–14.3 per cent), fuel costs to EUR 237m (–8.1 per cent), fees and charges to EUR 135m (–4.3 per cent) and MRO expenses to EUR 56m (–12.5 per cent).

Staff costs climbed 4.8 per cent to EUR 196m. This was largely due to higher retirement benefit expenses and additional costs in connection with the SCORE earnings improvement programme. The companies in the Logistics segment had an average of 4,532 employees in the reporting period (–1.6 per cent).

Depreciation and amortisation went down by 55.2 per cent to EUR 13m. This was mainly because depreciation of the MD-11 freighters had come to an end.

Other operating expenses contracted by 20.1 per cent to EUR 115m, owing primarily to lower agency commissions.

In the reporting period, the Logistics segment generated an operating result of EUR 61m, which is higher than last year's figure of EUR 48m.

Increased income from write-backs of provisions raised other segment income by 150.0 per cent to EUR 5m. Other segment expenses remained minor. The segment result was EUR 73m (previous year: EUR 57m). This includes a result from equity investments of EUR 8m (previous year: EUR 7m) from subsidiaries accounted for using the equity method.

Segment capital expenditure went up to EUR 129m in the reporting period (previous year: EUR 83m). The rise was due largely to the down payments for five Boeing 777F aircraft.

Forecast Lufthansa Cargo still expects demand to recover appreciably and tonnage to increase again in the second half of the year. While Lufthansa Cargo's capacities in the first quarter tended to be demand-based, the company switched to a supply-based capacity policy during the second quarter. In doing so, it is preparing for the predicted market recovery in the second half-year.

Strict cost management is having an additional impact and will continue to be backed up by the implementation of numerous measures as part of the SCORE programme.

For the financial year 2013, Lufthansa Cargo is sticking to its target of an operating profit in the three-digit million euro range. An increase on last year's result is anticipated. In order to reach this earnings target in the challenging market environment, Lufthansa Cargo has initiated additional measures to safeguard earnings in the short and medium term.

Trends in traffic regions Lufthansa Cargo

	Net traffic revenue in €m external revenue*		Freight/mail in thousand tonnes		Available cargo tonne-kilometres in millions		Revenue cargo tonne-kilometres in millions		Cargo load factor in %	
	Jan.–June 2013	Change in %	**Jan.–June 2013**	Change in %	**Jan.–June 2013**	Change in %	**Jan.–June 2013**	Change in %	**Jan.–June 2013**	Change in pts
Europe	114	–7.3	291	–3.4	324	–6.9	172	–2.5	53.1	2.4
America	506	–1.9	253	–4.2	2,719	–1.5	1,854	–1.8	68.2	–0.3
Asia/Pacific	460	–16.7	222	–6.0	2,402	–7.6	1,857	–4.5	77.3	2.5
Middle East/Africa	102	–1.0	73	7.3	619	2.4	359	1.8	58.0	–0.3
Total	**1,182**	**–8.7**	**839**	**–3.5**	**6,064**	**–3.9**	**4,243**	**–2.8**	**70.0**	**0.9**

* Not including Extracharter.

MRO business segment

Key figures MRO

		Jan. – June 2013	Jan. – June 2012	Change in %	April – June 2013	April – June 2012	Change in %
Revenue	€m	2,040	2,016	1.2	1,046	990	5.7
of which with companies of the Lufthansa Group	€m	741	773	–4.1	373	343	8.7
Operating result	€m	219	146	50.0	138	81	70.4
Segment result	€m	228	175	30.3	137	97	41.2
EBITDA*	€m	272	207	31.4	172	91	89.5
Segment capital expenditure	€m	40	63	–36.5	29	30	–3.3
Employees as of 30.6.	number	19,777	20,345	–2.8	19,777	20,345	–2.8

* Before profit/loss transfer from other companies.

Segment structure and course of business The Lufthansa Technik group includes 32 technical maintenance operations around the world. The company also holds direct and indirect stakes in 54 companies. The difficult financial and earnings situation of airlines and the ongoing consolidation of the MRO market continue to present challenges. Alongside other factors, the various efficiency and productivity measures undertaken as part of the SCORE programme enabled Lufthansa Technik to boost its operating result in the first half-year compared with the same period in 2012. Revenue was also up slightly on last year.

Products As global market leader in the area of MRO services for commercial aircraft, Lufthansa Technik continuously invests in innovations. Bombardier Aerospace has already chosen Lufthansa Technik as its supplier for cabin management and in-flight entertainment systems for the new Challenger 350 programme. The maintenance facility in Hamburg and the US subsidiary BizJet International were also awarded the title of "Best VIP Cabin Outfitter of the Year" by Airbus Corporate Jets for the second time in a row. Innovations are important in the components business, too. The component maintenance unit entered into a partnership with Liebherr-Aerospace where both parties can share their expertise.

Operating performance In the first half-year, Lufthansa Technik concluded 175 new contracts with a total volume of EUR 282m for 2013. The number of contract customers and maintained aircraft went up compared with last year, partly due to the signing of a total component maintenance contract for more than 60 aircraft with the Panamanian carrier COPA Airlines. Other sales successes include a contract with Spirit Airlines to overhaul thrust reversers and a base maintenance contract with Pegasus Airlines. Spairliners GmbH entered into a contract with the French regional airline HOP! to supply components for 26 Embraer aircraft.Sky Regional Airlines signed an exclusive contract with Lufthansa Technik AERO Alzey for PW150A engines.

In the first half of 2013, there was a particular focus on the successful implementation of major SCORE projects, including in the engines and component maintenance units. To reduce staff capacities in administration by means of more efficient processes, 169 projects have been specified and are set to be implemented over the next two years.

Revenue and earnings development Revenue in the first half-year was up slightly on the year at EUR 2bn (+1.2 per cent). Although revenue with Group companies declined by 4.1 per cent to EUR 741m, external revenue increased to EUR 1.3bn (+4.5 per cent). Other operating income was 4.2 per cent down on the year at EUR 92m.

Total operating expenses sank by 2.7 per cent to EUR 1.9bn. The cost of materials and services was reduced to EUR 955m (–1.8 per cent) as less material and external production services were used. Staff costs also fell by 1.3 per cent, mainly because the average number of employees dropped by 2.3 per cent to 19,920. Lufthansa Technik generated an operating profit of EUR 219m in the reporting period (previous year: EUR 146m). As other segment income (–55.6 per cent) and the equity result (–58.3 per cent) were lower, Lufthansa Technik recorded a segment result of EUR 228m (+30.3 per cent). Segment capital expenditure came to EUR 40m (EUR –23m). Construction of a new building for workshops, the central materials technology department and offices at the home base in Hamburg is proceeding according to plan and is due for completion in spring 2014.

Forecast For 2013, Lufthansa Technik is predicting that, among other things, efficiency increases will boost its operating result as against last year's figure alongside a moderate increase in revenue. The successful implementation of cost-cutting measures and sales initiatives as well as stability in the airline industry are required if the company is to achieve its earnings targets in the coming years too.

Catering business segment

Key figures Catering

		Jan. – June 2013	Jan. – June 2012	Change in %	**April – June 2013**	April – June 2012	Change in %
Revenue	€m	1,209	1,203	0.5	640	635	0.8
of which with companies of the Lufthansa Group	€m	290	276	5.1	154	145	6.2
Operating result	€m	19	22	–13.6	16	28	–42.9
Segment result	€m	21	28	–25.0	20	33	–39.4
EBITDA*	€m	44	50	–12.0	36	41	–12.2
Segment capital expenditure	€m	33	24	37.5	14	14	0.0
Employees as of 30.6.	number	30,912	29,750	3.9	30,912	29,750	3.9

* Before profit/loss transfer from other companies.

Segment structure and course of business The LSG Sky Chefs group consists of 151 companies and is present at more than 200 airports in 52 countries. LSG Sky Chefs was able to increase its revenue across all regions. The company posted an operating result of EUR 19m for the first half of 2013. In the course of extensive restructuring in Germany, the sites in Paderborn, Nuremberg and Münster/Osnabrück were closed in March and their services outsourced to an external provider. The fundamental aspects of an agreement reached with the trade union to make staff costs competitive at German sites are currently being implemented. In Auckland, New Zealand, the foundations for constructing a state-of-the-art catering facility were laid in spring.

Products LSG Sky Chefs is building on its position as a market leader by enhancing its product and service portfolio. The range of services stemming from its partnership with "Retail in Motion" (RIM) includes innovative total solutions for managing in-flight sales. Since the beginning of April, LSG Sky Chefs' global activities in in-flight service equipment have been operated under the new, independent "Spiriant" brand.

Operating performance A large number of new customer contracts were concluded and existing arrangements renewed in the first half-year. Notable examples are the renewal of substantial worldwide catering contracts with Lufthansa Passenger Airlines and United Airlines. In addition, LSG Sky Chefs participates in existing customers' growth, such as with Etihad in Washington and Sao Paulo, for instance, or American Airlines in Dusseldorf and Seoul. The company generated new business with various international airlines in the area of equipment and logistics services, too. It began providing logistics services for Thalys and Eurostar high-speed trains at Brussels-South train station at the end of the second quarter.

Revenue and earnings development Revenue grew by 0.5 per cent (adjusted for exchange rates: +1.4 per cent) in the first half-year to EUR 1.2bn. Changes in the group of included business operations meant that revenue fell by EUR 43m, but this was more than compensated for by real revenue growth. External revenue contracted to EUR 919m (–0.9 per cent), while internal revenue increased by 5.1 per cent to EUR 290m.

Other operating income was EUR 10m down on the year at EUR 32m. This brought total operating income down slightly by 0.3 per cent to EUR 1.2bn. Total operating expenses of EUR 1.2bn were 0.1 per cent lower than last year. The cost of materials and services decreased by 2.7 per cent to EUR 532m despite the rise in revenue. This was essentially due to the changes in the group of inluded business operations. In the first half-year, LSG Sky Chefs had an average of 30,602 employees (+3.3 per cent). This, plus the restructuring expenses in Germany, drove staff costs up by 4.8 per cent to EUR 458m. Depreciation and amortisation was stable year on year at EUR 32m. Other operating expenses declined to EUR 200m (–3.4 per cent), primarily due to reduced costs for outside staff. LSG Sky Chefs posted an operating profit of EUR 19m for the first six months of 2013 (previous year: EUR 22m). The balance of other segment income and expense was EUR 1m, as last year. The result of the equity valuation fell by EUR 4m to EUR 1m, mainly due to changes in the group of consolidated companies. The segment result for LSG Sky Chefs was therefore EUR 21m altogether (previous year: EUR 28m). Segment capital expenditure was EUR 9m higher than last year at EUR 33m.

Forecast Due to the changes in the group of consolidated companies, LSG Sky Chefs is expecting revenue for the full year 2013 to be on par with last year. SCORE activities have been specified with focus on Europe and the USA and are being implemented according to plan. LSG Sky Chefs now anticipates that its operating profit for 2013 will be roughly on par with last year.

IT Services business segment

Key figures IT Services

		Jan. – June 2013	Jan. – June 2012	Change in %	April – June 2013	April – June 2012	Change in %
Revenue	€m	304	301	1.0	154	155	–0.6
of which with companies of the Lufthansa Group	€m	177	175	1.1	90	88	2.3
Operating result	€m	5	8	–37.5	2	4	–50.0
Segment result	€m	3	7	–57.1	1	3	–66.7
EBITDA*	€m	24	45	–46.7	13	32	–59.4
Segment capital expenditure	€m	12	10	20.0	6	4	50.0
Employees as of 30.6.	number	2,721	2,773	–1.9	2,721	2,773	–1.9

* Before profit/loss transfer from other companies.

Segment structure and course of business As an IT provider on the international market, Lufthansa Systems offers consultancy and IT services for selected industries. The company has a leading position in the global aviation industry. Its customer base includes some 300 airlines and more than 150 companies from other industries. In addition to the sites in Germany, Lufthansa Systems is represented in 16 countries. Its sales of EUR 304m (previous year: EUR 301m) were up a little on last year, while the operating result of EUR 5m (previous year: EUR 8m) was slightly below last year's figure.

Products As a full-service provider, Lufthansa Systems helps its customers with consultancy, development, implementation and operation of sector solutions. Lufthansa Systems is a certified SAP partner. The Industry Solutions area has customers which include major SMEs and global corporations. The company's range of airline IT services covers all of the business processes used by airlines, regardless of their business model. BoardConnect, its wireless in-flight entertainment system, and Velimo, the first fully integrated guest service platform for the hospitality sector, are two examples of services that have met with great interest from customers around the world.

Operating performance In the reporting period, China Southern, the largest airline in Asia, became the first Chinese customer to use Lido/Flight. Contracts were also signed in Asia with Jet Airways, EVA Air, SriLankan Airlines, Golden Myanmar and All Nippon Airways. Outside Asia, Iberia, the Turkish cargo airline ACT Airlines, Libyan Airlines and Norwegian Air Shuttle have opted for products provided by Lufthansa Systems. An IT outsourcing contract was also signed with the technology company Tecosim. Further contracts came from the long-standing customer Hamburg Port Authority. Bosch Thermotechnik renewed its contract for applications development and maintenance, as did Bucher Reisen for the operation of its web services. Long-standing partnerships with E.ON and Vattenfall were expanded as part of new projects. The public transport provider Rhenus-Veniro will, in future, use the Patris Office software solution to manage all of its sales channels, including billing processes.

Revenue and earnings development Revenue in the reporting period climbed to EUR 304m (+1.0 per cent). Revenue with external customers therefore came to EUR 127m (previous year: EUR 126m). Revenue with companies in the Lufthansa Group showed little change on last year at EUR 177m. Other operating income increased to EUR 9m (previous year: EUR 8m) due to the reimbursement of SCORE restructuring expenses by the Lufthansa Group. This brought total operating income to EUR 313m (previous year: EUR 309m). The cost of materials and services went up to EUR 58m (+31.8 per cent). This increase was primarily attributable to expenses associated with mobile infotainment systems and the switch to cloud computing. The number of employees fell to an annual average of 2,727 (previous year: 2,788). Staff costs rose to EUR 122m (previous year: EUR 120m) as a result of higher expenses for severance pay and partial retirement. Depreciation of property, plant and equipment and amortisation of intangible assets was unchanged on last year at EUR 18m. Other operating expenses dropped to EUR 110m (EUR –9m). Total operating expenses came to EUR 308m (previous year: EUR 301m). This brought the operating result to EUR 5m (previous year: EUR 8m). The cash outflow from investing activities in property, plant and equipment plus intangible assets totalled EUR 12m (previous year: EUR 10m).

Forecast The contracts signed in the first half-year and the implementation of projects as part of the Group's SCORE programme contributed to Lufthansa Systems' positive performance. Although the macroeconomic situation remains tense, moderate revenue growth and further improvements in profitability are still anticipated for the 2013 financial year. The bulk of growth will come from business with customers outside the Group.

Other

Other

		Jan. – June 2013	Jan. – June 2012	Change in %	**April – June 2013**	April – June 2012	Change in %
Total operating income	€m	629	704	– 10.7	278	356	– 21.9
Operating result	€m	– 149	– 70	– 112.9	– 46	– 65	29.2
Segment result	€m	– 84	– 76	– 10.5	12	– 71	–
EBITDA*	€m	– 47	29	–	35	40	– 12.5
Segment capital expenditure	€m	5	7	– 28.6	3	4	– 25.0
Employees as of 30.6.	number	3,977	4,032	– 1.4	3,977	4,032	– 1.4

* Before profit / loss transfer from other companies.

Structure The segment Other comprises the Service and Financial Companies of the Lufthansa Group. These include AirPlus and Lufthansa Flight Training (LFT). The central Group functions of Deutsche Lufthansa AG are also assigned to this segment.

Companies' performance Growth in international business travel stagnated in the first half of 2013, slowing growth at AirPlus, too. Billing revenue for business travel products was only 2.5 per cent up on last year. The number of transactions made by AirPlus customers worldwide was 2.8 per cent higher. The operating result of EUR 18m was slightly down on last year's figure (EUR –1m) due to the weak revenue development in Germany to date. At LFT, the simulator training unit's focus was on expanding the strategic growth area of "wet training" (simulator hire including additional services). The company generated total operating income of EUR 86m (– 3.6 per cent) and achieved an operating result of EUR 13m (EUR – 3m).

As part of the outsourcing of activities to shared service centres, some of the Group's administrative functions in the areas of finance, purchasing and HR will be transferred to a specialised service center. Discussions about this are taking place with the co-determination bodies. Total operating income for the Group functions was 6.0 per cent down on the year at EUR 315m. The operating result came in at EUR –185m (previous year: EUR –110m). This was due to a rise in operating expenses to EUR 500m (previous year: EUR 445m). This increase can primarily be attributed to the SCORE restructuring projects amounting to EUR 71m.

Revenue and earnings development The reporting period was marked by non-recurring SCORE expenses allocated to this segment. Total operating income decreased to EUR 629m (previous year: EUR 704m), while operating expenses went up slightly to EUR 778m (previous year: EUR 774m). This produced an operating result of EUR –149m (previous year: EUR – 70m).

Risk and opportunities report

As an international aviation company the Lufthansa Group is exposed to macroeconomic, sector-specific and Company risks. Risks related to developments in the market and the competitive environment are particularly significant in terms of the effect they have on capacities and load factors. In addition, political, operational and collective bargaining risks, legal risks and contingencies, procurement risks, IT risks and financial and treasury risks must be taken into account.

The permanently updated management systems should identify both risks and opportunities at an early stage and highlight measures so that action can be taken accordingly. For further information on the risk and opportunity management system and the Lufthansa Group's risk situation, please see p. 104 of the Annual Report 2012.

In the first six months of 2013, the risks and opportunities for the Group described in detail in the annual report have materialised or developed as follows.

The sovereign debt crisis in Europe still represents a considerable risk to macroeconomic developments. Other risk factors that could have an adverse effect on global economic growth include the current crisis in the Middle East and signs of restrictive lending in China, which could have a dampening effect on growth. So far, global passenger air traffic has not been affected by these risk factors. The airlines in the Lufthansa Group improved their load factors compared with last year by means of active capacity management. Crude oil and kerosene prices are lower than last year. However, fuel prices remain highly volatile. They are influenced by geopolitical crises in addition to macroeconomic demand. A price increase can therefore not be ruled out. Despite the existing hedges, any such increase would weigh heavily on the airlines' fuel bills.

Challenges, from negotiations over a balance of interests through to strikes, must also be expected to increase as the structural changes to the Lufthansa Group are systematically implemented in the course of the SCORE programme.

Considering the macroeconomic situation and all other known issues and circumstances, there are currently no identifiable developments which could endanger the Company's continued existence.

Supplementary report

Since 1 July 2013, no events of particular importance have occurred that would be expected to have a significant influence on the net assets, financial and earnings position.

Forecast

GDP development

in %	2013*	2014*	2015*	2016*	2017*
World	2.2	3.1	3.5	3.6	3.5
Europe	0.0	1.2	1.8	2.1	2.3
Germany	0.5	1.7	1.8	1.6	1.7
North America	1.6	2.7	3.4	3.1	2.9
South America	3.0	3.8	4.2	4.4	4.3
Asia/Pacific	4.7	5.4	5.8	5.7	5.6
China	7.5	7.8	8.2	8.0	7.5
Middle East	2.9	3.8	4.3	4.4	4.6
Africa	4.3	4.9	5.3	5.4	5.1

Source: Global Insight World Overview as of 15.7.2013.
* Forecast.

Macroeconomic outlook At the end of the first half of 2013, there were signs of the global economy moving in the right direction. These include the continuing economic recovery in the USA and strong growth in Japan. Global economic growth of 2.2 per cent overall is expected in 2013.

However, economic growth is expected to stagnate in Europe for 2013. Again, it is primarily the economic performance of the countries in Southern Europe that leads to this negative growth. The recession in the euro zone has now spread to countries such as France, Finland and the Netherlands, however. Germany's economic growth forecast for 2013 has now also been cut to 0.5 per cent.

Futures rates reveal the expectation of slightly falling oil prices. Overall, oil prices are likely to remain highly exposed to geopolitical developments, however. Volatile fuel costs continue to be expected for 2013.

With regard to exchange rates, futures rates currently reveal expectations that the US dollar will weaken against the euro. Other major currencies, such as the Japanese Yen and the Pound Sterling, are also forecast to weaken against the euro. However, exchange rates are likely to remain very volatile for the rest of 2013 as long as a global economic recovery fails to materialise.

The assumption is that the growth of the global airline industry will continue in 2013. Compared with the situation last year, IATA believes that economic conditions have significantly improved for the airline industry. For 2013, the industry is now forecast to generate a profit of USD 12.7bn (previous year: USD 7.6bn).

Lufthansa Group The Lufthansa Group's performance in the first half of 2013 was satisfactory. The operating result surpassed the break-even point at the end of the first six months, even after compensating for high fuel costs, fluctuating exchange rates and volatile markets with very significant variations in terms of regional performance. Taking all of last year's one-off factors into account, a clear improvement in the Lufthansa Group's operating result can be seen.

In the Passenger Airline Group, a stable trend is emerging in advance bookings and average yields, when viewed from the perspective of the entire route network. However, regional performance varies greatly and poses risks for the continued overall performance of the Group. Strict capacity management is to be continued and should also continue to boost load factors. An improvement in profitability is anticipated for the full year.

At Lufthansa Cargo, earnings will depend on how demand develops in general in the second half-year. Once the summer break has ended, it will become clear whether the market will allow for an improved performance. With regard to the service companies, there are signs of a stable performance, with developments at Lufthansa Technik predicted to be positive.

For the full year 2013, the Lufthansa Group therefore still anticipates that revenue will be up on last year and that the operating result will be higher than that of EUR 524m reported for the 2012 financial year.

As exchange rates remain highly volatile, the forecast is still subject to great uncertainty. In addition to general market trends, the speed at which the SCORE restructuring measures are implemented will be decisive.

Consolidated income statement

January – June 2013

in €m	**Jan. – June 2013**	Jan. – June 2012*	**April – June 2013**	April – June 2012*
Traffic revenue	11,778	11,851	6,441	6,502
Other revenue	2,686	2,658	1,395	1,388
Total revenue	**14,464**	**14,509**	**7,836**	**7,890**
Changes in inventories and work performed by entity and capitalised	67	71	33	26
Other operating income	987	969	446	453
Cost of materials and services	–8,561	–8,754	–4,459	–4,584
Staff costs	–3,606	–3,146	–1,819	–1,433
Depreciation, amortisation and impairment	–931	–895	–441	–432
Other operating expenses	–2,421	–2,550	–1,133	–1,358
Profit/loss from operating activities	**–1**	**204**	**463**	**562**
Result of equity investments accounted for using the equity method	11	–28	21	8
Result of other equity investments	22	59	16	46
Interest income	86	80	45	43
Interest expenses	–248	–268	–124	–134
Other financial items	–111	–148	–82	–132
Financial result	**–240**	**–305**	**–124**	**–169**
Profit/loss before income taxes	**–241**	**–101**	**339**	**393**
Income taxes	44	122	–81	21
Profit/loss from continuing operations	**–197**	**21**	**258**	**414**
Profit/loss from discontinued operations	–	36	–	34
Profit/loss after income taxes	**–197**	**57**	**258**	**448**
Profit/loss attributable to minority interests	–7	–7	–3	–4
Net profit/loss attributable to shareholders of Deutsche Lufthansa AG	**–204**	**50**	**255**	**444**
Basic/diluted earnings per share in €	**–0.44**	**0.11**	**0.55**	**0.97**
of which from continuing operations	–0.44	0.03	0.55	0.90
of which from discontinued operations	0.00	0.08	0.00	0.07

* The comparable figures from last year were adjusted retrospectively due to the application of the revised IAS 19 as of 1 January 2013.

Statement of comprehensive income
January – June 2013

in €m	Jan. – June 2013	Jan. – June 2012*	April – June 2013	April – June 2012*
Profit / loss after income taxes	**–197**	**57**	**258**	**448**
Other comprehensive income				
Other comprehensive income with subsequent reclassification to the income statement				
Differences from currency translation	–23	56	–34	65
Subsequent measurement of available-for-sale financial assets	10	157	–36	87
Subsequent measurement of cash flow hedges	174	–113	15	–66
Other comprehensive income from investments accounted for using the equity method	–13	2	–	–
Other expenses and income recognised directly in equity	1	4	1	5
Income taxes on items in other comprehensive income	–43	21	–4	7
Other comprehensive income without subsequent reclassification to the income statement				
Actuarial gains and losses from defined benefit obligations	587	–1,311	549	–1,067
Income taxes on items in other comprehensive income	–162	345	–153	238
Other comprehensive income after income taxes	**531**	**–839**	**338**	**–731**
Total comprehensive income	**334**	**–782**	**596**	**–283**
Comprehensive income attributable to minority interests	–7	–10	–3	–9
Comprehensive income attributable to shareholders of Deutsche Lufthansa AG	**327**	**–792**	**593**	**–292**

* The comparable figures from last year were adjusted retrospectively due to the application of the revised IAS 19 as of 1 January 2013.

Consolidated balance sheet
as of 30 June 2013

Assets

in €m	30.6.2013	31.12.2012 [1]	30.6.2012 [1]	1.1.2012 [1]
Intangible assets with an indefinite useful life [2]	1,184	1,193	1,197	1,191
Other intangible assets	362	375	369	384
Aircraft and reserve engines	12,199	11,838	12,030	11,592
Repairable spare parts for aircraft	895	899	879	840
Property, plant and other equipment	2,034	2,081	2,116	2,118
Investments accounted for using the equity method	422	400	366	394
Other equity investments	440	413	1,037	898
Non-current securities	19	19	20	134
Loans and receivables	386	464	448	443
Derivative financial instruments	216	268	297	343
Deferred charges and prepaid expenses	20	25	25	24
Effective income tax receivables	52	52	62	60
Deferred tax assets	656	755	726	152
Non-current assets	**18,885**	**18,782**	**19,572**	**18,573**
Inventories	646	639	654	620
Trade receivables and other receivables	4,106	3,595	4,520	3,449
Derivative financial instruments	238	215	217	414
Deferred charges and prepaid expenses	173	151	175	171
Effective income tax receivables	92	101	131	128
Securities	3,756	3,530	3,615	3,111
Cash and cash equivalents	1,613	1,436	958	887
Assets held for sale	53	110	107	686
Current assets	**10,677**	**9,777**	**10,377**	**9,466**
Total assets	**29,562**	**28,559**	**29,949**	**28,039**

[1] The comparable figures from last year were adjusted retrospectively due to the application of the revised IAS 19 as of 1 January 2013.
[2] Including goodwill.

Shareholders' equity and liabilities

in €m	30.6.2013	31.12.2012 [1]	30.6.2012 [1]	1.1.2012 [1]
Issued capital	1,177	1,177	1,172	1,172
Capital reserve	1,382	1,382	1,366	1,366
Retained earnings	1,590	−63	395	1,483
Other neutral reserves	1,161	1,055	1,748	1,624
Net profit/loss	−204	1,228	50	−13
Equity attributable to shareholders of Deutsche Lufthansa AG	**5,106**	**4,779**	**4,731**	**5,632**
Minority interests	61	60	79	95
Shareholders' equity	**5,167**	**4,839**	**4,810**	**5,727**
Pension provisions	5,167	5,844	5,752	4,733
Other provisions	628	582	558	574
Borrowings	5,136	5,947	5,922	5,808
Other financial liabilities	169	198	162	128
Advance payments received, deferred income and other non-financial liabilities	1,171	1,163	1,182	1,156
Derivative financial instruments	149	150	112	55
Deferred tax liabilities	116	94	99	92
Non-current provisions and liabilities	**12,536**	**13,978**	**13,787**	**12,546**
Other provisions	840	894	839	801
Borrowings	1,430	963	934	616
Trade payables and other financial liabilities	4,694	4,231	4,833	4,227
Liabilities from unused flight documents	3,842	2,612	3,573	2,359
Advance payments received, deferred income and other non-financial liabilities	967	933	1,031	939
Derivative financial instruments	–	2	15	37
Effective income tax obligations	86	107	101	71
Liabilities related to assets held for sale	–	–	26	716
Current provisions and liabilities	**11,859**	**9,742**	**11,352**	**9,766**
Total shareholders' equity and liabilities	**29,562**	**28,559**	**29,949**	**28,039**

[1] The comparable figures from last year were adjusted retrospectively due to the application of the revised IAS 19 as of 1 January 2013.

Consolidated statement of changes in shareholders' equity

as of 30 June 2013

in €m	Issued capital	Capital reserve	Fair value measurement of financial instruments	Currency differences	Revaluation reserve (due to business combinations)	Other neutral reserves	**Total other neutral reserves**	Retained earnings	Net profit/loss	**Equity attributable to shareholders of Deutsche Lufthansa AG**	Minority interests	**Total shareholders' equity**
As of 31.12.2011	**1,172**	**1,366**	**766**	**322**	**193**	**343**	**1,624**	**3,800**	**–13**	**7,949**	**95**	**8,044**
Change in accounting policies	–	–	–	–	–	–	–	–2,317	–	–2,317	–	–2,317
Adjusted as of 31.12.2011	**1,172**	**1,366**	**766**	**322**	**193**	**343**	**1,624**	**1,483**	**–13**	**5,632**	**95**	**5,727**
Capital increases/reductions	–	–	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	–127	127	–	–	–
Dividends to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	–114	–114	–11	–125
Transactions with minority interests	–	–	–	–	–	–	–	5	–	5	–15	–10
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	50	50	7	57
Other expenses and income recognised directly in equity	–	–	65	56	–	3	124	–966	–	–842	3	–839
As of 30.6.2012	**1,172**	**1,366**	**831**	**378**	**193**	**346**	**1,748**	**395**	**50**	**4,731**	**79**	**4,810**
As of 31.12.2012	**1,177**	**1,382**	**169**	**317**	**236**	**332**	**1,054**	**3,635**	**990**	**8,238**	**60**	**8,298**
Change in accounting policies	–	–	–	1	–	–	1	–3,698	238	–3,459	–	–3,459
Adjusted as of 31.12.2012	**1,177**	**1,382**	**169**	**318**	**236**	**332**	**1,055**	**–63**	**1,228**	**4,779**	**60**	**4,839**
Capital increases/reductions	–	–	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	1,228	–1,228	–	–	–
Dividends to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	–	–	–6	–6
Transactions with minority interests	–	–	–	–	–	–	–	–	–	–	–	–
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	–204	–204	7	–197
Other expenses and income recognised directly in equity	–	–	141	–23	–	–12	106	425	–	531	–	531
As of 30.6.2013	**1,177**	**1,382**	**310**	**295**	**236**	**320**	**1,161**	**1,590**	**–204**	**5,106**	**61**	**5,167**

Consolidated cash flow statement

January – June 2013

in €m	Jan. – June 2013	Jan. – June 2012[4]	April – June 2013	April – June 2012[4]
Cash and cash equivalents 1.1.[1]	**1,436**	**887**	**1,596**	**915**
Net profit/loss before income taxes	–241	–101	339	393
Depreciation, amortisation and impairment losses on non-current assets (net of reversals)	931	902	441	439
Depreciation, amortisation and impairment losses on repairable spare parts for aircraft (net of reversals)	3	36	–13	11
Net proceeds on disposal of non-current assets	1	–16	2	–12
Result of equity investments	–33	–31	–37	–54
Net interest	162	188	79	91
Income tax payments/reimbursements	–64	–67	–45	–54
Measurement of financial derivatives through profit or loss	111	139	82	124
Change in working capital[2]	1,443	694	489	6
Cash flow from continuing operations	**2,313**	**1,744**	**1,337**	**944**
Cash flow from discontinued operations	–	–82	–	–27
Cash flow from operating activities	**2,313**	**1,662**	**1,337**	**917**
Capital expenditure for property, plant and equipment and intangible assets	–1,317	–1,372	–618	–789
Capital expenditure for financial investments	–18	–13	–11	–4
Increase/decrease in repairable spare parts for aircraft	3	–69	12	–14
Proceeds from disposal of non-consolidated equity investments	5	5	5	5
Proceeds from disposal of consolidated equity investments	–3	–168	–3	–168
Cash outflows for acquisitions of non-consolidated equity investments	–17	–	–5	–
Cash outflows for acquisitions of consolidated equity investments	–	–	–	–
Proceeds from disposal of intangible assets, property, plant and equipment and other financial investments	125	275	41	52
Interest income	185	189	62	73
Dividends received	29	75	22	60
Net cash from/used in investing activities	**–1,008**	**–1,078**	**–495**	**–785**
of which from discontinued operations	–	–130	–	–168
Purchase of securities/fund investments[3]	–885	–851	–553	–468
Disposal of securities/fund investments	322	317	57	92
Net cash from/used in investing and cash management activities	**–1,571**	**–1,612**	**–991**	**–1,161**
of which from discontinued operations	–	–130	–	–168
Capital increase	–	–	–	–
Borrowing	411	752	324	541
Repayment of borrowing	–730	–384	–566	–78
Dividends paid	–6	–126	–6	–120
Interest paid	–232	–235	–76	–68
Net cash from/used in financing activities	**–557**	**7**	**–324**	**275**
of which from discontinued operations	–	–5	–	0
Net increase/decrease in cash and cash equivalents	**185**	**57**	**22**	**31**
Changes due to currency translation differences	–8	14	–5	12
Cash and cash equivalents 30.6.	**1,613**	**958**	**1,613**	**958**
Securities	3,756	3,615	3,756	3,615
Total liquidity	**5,369**	**4,573**	**5,369**	**4,573**
Net increase/decrease in total liquidity	403	575	194	405

[1] Presented for the individual quarter, cash and cash equivalents as of 1 April.
[2] Working capital consists of inventories, receivables, liabilities and provisions.
[3] Including transfer to LH Pension Trust of EUR 300m.
[4] The comparable figures from last year were adjusted retrospectively due to the application of the revised IAS 19 as of 1 January 2013.

Notes

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

The consolidated financial statements of Deutsche Lufthansa AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking account of interpretations by the IFRS Interpretations Committee as applicable in the European Union (EU). This interim report as of 30 June 2013 has been prepared in condensed form in accordance with IAS 34. In preparing the interim financial statements the standards and interpretations applicable as of 1 January 2013 have been applied. The interim financial statements as of 30 June 2013 have been prepared using the same accounting policies as those upon which the preceding consolidated financial statements for the year ended 31 December 2012 were based.

In accordance with the revised version of IAS 19 Employee Benefits (revised in 2011, IAS 19R), effective as of 1 January 2013, actuarial gains and losses, after accounting for deferred taxes, are recognised as revaluations directly in equity, without effect on profit and loss. The 10-per cent corridor rule previously used in the Lufthansa Group to avoid annual fluctuations in the balance sheet has been eliminated. Changes in the discount rate used to measure pension obligations and, for funded pension plans, fluctuations in the market value of plan assets, result in considerable, unpredictable fluctuations in the balance sheet and shifts between equity and liabilities. For funded pension plans, the same interest rate chosen to determine interest expenses and measure pension obligations is also to be used to calculate interest income from plan assets. Defining a uniform interest rate alters the net interest expense for pension obligations. Furthermore, the revised IAS 19 includes new rules on the meaning of "short-term" and "other long-term benefits".

Changes in the group of consolidated companies in the period 1.7.2012 to 30.6.2013

Name, registered office	Additions	Disposals	Reason
Passenger Airline Group segment			
Gabriela Finance 2012 Limited, Dublin, Ireland	27.9.12		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 15, Salzburg, Austria	10.8.12		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 16, Salzburg, Austria	10.8.12		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 17, Salzburg, Austria	10.8.12		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 18, Salzburg, Austria	10.8.12		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 19, Salzburg, Austria	10.8.12		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 20, Salzburg, Austria	10.8.12		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 21, Salzburg, Austria	10.8.12		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 22, Salzburg, Austria	28.5.13		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 23, Salzburg, Austria	28.5.13		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 24, Salzburg, Austria	28.5.13		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 25, Salzburg, Austria	28.5.13		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 26, Salzburg, Austria	28.5.13		Established
NBB Koblenz Lease Co., Ltd., Tokyo, Japan	26.10.12		Established
NBB Rhine Valley Lease LLC, Tokyo, Japan	26.10.12		Established
SL Aurora Ltd., Tokyo, Japan	25.4.13		Established
SL Prairie Ltd., Tokyo, Japan	25.4.13		Established
SL Victoria Ltd., Tokyo, Japan	25.1.13		Established
TLC Amaryllis Ltd., Tokyo, Japan	25.1.13		Established
TLC Petunia Ltd., Tokyo, Japan	25.4.13		Established
TLC Salvia Ltd., Tokyo, Japan	25.4.13		Established
Yamasa Aircraft LH10 Kumiai Ltd., Okayama, Japan	19.6.13		Established
Yamasa Aircraft LH11 Kumiai Ltd., Okayama, Japan	19.6.13		Established
Yamasa Aircraft LH9 Kumiai Ltd., Okayama, Japan	18.4.13		Established
Lauda Air Luftfahrt GmbH, Vienna, Austria		20.9.12	Merger
Lufthansa Italia S.p.A., Milan, Italy		26.3.13	Liquidation
Lufthansa Leasing Austria GmbH & Co. OG Nr. 2, Salzburg, Austria		28.2.13	Merger

Changes in the group of consolidated companies in the period 1.7.2012 to 30.6.2013

Name, registered office	Additions	Disposals	Reason
MRO segment			
AirLiance Materials LLC, Roselle, USA		13.5.13	Sale
Catering segment			
LSG Sky Chefs Finland Oy, Vantaa, Finland	1.8.12		Acquisition of control
LSG Sky Chefs TAAG Angola S.A., Luanda, Angola	1.9.12		Acquisition of control
Retail in Motion (International) Limited, Dublin, Ireland	6.2.13		Acquisition
LSG Sky Chefs Hannover GmbH, Neu-Isenburg, Germany		22.1.13	Merger
Starfood Antalya Gida Sanayi ve Ticaret A.S., Istanbul, Turkey		24.6.13	Sale
Other			
Lufthansa AITH Beteiligungs GmbH, Cologne, Germany	23.8.12		Consolidated for the first time
Lufthansa Global Business Services GmbH, Frankfurt, Germany	30.4.13		Established
Lufthansa AITH Beteiligungs GmbH, Cologne, Germany		1.1.13	Company purpose suspended

These amendments also affected the time at which obligations under partial retirement and similar programmes are recognised in profit or loss and therefore the corresponding balance sheet amounts. The change meant that as of 1 January 2013, pension obligations and other provisions under partial retirement and similar programmes went up by a total of EUR 3.8bn compared with year-end 2012, deferred tax assets rose by EUR 711m, deferred tax liabilities declined by EUR 148m and Group equity was reduced by EUR 3.5bn. Furthermore, other assets fell by EUR 571m. Due to the elimination of both delayed recognition of actuarial losses and the option of recognising past service costs pro rata, service costs are presented as being EUR 258m lower in the first half of 2012. Staff costs for the first half of 2012 were shown as being EUR 5m higher due to the change in accounting for partial retirement and similar programmes. By contrast, net interest expense for the first half of 2012 was recorded as being around EUR 27m higher as a result of adjusting expected plan income to the discount rate applied at the beginning of the year. Altogether, if the new IAS 19R had been applied in the first half of 2012, profit before income taxes would have been EUR 226m higher. Profit after income taxes would have been EUR 218m higher.

IFRS 13 Fair Value Measurement, which is to be applied prospectively as of 1 January 2013, describes how fair value is to be measured for all IFRS reporting standards and extends the disclosures to be made on fair value measurement, but does not stipulate in which cases fair value is to be used. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The default risk, i.e. the entity's own credit risk, must also be reflected in the fair value of a liability. IFRS 13 stipulates the market conditions under which fair value measurement is possible or restricted and explains that measurement is made with reference to specific markets and not to specific companies. For non-financial assets, fair value is to be measured on the basis of the "highest and best use" of the asset from the perspective of a market participant. For the disclosures resulting from the first-time application of IFRS 13, we refer to Section 5) "Financial instruments and financial liabilities".

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

Assets held for sale

in €m	**Group 30.6.2013**	Financial statements 31.12.2012	Group 30.6.2012
Assets			
Aircraft and reserve engines	45	105	66
Financial assets	–	1	4
Other assets	8	4	37
Equity / liabilities associated with assets held for sale			
Shareholders' equity	–	–	–
Liabilities	–	–	26

Discontinued operations

The British Midland Group represented a separate cash-generating unit within the Passenger Airline Group segment of the Lufthansa Group. It was therefore a separate line of business within the meaning of IFRS 5, to which clearly defined cash flows were attributed for operating and accounting purposes. As a result of the contract for the sale of British Midland Ltd. (bmi) to International Consolidated Airlines Group, S.A. (IAG) signed by Deutsche Lufthansa AG and IAG on 22 December 2011, British Midland Ltd. was presented in the Group's income statement for 2011 and 2012 as a discontinued operation in line with IFRS 5. This form of presentation applied to the after-tax result for bmi for the first half of 2012 and to changes in the valuation or proceeds of disposal for the discontinued operation compared with the 2011 financial statements, which in this case were the proceeds of the aforementioned contractual agreement.

The following table shows the result of the discontinued operations at British Midland Group:

in €m	**Jan. – June 2013**	Jan. – June 2012
Income	–	237
Expenses	–	–330
Current result from discontinued operations before taxes	**–**	**–93**
Taxes on income and earnings for discontinued operations	–	13
Current result from discontinued operations after taxes	**–**	**–80**
Valuation / disposal proceeds from discontinued operations	–	135
Taxes on valuation / disposal proceeds	–	–19
Valuation / disposal proceeds from discontinued operations after taxes	**–**	**116**
Result from discontinued operations	**–**	**36**

Detailed comments on the income statement, the balance sheet, the cash flow statement and the segment reporting can also be found in the management report on p. 3 – 21.

3) Seasonality

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

4) Contingencies and events after the balance sheet date

Contingent liabilities

in €m	30.6.2013	31.12.2012
From guarantees, bills of exchange and cheque guarantees	925	922
From warranty contracts	940	925
From providing collateral for third-party liabilities	38	43
Legal risks	72	73
Other contingent liabilities	55	76

Several provisions could not be made because an outflow of resources was not sufficiently probable. The potential financial effect of these provisions on the result would have been EUR 127m for subsequent years. As of the year-end 2012 reporting date the figure came to EUR 149m. Contracts signed at the end of 2012 for the sale of five Boeing 737-800s and two Avro RJ 85s resulted in profits for the first half of 2013 of EUR 4m and cash inflows of EUR 75m. Signed contracts for the sale of six ATRs are expected to generate profits of EUR 4m and cash inflows of EUR 37m by the end of the year. At the end of June 2013, there were order commitments of EUR 9.4bn for capital expenditure on property, plant and equipment and intangible assets. As of 31 December 2012, the order commitments came to EUR 5.7bn.

Since 1 July 2013, no events of particular importance have occurred that would be expected to have a significant influence on the net assets, financial and earnings position.

5) Financial instruments and financial liabilities

Financial instruments

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

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

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

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

Assets 30.6.2013

in €m	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Financial derivatives classified as held for trading	–	192	–	192
Current securities	–	0*	0*	0*
Total financial assets through profit and loss	**–**	**192**	**0***	**192**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**262**	**–**	**262**
Available-for-sale financial assets				
Equity instruments	575	–	–	575
Debt instruments	743	2,672	2	3,417
	1,318	**2,672**	**2**	**3,992**
Total assets	**1,318**	**3,126**	**2**	**4,446**

* Rounded below EUR 1m.

Liabilities 30.6.2013

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	–	146	–	146
Derivative financial instruments which are an effective part of a hedging relationship	–	3	–	3
Total liabilities	**–**	**149**	**–**	**149**

As of 31 December 2012, the fair value hierarchy for assets and liabilities held at fair value was as follows:

Assets 31.12.2012

in €m	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Financial derivatives classified as held for trading	–	239	–	239
Current securities	–	0*	0*	0*
Total financial assets through profit and loss	**–**	**239**	**0***	**239**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**244**	**–**	**244**
Available-for-sale financial assets				
Equity instruments	560	–	–	560
Debt instruments	951	2 175	61	3,187
	1,511	**2,175**	**61**	**3,747**
Total assets	**1,511**	**2,658**	**61**	**4,230**

* Rounded below EUR 1m.

Liabilities 31.12.2012

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	–	92	–	92
Derivative financial instruments which are an effective part of a hedging relationship	–	60	–	60
Total liabilities	**–**	**152**	**–**	**152**

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

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

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

Additional disclosures on financial assets in Level 3

in €m	1.1.2013	Recognised in result for the period	Change in market value recognised in equity	Disposals/ transfers	30.6.2013
Financial assets at fair value through profit or loss	0*	–	–	–	0*
Available-for-sale financial assets	61	0*	0*	−59	2
Total	**61**	**0***	**0***	**−59**	**2**

* Rounded below EUR 1m.

Financial liabilities

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 financial liability have been calculated using the applicable interest rates for the remaining term to maturity and repayment structures at the balance sheet date based on available market information (Reuters).

Financial liabilities

	30.6.2013		31.12.2012	
in €m	Carrying amount	Market value	Carrying amount	Market value
Bonds	1,808	1,957	2,312	2,563
Liabilities to banks	1,426	1,441	1,507	1,555
Leasing liabilities and other loans	3,332	3,522	3,091	3,372
	6,566	**6,920**	**6,910**	**7,490**

6) Earnings per share

		30.6.2013	30.6.2012*
Basic earnings per share	€	**−0.44**	**0.11**
Consolidated net profit/loss	€m	−204	50
Weighted average number of shares		459,946,980	457,937,406
Diluted earnings per share	€	**−0.44**	**0.11**
Consolidated net profit/loss	€m	−204	50
+ interest expenses on the convertible bonds	€m	–	–
− current and deferred taxes	€m	–	–
Adjusted net profit/loss for the period	€m	−204	50
Weighted average number of shares		459,946,980	457,944,882

* The comparable figures from last year were adjusted retrospectively due to the application of the revised IAS 19 as of 1 January 2013.

7) Issued capital

A resolution passed at the Annual General Meeting on 24 April 2009 authorised the Executive Board until 23 April 2014, subject to approval by the Supervisory Board, to increase the issued capital by up to EUR 25m, by issuing new registered shares to employees (Authorised Capital B) for payment in cash. Existing shareholders' subscription rights are excluded. In order to issue new shares to employees of Deutsche Lufthansa AG and its affiliated companies, the Executive Board of Deutsche Lufthansa AG decided on 28 August 2012 and 6 November 2012, with the approval of the Supervisory Board being given on 19 September 2012, to make use of the authorisation voted at the Annual General Meeting on 24 April 2009 (Authorised Capital B) and increase the Company's issued capital by EUR 1,552,791.04, excluding shareholders' subscription rights, by issuing 606,559 new registered shares with transfer restrictions and profit entitlement from 1 January 2012 for payment in cash. The capital increase was entered in the Commercial Register of Cologne District Court (HRB 2168) on 8 November 2012. In order to issue additional new shares to employees of Deutsche Lufthansa AG and its affiliated companies, the Executive Board decided on 19 September 2012, with the approval of the Supervisory Board being given on 19 September 2012, to increase the Company's issued capital by EUR 3,591,344.64, excluding shareholders' subscription rights, by issuing 1,402,869 new registered shares with transfer restrictions and profit entitlement from 1 January 2012 for payment in cash. The capital increase was entered in the Commercial Register of Cologne District Court (HRB 2168) on 24 September 2012. As of 31 December 2012, Authorised Capital B amounted to EUR 19,855,864.32. In line with a resolution passed at the Annual General Meeting on 7 May 2013, the distributable profit of EUR 296m shown in the 2012 financial statements was transferred in full to retained earnings.

8) Segment reporting

Segment information by operating segment January – June 2013

in €m	Passenger Airline Group	Logistics	MRO	Catering	IT Services	**Total reportable operating segments**	Other	Reconciliation	**Group**
External revenue	10,914	1,205	1,299	919	127	14,464	–	–	14,464
of which traffic revenue	10,374	1,182	–	–	–	11,556	–	222	11,778
Inter-segment revenue	319	13	741	290	177	1,540	–	–1,540	–
Total revenue	**11,233**	**1,218**	**2,040**	**1,209**	**304**	**16,004**	**–**	**–1,540**	**14,464**
Other operating income	532	48	92	32	9	713	629	–370	972
Total operating income	**11,765**	**1,266**	**2,132**	**1,241**	**313**	**16,717**	**629**	**–1,910**	**15,436**
Operating expenses	**11,829**	**1,205**	**1,913**	**1,222**	**308**	**16,477**	**778**	**–1,891**	**15,364**
of which cost of materials and services	7,499	881	955	532	58	9,925	55	–1,419	8,561
of which staff costs	2,043	196	600	458	122	3,419	189	–2	3,606
of which depreciation and amortisation	706	13	48	32	18	817	20	2	839
of which other operating expenses	1,581	115	310	200	110	2,316	514	–472	2,358
Operating result [1]	**–64**	**61**	**219**	**19**	**5**	**240**	**–149**	**–19**	**72**
Other segment income	42	5	8	1	0*	56	67	–41	82
Other segment expenses	108	1	4	0*	2	115	2	38	155
of which impairment losses	100	–	–	–	–	100	–	–	100
Result of investments accounted for using the equity method	–3	8	5	1	–	11	–	–	11
Segment result [2]	**–133**	**73**	**228**	**21**	**3**	**192**	**–84**	**–98**	**10**
Other financial result									–251
Profit/loss before income taxes									–241
Segment assets [3]	15,526	1,080	3,169	1,328	240	21,343	1,573	6,646	29,562
of which from investments accounted for using the equity method	49	67	194	107	–	417	6	–1	422
Segment liabilities [4]	13,198	513	1,554	764	183	16,212	1,713	6,470	24,395
Segment capital expenditure [5]	1,108	129	40	33	12	1,322	5	25	1,352
of which on investments accounted for using the equity method	–	–	4	11	–	15	–	–	15
Employees on balance sheet date	54,881	4,548	19,777	30,912	2,721	112,839	3,977	–	116,816

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

Segment information by operating segment January – June 2012[6]

in €m	Passenger Airline Group	Logistics	MRO	Catering	IT Services	**Total reportable operating segments**	Other	Reconciliation	**Group**
External revenue	10,874	1,339	1,243	927	126	14,509	–	–	14,509
of which traffic revenue	10,334	1,294	–	–	–	11,628	–	223	11,851
Inter-segment revenue	349	13	773	276	175	1,586	–	–1,586	–
Total revenue	**11,223**	**1,352**	**2,016**	**1,203**	**301**	**16,095**	**–**	**–1,586**	**14,509**
Other operating income	453	38	96	42	8	637	704	–390	951
Total operating income	**11,676**	**1,390**	**2,112**	**1,245**	**309**	**16,732**	**704**	**–1,976**	**15,460**
Operating expenses	**11,603**	**1,342**	**1,966**	**1,223**	**301**	**16,435**	**774**	**–1,984**	**15,225**
of which cost of materials and services	7,659	982	973	547	44	10,205	49	–1,500	8,754
of which staff costs	1,648	187	608	437	120	3,000	150	–4	3,146
of which depreciation and amortisation	697	29	49	32	18	825	21	2	848
of which other operating expenses	1,599	144	336	207	119	2,405	554	–482	2,477
Operating result[1]	**73**	**48**	**146**	**22**	**8**	**297**	**–70**	**8**	**235**
Other segment income	50	2	18	1	0*	71	11	7	89
Other segment expenses	62	0*	1	0*	1	64	17	39	120
of which impairment losses	59	–	–	–	–	59	–	–	59
Result of investments accounted for using the equity method	–52	7	12	5	–	–28	0*	–	–28
Segment result[2]	**9**	**57**	**175**	**28**	**7**	**276**	**–76**	**–24**	**176**
Other financial result						–			–277
Profit / loss before income taxes						–			–101
Segment assets[3]	15,715	907	3,155	1,339	281	21,397	1,792	6,760	29,949
of which from investments accounted for using the equity method	27	53	193	87	–	360	6	–	366
Segment liabilities[4]	13,325	603	1,614	735	182	16,459	1,915	6,765	25,139
Segment capital expenditure[5]	1,177	83	63	24	10	1,357	7	21	1,385
of which on investments accounted for using the equity method	–	–	–	–	–	–	–	–	–
Employees on balance sheet date	55,913	4,603	20,345	29,750	2,773	113,384	4,032	–	117,416

* Rounded below EUR 1m.
[1] See page 8 of the interim management report for reconciliation between operating result and profit from operating activities.
[2] Profit from operating activities including result of investments measured at equity.
[3] Intangible assets, property, plant and equipment, investments accounted for using the equity method, inventories, trade receivables and other assets constitute assets. Under the heading "Group" all assets are shown.
[4] All liabilities with the exception of financial debt, liabilities to Group companies, derivative financial instruments, other deferred income and tax obligations. Under the heading "Group" all liabilities are shown.
[5] Capital expenditure for intangible assets, property, plant and equipment, and investments accounted for using the equity method. Under the heading "Group" all investments are shown.
[6] The comparable figures from last year were adjusted retrospectively due to the application of the revised IAS 19 as of 1 January 2013.

Figures by region January–June 2013

in €m	Europe	thereof Germany	North America	thereof U.S.A.	Central and South America	Asia/Pacific	Middle East	Africa	**Total**
Traffic revenue*	7,697	3,636	1,749	1,562	393	1,411	334	194	**11,778**
Other operating revenue	1,163	428	690	511	92	506	142	93	**2,686**
Total revenue	**8,860**	**4,064**	**2,439**	**2,073**	**485**	**1,917**	**476**	**287**	**14,464**

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

Figures by region January–June 2012

in €m	Europe	thereof Germany	North America	thereof U.S.A.	Central and South America	Asia/Pacific	Middle East	Africa	**Total**
Traffic revenue*	7,752	3,345	1,620	1,368	320	1,612	342	205	**11,851**
Other operating revenue	1,229	418	587	495	87	530	127	98	**2,658**
Total revenue	**8,981**	**3,763**	**2,207**	**1,863**	**407**	**2,142**	**469**	**303**	**14,509**

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

9) Related party disclosures

As stated in Note 49 to the consolidated financial statements for 2012 from p. 191, the operating segments in the Lufthansa Group render numerous services to related parties within the scope of their ordinary business activities and also receive services from them. These extensive supply and service relationships take place unchanged on the basis of market prices. There have been no significant changes in comparison with the balance sheet date. The contractual relationships with the group of related parties described in "Note 50" from p. 193 of the 2012 consolidated financial statements also still exist unchanged, but are not of material significance for the Group.

Declaration by the legal representatives

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

The Executive Board, 30 July 2013

Christoph Franz
Chairman of the
Executive Board

Harry Hohmeister
Member of the
Executive Board

Simone Menne
Member of the
Executive Board

Carsten Spohr
Member of the
Executive Board

Bettina Volkens
Member of the
Executive Board

Review report

To Deutsche Lufthansa AG, Cologne

We have reviewed the condensed consolidated interim financial statements – comprising the condensed statement of financial position, condensed statement of comprehensive income, condensed statement of cash flows, condensed statement of changes in equity and selected explanatory notes – and the interim Group management report of Deutsche Lufthansa AG, Cologne, for the period from 1 January, 2013 to 30 June, 2013 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports.

Dusseldorf, 31 July 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Andreas Menke Wirtschaftsprüfer (German Public Auditor)	Dr Bernd Roese Wirtschaftsprüfer (German Public Auditor)

Credits

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Financial calendar 2013/2014

2013

31 Oct.	Release of Interim Report January – September 2013

2014

13 March	Press Conference and Analysts' Conference on 2013 results
29 April	Annual General Meeting in Hamburg
6 May	Release of Interim Report January – March 2014
31 July	Release of Interim Report January – June 2014
30 Oct.	Release of Interim Report January – September 2014

Disclaimer in respect of forward-looking statements
Information published in the 2nd Interim Report 2013, with regard to the future development of the Lufthansa Group and its subsidiaries consists purely of forecasts and assessments and not of definitive historical facts. Its purpose is exclusively informational identified by the use of such cautionary terms as "believe", "expect", "forecast", "intend", "project", "plan", "estimate" or "intend". These forward-looking statements are based on all discernible information, facts and expectations available at the time. They can, therefore, only claim validity up to the date of their publication.

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

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