Lufthansa Group

What drives us.

What defines us.

How we work.

Focused on our way.

2nd Interim Report Jan. – June 2014

Lufthansa Group overview

Key figures Lufthansa Group

		Jan. – June 2014	Jan. – June[3] 2013	Change in %	**April – June 2014**	April – June[3] 2013	Change in %
Revenue and result							
Total revenue	€m	14,166	14,464	−2.1	7,704	7,836	−1.7
of which traffic revenue	€m	11,466	11,780	−2.7	6,305	6,442	−2.1
Operating result	€m	114	73	56.2	359	432	−16.9
EBIT	€m	82	−78		314	418	−24.9
EBITDA	€m	778	860	−9.5	670	862	−22.3
Net profit / loss for the period	€m	−79	−203	61.1	173	255	−32.2
Key balance sheet and cash flow statement figures							
Total assets	€m	29,959	29,585	1.3	–	–	–
Equity ratio	%	16.6	17.5	−0.9 pts	–	–	–
Net indebtedness	€m	1,614	1,223	32.0	–	–	–
Cash flow from operating activities	€m	1,744	2,316	−24.7	889	1,337	−33.5
Capital expenditure (gross)	€m	1,548	1,352	14.5	689	634	8.7
Key profitability and value creation figures							
Adjusted operating margin[1]	%	1.2	0.9	0.3 pts	5.1	6.0	−0.9 pts
EBITDA margin	%	5.5	5.9	−0.4 pts	8.7	11.0	−2.3 pts
Lufthansa share							
Share price at the quarter-end	€	15.68	15.60	0.5	–	–	–
Earnings per share	€	−0.17	−0.44	61.4	0.38	0.55	−31.5
Traffic figures[2]							
Passengers	thousands	49,883	49,472	0.8	28,143	27,833	1.1
Passenger load factor	%	78.1	78.1	0.0 pts	80.2	79.7	0.5 pts
Freight and mail	thousand tonnes	932	962	−3.1	468	497	−6.0
Cargo load factor	%	70.2	69.1	1.1 pts	68.7	67.9	0.8 pts
Available tonne-kilometres	millions	19,960	19,909	0.3	10,665	10,704	−0.4
Revenue tonne-kilometres	millions	14,806	14,743	0.4	8,023	7,991	0.4
Overall load factor	%	74.2	74.0	0.2 pts	75.2	74.7	0.5 pts
Flights	number	491,389	502,384	−2.2	259,805	268,087	−3.1
Employees							
Employees as of 30.6.	number	119,092	116,888	1.9	119,092	116,888	1.9

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

Date of publication: 31 July 2014.

Contents

Ladies and gentlemen,

The Lufthansa Group has seen a turbulent first half-year. After our business was hit hard by strikes in the first months of this year, our airlines were also faced with an increasingly difficult demand situation. Within a few weeks, the average yields contracted so sharply that in June, we had to respond to this adverse trend by lowering our forecast. Unfortunately, the risks for our business performance described in the first interim report have materialised surprisingly quickly.

We are not alone in experiencing these adverse developments, our competitors are reporting the same trend. And even though the Lufthansa share price has held its ground well this year compared with our competitors', we are certainly not satisfied with its performance following the sharp price loss in June. We will now be working even harder to achieve an appropriate level of profitability for the Lufthansa Group.

In the short term, this means cutting our planned growth in order to stabilise pricing. We are therefore reducing our planned capacity growth by half and respond clearly to the changed demand situation, particularly in the winter flight plan. The same applies to the planned capacity expansion for the year ahead.

In the medium term, we will respond to the challenges of the industry by adjusting our strategy. We presented a corresponding “roadmap” to the public in July. Alongside the planned continuation of our successful SCORE programme, we see the ongoing efficiency gains as a permanent requirement in order to prepare a sufficient volume of profit improvement measures and thus counteract the industry trend.

We reiterate our aim of quality leadership in all of our operating segments, most visibly in our network airlines. We will turn Lufthansa Passenger Airlines into a five-star airline. With top quality and strong partnerships in our key markets we will boost quality, service as well as profitability. As growth in this market is, however, becoming increasingly difficult a key element of our strategy is to tap more into direct connections in the low-cost segment for the Lufthansa Group. This profitable, fast growing segment will in the future be developed in parallel to the classic network carriers in the Passenger Airline Group. By this we aim at serving the inner-European as well as the long-haul traffic from Germany.

Our service segments will expand their positions as global market leaders and grow faster than the Passenger Airline Group in future. The focus will be on further growth in our large service companies, Lufthansa Technik and LSG Sky Chefs, but of course also on Miles & More and AirPlus. By 2020, some 40 per cent of Group revenue should be generated outside the classic airline business.

Innovation and digitalisation will be core elements of our further development. A more dynamic and leaner administrative organisation should help us to play out our Group strengths more focusedly in the future. We want to use the motivation and passion of our staff and managers to sharpen our focus on performance even further. As the value-based approach will be maintained, the system of key performance indicators will be modernised in order to make the implementation of our targets easier manageable and controllable through enhanced transparency.

These are unsettling times for your and our Lufthansa Group. We are taking on the current challenges of the market and are fighting back against all the adverse trends in order to improve our economic results. At the same time, we are keeping our eyes set on the future. With our new and comprehensive roadmap, we will turn the Lufthansa Group back into what we and you think it should be: the benchmark in our industry – and so the first choice for customers, employees, shareholders and partners.

Thank you for your continued trust.

Carsten Spohr
Chairman of the
Executive Board

Simone Menne
Member of the
Executive Board

Karl Ulrich Garnadt
Member of the
Executive Board

Bettina Volkens
Member of the
Executive Board

Harry Hohmeister
Member of the
Executive Board

Lufthansa share

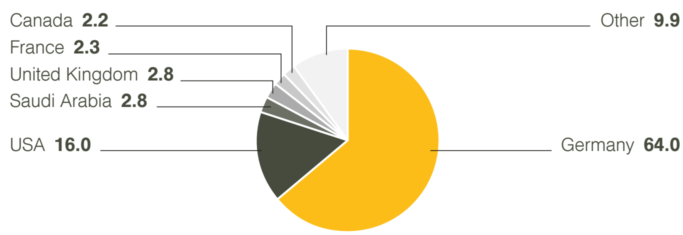
The gains made by the Lufthansa share in the first quarter (+23.3 per cent) were mostly lost in the second quarter (–21.6 per cent), largely due to the adjustment of the earnings forecast on 11 June 2014. At the end of the first half-year 2014, the Lufthansa share was trading at EUR 15.68. This represents a slight increase over the first half of 1.7 per cent. Including the dividend of EUR 0.45 paid out in May for the financial year 2013, this adds up to a total shareholder return for the period of 2.1 per cent. The DAX index rose by 2.9 per cent over the same period.

At the end of the first half-year, twelve analysts recommended the Lufthansa share as a buy, 13 recommended to hold it and four to sell it. The average target price was EUR 18.44.

The free float of Lufthansa shares was again unchanged at 100 per cent at the end of the first half-year. 64.0 per cent of Lufthansa shares were held by German investors. Before the largest individual shareholders were BlackRock Inc. with 5.43 per cent, The Capital Group Companies with 5.34 per cent and Templeton Global Advisors Limited with 5.00 per cent.

On 22 April 2014, the share held by foreign shareholders in Deutsche Lufthansa AG exceeded the threshold of 40 per cent. After careful analysis, Deutsche Lufthansa AG did not expect this share to exceed 50 per cent. The Company has therefore not made use of its right to buy-back shares. At the end of the first half, the proportion of foreign shareholders had fallen back to 36.1 per cent. Up-to-date information on the shareholder structure is provided regularly on the website i www.lufthansagroup.com/investor-relations.

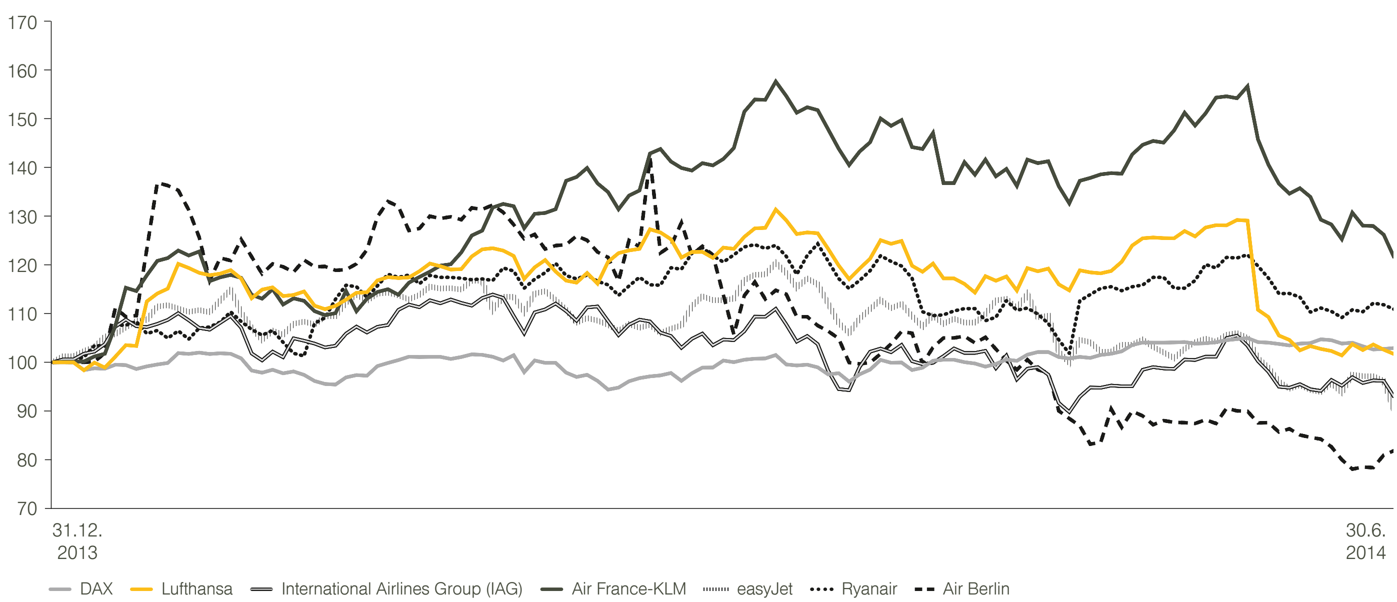
Shareholder structure by nationality in % (as of 30.6.2014)



Free float: 100%

In addition to the regular publications, Carsten Spohr, Chairman of the Executive Board and CEO of Deutsche Lufthansa AG since May 2014, gave a presentation to investors on 10 July 2014 on the planned development of the Lufthansa Group. The presentation is also available on the website mentioned above.

Performance of the Lufthansa share, indexed as of 31.12.2013, compared with the DAX and competitors, in %



Interim management report

Economic environment and sector performance

GDP growth 2014 compared with previous year

in %	Q1	Q2*	Q3*	Q4*	Full year
World	2.8	2.6	2.7	2.9	2.8
Europe	1.6	1.5	1.7	1.8	1.6
Germany	2.3	1.8	2.0	2.3	2.1
North America	1.6	1.9	1.7	1.7	1.7
South America	1.5	1.0	1.6	2.1	1.7
Asia/Pacific	5.3	4.7	4.8	4.8	4.9
China	7.4	7.4	7.3	7.4	7.4
Middle East	3.4	3.5	3.7	3.9	3.6
Africa	3.6	3.8	4.2	4.5	4.0

Source: Global Insight World Overview as of 15.7.2014.
* Forecast.

Macroeconomic situation The global economy grew year on year by 2.6 per cent in the second quarter, exceeding the year-on-year rate for the same period last year (2.4 per cent). Performance again differed widely between individual regions. Emerging economies continued to post the highest growth rates, while the industrialised economies grew more slowly. Economic growth in Europe came to 1.5 per cent in the second quarter of 2014.

Since the beginning of the year the oil price has risen from USD 110.80/barrel to USD 112.36/barrel as of 30 June 2014. The average price in the first half-year of USD 108.84/barrel was 0.9 per cent higher than last year's figure. The jet fuel crack (price difference between crude oil and kerosene) was around 12.7 per cent lower than last year. Overall, the kerosene price went down year on year by an average of 0.9 per cent. The slight fall in fuel prices caused the hedging result to drop to EUR –23m. Total fuel costs for the first half-year came to EUR 3.2bn.

Compared to the same period last year, the euro appreciated against the main currencies. The 4.4 per cent fall in the US dollar had a positive impact on costs. Income, however, presented a mixed picture. Whereas the pound sterling rose 3.4 per cent against the euro, the Japanese yen lost 12.2 per cent and the Chinese renminbi 4.0 per cent. The Swiss franc was virtually unchanged against the euro. Overall, exchange rate effects lifted the operating result for the first half-year by EUR 46m. This does not include the earnings impact of the devaluation of currency balances in Venezuela.

Development of crude oil, kerosene and currency

		Minimum	Maximum	Average	30.6.2014
ICE Brent	in USD/bbl	104.79	115.06	108.84	112.36
Kerosene	in USD/t	930.25	1,017.75	971.36	986.50
USD	1 EUR/USD	1.3486	1.3925	1.3708	1.3661
JPY	1 EUR/JPY	136.7500	145.0700	140.4354	138.4800
CHF	1 EUR/CHF	1.2122	1.2372	1.2213	1.2152
CNY	1 EUR/CNY	8.1713	8.6928	8.4531	8.4694
GBP	1 EUR/GBP	0.7982	0.8396	0.8213	0.8026

Sector developments Global economic growth has been continuing for some time now and had a positive effect on global passenger traffic. Revenue passenger-kilometres for all airlines climbed year on year by 6.2 per cent in the first five months of 2014. European carriers reported an unusual rapid growth, also of 6.2 per cent. Low-cost carriers were the main drivers of this strong growth by European standards as they grew disproportionately well. On a global comparison, however, the strongest growth again came from Middle Eastern carriers. They sold an additional 14.0 per cent passenger-kilometres year on year in the first five months of the year.

The premium segment performed well, rising year on year by 4.4 per cent worldwide.

The global cargo business was more subdued than the passenger business in the first half-year. Revenue tonne-kilometres climbed 4.4 per cent year on year in the first five months of 2014. As in passenger traffic, there were regional disparities. The volumes of freight providers from the Middle East grew by 10.6 per cent, those from Europe by 4.1 per cent and those from North America by 1.8 per cent.

On 23 June 2014, the chief executive officers of the airlines in the Star Alliance unanimously approved the membership of the Indian national carrier Air India, paving the way for the first Indian airline to join the global aviation alliance. Air India has been offering its customers all the advantages of the Star Alliance since 11 July. Mutual recognition of frequent flyer status in Air India's Flying Returns programme and the frequent flyer programmes operated by the members of the Star Alliance also came into effect on 11 July 2014. Air India extends the alliance route network with the addition of 400 daily flight connections and 35 new destinations in India.

The state-controlled Gulf airline Etihad is preparing to invest in Alitalia of Italy. Etihad announced that it had reached a fundamental agreement with Alitalia shareholders on acquiring a 49 per cent stake. The agreement is still subject to approval by the competition authorities. According to the announcement, Etihad wants to invest up to EUR 1.25bn in Alitalia in the next four years. These funds are intended to be used for a capital increase as well as for aircraft, training programmes and equipment.

By its own account, Air Berlin, in which Etihad holds a stake of a good 29 per cent, received EUR 300m in equity in the first half of 2014 in the form of subordinated convertible bonds with no maturity date, which Etihad subscribed for a total nominal amount of EUR 300m. Air Berlin also announced a far-reaching organisational restructuring to improve its economic situation. No details were given. The company had previously delayed publication of its results for 2013 repeatedly.

The Hungarian low-cost airline Wizz Air postponed its stock market flotation, which was planned for June 2014, indefinitely. Sharp fluctuations in the share prices of the publicly listed European airlines in June were cited as the reason.

The pace of mergers and partnerships continued unbroken in the first half-year. On 7 July 2014, the Lufthansa Group and Air China signed a memorandum of understanding to prepare a commercial joint venture between the two companies. For the Passenger Airline Group, this partnership is intended to add to the existing joint ventures with United Airlines and Air Canada on transatlantic routes (since 1998) and with ANA (since 2012) on routes between Europe and Japan. The agreement with Air China will allow the Lufthansa Group to provide its airlines with even better access to the world's second largest aviation market after the USA. The new commercial partnership agreement should come into effect at the start of the winter flight timetable in late October 2014.

Course of business

The performance of the Lufthansa Group varied across the individual business segments and regions in the first half of 2014. The weakness of certain currencies and strikes had a negative effect, particularly on the revenue of the airborne companies. Lower fuel expenses reduced costs, however, as did lower depreciation and amortisation as a result of the new depreciation policy for aircraft and reserve engines.

Revenue for the Lufthansa Group declined year on year, largely due to a general weakness in revenues, the strong euro and the effects of the strike by the pilots' union Vereinigung Cockpit in April. At the same time, the operating result improved, reaching a substantially positive figure in the first half-year. This includes lower unit costs at the airlines than last year and lower depreciation and amortisation thanks to the change in depreciation policy. The IT Services segment increased its contribution to the Group's total operating income, whereas the other business segments all reported results below last year's.

Significant events On 11 June 2014, the Lufthansa Group adjusted its earnings forecast due to non-recurring expenses from various strikes and the devaluation of the Venezuelan bolivar, as well as the fact that revenue in the passenger and freight business was below expectations. The Company's Executive Board is now projecting an operating result for the current financial year of around EUR 1bn (adjusted for non-recurring effects: around EUR 1.3bn). Previously, the Group had been forecasting an operating result of between EUR 1.3bn and EUR 1.5bn for 2014 (adjusted for non-recurring effects: between EUR 1.7bn and 1.9bn). The North American business in particular is suffering from increasing overcapacities, which leads to lower prices on these routes. European business at the hubs is under pressure from the increasing availability of point-to-point connections, partly from low-cost carriers. Rapid capacity growth at state-owned Gulf airlines is also having a negative effect. Further details can be found in the "Sector developments" section on p. 3.

The strike by the pilots' union Vereinigung Cockpit at Lufthansa Passenger Airlines, Germanwings and Lufthansa Cargo from 2 to 4 April 2014 had a severe impact on the result. It followed a strike ballot held by the union in March 2014. The Lufthansa Group incurred a loss of earnings amounting to some EUR 60m as a result of this strike. Only in the course of the second quarter did booking patterns return to normal. The strike was preceded by protracted, intense talks and negotiations about pay and future transitional benefits for pilots. Negotiations with the pilots' union Vereinigung Cockpit resumed following the three-day strike and are still ongoing.

Other strikes by various interest groups outside the Lufthansa Group also undermined the performance of the Group airlines. On 21 February 2014, various security companies at Frankfurt Airport went on strike in response to a call by the trade union ver.di. This caused delays and cancellations throughout day, which severely inconvenienced passengers and impacted earnings accordingly.

In the course of collective bargaining for public-sector workers, the trade union ver.di also called for nationwide warning strikes at German airports on 27 March 2014. The majority of domestic German flights and European connections scheduled in the period from 6 a.m. to 2 p.m. had to be cancelled that day, with the exception of those operated by Germanwings and the Lufthansa regional subsidiaries to and from Munich.

SCORE In the first half-year, the Lufthansa Group continued to make progress with its SCORE programme. Since its launch in spring 2012, more than 4,200 projects have been started to cut costs, increase income and introduce more efficient structures. Around 3,200 of these have already had a positive financial impact on earnings. Among the most important SCORE projects to cut costs, boost income and make structural changes is the transfer of European direct traffic outside the hubs in Frankfurt and Munich from Lufthansa Passenger Airlines to Germanwings. Cologne, Stuttgart and Hanover made the transition back in late summer 2013, and Hamburg began to do so in June 2014. The switch will be completed in Berlin at the end of November, and in Düsseldorf, which will be the biggest site, in January 2015.

At Lufthansa Passenger Airlines, the new long-haul product presented in March, the Premium Economy Class, has been bookable since May 2014 and will be available on board by the end of the year.

Structural changes to flight training at Lufthansa Passenger Airlines and SWISS have been decided. Their flight schools are to be merged by July 2015.

In the reporting period, the airlines of the Lufthansa Group agreed to work more closely together on digital processes and build a joint IT platform over the next five years. Progressing in modular steps up to 2019, one programme, named “airline.com”, intends to create a multi-brand site where processes such as the sale of tickets and additional services, check-in and the booking of further products like hotels and rental cars, can be offered on a standardised basis for all the airlines in the Lufthansa Group. With airline.com, customers will not only be able to book flights, but also additional services, such as advanced seat reservations and extra baggage, for all the Lufthansa Group airlines, independently of the airline’s respective website which they would otherwise use.

Staff and management The Lufthansa Group made additional changes to its boards after appointing the new Chairman of the Executive Board and CEO of Deutsche Lufthansa AG. On 1 May 2014, the Supervisory Board appointed Carsten Spohr (47) as Chairman of the Executive Board and CEO of Deutsche Lufthansa AG. At its meeting on 12 March 2014, the Supervisory Board also appointed Karl Ulrich Garnadt (57) to succeed Carsten Spohr as a member of the Executive Board and Chairman of the Executive Board of Lufthansa German Airlines. Mr Garnadt had been Chairman of the Executive Board and CEO of Lufthansa Cargo AG since January 2011. Peter Gerber (50) was appointed to succeed him as the new Chairman of the Executive Board and CEO of Lufthansa Cargo as of 1 May 2014.

In addition to her previous responsibilities, Dr Bettina Volkens also assumed the role of Chief Human Resources Officer at Lufthansa Passenger Airlines, as of 1 May 2014. Since 1 July 2013, she has been Chief Human Resources Officer and the Executive Board’s Chief Officer for Human Resources and Legal at Deutsche Lufthansa AG.

As of 1 October 2014, Erdmann Rauer (47) will succeed Walter Gehl (61), who has been Chairman of the Executive Board and CEO of LSG Lufthansa Service Holding AG (LSG Holding) since March 2005. The contract with Mr Gehl will expire on 30 September 2014. The Supervisory Board of LSG Holding also appointed Dr Kristin Neumann (42) as Chief Financial Officer and Head of Human Resources at LSG Holding with effect from 1 July 2014. She will take over from Jens Theuerkorn (60), whose contract ended as planned on 30 June 2014. Mr Theuerkorn had been Chief Financial Officer since July 2009.

Changes in reporting standards and in the group of consolidated companies Until the end of the financial year 2012, new commercial aircraft and reserve engines were depreciated over a period of twelve years to a residual value of 15 per cent. According to an analysis undertaken when the 2013 financial statements were being prepared, technological developments and the higher demands made of their cost-effectiveness due to increasing competition have resulted in significant changes to the forecast useful economic life of the commercial aircraft and reserve engines used in the Lufthansa Group. In line with the fleet strategy, which takes these aspects into account, as well as with external considerations, new commercial aircraft and reserve engines are now being depreciated over a period of 20 years to a residual value of 5 per cent, starting in the 2013 financial year. The adjustment to their useful lives was made prospectively as a change in an accounting estimate in accordance with IAS 8.32. The change was therefore not made retrospectively for interim reporting periods in the previous year. As a result of the change in the accounting estimate of the useful economic life of these assets, depreciation and amortisation was EUR 169m lower in the first half of 2014.

In accordance with IFRS 11 Joint Arrangements, which became mandatory as of 1 January 2014, the equity investment in Aerologic GmbH is no longer accounted for using the equity method. Instead, the earnings, assets and liabilities of this company are now recognised in the consolidated financial statements on a pro rata basis. The figures for the previous year have been adjusted accordingly. This change had no material effect in the first half of 2014 or in the same period of the previous year. The other standards and interpretations mandatory for the first time as of 1 January 2014 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. 30.

There have been no significant changes to the group of consolidated companies since this time last year. The individual changes compared with year-end 2013 and 30 June 2013 are shown in the table on p. 30. These changes had no significant effect on the consolidated balance sheet and the consolidated income statement in comparison with the same period last year.

Earnings position

Traffic figures of the Lufthansa Group's airlines*

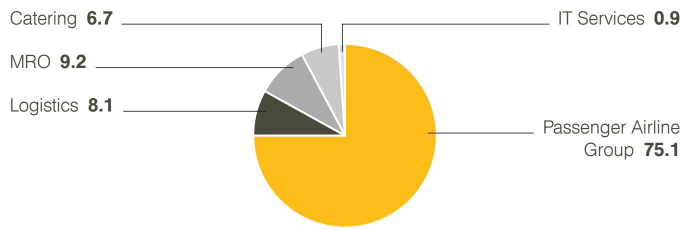
		Jan. – June 2014	Jan. – June 2013	Change in %
Passengers carried	thousands	49,883	49,472	0.8
Available seat-kilometres	millions	128,353	126,970	1.1
Revenue seat-kilometres	millions	100,208	99,155	1.1
Passenger load factor	%	78.1	78.1	0.0 pts
Freight/mail	thousand tonnes	932	962	–3.1
Available cargo tonne-kilometres	millions	7,070	7,232	–2.2
Revenue cargo tonne-kilometres	millions	4,960	5,000	–0.8
Cargo load factor	%	70.2	69.1	1.1 pts
Total available tonne-kilometres	millions	19,960	19,909	0.3
Total revenue tonne-kilometres	millions	14,806	14,743	0.4
Overall load factor	%	74.2	74.0	0.2 pts
Flights	number	491,389	502,384	–2.2

* Previous year's figures have been adjusted.

Revenue and income In the first half of 2014, the Lufthansa Group's traffic figures in the passenger business were up slightly on the same period in the previous year, while the cargo business declined. The Group's airlines carried around 49.9 million passengers, a rise of 0.8 per cent. Transport of freight and mail fell by 3.1 per cent to 932 thousand tonnes. The individual performance data for the separate segments is presented in the respective chapters.

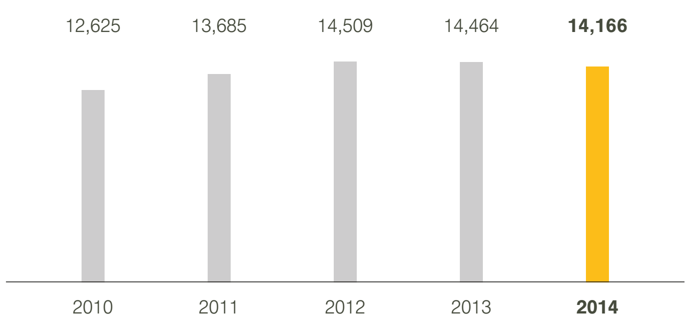
Slightly higher traffic in the passenger business enabled sales in the first half-year to increase by 1.1 per cent compared with the same period a year ago. By contrast, sales in the cargo business fell by 0.8 per cent. Traffic revenue for the Group contracted by 2.7 per cent overall to EUR 11.5bn. Lower prices (–1.7 per cent) and negative exchange rate effects (–1.9 per cent) depressed income, while higher sales in the passenger and cargo businesses added a total of 0.9 per cent. The Passenger Airline Group accounted for EUR 10.1bn (–2.5 per cent) of traffic revenue and the Logistics segment for EUR 1.1bn (–4.6 per cent).

External revenue share of the business segments in % (as of 30.6.2014)



Other revenue was up 0.6 per cent on the year at EUR 2.7bn. Thereof, the MRO segment generated EUR 1.3bn (+0.8 per cent), Catering EUR 943m (+2.6 per cent) and IT Services EUR 128m (+0.8 per cent). The airborne companies in the Passenger Airline Group and Logistics segment contributed EUR 321m (–5.6 per cent) to other revenue.

Revenue development in €m (Jan. – June)



As a result, the Group's revenue decreased by 2.1 per cent on the previous year's figure to EUR 14.2bn. The development of revenue over the last five years is shown in the chart above. The Passenger Airline Group's share of total revenue fell to 75.1 per cent (–0.4 percentage points). The distribution of revenue by segment and region is shown in the segment reporting from p. 35.

Other operating income decreased by 8.4 per cent to EUR 905m. Lower exchange rate gains (EUR –104m) were offset in particular by income from write-backs on eleven Canadair Regional Jet 700s held for sale (EUR 16m), higher book gains on the disposal of non-current assets (EUR +16m) as well as current financial investments (EUR +18m). The other individual items did not vary significantly compared with the first half of last year.

Total operating income therefore fell by EUR 366m, or 2.4 per cent, to EUR 15.2bn.

Revenue and income

	Jan. – June 2014 in €m	Jan. – June 2013 in €m	Change in %
Traffic revenue	11,466	11,780	–2.7
Other revenue	2,700	2,684	0.6
Total revenue	**14,166**	**14,464**	**–2.1**
Changes in inventories and work performed by the entity and capitalised	82	67	22.4
Other operating income	905	988	–8.4
Total operating income	**15,153**	**15,519**	**–2.4**

Expenses Operating expenses declined year on year by a total of EUR 571m (–3.7 per cent) to EUR 14.9bn. The cost of materials and services fell by 3.4 per cent to EUR 8.3bn. Within the cost of materials and services, fuel costs fell by 7.4 per cent to EUR 3.2bn, despite a slight increase in traffic. In addition to the 1.9 per cent decrease in fuel prices after hedging, the movement of the US dollar and lower volumes also reduced fuel expenses by 4.6 per cent and 0.9 per cent respectively. The expenses for other raw materials, consumables and supplies rose by 4.2 per cent to EUR 1.3bn.

Fees and charges were more or less stable year on year at EUR 2.5bn. While handling charges went down by 5.4 per cent, passenger fees (+6.5 per cent) and security fees (+8.9 per cent) went up. At EUR 167m, expenses for the air traffic tax were on par with the same period in the previous year. Other purchased services totalled EUR 1.2bn, 6.8 per cent less than last year, primarily due to lower charter expenses and expenses for operating leases.

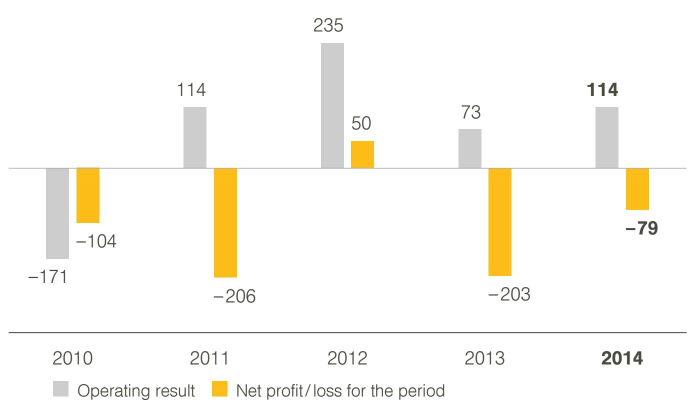
Expenses

	Jan. – June 2014 in €m	Jan. – June 2013 in €m	Change in %
Cost of materials and services	8,264	8,555	–3.4
of which fuel	3,243	3,503	–7.4
of which fees and charges	2,518	2,515	0.1
of which operating lease	28	54	–48.1
Staff costs	3,646	3,608	1.1
Depreciation	695	932	–25.4
Other operating expenses	2,343	2,424	–3.3
Total operating expenses	**14,948**	**15,519**	**–3.7**

Staff costs went up by 1.1 per cent as the average number of employees rose by 1.9 per cent to 118,954, primarily due to additions to the group of consolidated companies. Expenses were reduced by a year-on-year decline in restructuring costs related to SCORE as well as currency effects. Depreciation and amortisation decreased by EUR 237m, or 25.4 per cent, in total, to EUR 695m. The change in the depreciation of aircraft (EUR –147m) meant that the adjustment to the useful economic life of commercial aircraft reduced depreciation and amortisation by EUR 169m. Impairment losses fell from EUR 93m in the previous year to EUR 8m in the current reporting period, and related to three Canadair Regional Jets 700.

Other operating expenses shrank by 3.3 per cent to EUR 2.3bn. Lower exchange rate losses (EUR –132m) and agency commissions (EUR –24m) were offset by higher write-downs on current assets (EUR +53m) and higher indirect staff costs and costs for outside staff (EUR +32m). The other items did not vary significantly compared with the previous year.

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



Earnings development Profit from operating activities came to EUR 205m in the current half-year, compared with the break-even last year. The operating result, which is regularly adjusted for the items shown in the table on p. 8, improved by EUR 41m to EUR 114m. The adjusted operating margin picked up from 0.9 per cent to 1.2 per cent. This is calculated as operating result plus write-backs of provisions divided by revenue.

The result from equity investments decreased overall by EUR 11m to EUR 22m in the reporting period. Net interest, on the other hand, improved to EUR –141m (previous year: EUR –162m).

The result from other financial items fell by EUR 34m to EUR –145m. Hereof, the valuation of the conversion options included in the convertible bond issued in 2012, which entitles the holder to acquire the Lufthansa Group's shares in JetBlue, accounts for EUR –70m (previous year: EUR –16m) and the changes in market value recognised in profit or loss of outstanding fuel, currency and interest rate hedges for EUR –75m (previous year: EUR –95m). 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 82m at the end of the first half-year (previous year: EUR –78m).

Earnings before taxes (EBT) improved by EUR 181m to EUR –59m. Deducting income taxes (EUR 11m) and earnings attributable to minority interests (EUR 9m) gives a net loss for the period of EUR 79m (previous year: EUR –203m). Earnings per share therefore amount to EUR –0.17 (previous year: EUR –0.44).

Cash flow and capital expenditure

The cash flow from operating activities of EUR 1.7bn in the first half of 2014 was EUR 572m lower than in the same period last year. Starting from a profit before income taxes that was EUR 181m higher than in the previous year, the elimination of non-cash depreciation and amortisation and of cash flows attributable to investing and financing activities had a negative impact of EUR 254m on cash flow from operating activities compared with the previous year. The reasons for the fall in cash flow from operating activities were the fact that working capital was reduced by EUR 491m less in the first half of 2014 and changes to pensions and restructuring provisions recognised in the cash flow statement. Income tax payments accounted for further cash outflows of EUR 42m. Gross capital expenditure came to EUR 1.5bn (previous year EUR 1.4bn), of which EUR 1.3bn was for a total of 22 aircraft (two Airbus A380s, five Boeing B747-8s, one B777-200, two B777Fs, one A330-300, nine A320s and two A319s) as well as for aircraft overhauls and advance payments.

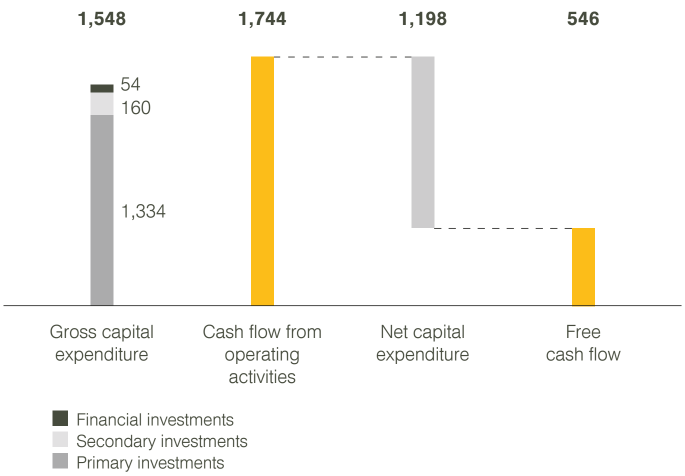
Reconciliation of results

in €m	**Jan. – June 2014** Income statement	Reconciliation with operating result	Jan. – June 2013 Income statement	Reconciliation with operating result
Total revenue	**14,166**	**–**	**14,464**	**–**
Changes in inventories	82	–	67	–
Other operating income	905	–	988	–
of which book gains and current financial investments	–	–57	–	–23
of which income from reversal of provisions	–	–56	–	–53
of which write-ups on capital assets	–	–22	–	–1
of which period-end valuation of non-current financial liabilities	–	–1	–	–5
Total operating income	**15,153**	**–136**	**15,519**	**–82**
Cost of materials and services	–8,264	–	–8,555	–
Staff costs	–3,646	–	–3,608	–
of which past service cost	–	0*	–	0*
Depreciation	–695		–932	
of which impairment losses	–	8	–	93
of which effects from adjusting the depreciation of aircraft	–	–	–	–
Other operating expenses	–2,343		–2,424	
of which impairment losses on assets held for sale – non-operating	–	1	–	7
of which expenses incurred from book losses and current financial investments	–	14	–	16
of which period-end valuation of non-current financial liabilities	–	22	–	39
Total operating expenses	**–14,948**	**45**	**–15,519**	**155**
Profit/loss from operating activities	**205**	**–**	**0***	**–**
Total from reconciliation with operating result	–	–91	–	73
Operating result	**–**	**114**	**–**	**73**
Result from equity investments	22	–	33	–
Other financial items	–145	–	–111	–
EBIT	**82**	**–**	**–78**	**–**
Write-downs (included in profit from operating activities)	695	–	932	–
Write-downs on financial investments, securities and assets held for sale	1	–	6	–
EBITDA	**778**	**–**	**860**	**–**

* Rounded below EUR 1m.

An additional EUR 121m was invested in other property, plant and equipment. Intangible assets accounted for EUR 39m thereof. Financial investments of EUR 54m related almost solely to loans.

Cash flow and capital expenditure in €m (as of 30.6.2014)



EUR 51m was invested in repairable spare parts for aircraft. The funding requirement was partly covered by interest and dividend income (EUR 250m in total) and by proceeds of EUR 104m from the disposal of assets – mostly aircraft. The purchase and sale of current securities and funds resulted in a net cash inflow of EUR 362m. A total of EUR 836m 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 546m and was therefore EUR 758m lower than last year.

The balance of financing activities was a net cash outflow of EUR 1.5bn. Some new borrowing of EUR 148m was offset by scheduled debt repayments of EUR 1.2bn in total, interest paid of EUR 191m and dividends paid, including to minority shareholders, of EUR 213m. The majority of the scheduled debt repayments relate to the scheduled repayment of a euro bond of EUR 850m.

Cash and cash equivalents fell by EUR 577m to EUR 830m. This includes a decrease of EUR 1m in cash balances due to exchange rate movements. The internal financing ratio was 112.7 per cent (previous year: 171.3 per cent). Overall, cash including current securities at the end of the first half-year fell to EUR 3.6bn (previous year: EUR 5.4bn). The detailed cash flow statement can be found on p. 29.

Assets and financial position

The Group's total assets rose by EUR 851m compared with year-end 2013 to EUR 30.0bn as of 30 June 2014. Non-current assets were up by EUR 1.2bn, while current assets fell by EUR 320m.

Within non-current assets, the item aircraft and reserve engines rose by EUR 800m to EUR 13.2bn. The balance sheet amounts of investments accounted for using the equity method fell by EUR 51m, largely due to dividends received. The miscellaneous equity investments item increased by EUR 40m, which was made up largely of positive changes in the market value of the JetBlue shares (EUR +80m), less EUR 38m following the sale of shares in The Airline Group Limited. Derivative financial instruments decreased by EUR 57m, mainly due to existing currency hedges. Claims related to deferred tax assets increased by EUR 443m, primarily due to the negative after-tax result and an increase in pension provisions, mostly related to the interest rate.

Within current assets, receivables increased by EUR 664m, mainly for seasonal and billing reasons. The decline in current financial derivatives (EUR –63m) stemmed mostly from currency and interest rate hedges, offset by positive changes in fuel hedging positions. Cash and cash equivalents, consisting of current securities, bank balances and cash-in-hand, went down by EUR 1.0bn to EUR 3.7bn due to the repayment of financial liabilities. The proportion of non-current assets in the balance sheet total rose from 66.7 per cent at year-end 2013 to 68.7 per cent currently.

Shareholders' equity (including minority interests) fell by EUR 1.1bn (–18.7 per cent) to EUR 5.0bn as of the reporting date. The main reasons for the fall were the increase in pension provisions not recognised in profit or loss (EUR 910m), dividend payments to shareholders of Deutsche Lufthansa AG and minority interests of EUR 213m as well as the negative after-tax result of EUR 79m. The equity ratio fell from 21.0 per cent at the end of 2013 to 16.6 per cent.

Non-current liabilities and provisions went up by EUR 1.5bn to EUR 13.5bn, while current borrowing was stepped up by EUR 536m to EUR 11.5bn. Within non-current borrowing, pension provisions went up by EUR 1.4bn, mainly due to a fall in the discount rate from 3.75 per cent to 3.25 per cent.

Financial liabilities fell by EUR 33m, primarily due to maturities. The increase of EUR 96m in derivative financial instruments consists of EUR 70m from the higher market value of the conversion options included in the convertible bond issued in 2012 for the JetBlue shares held by the Lufthansa Group, plus EUR 25m from open exchange and interest rate hedges.

Within current liabilities and provisions, other provisions decreased by EUR 111m, in part as a result of the utilisation of provisions formed for restructuring measures carried out in the course of SCORE. The decrease in current borrowing (EUR –991m) is largely due to the repayment of a euro bond for EUR 850m. In addition, trade payables and other financial liabilities climbed (EUR +222m) – largely for seasonal and billing reasons – as did liabilities from unused flight documents (EUR +1.4bn).

Net debt at the end of the first half of 2014 came to EUR 1.6bn (year-end 2013: EUR 1.7bn). The debt repayment ratio fell to 30.9 per cent (previous year: 37.6 per cent), which was well below the target of 45 per cent.

Calculation of net indebtedness

	30 June 2014 in €m	31 Dec. 2013 in €m	Change as of 31 Dec. 2013 in %
Liabilities to banks	1,131	1,254	–9.8
Bonds	968	1,812	–46.6
Other non-current borrowing	3,214	3,271	–1.7
	5,313	**6,337**	**–16.2**
Other bank borrowing	35	56	–37.5
Group indebtedness	**5,348**	**6,393**	**–16.3**
Cash and cash equivalents	957	1,552	–38.3
Securities	2,777	3,146	–11.7
Net indebtedness	**1,614**	**1,695**	**–4.8**
Pension provisions	6,087	4,718	29.0
Net indebtedness and pensions	**7,701**	**6,413**	**20.1**

Group fleet – Number of commercial aircraft
Lufthansa Passenger Airlines inclusive Germanwings and regional airlines (LH), SWISS (LX), Austrian Airlines (OS) and Lufthansa Cargo (LCAG) as of 30.6.2014

Manufacturer/type	LH	LX	OS	LCAG	**Group fleet**	of which finance lease	of which operating lease	Change as of 31.12.13	Change as of 30.6.13
Airbus A310					0			–	–2
Airbus A319	73	5	7		85	10	6	+2	+2
Airbus A320	68	28	16		112	18	2	+6	+10
Airbus A321	62	8	6		76	2		–	–
Airbus A330	19	16			35	1		–1	–1
Airbus A340	43	15			58	3	3	–3	–5
Airbus A380	12				12			+2	+2
Boeing 737	23				23			–6	–13
Boeing 747	33				33			+4	+3
Boeing 767			6		6	2		–	–
Boeing 777			5	4	9	1		+3	+5
Boeing MD-11F				16	16			–2	–2
Bombardier CRJ	51				51			–2	–4
Bombardier Q-Series			14		14			–	–
ATR					0			–8	–11
Avro RJ		20			20		6	–	–1
Embraer	43				43			–	–3
Fokker F70			6		6			–3	–3
Fokker F100			15		15				–
Total aircraft	**427**	**92**	**75**	**20**	**614**	**37**	**17**	**–8**	**–23**

Passenger Airline Group business segment

Key figures Passenger Airline Group / **of which Lufthansa Passenger Airlines[3]**

		Jan. – June 2014	Jan. – June 2013	Change in %	**April – June 2014**	April – June 2013	Change in %	**Jan. – June 2014** (of which Lufthansa Passenger Airlines[3])	Jan. – June 2013	Change in %
Revenue	€m	10,958	11,233	–2.4	6,058	6,164	–1.7	7,992	8,230	–2.9
of which with companies of the Lufthansa Group	€m	319	319	0.0	163	162	0.6			
Operating result	€m	–96	–64	–50.0	236	299	–21.1	–146	–91	–60.4
Segment result	€m	–44	–133	66.9	278	315	–11.7			
EBITDA[1]	€m	470	638	–26.3	511	712	–28.2	290	422	–31.3
Segment capital expenditure	€m	1,231	1,108	11.1	545	497	9.7			
Employees as of 30.6.	number	55,305	54,881	0.8	55,305	54,881	0.8	40,296	40,048	0.6
Passengers[2]	thousands	49,883	49,472	0.8	28,143	27,833	1.1	36,329	35,963	1.0
Available seat-kilometres[2]	millions	128,353	126,970	1.1	69,990	68,861	1.6	94,360	93,816	0.6
Revenue seat-kilometres[2]	millions	100,208	99,155	1.1	56,101	54,906	2.2	72,966	72,578	0.5
Passenger load factor[2]	%	78.1	78.1	0.0 pts	80.2	79.7	0.5 pts	77.3	77.4	–0.1 pts

[1] Before profit/loss transfer from other companies.
[2] Previous year's figures have been adjusted.
[3] Including Germanwings and regional partners.

Business and strategy The carriers Lufthansa Passenger Airlines (including Germanwings), as well as SWISS and Austrian Airlines form an airline group that realises significant synergies through cooperation between the companies. In addition to these airlines, the Lufthansa Group also holds equity interests in the carriers Brussels Airlines, JetBlue and SunExpress. The group's multi-hub strategy, which comprises the hubs in Frankfurt, Munich, Zurich, Vienna and Brussels, offers passengers a dependable choice of connections for arranging their travel plans individually. By developing its product portfolio in a structured manner and continuing to harmonise flight timetables and processes, the airline group offers passengers a finely meshed global route network with around 300 destinations in more than 100 countries. Information on the size of the fleet can be found in the table on p. 10.

Markets and competition The market structure and the economic performance of airlines worldwide remained highly dependent on regional market factors in the first half of 2014. The five biggest North American airlines have a joint market share of 90 per cent and their profitability is above average by international standards. In the first half of 2014 revenues for the Passenger Airline Group on routes to America were affected by the much higher capacities and fell accordingly. In Europe, the three biggest airline groups Lufthansa Group, Air France/KLM and IAG, alongside the two major low-cost carriers Ryanair and easyJet, hold around 40 per cent of the still highly fragmented market. There is an increasing trend towards a convergence between the systems of network and low-cost carriers. Ryanair, for example, is pressing ahead with adapting its business model. Among other things by accessing primary airports and entering into partnerships with global distribution systems, it is now looking to extend its appeal to a more discerning customer base. This could result in an increase in both average yields and average costs. Low-cost airlines grew disproportionately fast in Europe in the first half of 2014, which in particular especially put structural pressure on transfer traffic in the Passenger Airline Group hubs.

Competition is particularly intense on long-haul routes between Europe and Asia. Rapid growth by some market players and the resulting overcapacities are putting pressure on the Lufthansa Group's results. In order to counteract the steadily increasing competitive pressure, particularly from aggressively expanding state-owned Gulf airlines, the Passenger Airline Group is responding with programmes to cut unit costs and is making investments to drive up product and service quality. Additional approaches to the strategic positioning of the Passenger Airline Group were presented in July. They include the planned creation of a multi-platform for point-to-point traffic on European and long-haul routes in 2015, as well as the enhancement of partnerships and alliances. The A++ North Atlantic joint venture with United Airlines and Air Canada as well as the J+ Japan joint venture with ANA support the sustainable and profitable course of growth. In July 2014, another commercial joint venture was announced between the Lufthansa Group and Air China. Closer cooperation between the two airlines is intended to begin by the start of the winter flight timetable in late October 2014.

The Passenger Airline Group continually invests in enhancing the comfort of its passengers and in improving its ecological sustainability on the ground and in the air with regard to fuel and noise emissions. In 2014, a total of 21 next-generation commercial aircraft will join the fleet. In addition to the latest in-flight products for passengers, they will also provide noticeable relief for people living near airports. Depending on the model, the new aircraft are up to 30 per cent quieter than their predecessors. Fuel efficiency and CO_2 emissions per passenger will be improved significantly, reducing unit costs. Between 2014 and 2025, the Lufthansa Group expects to take delivery of 261 aircraft with a list value of some EUR 32bn.

As part of an internal restructuring, the Miles & More bonus programme, which with more than 25 million members is Europe's leading customer loyalty programme, is to be spun off into a legally independent company. Respective resolutions were passed in the first quarter by the Executive Board and Supervisory Board as well as the Annual General Meeting of Deutsche Lufthansa AG on 29 April 2014.

Course of business and operating performance The course of business in the first half of 2014 was adversely affected by the strike by the pilots' union Vereinigung Cockpit at Lufthansa Passenger Airlines, Germanwings and Lufthansa Cargo from 2 to 4 April 2014. The strike was called by the pilots' union Vereinigung Cockpit following a strike ballot held in March 2014. Together with the effects of a warning strike by the trade union ver.di in March as well as a strike by security staff, also represented by ver.di, at Frankfurt Airport this led to massive reductions in the flight timetable for passengers. The industrial action caused a loss of earnings at the Passenger Airline Group amounting to EUR 60m. Advance bookings were also significantly adversely affected during the strike. Only at the end of the second quarter did booking patterns return to normal. Negotiations with the pilots' union Vereinigung Cockpit resumed following the three-day strike.

Since April 2014, the airlines in the Passenger Airline Group have levied uniform surcharges for intercontinental connections on the basis of the entire route flown rather than the individual segments, as before. This removes the difference between passengers with connecting flights and those with direct flights. Ticket surcharges for flights within Europe were also adjusted at the same time, and are differentiated based on travel class, as is already the case for intercontinental flights.

The airlines in the Passenger Airline Group increased the number of passengers to 49.9 million (+0.8 per cent) in the first half of 2014. Although the number of flights fell by 2.2 per cent, available seat-kilometres were up by 1.1 per cent. As revenue seat-kilometres increased proportionally (+1.1 per cent), the passenger load factor remained constant at 78.1 per cent. Average yields per revenue seat-kilometre fell by 3.5 per cent, due to exchange rate movements and lower average yields. Traffic revenue declined by 2.5 per cent.

Traffic revenue and average yields were down year on year in all traffic regions. Sales did increase slightly in the Europe traffic region. However, due to 3.9 per cent lower average yields traffic revenue was down by 2.0 per cent. Sales also went up in the Americas region. In conjunction with a downturn in average yields (–2.7 per cent), traffic revenue nevertheless fell slightly by 0.9 per cent. Sales in the Asia/Pacific region remained stable. However, this region reported a noticeable downturn in average yields (–4.9 per cent), leading to lower traffic revenue (–4.1 per cent). The Middle East/Africa region saw a clear drop in sales. As average yields also fell (–3.2 per cent), traffic revenue was down by 7.8 per cent.

Revenue and earnings development Sales for the Passenger Airline Group improved by 1.1 per cent in the first half-year, thanks to slightly higher traffic. Traffic revenue nonetheless fell by 2.5 per cent, because prices were down 1.9 per cent and exchange rate movements subtracted a further 1.7 per cent.

Other operating income fell as well by EUR 144m or 27.1 per cent. This was mainly due to lower exchange rate gains (EUR –94m) and the absence of income from operating leases compared with last year (EUR 7m).

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 2014	Change in %	**Jan. – June 2014**	Change in %	**Jan. – June 2014**	Change in %	**Jan. – June 2014**	Change in %	**Jan. – June 2014**	Change in pts
Europe	4,781	–2.0	40,064	1.2	44,334	1.6	32,388	2.0	73.1	0.3
America	2,814	–0.9	4,674	1.7	42,462	3.9	35,095	1.9	82.6	–1.7
Asia / Pacific	1,738	–4.1	2,994	–1.0	29,779	0.4	23,863	0.9	80.1	0.4
Middle East / Africa	780	–7.8	2,150	–5.2	11,777	–8.1	8,863	–4.8	75.3	2.7
Total	**10,113**	**–2.5**	**49,883**	**0.8**	**128,353**	**1.1**	**100,208**	**1.1**	**78.1**	**0.0**

Total operating income therefore declined by 3.6 per cent to EUR 11.3bn.

Compared with the previous year, operating expenses fell by 3.3 per cent to EUR 11.4bn. With EUR 7.2bn, the cost of materials and services was 3.4 per cent lower than last year. While fuel costs were down by 6.8 per cent – largely due to pricing and exchange rate movements – fees and charges rose slightly by 0.3 per cent to EUR 2.4bn. Higher passenger fees (+6.5 per cent) and security fees (+8.9 per cent) were contrasted mainly by lower handling charges (–5.4 per cent). Within other purchased services (–1.6 per cent), charter expenses (–40.7 per cent) and expenses for operating leases (–57.8 per cent) went down, while external MRO services went up 5.2 per cent.

With a 0.6 per cent higher number of employees staff costs rose by 2.3 per cent, in part due to an increase in expenses for profit-sharing.

The drop of EUR 160m in depreciation and amortisation to EUR 546m stems from the change in the depreciation method for aircraft, which boosted earnings by a total of EUR 174m in the first half-year.

Other operating expenses only shrank slightly by 0.9 per cent to EUR 1.6bn. Higher write-downs on current assets (EUR +56m), especially writing off currency amounts blocked on accounts in Venezuela and higher indirect staff costs, were offset by lower exchange rate losses (EUR –56m) and lower agency commissions (EUR –20m). Comments on the earnings contributions from the individual airlines can be found on p. 13–15.

Other segment income came to EUR 69m (previous year: EUR 42m), and primarily comprised income from the write-back of provisions (EUR 40m) and write-ups of eleven Canadair Regional Jet 700s (EUR 16m). Other segment expenses totalling EUR 12m (previous year: EUR 108m) included impairment losses of EUR 8m on three Canadair Regional Jet 700s held for sale. The result of the equity valuation came to EUR –5m (previous year: EUR –3m) and related to SunExpress, SN Airholding and Terminal 2 Betriebsgesellschaft in Munich. The segment result improved overall by EUR 89m to EUR –44m. Segment capital expenditure of EUR 1.2bn was 11.1 per cent higher than last year and was mainly incurred for new aircraft. As part of the ongoing fleet modernisation, 20 new aircraft were acquired in the first half-year. For detailed information, please see p. 10.

Lufthansa Passenger Airlines

Lufthansa Passenger Airlines (including Germanwings) is the largest airline in Germany and carried 36.3 million passengers in the first half of 2014. Its business is focused on passenger transportation as a quality carrier with full network capacities. The transfer of decentralised European traffic outside the two hubs in Frankfurt and Munich to Germanwings is going according to plan as of the end of the first half-year and should be completed by early 2015. Cologne, Stuttgart and Hanover made the transition in late summer 2013, and Hamburg began in June 2014. The switch will be completed in Berlin at the end of November, and in Düsseldorf, which will be Germanwings' biggest site, in January 2015. Lufthansa Passenger Airlines (including Germanwings) serves a total of 235 destinations in 78 countries.

In the second quarter of 2014, Lufthansa Passenger Airlines responded to the weak market environment by reducing its growth path. However, this is not sufficient to achieve the planned earnings targets. In light of one-off expenses from strikes and the devaluation of the Venezuelan bolivar, but in particular due to a considerable downturn in demand, the earnings forecast was significantly reduced. Against this background further adjustments will be made to capacity planning. As a result, the capacity in available seat-kilometres for the full year 2014 will only be 3 per cent higher than last year. In the medium term, Lufthansa Passenger Airlines will grow by deploying larger aircraft, resulting in slightly higher capacity and a stable fleet size. Due to the persistently disproportionate growth by competitors – especially on routes to America and as a result of the continued growth in the capacities of the Gulf airlines – Lufthansa Passenger Airlines assumes that competition will increase, which in turn will put further pressure on the pricing environment.

Lufthansa Passenger Airlines will continue to sharpen its focus on quality. One core element of this strategy is the introduction of the Premium Economy Class. The new travel class was presented in March 2014 and has been available for booking on the first flights since mid-May. It offers up to 50 per cent more room than a seat in Economy Class. On routes served by the Boeing 747-8 from Frankfurt, the new product will be available for passengers travelling from December onwards. The new seats will gradually be fitted on the entire long-haul fleet within twelve months. Even before its first scheduled flight, the new Lufthansa Passenger Airlines travel class was winning awards. The seat in Premium Economy Class received the prestigious Red Dot Design Award, as did the new Business Class seat. In order to keep improving the economic and ecological profile of the fleet as well as the product, Lufthansa Passenger Airlines is to fit the quieter, highly efficient LEAP-1A engines from CFM International to 40 new aircraft from the A320neo family which were ordered by the Lufthansa Group in 2013.

The strikes mentioned before had a considerable impact on the course of business, especially the three days of industrial action organised by the pilots' union Vereinigung Cockpit at the beginning of the second quarter, which resulted in 3,800 flight cancellations and affected some 425,000 passengers. By taking early precautions and providing customers with as much information as possible, Lufthansa was able to mitigate the effects of the strike on passengers. However, the economic effects are considerable and have reduced first-half earnings for Lufthansa Passenger Airlines by a total of EUR 60m.

The revenue risks for Lufthansa Passenger Airlines announced with the closing of the end of the first quarter materialised in the second. Revenues are under increasing pressure, especially on routes within Europe and to North and South America, as a result of growing overcapacities. The critical foreign currency situation in Venezuela has a negative impact. Due to foreign currency restrictions imposed by the Venezuelan government, holdings from ticket sales in the local currency have so far been exchanged for euros only to a minor extent. Lufthansa Passenger Airlines has therefore responded by reducing certain frequencies to Venezuela and using smaller aircraft.

Good news, however, were he latest punctuality statistics for the Lufthansa Passenger Airlines hubs. In the first quarter of 2014, the airports in Munich and Frankfurt improved by more than 10 percentage points year on year in the ranking by the Association of European Airlines (AEA), putting the hubs in first place (Munich) and third place (Frankfurt) within Europe.

Passenger numbers went up slightly by 1.0 per cent in the first half-year to 36.3 million, driven by the higher passenger numbers from the Europe and America traffic regions. At the same time, the number of flights declined by 1.4 per cent. Available seat-kilometres went up by 0.6 per cent. As revenue seat-kilometres only increased by 0.5 per cent, the passenger load factor fell slightly to 77.3 per cent (–0.1 percentage points).

Lufthansa Passenger Airlines recorded revenue of EUR 8.0bn in the first half of 2014. Despite higher sales this was down 2.9 per cent on the previous year, largely due to pricing and exchange rate movements. The operating result was down on the previous year at EUR –146m (–60.4 per cent). This is due to a steeper fall in total operating income (–3.9 per cent) than in operating expenses (–3.2 per cent).

Other Group airlines

SWISS*

		Jan. – June 2014	Jan. – June 2013	Change in %
Revenue	€m	2,040	2,059	–0.9
Operating result	€m	92	63	46.0
EBITDA	€m	201	215	–6.5
Employees as of 30.6.	number	8,709	8,589	1.4
Passengers	thousands	8,192	8,222	–0.4
Available seat-kilometres	millions	22,984	22,473	2.3
Revenue seat-kilometres	millions	18,718	18,492	1.2
Passenger load factor	%	81.4	82.3	–0.9 pts

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

SWISS is the biggest airline in Switzerland and (including Edelweiss Air) serves a global route network around 100 destinations from Zurich, Geneva and Basel in its 2014 summer flight timetable. The airline stands for traditional Swiss values and is committed to outstanding product and service quality.

In the first half of 2014, the market remained tense for SWISS. Intense competition, particularly within Europe and on North Atlantic routes, had an impact on income. The weakness of global currencies against the Swiss franc further reduced earnings and depressed tourist demand in the domestic Swiss market. This was exacerbated by uncertainties concerning the political stability of various destinations such as Ukraine or Egypt.

SWISS is on track with its SCORE programme. In 2014, the main projects relate to additional services (added value offers), the restructuring at the station in Geneva and measures to save fuel. Added value offers are part of the new commercial strategy. They include services like "special surprise", "hold my booking" or the reservation of a favourite seat for a fee, which are being introduced over the course of the year. By mid 2014, around 50 new SCORE initiatives had been drawn up and either planned or implemented. A total of 269 activities in the SCORE programme are currently under way or have already been completed at SWISS.

SWISS completely overhauled its swiss.com website in the second quarter of 2014 in response to changing customer needs. The new site is much more user-friendly and has many new functions. The relaunch was very well received by customers, and swiss.com has since recorded an increase in visitor traffic of almost 10 per cent.

Further investments in the product were made at Edelweiss Air: both Edelweiss long-haul aircraft were fitted with the new Economy Max Class and a Lie-Flat Business Class in the second quarter of 2014. They now also fly to the new destinations Havana and Las Vegas.

In the first half of 2014, SWISS carried 8.2 million passengers. At 2.3 per cent greater capacity, sales climbed by 1.2 per cent. This led to a fall in the passenger load factor of 0.9 percentage points to 81.4 per cent.

SWISS reported a slight fall of 0.9 per cent in revenue in the first half-year to EUR 2.0bn, but its operating result improved by 46.0 per cent to EUR 92m, largely thanks to the change in depreciation policy at the Lufthansa Group.

Austrian Airlines

		Jan. – June 2014	Jan. – June 2013	Change in %
Revenue	€m	962	977	–1.5
Operating result	€m	–44	–35	–25.7
EBITDA	€m	10	38	–73.7
Employees as of 30.6.	number	6,300	6,244	0.9
Passengers	thousands	5,362	5,287	1.4
Available seat-kilometres	millions	11,009	10,681	3.1
Revenue seat-kilometres	millions	8,524	8,085	5.4
Passenger load factor	%	77.4	75.7	1.7 pts

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

Austrian Airlines operates a global route network of around 120 destinations, making it Austria's leading airline. Since 1 July 2012, the Austrian Airlines Group's flight operations have been pooled at its wholly owned subsidiary Tyrolean Airways.

The first half of 2014 was marked by the negative effects of the persistently weak market environment. Austrian Airlines is using continuous capacity management and measures to improve revenue quality in order to counteract the permanently tense competitive situation at the airline's Vienna hub and the resulting weak yields in European traffic.

In early June, the Advocate General presented his final opinion to the European Court of Justice (ECJ) on the continued validity of the former collective bargaining agreement for flight staff at Austrian Airlines. In this view, the working conditions defined in the former Austrian collective bargaining agreement for flight staff, which have been maintained for the staff employed up to the date of its termination in accordance with Austrian law, are still valid in a alleviated form. In strictly legal terms, the final opinion has no direct effect, but it often influences the ECJ's decision. The ECJ ruling is expected in the second half of 2014. Decisions from the Austrian Supreme Court on the continued validity of the former Austrian collective bargaining agreement for flight staff and from the Vienna Higher Regional Court on the legality of transferring flight operations are subsequently expected for 2015.

Austrian Airlines has recently started using the new Hub Player concept to support its sales. This is a data network that enables end customers to get information about various leisure travel services from different providers almost in real time. Sales partners can now use this technology to access the latest offers from Austrian Airlines directly and put them together to make tailored packages for their customers. This makes Austrian Airlines an innovative pioneer in Austria and in the Lufthansa Group.

In the first six months of the year, 5.4 million passengers flew with Austrian Airlines. This is 1.4 per cent more than in the same period last year. At 3.1 per cent greater capacity, sales climbed by 5.4 per cent. This led to an increase in the passenger load factor of 1.7 percentage points to 77.4 per cent.

At EUR 962m, revenue for Austrian Airlines in the first half of 2014 was down 1.5 per cent on last year. The operating result came to EUR –44m (previous year: EUR –35m). Provisions recognised to settle legal claims in connection with the transfer of flight operations from Austrian Airlines to Tyrolean Airways were the main reason for the decline.

Logistics business segment

Key figures Logistics

		Jan. – June 2014	Jan. – June 2013	Change in %	April – June 2014	April – June 2013	Change in %
Revenue	€m	1,161	1,219	−4.8	578	619	−6.6
of which with companies of the Lufthansa Group	€m	13	13	0.0	6	7	−14.3
Operating result	€m	34	62	−45.2	13	34	−61.8
Segment result	€m	44	74	−40.5	20	42	−52.4
EBITDA [1]	€m	75	89	−15.7	37	49	−24.5
Segment capital expenditure	€m	151	129	17.1	79	68	16.2
Employees as of 30.6.	number	4,636	4,620	0.3	4,636	4,620	0.3
Freight and mail [2]	thousand tonnes	807	839	−3.8	405	436	−7.1
Available cargo tonne-kilometres [2]	millions	5,936	6,064	−2.1	3,072	3,244	−5.3
Revenue cargo tonne-kilometres [2]	millions	4,162	4,243	−1.9	2,100	2,227	−5.7
Cargo load factor [2]	%	70.1	70.0	0.1 pts	68.3	68.7	−0.4 pts

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

Business and strategy Lufthansa Cargo is the logistics specialist within the Lufthansa Group. In addition to Lufthansa Cargo AG, the Logistics segment includes the airfreight container specialist Jettainer GmbH and the equity investment in the cargo airline Aerologic GmbH. Aerologic GmbH has been for the first time since 1 January 2014 proportionately consolidated as a joint operation in line with IFRS 11. The company had previously been accounted for using the equity method. Lufthansa Cargo also holds interests in various handling firms. Lufthansa Cargo markets capacities on its own freighters and chartered cargo aircraft along with belly capacities on passenger aircraft operated by Lufthansa Passenger Airlines and Austrian Airlines.

Markets and competition Although global demand for airfreight picked up slightly in the first half of 2014, traffic at Lufthansa Cargo remained at the same level as last year and was therefore below the expectations at the beginning of the year. The company continued its policy of adjusting capacities to maximise load factors. Thanks to its flexible and demand-oriented management of freighter capacities, Lufthansa Cargo was able to keep the cargo load factor at a high level of 70.1 per cent (+0.1 percentage points).

Course of business and operating performance Lufthansa Cargo continued to move forward with its Lufthansa Cargo 2020 programme in the first six months of 2014. This also includes the partial renewal of the fleet. The most visible signs of this strategy being implemented are the four new Boeing 777 freighters now flying for the company. Two of the older MD-11 freighters are being retired in exchange, and two more will be laid up in the course of the year. Lufthansa Cargo has been operating flights to Shanghai with a B777F since the end of March. This important freighter destination in Lufthansa Cargo's global route network is the first city to be served by a daily flight with the new flagship.

In the current summer flight timetable, Lufthansa Cargo provides its customers with a broad, high-frequency range of flights, which includes connections to almost 300 destinations in some 100 countries.

Lufthansa Cargo expanded its relationships with its most important customers in the first six months of the year. The airline presented awards to the logistics companies in the German market that are performing particularly well in the areas of quality and digitalisation. At the annual get-together with its key accounts, the Global Partner Council, Lufthansa Cargo presented the Planet Award of Excellence to the US logistic group Expeditors.

Lufthansa Cargo was also awarded by its own customers. Europe's leading cargo airline was given the "Platinum Award" at the renowned "Air Cargo Excellence Awards" as part of the 2014 World Cargo Symposium in Los Angeles.

The company remains fully committed to implementing the SCORE programme in 2014. Additional measures to cut costs and boost revenue will be implemented over the remainder of the year. The marketing of lucrative express products will be expanded, among other things. In particular, the use of the efficient Boeing 777F will cut costs significantly. Close cooperation with the Japanese airline ANA has been announced for the future.

Freight volumes were 3.8 per cent down on the year in the first six months of 2014. Available tonne-kilometres were reduced by 2.1 per cent and cargo tonne-kilometres fell by 1.9 per cent. The cargo load factor went up by 0.1 percentage points compared with the first half of 2013. Average yields fell slightly by 2.9 per cent.

Only the Asia/Pacific region was able to report higher tonnage. Freight volumes increased slightly by 1.2 per cent in this traffic region, although capacity was cut by 1.7 per cent. Cargo tonne-kilometres fell slightly by 0.7 per cent, boosting the cargo load factor by 0.8 percentage points.

Cargo volumes in the Americas traffic region dropped by 1.6 per cent year on year. Cargo tonne-kilometres fell by 0.7 per cent and available tonne-kilometres were cut by 1.4 per cent. This led to a 0.5 percentage point increase in the load factor.

The Middle East/Africa traffic region recorded a significant downturn in cargo volumes. Transported tonnage was down 11.2 per cent on the first six months of 2013. While sales to and from Egypt went up again, volumes in the two other primary markets, South Africa and Kenya, went down significantly. Capacity was cut by 8.7 per cent. As cargo tonne-kilometres declined by 13.4 per cent, the load factor fell by 3.0 percentage points.

Freight volumes within Europe fell by 7.8 per cent. Available tonne-kilometres rose by 1.2 per cent but cargo tonne-kilometres fell by 3.8 percent, causing the load factor in this traffic region to drop by 2.7 percentage points compared with the same period last year.

Revenue and earnings development Revenue at Lufthansa Cargo contracted year on year by 4.8 per cent to EUR 1.2bn in the first half of 2014, largely due to lower traffic revenue (–4.6 per cent), which in turn was affected by exchange rates and volumes. Other revenue fell to EUR 25m (–10.7 per cent), in particular due to lower income from aircraft charters. Other operating income of EUR 37m was 24.5 per cent below last year's figure, primarily as a result of a decrease in the foreign exchange result and in reimbursements from the Group for restructuring measures in connection with the SCORE programme. Total operating income fell to EUR 1.2bn (–5.5 per cent).

Operating expenses decreased by 3.5 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 827m (–5.6 per cent). Within this item, charter expenses fell to EUR 337m due to capacity (–3.2 per cent), fuel costs to EUR 223m (–15.8 per cent) and fees and charges to EUR 132m (–6.4 per cent). However, MRO expenses went up year on year by EUR 5m to EUR 64m (+7.6 per cent) due to a higher number of maintenance inspections.

Staff costs sank by 2.0 per cent to EUR 195m. This was primarily due to lower restructuring costs compared with the first half of last year. These had gone up in 2013 due to the SCORE programme. The companies in the Logistics segment had an average of 4,644 employees in the reporting period (+0.9 per cent).

Depreciation and amortisation went up by EUR 16m to EUR 30m due to the change in the depreciation policy and the addition of new Boeing 777 cargo aircraft.

Other operating expenses declined to EUR 112m (–4.3 per cent).

In the reporting period, the Logistics segment generated an operating result of EUR 34m (previous year: EUR 62m).

Other segment income and expenses remained low. The segment result was EUR 44m (previous year: EUR 74m). This includes a result from equity investments of EUR 6m (previous year: EUR 8m) from those investments accounted for using the equity method.

Segment capital expenditure went up to EUR 151m in the reporting period (previous year: EUR 129m). The rise was largely due to the down payments and final payments in connection with the purchase of the new Boeing 777F aircraft.

Trends in traffic regions Lufthansa Cargo

	Net traffic revenue in €m external revenue*		Freight/mail in thousand tonnes		Available cargo tonne-kilometres in millions		Revenue cargo tonne-kilometres in millions		Cargo load factor in %	
	Jan.–June 2014	Change in %	**Jan.–June 2014**	Change in %	**Jan.–June 2014**	Change in %	**Jan.–June 2014**	Change in %	**Jan.–June 2014**	Change in pts
Europe	101	–4.7	268	–7.8	328	1.2	166	–3.8	50.4	–2.7
America	459	–4.6	249	–1.6	2,682	–1.4	1,842	–0.7	68.7	0.5
Asia/Pacific	464	–3.5	225	1.2	2,360	–1.7	1,844	–0.7	78.1	0.8
Middle East/Africa	100	–12.3	65	–11.2	566	–8.7	311	–13.4	55.0	–3.0
Total	**1,124**	**–4.9**	**807**	**–3.8**	**5,936**	**–2.1**	**4,162**	**–1.9**	**70.1**	**0.1**

* Not including Extracharter.

MRO business segment

Key figures MRO

		Jan. – June 2014	Jan. – June 2013	Change in %	April – June 2014	April – June 2013	Change in %
Revenue	€m	2,088	2,040	2.4	1,035	1,046	–1.1
of which with companies of the Lufthansa Group	€m	780	742	5.1	361	374	–3.5
Operating result	€m	206	219	–5.9	109	138	–21.0
Segment result	€m	232	228	1.8	126	137	–8.0
EBITDA*	€m	283	272	4.0	148	172	–14.0
Segment capital expenditure	€m	64	40	60.0	21	29	–27.6
Employees as of 30.6.	number	19,936	19,777	0.8	19,936	19,777	0.8

* Before profit / loss transfer from other companies.

Business and strategy Lufthansa Technik is the world's leading independent provider of maintenance, repair and overhaul services (MRO) for civilian commercial aircraft. The Lufthansa Technik group includes 32 technical maintenance operations around the world with a total of nearly 20,000 employees. The company holds direct and indirect stakes in 55 companies. The primary strategic goal is to achieve profitable growth by expanding its international presence and developing innovative new products and technologies. By establishing a site for the overhaul of short and medium-haul aircraft in Puerto Rico, Lufthansa Technik is extending its international reach. The home of the new company, Lufthansa Technik Puerto Rico, which will have up to 400 employees, is the Rafael Hernández International Airport in Aguadilla. The company will start operations in spring 2015. As a further step in its strategy of growth and innovation, Lufthansa Technik is pooling all of its activities involving the development and production of cabin products in an independent new segment called "Original Equipment Innovation". This will create the organisational basis for an offensive positioning as a completion company and manufacturer of products for aircraft cabins.

Markets and competition Disproportionate growth in MRO capacities and airlines' persistently tight financial situations are leading to consistently high pricing pressure in the MRO business. The main competitors are aircraft, engine and component manufacturers, the MRO divisions of other airlines as well as independent providers. Moreover, the market stays affected by consolidation activities of both customers and competitors.

Course of business and operating performance In the reporting period, Lufthansa Technik again won new customers and signed 153 new contracts with a volume of EUR 865m for 2014 and the following years. The number of aircraft serviced under exclusive contracts went up to more than 3,000 in the reporting period. Important new deals included a contract for engine overhauls signed with Asiana from South Korea. A contract for aircraft overhauls was signed with Scandinavian Airlines, an existing customer. Lufthansa Technik will carry out more than 150 C checks on the airline's Boeing 737NG and Airbus A320 family fleets with immediate effect. JetBlue Airways, an American carrier, became the first customer acquired for the new base maintenance site in Puerto Rico. Lufthansa Technik will expand the scope of its existing collaboration in the MRO segment as part of the negotiations between Deutsche Lufthansa AG and Air China. A new joint venture is to be established for this purpose early next year, which will support Lufthansa Technik's growth strategy in the Asian market. Lufthansa Technik remains committed to developing systematic measures for ensuring the future viability of the company and a sustainable increase in earnings as part of the SCORE programme.

Revenue and earnings development Revenue was up 2.4 per cent year on year in the first half of 2014 at EUR 2.1bn. Revenue from Group companies increased by 5.1 per cent to EUR 780m. External revenue was up slightly on the year at EUR 1.3bn. Other operating income went up significantly compared with the previous year to EUR 117m (+27.2 per cent). Total operating expenses came to EUR 2.0bn and were higher than the previous year (+4.5 per cent), as was revenue. The cost of materials and services went up 7.2 per cent to EUR 1.0bn due to more external production services being used. Staff costs were slightly higher than last year (+2.8 per cent). Lufthansa Technik generated an operating profit of EUR 206m in the reporting period (previous year: EUR 219m). When the improvement in other segment income is factored in, Lufthansa Technik posted a segment result of EUR 232m (+1.8 per cent). Segment capital expenditure came to EUR 64m (EUR +24m).

Catering business segment

Key figures Catering

		Jan. – June 2014	Jan. – June 2013	Change in %	April – June 2014	April – June 2013	Change in %
Revenue	€m	1,237	1,209	2.3	656	640	2.5
of which with companies of the Lufthansa Group	€m	294	290	1.4	158	154	2.6
Operating result	€m	18	19	–5.3	22	16	37.5
Segment result	€m	15	21	–28.6	22	20	10.0
EBITDA*	€m	42	44	–5.7	32	36	–11.1
Segment capital expenditure	€m	48	33	45.5	28	14	100.0
Employees as of 30.6.	number	32,531	30,912	5.2	32,531	30,912	5.2

* Before profit/loss transfer from other companies.

Business and strategy The LSG Sky Chefs group consists of more than 150 companies and provides its airline catering services at more than 210 airports in 53 countries. The portfolio also comprises services such as in-flight sales programmes, in-flight service equipment and the associated logistics, as well as the operation of lounges. It is expanding its presence and expertise in related areas such as services for rail companies and retail products.

Markets and competition Industry-leading quality, innovative power and customer focus are the key drivers of success for the LSG Sky Chefs group, which continues to maintain its global market leadership in airline catering despite intense competition. Its cost structures are becoming more flexible and optimised by means of standardisation and programmes for continuous improvement in all areas of the company.

Course of business and operating performance In the first half-year, LSG Sky Chefs reported revenue growth in all regions thanks to rising global passenger numbers. The company has also extended its airline catering network. In February, it gained a foothold in Rostov-on-Don, Russia, as part of Aeromar, its joint venture with Aeroflot. In March, LSG Sky Chefs took over the pre-production plant for LSG Sky Chefs Finland Oy and renamed it Starfood Finland Oy. A new production facility was opened in Panama. By signing the 19th joint venture in China in Wenzhou, the company underlined its leading position in this growth market. Its SPIRIANT equipment subsidiary opened a branch in Dubai at the end of June. In New Zealand, Naturezone's retail business was acquired. Important customer contracts were renewed and expanded. They include the global contract with Delta Air Lines for a total of 39 sites, extending the relationship with JetBlue Airlines to 16 airports in the USA, renewing the catering agreements with Emirates and Singapore Airlines in New Zealand and closing a new contract for buy-on-board services with SunExpress.

The quality and innovation initiatives launched by the LSG Sky Chefs group are proving very successful. United Airlines gave LSG Sky Chefs its Crystal Award, the highest accolade for outstanding catering in all categories. SPIRIANT was commended for its services in the area of equipment and logistics. The projects launched as part of the SCORE programme are progressing according to plan.

Revenue and earnings development Revenue in the Catering business segment developed positively in the first half, rising year on year by 2.3 per cent to EUR 1.2bn. Newly consolidated companies contributed EUR 8.3m to the revenue growth. External revenue increased to EUR 943m (+2.6 per cent). Internal revenue rose by 1.4 per cent to EUR 294m. Other operating income was EUR 1m down on the previous year at EUR 31m. Overall, total operating income improved by EUR 27m to EUR 1.3bn. Total operating expenses of EUR 1.3bn were 2.3 per cent higher than last year. The cost of materials and services rose in line with revenue by 1.9 per cent to EUR 542m. In the first half-year, the LSG Sky Chefs group had an average of 32,252 employees (+5.4 per cent). The increase in the workforce is largely due to the first-time consolidation of companies in Europe and to higher business volumes. Staff costs rose at a lower rate of 0.9 per cent to EUR 462m. Depreciation and amortisation was largely stable year on year at EUR 31m. Other operating expenses rose to EUR 215m (+7.5 per cent) mainly due to the higher volume of business and higher write-downs on trade receivables. LSG Sky Chefs reported an operating profit of EUR 18m for the first six months of 2014 (previous year: EUR 19m). Higher write-downs diminished the result. Other segment income and expense was evenly balanced (previous year: EUR +1m). The result of the equity valuation went down by EUR 4m compared with last year to EUR –3m. The segment result for LSG Sky Chefs was therefore EUR 15m (previous year: EUR 21m). Segment capital expenditure rose by EUR 15m to EUR 48m.

IT Services business segment

Key figures IT Services

		Jan. – June 2014	Jan. – June 2013	Change in %	April – June 2014	April – June 2013	Change in %
Revenue	€m	318	304	4.6	160	154	3.9
of which with companies of the Lufthansa Group	€m	190	177	7.3	95	90	5.6
Operating result	€m	11	5	120.0	6	2	200.0
Segment result	€m	11	3	266.7	6	1	500.0
EBITDA*	€m	32	24	33.3	18	13	38.5
Segment capital expenditure	€m	12	12	0.0	5	6	–16.7
Employees as of 30.6.	number	2,726	2,721	0.2	2,726	2,721	0.2

* Before profit / loss transfer from other companies.

Business and strategy Lufthansa Systems is one of the leading global IT providers in the aviation industry. Other important sectors for Lufthansa Systems are transport and logistics, industry, media and publishing, energy, health care and tourism. Lufthansa Systems is a full-service provider and offers its customers the entire range of IT services. The company runs a global network of data centres at sites around the world, including at its headquarters in Kelsterbach. Branches in Germany and 16 other countries ensure proximity to the customer and short response times. Preparations continue as planned to divide Lufthansa Systems into three companies as part of the restructuring of the Group's IT function. In doing so, the infrastructure division is to be outsourced to a partnership with an international IT services provider. The Lufthansa Group intends to outsource its infrastructure services to the new partner on a long-term basis. Jobs and existing sites are to be preserved wherever possible. The segments Airline Solutions and Industry Solutions will remain as independently operating companies within the Lufthansa Group.

Markets and competition Lufthansa Systems is one of the leading providers of airline IT services. It focuses on developing applications to further optimise business processes, on harmonising airline IT processes and on consultancy. Its customer base includes some 300 airlines worldwide. The Industry Solutions segment is also well positioned in its market with a portfolio of professional services and industry-specific application development products. The 150 customers include multinational groups as well as medium-sized companies.

Course of business and operating performance In the past quarter, Turkish Airlines, RIO Linhas Aereas and Airfix Aviation from Finland were all acquired as new customers for Lufthansa Systems' navigation solutions. Furthermore, Turkish Airlines renewed a contract for optimising code-share management. Trans States Holding became another customer for the Integrated Operational Control Center (IOCC) platform from Lufthansa Systems. Since June 2014, the Israeli airline EL AL has offered its passengers an individual entertainment programme with the BoardConnect wireless infotainment solution. In the Industry Solutions segment, a contract was signed with Costa Crociere to install the Velimo infotainment platform. E.ON could be won as a new customer for process consultancy. The long-standing partnership with the Hamburg Port Authority was expanded into new areas.

Revenue and earnings development With revenue of EUR 318m, Lufthansa Systems achieved year-on-year growth of 4.6 per cent in the reporting period. Income from companies in the Lufthansa Group went up to EUR 190m (previous year: EUR 177m). Revenue from external customers was stable at EUR 128m (previous year: EUR 127m). Other operating income came to EUR 10m (previous year: EUR 9m). Altogether, Lufthansa Systems generated total operating income of EUR 328m (previous year: EUR 313m). The cost of materials and services fell to EUR 57m (previous year: EUR 58m). In the reporting period, Lufthansa Systems had an average of 2,717 employees (previous year: 2,727). Staff costs rose to EUR 124m (previous year: EUR 122m) as a result of higher expenses for severance pay. Depreciation and amortisation in the reporting period came to EUR 17m (previous year: EUR 18m). Other operating expenses rose in line with revenue to EUR 119m (previous year: EUR 110m). This resulted in total operating expenses of EUR 317m (previous year: EUR 308m). The operating result of Lufthansa Systems improved in the reporting period to EUR 11m (previous year: EUR 5m). Capital expenditure on property, plant and equipment and intangible assets came to EUR 12m in the first half-year (previous year: EUR 12m).

Other

Other

		Jan. – June 2014	Jan. – June 2013	Change in %	**April – June 2014**	April – June 2013	Change in %
Total operating income	€m	672	629	6.8	323	278	16.2
Operating result	€m	– 46	– 149	69.1	– 25	– 46	45.7
Segment result	€m	– 22	– 84	73.8	– 18	12	–
EBITDA*	€m	– 78	– 47	– 66.0	– 71	35	–
Segment capital expenditure	€m	4	5	– 20.0	4	3	33.3
Employees as of 30.6.	number	3,958	3,977	– 0.5	3,958	3,977	– 0.5

* Before profit / loss transfer from other companies.

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 was moderate in the first half of 2014 compared with the same period a year ago. AirPlus customers around the world spent nearly 1 per cent more on business air travel and the number of business flights worldwide went up year on year by more than 2 per cent.

Over the next five years, AirPlus will maintain a strategic focus on clear product leadership in payment and billing solutions for corporate business travel management. At the same time, the Lufthansa Group's company-card specialist will continue to develop its product portfolio towards virtual and mobile payment solutions. The relevant strategic target group are medium-sized companies with an international outlook and the key growth markets have mainly been identified as countries in the Asia/Pacific region.

The positive trend in billing volumes also fed through to the performance indicators. At EUR 19m, the operating result was 5.6 per cent up on the figure for the previous year.

In February and March 2014 respectively, the Executive Board of Lufthansa and the Supervisory Board of Lufthansa Flight Training GmbH approved the purchase of an Airbus A320 full-flight simulator by Lufthansa Flight Training.

In April 2014, the first trainee pilots at the UK-based training provider CTC Aviation Training Ltd. began their aeronautical training in Phoenix, Arizona. CTC Aviation uses the infrastructure of the Airline Training Center Arizona Inc. (ATCA), a wholly owned subsidiary of Lufthansa Flight Training GmbH, in order to train new pilots in North America, too.

Revenue was above target in the first half-year, which was partly a reflection of the basic courses carried out under the annual working hours model and partly of strong demand for simulator training.

In the first half-year, Lufthansa Flight Training generated total operating income on a par with last year, at EUR 86m. Total expenses came to EUR 67m (– 8.2 per cent) over the same period. This brought the operating result to EUR 19m (+ 46.2 per cent).

Total operating income for the Group functions was up slightly (+ 0.6 per cent) year on year at EUR 317m. The operating result came to EUR – 95m (previous year: EUR – 185m). Operating expenses were down 17.6 per cent at EUR 412m. The improvement in the operating result was due to lower restructuring expenses as part of SCORE as well as to exchange rate gains.

Revenue and earnings development The reporting period was again characterised by lower one-off expenses of EUR 30m (previous year: EUR 71m) recognised in this segment in connection with SCORE. Total operating income rose to EUR 672m (previous year: EUR 629m), while operating expenses fell sharply to EUR 718m (previous year: EUR 778m). The operating result came to EUR – 46m (previous year: EUR – 149m).

Risk and opportunities report

As an international aviation company, the Lufthansa Group is exposed to macroeconomic, sector-specific and Company risks and opportunities. The permanently updated management systems should identify both risks and opportunities at an early stage and highlight appropriate measures so that action can be taken accordingly. Further information on the risk and opportunity management system and the Lufthansa Group's risk and opportunity situation are available in the "Annual Report 2013" from p. 97.

In the first six months of 2014, the risks and opportunities for the Group described in detail from p. 97 of the "Annual Report 2013" have shown the following material concretion or development.

Both south-eastern Europe and the Middle East are subject to continued political instability. There are still separatist activities in the east of Ukraine, in June the terrorist group ISIS carried out a ground operation in the north of Iraq in which it was able to seize control of part of the country, and the situation in the Gaza Strip has recently escalated. Any further instability in these regions, the extension of sanctions against individual countries or military intervention by outside countries in these smouldering conflicts could have a direct and adverse impact on air traffic and so on the Lufthansa Group. This could also lead to a possibly sharp increase in the oil price. For the Lufthansa Group this would represent an increase in operating expenses.

The Lufthansa Group is also exposed to risk as a result of collective bargaining disputes, including industrial action. Despite the best endeavours of both parties in constructive negotiations to reach acceptable solutions for a new agreement on transitional benefits, the three-day strike (2 to 4 April 2014) held by the pilots' union Vereinigung Cockpit could not be prevented. Given the state of negotiations in particular on the agreement on transitional benefits, the possibility of the pilots' union Vereinigung Cockpit calling for further industrial action in the second half of the year cannot be ruled out at present. No such action is imminent at present, however. In addition to the damage it does to the Lufthansa Group's reputation as a dependable service provider, industrial action also entails the risk of considerable revenue losses and additional costs.

Overcapacities in the air transport industry have led to greater price pressure in the passenger business. The Lufthansa Group is addressing the situation with strict capacity management by reducing its capacity in the 2014/2015 winter flight timetable. The summer flight timetable for 2015 is being reviewed accordingly in order to reduce the risk of falling average yields by making further cuts to capacity.

Taking all known circumstances into account, no risks have currently been identified which either singly or as a whole could jeopardise the continued existence of the Lufthansa Group.

Supplementary report

Since 30 June 2014, no unreported 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 %	2014*	2015*	2016*	2017*	2018*
World	2.8	3.5	3.7	3.9	3.8
Europe	1.6	2.0	2.1	2.2	2.1
Germany	2.1	2.0	1.7	1.7	1.5
North America	1.7	2.9	3.2	3.2	2.7
South America	1.7	2.8	3.7	3.9	3.8
Asia / Pacific	4.9	5.1	5.1	5.4	5.5
China	7.4	7.2	7.2	7.4	7.6
Middle East	3.6	4.1	4.5	5.1	4.5
Africa	4.0	5.7	6.5	5.5	5.4

Source: Global Insight World Overview as of 15.7.2014.
* Forecast.

Macroeconomic outlook Developments in the first half-year to date suggest that global economic growth is gradually picking up. It is expected that the global economy will expand by 2.8 per cent this year. This is slightly less than what was forecasted for economic growth three months ago. The reason is that Brazil, China and the USA, in particular, expanded more slowly than predicted and the faster rate of growth in India and the United Kingdom was not able to compensate for the difference. Unchanged, growth rates in many developed economies are still below their levels before the financial crisis.

Growth of 1.6 per cent is predicted for Europe in 2014. Within the European Union, both Germany (2.1 per cent) and the United Kingdom (3.1 per cent) are expected to see strong economic growth. By comparison, economic development in the southern European countries remains weak. A negative growth rate is, however, currently only forecast for Cyprus.

Futures rates show the expectation of falling oil prices. Overall, oil prices remain highly exposed to geopolitical developments, however. Volatile fuel costs should therefore also be expected for the remainder of the year 2014.

Most analysts expect the US dollar to rise against the euro. After a brief rise, the euro is also predicted by a majority of analysts to pursue its downward trend from 2013 against the Chinese renminbi. The euro's recent fall against the Japanese yen is now forecast to be followed by a slight rise. After the euro fell against the pound sterling in 2013, analysts assume that for the remainder of the year the exchange rate will stay flat at its current level.

Forecasts for the airline industry predict strong growth in 2014 based on the positive macroeconomic environment. For the industry as a whole, the trade association IATA is forecasting profits of USD 18.0bn for the full year 2014 (previous year: USD 10.6bn), the highest in five years.

Outlook for the Lufthansa Group The Lufthansa Group's earnings situation developed increasingly negative over the course of the first six months of the financial year. Although the service companies performed to expectations, the Passenger Airline Group and Lufthansa Cargo suffered from an increasingly poor revenue development, which had a significantly adverse impact on the earnings development and finally made it necessary to adjust the profit forecast in June.

Revenues and profits in January and February did meet expectations, but March and April were weak and did not deliver the expected performance. Shifts in the dates of school and public holidays as well as the massive strikes announced by the pilots' union Vereinigung Cockpit in March and finally carried out in April made it difficult to interpret developments in these months. A better result was achieved in May, but it became apparent that advance bookings for the summer months were increasingly weak. This was confirmed by the very poor result in June. The significant impact on earnings of the strike and severe losses caused by the devaluation of the Venezuelan bolivar depressed the result for the first half-year even further.

Passenger Airline Group sees continued poor performance ahead In the coming months, too, the Passenger Airline Group expects the very weak market environment to persist. In the third and, above all, the fourth quarter, the cuts that have now been made to the original plans for capacity growth should bring some respite from the downwards trend in average yields. Advance bookings also indicate that volumes will develop somewhat less well than expected at the beginning of the year.

After the recent very poor performance, Lufthansa Passenger Airlines expects earnings to remain below original expectations in the coming months, too. The result is now forecast to be slightly higher than last year, essentially due to the positive earnings impact of the change in depreciation policy. This earnings forecast does not include the effects of any further strikes.

SWISS also felt a downturn in demand in its markets recently. Given a moderate increase in passenger numbers and sales, as well as numerous measures to cut costs and boost earnings, the company is nonetheless still anticipating its result to be significantly higher than last year. This is largely due to the new depreciation policy for aircraft.

Austrian Airlines still expects revenues to improve, albeit less than originally projected. In accordance with the current state of affairs, the company has also made provisions in connection with ongoing legal proceedings that further depress its earnings. Austrian Airlines therefore now assumes that its earnings will be on a par with last year.

The result for the year at all airlines, in terms of both opportunities and risks, remains highly dependent on the further development of average yields. To stabilise yields, the Passenger Airline Group has therefore decided to cut planned capacity growth significantly in the winter flight timetable. Overall, the airlines are now expecting growth for this year at roughly 3 per cent. The operating performance indicators forecast to date have, in some cases, been revised considerably in recent months compared with the Annual Report 2013.

Forecast key performance indicators Passenger Airline Group 2014

	2014 outlook
Fleet (Number of aircraft)	overall stable
Capacity (ASK)	c. +3%
Sales (RPK)	above capacity growth
Passenger load factor (SLF)	slighty up
Pricing (Average yields)	negative
Unit revenue (RASK)	negative
Unit costs (CASK excluding fuel)	c. −4%

Lufthansa Cargo remains under pressure In view of the poor revenue development Lufthansa Cargo has already made sharp reductions to its own freighter capacities this year. In a tough competitive environment, the focus remains on capacity management intended to support average yields. Under these conditions, it will no longer be possible to achieve the target of significantly increasing revenue compared with 2013. Lufthansa Cargo now assumes that its operating result will be slightly higher than last year. This forecast includes the expectation that the market will pick up towards the end of the year.

Stable course of business expected for remaining business segments Although its revenue should go up in line with the market, Lufthansa Technik will in 2014 not match the exceptionally high operating result achieved last year. This is mainly due to the particularly strong demand situation in the 2013 financial year, as well as expenses for expanding the group structure in the current financial year. Thanks to the positive performance in some business units, Lufthansa Technik is now predicting a slightly higher result than in 2012.

LSG Sky Chefs continues to expect a slight increase in revenue and earnings in the financial year 2014. The company is also continuing to monitor growth opportunities through geographical expansion and additions to its portfolio in both its core business segment and in adjacent markets.

Lufthansa Systems is still forecasting slight revenue growth in 2014 alongside a sightly lower operating result than last year.

All of the companies are continuing to systematically implement their programmes in the context of SCORE.

Confirmation of earnings forecast as adjusted in June
Overall, the Lufthansa Group expects to achieve an operating result of approximately EUR 1.0bn for the financial year 2014. This includes EUR 340m in savings as a result of the change to the depreciation policy. Key variables for earnings remain the uncertain development of airline revenues, changes in the oil price and the jet fuel crack as well as exchange rate movements.

Lufthansa Group and operating segments earnings forecasts 2014

	Revenue		Operating result		
	Revenue 2013 in €m	**Forecast for 2014**	Result 2013 in €m	**Forecast for 2014**	Effect from adjustment in depreciation policy in €m
Lufthansa Passenger Airlines	17,302		265	slightly above previous year	+240
SWISS	4,223		226	significantly above previous year	+70
Austrian Airlines	2,069		25	on par with previous year	+40
Reconciliation	−81		−21		
Passenger Airline Group	23,513	below previous year	495	slightly above previous year	+350
Logistics	2,442	below previous year	77	slightly above previous year	−10
MRO	4,180	in line with market growth	404	slightly above 2012 level (€ 328m)	
Catering	2,514	slightly above previous year	105	slightly above previous year	
IT Services	640	slightly above previous year	36	slightly below previous year	
Other	0		−378	significant improvement due to lower restructuring costs	
Internal revenue / Reconciliation	−3,261		−42		
Lufthansa Group reported	**30,028**	**below previous year**	**697**	**approximately € 1 000m**	**+340**
Restructuring costs			245	€ 80m	
Project costs Lufthansa Passenger Airlines			100	€ 200m	
Lufthansa Group normalised		**below previous year**	**1,042**	**approximately € 1 300m**	**+340**

Consolidated income statement January – June 2014

in €m	Jan. – June 2014	Jan. – June 2013	April – June 2014	April – June 2013
Traffic revenue	11,466	11,780	6,305	6,442
Other revenue	2,700	2,684	1,399	1,394
Total revenue	**14,166**	**14,464**	**7,704**	**7,836**
Changes in inventories and work performed by entity and capitalised	82	67	36	33
Other operating income	905	988	391	446
Cost of materials and services	−8,264	−8,555	−4,331	−4,456
Staff costs	−3,646	−3,608	−1,848	−1,820
Depreciation, amortisation and impairment	−695	−932	−355	−442
Other operating expenses	−2,343	−2,424	−1,209	−1,134
Profit/loss from operating activities	**205**	**0**	**388**	**463**
Result of equity investments accounted for using the equity method	5	11	18	21
Result of other equity investments	17	22	12	16
Interest income	72	86	36	45
Interest expenses	−213	−248	−102	−124
Other financial items	−145	−111	−104	−82
Financial result	**−264**	**−240**	**−140**	**−124**
Profit/loss after income taxes	**−59**	**−240**	**248**	**339**
Income taxes	−11	44	−70	−81
Profit/loss after income taxes	**−70**	**−196**	**178**	**258**
Profit/loss attributable to minority interests	−9	−7	−5	−3
Net profit/loss attributable to shareholders of Deutsche Lufthansa AG	**−79**	**−203**	**173**	**255**
Basic/diluted earnings per share in €	**−0.17**	**−0.44**	**0.38**	**0.55**

Statement of comprehensive income January – June 2014

in €m	Jan. – June 2014	Jan. – June 2013	April – June 2014	April – June 2013
Profit/loss after income taxes	**−70**	**−196**	**178**	**258**
Other comprehensive income				
Other comprehensive income with subsequent reclassification to the income statement				
Differences from currency translation	10	−23	27	−34
Subsequent measurement of available-for-sale financial assets	69	10	83	−36
Subsequent measurement of cash flow hedges	−50	174	148	15
Other comprehensive income from investments accounted for using the equity method	0*	−13	−1	0
Other expenses and income recognised directly in equity	2	1	−2	1
Income taxes on items in other comprehensive income	17	−43	−32	−4
Other comprehensive income without subsequent reclassification to the income statement				
Revaluation of defined-benefit pension plans	−1,217	587	−628	−38
Income taxes on items in other comprehensive income	307	−162	173	−153
Other comprehensive income after income taxes	**−862**	**531**	**−230**	**338**
Total comprehensive income	**−932**	**335**	**−52**	**596**
Comprehensive income attributable to minority interests	−9	−7	−3	−3
Comprehensive income attributable to shareholders of Deutsche Lufthansa AG	**−941**	**328**	**−55**	**593**

* Rounded below EUR 1m.

Consolidated balance sheet

as of 30 June 2014

Assets

in €m	**30.6.2014**	31.12.2013	30.6.2013	1.1.2013
Intangible assets with an indefinite useful life*	1,196	1,188	1,184	1,193
Other intangible assets	382	381	362	375
Aircraft and reserve engines	13,159	12,359	12,204	11,843
Repairable spare parts for aircraft	982	959	895	899
Property, plant and other equipment	2,076	2,059	2,035	2,082
Investments accounted for using the equity method	390	441	407	382
Other equity investments	540	500	440	413
Non-current securities	20	20	19	19
Loans and receivables	438	500	393	472
Derivative financial instruments	278	335	216	268
Deferred charges and prepaid expenses	17	16	20	25
Effective income tax receivables	47	39	52	52
Deferred tax assets	1,065	622	656	755
Non-current assets	**20,590**	**19,419**	**18,883**	**18,778**
Inventories	653	641	646	639
Trade receivables and other receivables	4,264	3,600	4,129	3,616
Derivative financial instruments	397	460	238	215
Deferred charges and prepaid expenses	168	147	174	152
Effective income tax receivables	97	72	92	101
Securities	2,777	3,146	3,756	3,530
Cash and cash equivalents	957	1,552	1,614	1,438
Assets held for sale	56	71	53	110
Current assets	**9,369**	**9,689**	**10,702**	**9,801**
Total assets	**29,959**	**29,108**	**29,585**	**28,579**

* Including goodwill.

Shareholders' equity and liabilities

in €m	30.6.2014	31.12.2013	30.6.2013	1.1.2013
Issued capital	1,180	1,180	1,177	1,177
Capital reserve	1,395	1,395	1,382	1,382
Retained earnings	1,198	2,002	1,590	–63
Other neutral reserves	1,214	1,166	1,161	1,055
Net profit/loss	–79	313	–203	1,228
Equity attributable to shareholders of Deutsche Lufthansa AG	**4,908**	**6,056**	**5,107**	**4,779**
Minority interests	56	52	61	60
Shareholders' equity	**4,964**	**6,108**	**5,168**	**4,839**
Pension provisions	6,087	4,718	5,167	5,844
Other provisions	576	596	638	590
Borrowings	4,790	4,823	5,136	5,947
Other financial liabilities	171	148	169	198
Advance payments received, deferred income and other non-financial liabilities	1,179	1,187	1,171	1,163
Derivative financial instruments	522	426	149	150
Deferred tax liabilities	178	146	116	94
Non-current provisions and liabilities	**13,503**	**12,044**	**12,546**	**13,986**
Other provisions	757	868	846	898
Borrowings	523	1,514	1,430	963
Trade payables and other financial liabilities	4,767	4,545	4,698	4,237
Liabilities from unused flight documents	4,012	2,635	3,842	2,612
Advance payments received, deferred income and other non-financial liabilities	990	964	969	935
Derivative financial instruments	171	183	0*	2
Effective income tax obligations	272	247	86	107
Current provisions and liabilities	**11,492**	**10,956**	**11,871**	**9,754**
Total shareholders' equity and liabilities	**29,959**	**29,108**	**29,585**	**28,579**

* Rounded below EUR 1m.

Consolidated statement of changes in shareholders' equity

as of 30 June 2014

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 31.12.2012	**1,177**	**1,382**	**169**	**318**	**236**	**332**	**1,055**	**–63**	**1,228**	**4,779**	**60**	**4,839**
Change in accounting policies	–	–	–	–	–	–	–	0*	–	0*	–	0*
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	–	–	–	–	–	–	–	–	–203	–203	7	–196
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**	**–203**	**5,107**	**61**	**5,168**
As of 31.12.2013	**1,180**	**1,395**	**332**	**270**	**236**	**328**	**1,166**	**2,002**	**313**	**6,056**	**52**	**6,108**
Change in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Adjusted as of 31.12.2013	**1,180**	**1,395**	**332**	**270**	**236**	**328**	**1,166**	**2,002**	**313**	**6,056**	**52**	**6,108**
Capital increases/reductions	–	–	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	106	–106	–	–	–
Dividends to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	–207	–207	–6	–213
Transactions with minority interests	–	–	–	–	–	–	–	–	–	–	1	1
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	–	–		–	–	–	–	–	–79	–79	9	–70
Other expenses and income recognised directly in equity	–	–	36	10	–	2	48	–910	–	–862	–	–862
As of 30.6.2014	**1,180**	**1,395**	**368**	**280**	**236**	**330**	**1,214**	**1,198**	**–79**	**4,908**	**56**	**4,964**

* Rounded below EUR 1m.

Consolidated cash flow statement

January – June 2014

in €m	**Jan. – June 2014**	Jan. – June 2013[4]	**April – June 2014**	April – June 2013[4]
Cash and cash equivalents 1.1.	**1,407**	**1,438**	**762**	**1,601**
Net profit/loss before income taxes	–59	–240	248	339
Depreciation, amortisation and impairment losses on non-current assets (net of reversals)	689	931	349	441
Depreciation, amortisation and impairment losses on repairable spare parts for aircraft (net of reversals)	28	3	15	–13
Net proceeds on disposal of non-current assets	–25	1	–15	2
Result of equity investments	–22	–33	–30	–37
Net interest	140	162	65	79
Income tax payments/reimbursements	–106	–64	–40	–45
Measurement of financial derivatives through profit or loss	145	111	104	82
Change in working capital[1]	954	1,445	193	489
Cash flow from operating activities	**1,744**	**2,316**	**889**	**1,337**
Capital expenditure for property, plant and equipment and intangible assets	–1,494	–1,317	–668	–618
Capital expenditure for financial investments	–46	–18	–18	–11
Additions/loss to repairable spare parts for aircraft	–51	3	–35	12
Proceeds from disposal of non-consolidated equity investments	47	5	1	5
Proceeds from disposal of consolidated equity investments	0	–3	0	–3
Cash outflows for acquisitions of non-consolidated equity investments	–4	–17	–3	–5
Cash outflows for acquisitions of consolidated equity investments	–4	0	0	0
Proceeds from disposal of intangible assets, property, plant and equipment and other financial investments	104	125	74	41
Interest income	166	185	79	62
Dividends received	84	25	32	18
Net cash from/used in investing activities	**–1,198**	**–1,012**	**–538**	**–499**
Purchase of securities/fund investments[2]	–552	–885	–169	–553
Disposal of securities/fund investments	914	322	160	57
Net cash from/used in investing and cash management activities	**–836**	**–1,575**	**–547**	**–995**
Capital increase	–	–	–	–
Non-current borrowing	148	411	114	324
Repayment of non-current borrowing	–1,228	–730	–109	–566
Dividends paid	–213	–6	–210	–6
Interest paid	–191	–232	–74	–76
Net cash from/used in financing activities	**–1,484**	**–557**	**–279**	**–324**
Net increase/decrease in cash and cash equivalents	**–576**	**184**	**63**	**18**
Changes due to currency translation differences	–1	–8	5	–5
Cash and cash equivalents 30.6.[3]	**830**	**1,614**	**830**	**1,614**
Securities	2,777	3,756	2,777	3,756
Total liquidity	**3,607**	**5,370**	**3,607**	**5,370**
Net increase/decrease in total liquidity	–946	404	28	190

[1] Working capital consists of inventories, receivables, liabilities and provisions.
[2] Including transfer LH Pension Trust in previous year of EUR 300m.
[3] Excluding fixed-term deposits with terms of three to twelve months (2014: EUR 127m).
[4] Previous year's figures have been adjusted due to pro-rata consolidation Aerologic.

The cash flow statement shows how cash and cash equivalents at the Lufthansa Group have changed over the reporting period. In accordance with IAS 7, cash flows are divided into cash flows from operating activities, from investing activities and from financing activities. The cash and cash equivalents shown in the cash flow statement comprise the balance sheet items, bank balances and cash-in-hand excluding fixed-term deposits with terms of three to twelve months. The amount of liquidity in the broader sense is reached by adding short-term securities.

Notes

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

The consolidated financial statements of Deutsche Lufthansa AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking account of interpretations by the International Financial Reporting Interpretations Committee (IFRS Interpretations Committee) as applicable in the European Union (EU). This interim report as of 30 June 2014 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 2014 have been applied. The interim financial statements as of 30 June 2014 have been prepared using the same accounting policies as those on which the preceding consolidated financial statements as of 31 December 2013 were based. In accordance with IFRS 11 Joint Arrangements, which became mandatory as of 1 January 2014, the equity investment in Aerologic GmbH is no longer accounted for using the equity method. Instead, the earnings, assets and liabilities of this company are now recognised in the consolidated financial statements on a pro rata basis. The figures for the previous year have been adjusted accordingly. This change had no material effect in the first half of 2014 or in the same period of the previous year.

Until the end of the financial year 2012, new commercial aircraft and reserve engines were depreciated over a period of twelve years to a residual value of 15 per cent. According to an analysis of the Company undertaken when the 2013 financial statements were being prepared, technological developments and the higher demands made of their cost-effectiveness due to increasing competition have resulted in significant changes to the forecast useful economic life of the commercial aircraft and reserve engines used in the Lufthansa Group. In line with the fleet strategy, which takes these aspects into account, as well as with external considerations, new commercial aircraft and reserve engines will now be depreciated over a period of 20 years to a residual value of five per cent, starting in the 2013 financial year. The adjustment to their useful lives was made prospectively as a change in an accounting estimate in accordance with IAS 8.32. The change was therefore not made retrospectively for interim reporting periods in the previous year. As a result of the change in the accounting estimate of the useful economic life of these assets, depreciation and amortisation was EUR 169m lower in the first half of 2014.

Changes in the group of consolidated companies in the period 1.7.2013 to 30.6.2014

Name, registered office	Additions	Disposals	Reason
Passenger Airline Group segment			
FG Unity Leasing Co., Ltd., Tokyo, Japan	21.10.13		Established
FG Vision Leasing Co., Ltd., Tokyo, Japan	21.10.13		Established
FL Falcon Leasing Co., Ltd., Tokyo, Japan	25.4.14		Established
FL Uranus Leasing Co., Ltd., Tokyo, Japan	25.4.14		Established
GOAL Verwaltungsgesellschaft mbH & Co. Projekt Nr. 7 oHG, Grünwald, Germany		31.12.13	Sale
LLG Nord GmbH & Co. Bravo KG, Grünwald, Germany		31.12.13	Merger
Lufthansa Technik Switzerland GmbH, Basel, Switzerland		3.12.13	Merger
Lufthansa Leasing Austria GmbH & Co. OG Nr. 5, Salzburg, Austria		17.4.14	Merger
Lufthansa Leasing Austria GmbH & Co. OG Nr. 28, Salzburg, Austria	15.2.14		Established
Lufthansa WorldShop GmbH, Frankfurt am Main, Germany		26.6.14	Merger
Logistics segment			
Lufthansa Leasing Austria GmbH & Co. OG Nr. 50, Salzburg, Austria	15.2.14		Established
Lufthansa Cargo Charter Agency GmbH, Frankfurt am Main, Germany		13.6.14	Merger
MRO segment			
Lufthansa Technik Sofia OOD, Sofia, Bulgaria	1.1.14		Consolidated for the first time

Changes in the group of consolidated companies in the period 1.7.2013 to 30.6.2014

Name, registered office	Additions	Disposals	Reason
Catering segment			
Alpha Airport Services OOD, Sofia, Bulgaria	1.7.13		Acquisition
LSG Sky Chefs Australasia Pty Limited, Sydney, Australia		20.10.13	Liquidation
LSG Sky Chefs Brussels International BVBA, Zaventem, Belgium	31.10.13		Acquisition
Starfood Finland Oy, Vantaa, Finland	28.2.14		Acquisition
Supply Chain S.à.r.l., Sennigerberg, Luxembourg	1.4.14		Consolidated for the first time

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

Assets held for sale

in €m	**Group 30.6.2014**	Financial statements 31.12.2013	Group 30.6.2013
Assets			
Aircraft and reserve engines	45	65	45
Financial assets	–	–	–
Other assets	11	6	8

Detailed comments on the income statement, the balance sheet, the cash flow statement and the segment reporting can also be found in the management report on p. 3–24.

3) Seasonality

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

4) Contingencies and events after the balance sheet date

Contingent liabilities

in €m	**30.6.2014**	31.12.2013
From guarantees, bills of exchange and cheque guarantees	857	854
From warranty contracts	938	929
From providing collateral for third-party liabilities	39	39
Legal risks	53	60
Other contingent liabilities	55	107
	1,942	1,989

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 108m for subsequent years. As of the year-end 2013 reporting date the figure came to EUR 167m.

Contracts signed at the end of 2013 for the sale of two ATRs resulted in profits for the first half of 2014 of EUR 4m and cash inflows of EUR 10m.

Contracts signed for the sale of three Canadair Regional Jet 700s are expected to generate profits of EUR 1m and cash inflows of EUR 9m by the end of 2014, and further cash inflows of EUR 5m in the following year.

At the end of June 2014, there were order commitments of EUR 15.0bn for capital expenditure on property, plant and equipment and intangible assets. As of 31 December 2013, the order commitments came to EUR 16.0bn.

Since 30 June 2014, no events of particular importance have occurred that would be expected to have a significant influence on the net assets, financial and earnings position which have not already been reported.

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 30.6.2014

in €m	Level 1	Level 2	Level 3	**Total**
Financial assets at fair value through profit and loss				
Financial derivatives classified as held for trading	–	220	–	220
Total financial assets through profit and loss	**–**	**220**	**–**	**220**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**455**	**–**	**455**
Available-for-sale financial assets				
Equity instruments	688	–	–	688
Debt instruments	1,218	1,257	–	2,475
	1,906	**1,257**	**–**	**3,163**
Total assets	**1,906**	**1,932**	**–**	**3,838**

Liabilities 30.6.2014

in €m	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments at fair value through profit or loss	–	328	–	328
Derivative financial instruments which are an effective part of a hedging relationship	–	365	–	365
Total liabilities	**–**	**693**	**–**	**693**

As of 31 December 2013, the fair value hierarchy for assets and liabilities held at fair value was as follows:

Assets 31.12.2013

in €m	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Financial derivatives classified as held for trading	–	302	–	302
Current securities	–	0*	1	1
Total financial assets through profit and loss	**–**	**302**	**1**	**303**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**493**	**–**	**493**
Available-for-sale financial assets				
Equity instruments	655	–	–	655
Debt instruments	1,129	1,627	40	2,796
	1,784	**1,627**	**40**	**3,451**
Total assets	**1,784**	**2,422**	**41**	**4,247**

* Rounded below EUR 1m.

Liabilities 31.12.2013

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	–	278	–	278
Derivative financial instruments which are an effective part of a hedging relationship	–	331	–	331
Total liabilities	**–**	**609**	**–**	**609**

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	1.1.2014	Recognised in result for the period	Change in market value recognised in equity	Additions/ disposals	30.6.2014
Financial assets at fair value through profit or loss	1	–	–	−1	–
Available-for-sale financial assets	40	–	–	−40	–
Total	**41**	**–**	**–**	**−41**	**–**

Financial liabilities

The following table shows the carrying amounts and market values for individual classes of financial liabilities. Market values of EUR 833m for bonds are equal to the listed prices, and market values of EUR 214m for bonds were derived from the listed prices. The market values for other types of financial liabilities 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

	30.6.2014		31.12.2013	
in €m	Carrying amount	Market value	Carrying amount	Market value
Bonds	968	1,047	1,812	1,918
Liabilities to banks	1,131	1,156	1,254	1,276
Leasing liabilities and other loans	3,214	3,386	3,271	3,443
	5,313	**5,589**	**6,337**	**6,637**

6) Earnings per share

		30.6.2014	30.6.2013
Basic earnings per share	€	**–0.17**	**–0.44**
Consolidated net profit/loss	€m	–79	–203
Weighted average number of shares		461,074,910	459,946,980
Diluted earnings per share	€	**–0.17**	**–0.44**
Consolidated net profit/loss	€m	–79	–203
+ interest expenses on the convertible bonds	€m	0	0
– current and deferred taxes	€m	0	0
Adjusted net profit/loss for the period	€m	–79	–203
Weighted average number of shares		461,074,910	459,946,980

7) Issued capital

A resolution passed at the Annual General Meeting on 29 April 2014 authorised the Executive Board until 28 April 2019, subject to approval by the Supervisory Board, to increase the Company's issued capital by up to EUR 29,000,000, by issuing new registered shares to employees (Authorised Capital B) for payment in cash. Existing shareholders' subscription rights are excluded. Following a resolution passed at the Annual General Meeting on 29 April 2014, the distributable earnings shown in the financial statements of Deutsche Lufthansa AG totalling EUR 207,483,750.00 were used to pay a dividend of EUR 0.45 per registered share.

8) Segment reporting

Segment information by operating segment January – June 2014

in €m	Passenger Airline Group	Logistics	MRO	Catering	IT Services	**Total reportable operating segments**	Other	Reconciliation	**Group**
External revenue	10,639	1,148	1,308	943	128	14,166	–	–	14,166
of which traffic revenue	10,113	1,128	–	–	–	11,241	–	225	11,466
Inter-segment revenue	319	13	780	294	190	1,596	–	–1,596	–
Total revenue	**10,958**	**1,161**	**2,088**	**1,237**	**318**	**15,762**	**–**	**–1,596**	**14,166**
Other operating income	388	37	117	31	10	583	672	–403	852
Total operating income	**11,346**	**1,198**	**2,205**	**1,268**	**328**	**16,345**	**672**	**–1,999**	**15,018**
Operating expenses	**11,442**	**1,164**	**1,999**	**1,250**	**317**	**16,172**	**718**	**–1,986**	**14,904**
of which cost of materials and services	7,241	827	1,024	542	57	9,691	67	–1,494	8,264
of which staff costs	2,089	195	617	462	124	3,487	163	–4	3,646
of which depreciation and amortisation	546	30	45	31	17	669	18	0	687
of which other operating expenses	1,566	112	313	215	119	2,325	470	–488	2,307
Operating result[1]	**–96**	**34**	**206**	**18**	**11**	**173**	**–46**	**–13**	**114**
Other segment income	69	4	20	1	0*	94	32	9	135
Other segment expenses	12	0*	1	1	0*	14	8	22	44
of which impairment losses	9	–	–	–	–	9	–	–	9
Result of investments accounted for using the equity method	–5	6	7	–3	–	5	–	–	5
Segment result[2]	**–44**	**44**	**232**	**15**	**11**	**258**	**–22**	**–26**	**210**
Other financial result									–269
Profit/loss before income taxes									–59
Segment assets[3]	15,980	1,292	3,382	1,396	241	22,291	1,790	5,878	29,959
of which from investments accounted for using the equity method	73	37	162	112	–	384	6	–	390
Segment liabilities[4]	13,866	588	1,599	750	226	17,029	1,836	6,130	24,995
Segment capital expenditure[5]	1,231	151	64	48	12	1,506	4	38	1,548
of which on investments accounted for using the equity method	–	–	1	–	–	1	–	–	1
Employees on balance sheet date	55,305	4,636	19,936	32,531	2,726	115,134	3,958	–	119,092

* 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 2013

in €m	Passenger Airline Group	Logistics	MRO	Catering	IT Services	**Total reportable operating segments**	Other	Reconciliation	**Group**
External revenue	10,914	1,206	1,298	919	127	14,464	–	–	14,464
of which traffic revenue	10,374	1,183	–	–	–	11,557	–	223	11,780
Inter-segment revenue	319	13	742	290	177	1,541	–	–1,541	–
Total revenue	**11,233**	**1,219**	**2,040**	**1,209**	**304**	**16,005**	**–**	**–1,541**	**14,464**
Other operating income	532	49	92	32	9	714	629	–370	973
Total operating income	**11,765**	**1,268**	**2,132**	**1,241**	**313**	**16,719**	**629**	**–1,911**	**15,437**
Operating expenses	**11,829**	**1,206**	**1,913**	**1,222**	**308**	**16,478**	**778**	**–1,892**	**15,364**
of which cost of materials and services	7,499	876	955	532	58	9,920	55	–1,420	8,555
of which staff costs	2,043	199	600	458	122	3,422	189	–3	3,608
of which depreciation and amortisation	706	14	48	32	18	818	20	1	839
of which other operating expenses	1,581	117	310	200	110	2,318	514	–470	2,362
Operating result [1]	**–64**	**62**	**219**	**19**	**5**	**241**	**–149**	**–19**	**73**
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**	**74**	**228**	**21**	**3**	**193**	**–84**	**–98**	**11**
Other financial result									–251
Profit/loss before income taxes									–240
Segment assets [3]	15,526	1,092	3,169	1,328	240	21,355	1,573	6,657	29,585
of which from investments accounted for using the equity method	49	51	194	107	–	401	6	–	407
Segment liabilities [4]	13,198	534	1,554	764	183	16,233	1,713	6,472	24,418
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	4,620	19,777	30,912	2,721	112,911	3,977	–	116,888

* 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.

Figures by region January – June 2014

in €m	Europe	thereof Germany	North America	thereof U.S.A.	Central and South America	Asia / Pacific	Middle East	Africa	**Total**
Traffic revenue*	7,640	3,418	1,647	1,489	369	1,333	310	167	**11,466**
Other operating revenue	1,193	431	660	555	94	500	149	104	**2,700**
Total revenue	**8,833**	**3,849**	**2,307**	**2,044**	**463**	**1,833**	**459**	**271**	**14,166**

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

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*	7,699	3,638	1,749	1,562	393	1,411	334	194	**11,780**
Other operating revenue	1,163	426	692	513	88	506	142	93	**2,684**
Total revenue	**8,862**	**4,064**	**2,441**	**2,075**	**481**	**1,917**	**476**	**287**	**14,464**

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

9) Related party disclosures

As stated in "Note 44" to the consolidated financial statements for 2013 beginning on p. 201, 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 45" from p. 203 of the 2013 consolidated financial statements also still exist unchanged, but are not of material significance for the Group.

Declaration by the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group in accordance with German accepted accounting principles, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

The Executive Board, 29 July 2014

Carsten Spohr
Chairman of the Executive Board

Karl Ulrich Garnadt
Member of the Executive Board

Harry Hohmeister
Member of the Executive Board

Simone Menne
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 January 1 to June 30, 2014 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.

Düsseldorf, 30 July 2014

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Financial calendar 2014/2015

2014

30 Oct. Release of Interim Report January – September 2014

2015

12 March Press Conference and Analysts' Conference on 2014 results

29 April Annual General Meeting in Hamburg

5 May Release of Interim Report January – March 2015

30 July Release of Interim Report January – June 2015

29 Oct. Release of Interim Report January – September 2015

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