



2ND INTERIM REPORT **January – June 2018**

All Lufthansa Group airlines achieve substantial growth in the first half of 2018 | Adjusted EBIT for the Lufthansa Group of EUR 1,008m only just below prior-year period despite substantially higher fuel costs | Full-year unit revenue projection raised and earnings forecast reaffirmed: Adjusted EBIT only slightly below previous year



Lufthansa Group

KEY FIGURES LUFTHANSA GROUP

		Jan – Jun 2018	Jan – Jun 2017	Change in %	Apr – Jun 2018	Apr – Jun 2017	Change in %
Revenue and result							
Total revenue	in €m	16,938	16,951	-0.1	9,298	9,260	0.4
of which traffic revenue	in €m	13,156	13,293	-1.0	7,371	7,485	-1.5
Adjusted EBITDA	in €m	1,906	1,889	0.9	1,435	1,443	-0.6
Adjusted EBIT	in €m	1,008	1,042	-3.3	982	1,017	-3.4
EBIT	in €m	1,010	1,031	-2.0	983	1,015	-3.2
Net profit/loss	in €m	677	672	0.7	734	740	-0.8
Key balance sheet and cash flow statement figures							
Total assets	in €m	39,258	37,901	3.6	-	-	
Equity ratio	%	25.0	19.4	5.6 pts	-	-	
Net indebtedness	in €m	2,554	1,139	124.2	-	-	
Pension provisions	in €m	5,418	8,127	-33.3	-	-	
Cash flow from operating activities	in €m	3,018	3,226	-6.4	1,393	1,578	-11.7
Capital expenditure (gross) ¹⁾	in €m	1,927	1,397	37.9	1,213	642	88.9
Free cash flow	in €m	977	2,100	-53.5	187	1,006	-81.4
Key profitability and value creation figures							
Adjusted EBITDA margin	%	11.3	11.1	0.2 pts	15.4	15.6	-0.2 pts
Adjusted EBIT margin	%	6.0	6.1	-0.1 pts	10.6	11.0	-0.4 pts
EBIT margin	%	6.0	6.1	-0.1 pts	10.6	11.0	-0.4 pts
Lufthansa share							
Share price at the quarter-end	€	20.60	19.93	3.4	-	-	
Earnings per share	€	1.44	1.43	0.7	1.56	1.58	-1.3
Traffic figures²⁾							
Flights	number	589,964	543,849	8.5	321,557	296,985	8.3
Passengers	thousands	66,908	59,771	11.9	38,332	34,581	10.8
Available seat-kilometres	millions	166,795	154,212	8.2	92,026	85,338	7.8
Revenue seat-kilometres	millions	133,059	121,854	9.2	74,881	69,409	7.9
Passenger load factor	%	79.8	79.0	0.8 pts	81.4	81.3	0.0 pts
Available cargo tonne-kilometres	millions	7,968	7,520	6.0	4,207	3,962	6.2
Revenue cargo tonne-kilometres	millions	5,371	5,219	2.9	2,749	2,720	1.1
Cargo load factor	%	67.4	69.4	-2.0 pts	65.3	68.7	-3.3 pts
Employees							
Employees as of 30 Jun	number	134,399	128,472	4.6	134,399	128,472	4.6

¹⁾ Without acquisition of equity investments.

²⁾ Previous year's figures have been adjusted.

Date of publication: 31 Jul 2018.

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Ladies and gentlemen,

The Lufthansa Group can look back on a successful first half-year of 2018, with earnings only marginally below the record result of the previous year. Passenger numbers, the number of flights and the passenger load factor all hit new highs.

Once again, this positive development was largely driven by the Network Airlines. We are delighted that our premium airlines not only achieved a good revenue and earnings development but also further reduced their unit costs. This will allow them to continue to increase their earnings sustainably for the foreseeable future, despite the significantly higher fuel costs.

Integration of the aircraft taken over in the context of the Air Berlin insolvency made it a very busy and stressful first half-year for Eurowings. Because of various events and developments on which we partly had no influence, the progress we made was slower and unfortunately not as smooth as anticipated. We very much regret that the resulting irregularities such as delays and cancellations led to inconvenience for many of our passengers. The Eurowings team is working intensely on the ongoing integration and has already initiated numerous measures to further stabilise its operations. Finally, Eurowings' earnings development will benefit from this too.

Aviation Services again made a positive contribution to the Lufthansa Group's earnings. Notably, the performance of the Logistics business segment was above-average in the reporting period. The Catering business segment also generated higher earnings. The MRO segment's earnings were below the previous year's due to the ongoing decline in engine maintenance.

Our goal is to ensure sustainable growth for the entire Lufthansa Group. To this end, we are also constantly improving the customer experience. The awards received most recently by our premium airlines show that our investments in products and services are being acknowledged by our customers. As an example, Lufthansa German Airlines was named the "Best Airline in Europe" for the second time in a row in a global passenger survey conducted by the British management consultancy Skytrax, which specialises in aviation. This and many other awards represent a commitment and an incentive for us to maintain our leadership role within our industry. We have no influence on political developments, the economy or the price of oil, but by systematically implementing our strategy, we can contribute to achieving the goals we have set for the entire Lufthansa Group. We are still forecasting that our main performance indicator, Adjusted EBIT, will be only slightly below last year's high level for the full year.

Please continue to give us your trust and your support!

Frankfurt, 27 July 2018
Executive Board



Carsten Spohr
Chairman of the
Executive Board and CEO



Thorsten Dirks
Member of the Executive Board
Eurowings and Aviation Services



Harry Hohmeister
Member of the Executive Board
Hub Management



Ulrik Svensson
Member of the Executive Board
Chief Financial Officer



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

Lufthansa share

The Lufthansa share stood at EUR 20.60 at the end of the first half-year of 2018. This represents a decrease in the share price of 32.9 per cent since year-end 2017. Including the dividend of EUR 0.80 per share distributed in June 2018, the total shareholder return came to -30.3 per cent. The DAX index fell by 4.7 per cent and the STOXX Europe Total Market Airlines index fell by 11.1 per cent over the same period.

As of 30 June 2018, 14 analysts recommended the Lufthansa share as a buy, six as a hold and three as a sell. The average target price was EUR 28.81.

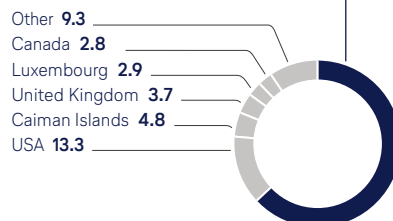
The free float for Lufthansa shares was unchanged at 100 per cent at the end of the first half-year of 2018. 63.2 per cent of Lufthansa shares were held by German investors. The largest individual shareholders were BlackRock, Inc. with 5.02 per cent and Lansdowne Partners International Ltd. with 3.62 per cent.

SHAREHOLDER STRUCTURE BY NATIONALITY

As of 30 Jun 2018 in %

GERMANY

63.2



Free float: 100%

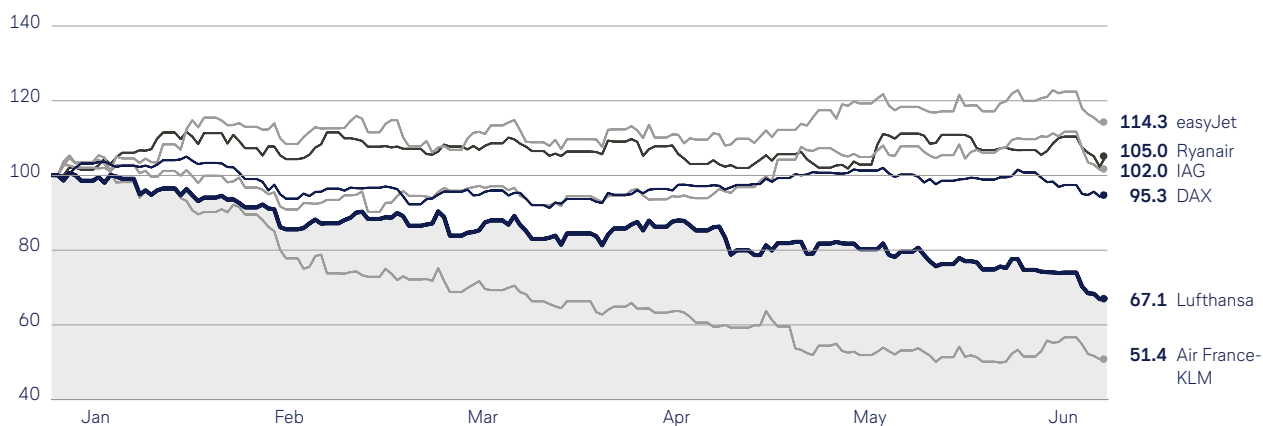
Up-to-date information on the shareholder structure is provided regularly on the website www.lufthansagroup.com/investor-relations.

PERFORMANCE OF THE LUFTHANSA SHARE JAN - JUN 2018

LUFTHANSA'S SHARE PRICE AS OF 30 JUN 2018

indexed as of 31 Dec 2017, compared with the DAX and competitors, in %

20.60 €



Economic environment and sector performance

MACROECONOMIC SITUATION

GDP GROWTH 2018 COMPARED WITH PREVIOUS YEAR

in %	Q1	Q2 ¹⁾	Q3 ¹⁾	Q4 ¹⁾	Full year ¹⁾
World	3.4	3.3	3.2	3.2	3.3
Europe	2.6	2.3	2.0	1.7	2.1
Germany	2.3	2.4	2.1	1.9	2.2
North America	2.7	3.1	3.0	3.0	3.0
South America	1.7	1.0	1.0	0.8	1.1
Asia/Pacific	5.1	4.9	4.8	5.0	5.0
China	6.8	6.5	6.6	6.8	6.7
Middle East	2.0	2.1	2.4	2.7	2.3
Africa	3.7	3.6	3.7	3.7	3.7

Source: Global Insight World Overview as of 15 Jul 2018.

¹⁾ Forecast.

The global economy grew by 3.3 per cent year on year in the second quarter of 2018, according to data made available by Global Insight. Asia/Pacific was the world's fastest-growing region with a growth rate of 4.9 per cent. Growth in Europe at 2.3 per cent was more moderate compared to the prior year.

The oil price increased in the first half-year of 2018 from USD 66.87/barrel on 31 December 2017 to USD 79.44/barrel at the end of the reporting period. The average price was USD 71.15/barrel, which is 34.9 per cent higher year on year. The jet fuel crack, the price difference between crude oil and kerosene, was 45.7 per cent higher year on year. Overall, the average kerosene price was therefore up by 36.7 per cent year on year.

DEVELOPMENT OF CRUDE OIL, KEROSENE AND CURRENCY

	Minimum	Maximum	Average	30 Jun 2018
ICE Brent in USD/bbl	62.59	79.80	71.15	79.44
Kerosene in USD/t	607.50	758.50	676.37	723.25
USD 1 EUR/USD	1.1546	1.2492	1.2099	1.1677
JPY 1 EUR/JPY	125.5900	137.3500	131.5610	129.3600
CHF 1 EUR/CHF	1.1455	1.1987	1.1700	1.1583
CNY 1 EUR/CNY	7.4150	7.9120	7.7114	7.7348
GBP 1 EUR/GBP	0.8644	0.8940	0.8797	0.8851

Compared with the same period of the previous year, the euro grew in value against the foreign currencies relevant for the Lufthansa Group. The euro developed strongly against the US dollar at the beginning of the half-year in particular, although the dollar did then strengthen again significantly towards the end of the first half-year of 2018. The euro increased 11.8 per cent against the US dollar in comparison to the previous year's average prices. The euro appreciated by 2.3 per cent against the pound sterling, by 8.2 per cent against the Japanese yen and by 8.7 per cent against the Swiss franc. It increased by 3.6 per cent against the renminbi, with the Chinese currency being weighed down in the final weeks of the half-year in particular by the imminent trade war with the USA.

SECTOR DEVELOPMENTS

SALES PERFORMANCE IN THE AIRLINE INDUSTRY JAN - MAY 2018

in % compared with previous year	Revenue passenger-kilometres	Cargo tonne-kilometres
Europe	6.5	4.5
North America	5.0	5.8
Central and South America	6.9	10.9
Asia/Pacific	9.4	5.6
Middle East	3.8	4.3
Africa	2.3	5.2
Industry	6.8	5.3

Source: IATA Air Passenger/Air Freight Market Analysis (May 2018).

Ongoing global economic growth had a positive impact on worldwide demand for air travel. According to the International Air Transport Association (IATA), 6.8 per cent more passenger-kilometres were sold year on year in the first five months of 2018. Growth was therefore slightly weaker compared to the previous year (full year 2017: 8.1 per cent). Airlines from the Asia/Pacific region saw the fastest growth. They sold 9.4 per cent more passenger-kilometres year on year in the first five months of 2018. European airlines achieved growth of 6.5 per cent.

In the first half-year of 2018, the European air travel market was heavily influenced by the market consolidation caused by Air Berlin's insolvency. The capacity shortfall that this caused was met gradually in Europe, and it has since been more than made up for.

In North America, the market consolidation and the capacity discipline of the players on the market, particularly the three large commercial joint ventures, continues to pay off. Meanwhile, there has been noticeable growth in long-haul services offered by low-cost airlines, resulting in an above-average increase in capacity. However, the capacity on the transatlantic routes which was missing as a result of Air Berlin's market exit has not yet been fully recovered.

On the routes to Asia, the state-owned airlines in the Gulf and Bosphorus regions have slightly accelerated their results growth again compared to the prior year. This growth nonetheless remains well below the very high growth rates of the past.

The cargo business as well grew significantly, albeit slightly more moderately than passenger business. According to IATA calculations, global revenue tonne-kilometres rose by 5.3 per cent in the first five months of the year (full year 2017: 9.7 per cent). Regional variations were more pronounced than in passenger traffic. Airlines from Latin America expanded fastest at 10.9 per cent. Carriers from Europe grew by 4.5 per cent.

Competition in the global airfreight market remains intense. Lufthansa Cargo's competitors are other airlines with significant freight capacities in their long-haul passenger fleets, as well as airlines with a mix of cargo and passenger aircraft and pure freighter operators. The pace of cargo capacity growth on fleets of passenger aircraft has slowed, especially at airlines from the Middle East and the Gulf region. The market recovery that began in 2017 has since come to an end. Following balanced developments in supply and demand, there were recent indications of an above-average increase in airfreight supply.

The positive trend continues in the market for aircraft maintenance, repair and overhaul services (MRO). Market growth of 8.3 per cent year on year is expected for 2018. Lufthansa Technik's main competitors are aircraft, engine and component OEMs (original equipment manufacturers), the MRO operations of other airlines as well as independent providers. Greater capacities in the MRO market, partly due to expansion by OEMs, result in permanently high pricing pressure in the MRO business. The MRO market is increasingly being shaped by consolidation, on both the customer and provider side. Additionally, component OEMs are merging to become a handful of players that dominate the market, while aircraft manufacturers are reducing the number of suppliers they use and are producing certain systems themselves once again.

The ongoing growth in passenger numbers within the global airline sector continues to have a positive effect on demand both for conventional catering and for in-flight sales programmes. Overall, the Company is anticipating market growth in the area of in-flight service of approximately 3 per cent per annum. In addition to the LSG group, there is one global competitor and a small number of formerly regional providers that are increasingly expanding. The ongoing price pressure on caterers is being intensified by the increasing cost pressure being felt by the airlines, for example as a result of rising kerosene prices. They must increasingly offer innovative and comprehensive in-flight service concepts that allow the airlines to differentiate themselves in terms of the passenger experience. Preorder and preselect in-flight service options are gaining in importance as, on the one hand, they allow specific passenger wishes to be catered to better and, on the other hand, play a part in reducing waste volumes.

Course of business

The Lufthansa Group developed positively in the first half-year of 2018. Around 67 million passengers were carried in this period, more than ever before. New highs were also achieved in terms of capacity, sales and passenger load factor. Adjusted for the effects of the first-time application of financial reporting standard IFRS 15 (Revenue from Contracts with Customers), revenue increased by 5.2 per cent year on year. As expected, Adjusted EBIT and EBIT slightly fell by 3.3 per cent year on year to EUR 1,008m and by 2.0 per cent to EUR 1,010m respectively, despite higher fuel costs and one-off costs at Eurowings. All the business segments, with the exception of Eurowings and MRO, succeeded in increasing their earnings. The Network Airlines segment made the largest contribution to earnings in absolute terms as a result of positive contributions from Lufthansa German Airlines and SWISS. The Eurowings segment's earnings developed negatively, first and foremost due to the considerable costs related to integration of the flight operations it assumed. Cash flow from operating activities declined by 6.4 per cent to EUR 3,018m. Free cash flow was down 53.5 per cent year on year at EUR 977m due to significantly higher capital expenditure. The equity ratio rose by 5.6 percentage points to 25.0 per cent over the previous year.

SIGNIFICANT EVENTS

Lufthansa Group and ver.di conclude long-term tariff agreement

On 7 February 2018, the Lufthansa Group and the trade union ver.di concluded long-term wage agreements for the around 28,000 ground staff employed by Lufthansa German Airlines, Lufthansa Cargo, Lufthansa Technik and the LSG group in Germany. The wage agreement prescribes a total increase in remuneration of 4.9 up to 6.1 per cent over the course of 33 months. The increase depends on the Adjusted EBIT margin in the individual segments, with a guaranteed increase of at least 4.9 per cent, regardless of the margin that is achieved. Thus, the wage settlement takes into account the economic growth of the Group companies. The wage agreement is valid from 1 January 2018 until 30 September 2020.

Carsten Spohr confirmed as Chairman of the Executive Board and CEO for another five years

The Supervisory Board of Deutsche Lufthansa AG appointed Carsten Spohr as Chairman of the Executive Board and CEO for another five years on 14 March 2018. Carsten Spohr, who has been a member of the Executive Board of Deutsche Lufthansa AG since 2011 and its Chairman and CEO since 2014, has had his contract extended until the end of December 2023.

Lufthansa Group continues to invest in fleet modernisation

On 7 May 2018, the Supervisory Board of Deutsche Lufthansa AG approved the purchase of up to 16 additional aircraft. These are scheduled to be delivered in stages between now and 2022. The order includes two Boeing 777-300ER long-haul aircraft for SWISS which are scheduled to be added to the existing fleet in early 2020 and which will be used to expand the airline's route network. In addition, two Boeing 777Fs are being ordered for Lufthansa Cargo. The Supervisory Board has additionally approved the purchase of up to twelve short- and medium-haul aircraft from the Airbus A320 family.

New composition of the Supervisory Board of Deutsche Lufthansa AG

The Supervisory Board of Deutsche Lufthansa AG met for its constituent meeting in its new composition following the Annual General Meeting on 8 May 2018. Dr Karl-Ludwig Kley was elected as its new Chairman. Christine Behle was once again elected Deputy Chair. The new members of the capital side had been elected by the shareholders before.

<https://investor-relations.lufthansagroup.com/en/corporate-governance/supervisory-board.html>

Financial performance

The first-time application of the accounting standard IFRS 15 (Revenue from Contracts with Customers) leads to significant changes in the presentation of individual income and expense items in the segments Network Airlines and Eurowings. For example, the EUR 1.1bn in traffic revenue and passenger-related airport fees which was previously recorded in gross is now reported as a net amount in the first half-year of 2018. In addition, training and travel management income in the amount of EUR 180m was reclassified from other operating income to revenue.

In line with the transitional provisions selected, the prior-year figures were not adjusted. For comparability purposes, the developments in the affected income and expense items and in the performance indicators derived from these are also shown with adjustments for 2018, in other words without netting effects.

EARNINGS POSITION

REVENUE, INCOME AND EXPENSES

	Jan – Jun 2018 in €m	Jan – Jun 2017 in €m	Change in %
Traffic revenue	13,156	13,293	-1.0
Other revenue	3,782	3,658	3.4
Total revenue	16,938	16,951	-0.1
Other operating income ¹⁾	864	1,139	-24.1
Total operating income	17,802	18,090	-1.6
Cost of materials and services	8,764	9,269	-5.4
of which fuel	2,776	2,560	8.4
of which fees and charges	2,166	3,056	-29.1
of which operating lease/charter	373	315	18.4
of which external services MRO	820	792	3.5
Staff costs ²⁾	4,338	4,262	1.8
Depreciation ³⁾	898	847	6.0
Other operating expenses ¹⁾	2,837	2,714	4.5
Total operating expenses	16,837	17,092	-1.5
Result from equity investments	43	44	-2.3
Adjusted EBIT	1,008	1,042	-3.3
Total reconciliation EBIT	2	-11	12.0
EBIT	1,010	1,031	-2.0

¹⁾ Without fixed asset write-ups and book gains/losses.

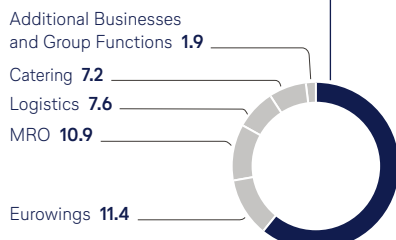
²⁾ Without past service cost/settlements.

³⁾ Without impairment loss.

**EXTERNAL REVENUE SHARE
OF THE BUSINESS SEGMENTS**

in % (as of 30 Jun 2018)

NETWORK AIRLINES

61.0**Adjusted for the effects of IFRS 15,
revenue and operating income increase**

Adjusted for the first-time application of financial reporting standard IFRS 15, traffic revenue grew by 7.0 per cent, mainly due to higher transport volumes at lower constant currency yields. Revenue rose by 5.2 per cent excluding IFRS 15 effects; total operating income increased by 4.3 per cent excluding IFRS 15 effects.

Adjusted for exchange rates and effects from IFRS 15, constant currency unit revenues of passenger airlines (RASK¹⁾) increased by 1.3 per cent while capacity increased by 8.2 per cent.

**Adjusted for the effects of IFRS 15,
operating expenses increase**

Operating expenses grew by 4.8 per cent, excluding IFRS 15 effects on fees and charges.

The adjusted cost of materials and services went up by 6.1 per cent. Fuel costs were the main factor behind this increase in expenses, rising by 8.4 per cent to EUR 2.8bn. Higher average prices after hedging (+13.4 per cent) and higher volumes (+5.7 per cent) were partially offset by exchange rate effects (-10.7 per cent). The impact on the actual result was reduced by the hedging result of EUR 336m (previous year: EUR -93m). The adjusted increase in fees and charges of 6.0 per cent resulted from higher passenger numbers and the increase in cargo volumes. Charter and lease expenses were up by 18.4 per cent, due in part to external capacities arising from rapid growth in the Eurowings segment. Other purchased services rose by 10.3 per cent, among other things due to increased compensation payments to passengers as a result of flight delays and cancellations.

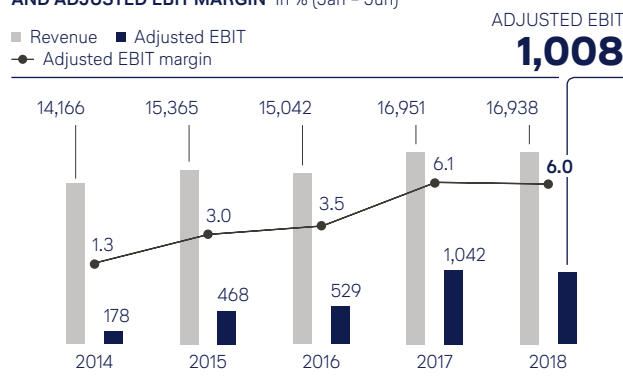
Staff costs increased by 1.8 per cent. Here, the 4.0 per cent increase in the average number of employees was to some extent offset by countervailing currency effects and lower ongoing pension expenses.

Aircraft and reserve engines accounted for EUR 732m of depreciation and amortisation (+7.6 per cent). The increase reflects the fleet's renewal and growth. There were no impairment losses on aircraft in 2018.

Constant currency unit costs excluding fuel for passenger airlines (CASK²⁾) decreased by 0.6 per cent excluding IFRS 15 effects. Higher expenses within the Eurowings segment in relation to integration of the acquired Air Berlin activities and flight operation disruptions, which were to some extent related to this, had a very negative influence here. In contrast, the Network Airlines segment recorded significant cost reductions that, in the first half-year, even surpassed the long-term reduction target of 1 to 2 per cent.

Earnings almost on a par with high level of previous year

The volume-related revenue and expense developments resulted in an Adjusted EBIT of EUR 1,008m, putting it almost on a par with the previous year's high level. The price-related growth in fuel costs was almost entirely offset by efficiency improvements.

DEVELOPMENT REVENUE, ADJUSTED EBIT in €m (Jan - Jun)
AND ADJUSTED EBIT MARGIN in % (Jan - Jun)

¹⁾ RASK: Total operating income (excluding reconciliation items from Adjusted EBIT), adjusted for income from the release of provisions and including all exchange rate gains and losses recognised in other operating income or expenses. Figures from the previous year were adjusted in accordance with the changes due to IFRS 15.

²⁾ CASK: Total operating expenses (excluding reconciliation items within Adjusted EBIT) excluding the foreign exchange losses recognised in other operating expenses, adjusted for income from the release of provisions.

RECONCILIATION OF RESULTS

in €m	Jan – Jun 2018		Jan – Jun 2017	
	Income statement	Reconciliation Adjusted EBIT	Income statement	Reconciliation Adjusted EBIT
Total revenue	16,938	–	16,951	–
Changes in inventories	26	–	75	–
Other operating income	848	–	1,099	–
of which book gains	–	–8	–	–30
of which write-ups on capital assets	–	–2	–	–6
of which badwill	–	–	–	–
Total operating income	17,812	–10	18,125	–36
Cost of materials and services	–8,764	–	–9,269	–
Staff costs	–4,339	–	–4,294	–
of which past service costs/settlement	–	1	–	32
Depreciation	–898	–	–860	–
of which impairment losses	–	0*	–	13
Other operating expenses	–2,844	–	–2,715	–
of which impairment losses on assets held for sale	–	0*	–	0*
of which expenses incurred from book losses	–	7	–	2
Total operating expenses	–16,845	8	–17,138	47
Profit/loss from operating activities	967	–	987	–
Result from equity investments	43	–	44	–
EBIT	1,010		1,031	
Total amount of reconciliation Adjusted EBIT	–	–2	–	11
Adjusted EBIT		1,008		1,042
Depreciation (included in profit from operating activities)	898	–	860	–
Depreciation on assets held for sale	0*	–	0*	–
EBITDA	1,908	–	1,891	–

* Rounded below EUR 1m.

Net profit/loss on previous year's level

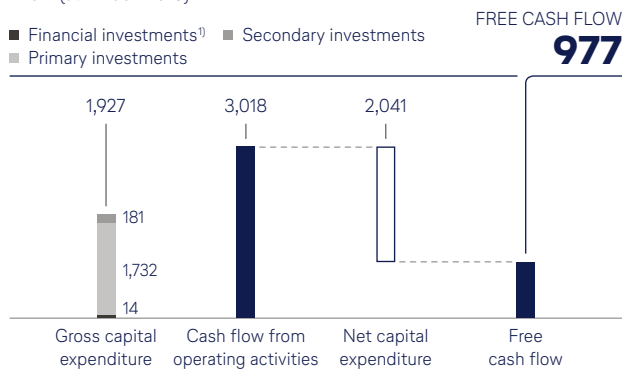
Net interest of EUR –85m (EUR +48m compared to last year) improved due to non-recurrence of interest payments on back taxes in connection with audits in the previous year. Other financial items likewise increased by EUR 46m to EUR 30m, above all due to positive valuation effects from hedging transactions, which are to be recorded under earnings in accordance with IFRS 9.

Income tax expense (EUR 260m) and earnings attributable to minority interests (EUR 18m) resulted in a net profit for the period of EUR 677m (previous year: EUR 672m).

FINANCIAL POSITION

CASH FLOW AND CAPITAL EXPENDITURE

in €m (Jan – Jun 2018)



¹⁾ Without acquisition of equity investments.

Cash flow from operating activities and free cash flow decrease

Cash flow from operating activities fell by 6.4 per cent year on year to EUR 3,018m. With pre-tax earnings being higher, the decline was essentially due to cash-effective accounting changes for other assets and liabilities, such as accruals/ deferrals for performance-related salary components and pension provisions.

Free cash flow (cash flow from operating activities less net capital expenditure) fell by 53.5 per cent to EUR 977m in particular as a result of higher investing activities.

Capital expenditures increase, Adjusted Net Debt/ Adjusted EBITDA improves

Gross capital expenditure (without the acquisition of equity investments and changes in the inventory of repairable spare parts) increased by EUR 530m to EUR 1,927m. From the acquisition of equity investments, cash outflows of EUR 29m, which is in contrast with the previous year cash inflows of EUR 190m primarily from acquired cash holdings at Brussels Airlines. Capital expenditure in aircraft and reserve engines of EUR 1,732m was EUR 525m higher than in the previous year. This related in particular to 32 aircraft purchases (including finance leases) and 30 advance payments. The increase in current securities and funds including allocations to the pension fund resulted in cash outflow of EUR 311m. In the previous year, the cash outflow totalled EUR 1.8bn. This related in particular to the outstanding payment of an initial sum for the new system of transitional benefits for the cabin crews of Lufthansa German Airlines.

Financing activities resulted in a net outflow totalling EUR 591m, in particular for scheduled debt repayments and dividend payments. The previous year's net cash inflow (EUR 112m) primarily related to a planned allocation to the retirement benefit systems for the cabin crews.

Adjusted Net Debt¹⁾/Adjusted EBITDA improved on year-end 2017 by 0.1 to 1.6.

NET ASSETS

Total assets increase, net indebtedness and equity ratio decrease

Total assets increased by 8.2 per cent to EUR 39.3bn compared with the end of 2017, above all due to capital expenditure and for seasonality. The share of current assets rose to 32.2 per cent due to an increase in working capital and the higher market values of current derivatives caused by rising kerosene prices.

The proportion of current debt/liabilities increased to 42.0 per cent due to reclassification effects from IFRS 15 which affect liabilities from customer loyalty programmes (EUR 1.2bn, from non-current to current) and due to the seasonal increase in working capital items.

Net debt decreased by 11.4 per cent on year-end 2017 to EUR 2.6bn. Adjusted Net Debt¹⁾ fell by 0.4 per cent to EUR 7.7bn.

The EUR 1.4bn increase in non-current assets was primarily the result of investments in aircraft and repairable spare parts and the increase in the market values of long-term hedging instruments due to the recovery of the US dollar towards the end of the reporting period and higher fuel prices.

The EUR 1.6bn increase in current assets mostly related to seasonally higher trade receivables including contract assets (increase of EUR 840m to EUR 4.8bn) and higher market values of hedging instruments driven by the development of fuel prices (EUR +406m).

¹⁾ Sum of adjusted net indebtedness and pension provisions. In order to calculate net indebtedness, 50 per cent of the hybrid bond issued in 2015 (EUR 247m) was excluded from the calculation.

Equity increased by 2.4 per cent to EUR 9.8bn compared with the end of 2017 in spite of pension valuation effects recognised directly in equity (EUR -367m) and the adjustments due to the first-time application of IFRS 15 and IFRS 9 (Financial Instruments) (cumulatively EUR -318m). The increase was due to the positive net profit for the period and the increase in the market value of hedges (EUR +525m). The equity ratio fell by 1.5 percentage points to 25.0 per cent as a result of the increase in total assets. Compared with 30 June 2017, the equity ratio rose by 5.6 percentage points. This increase is based on the positive earnings contributions in the past twelve months and the positive development of the market value reserve which more than offset an increase in total assets of 3.6 per cent.

Pension provisions increased by 5.9 per cent to EUR 5.4bn, mainly due to a fall in the discount rate from 2.0 per cent to 1.9 per cent and negative development of plan assets. Non-current borrowings decreased by EUR 231m to EUR 5.9bn, mainly due to maturity-based reclassifications. Liabilities from unused flight documents rose by 48.6 per cent to EUR 5,6bn mostly for seasonal reasons. Due to increased business volumes, there was growth of 11.3 per cent compared with 30 June of the previous year.

The adjustments relating to the first-time application of IFRS 15 resulted in higher accruals/deferrals for obligations under customer loyalty programmes and fees and charges received in the amount of EUR 413m as of 1 January 2018. IFRS 15 requires current and non-current contract liabilities (EUR 2.3bn) to be presented separately; these were previously recognised under non-financial liabilities and received advance payments. They include obligations from customer loyalty programmes (EUR 2.2bn in total) and advance payments on contracts.

CALCULATION OF NET INDEBTEDNESS

	30 Jun 2018 in €m	31 Dec 2017 in €m	Change in %
Liabilities to banks	2,032	2,044	-0.6
Bonds	1,006	1,005	0.1
Other non-current borrowing	3,594	3,765	-4.5
	6,632	6,814	-2.7
Other bank borrowing	26	18	44.4
Group indebtedness	6,658	6,832	-2.5
Cash and cash equivalents	1,534	1,397	9.8
Securities	2,570	2,551	0.7
Net indebtedness	2,554	2,884	-11.4
Pension provisions	5,418	5,116	5.9
Net indebtedness and pensions	7,972	8,000	-0.4

GROUP FLEET - NUMBER OF COMMERCIAL AIRCRAFT

Lufthansa German Airlines including regional airlines (LH), SWISS including Edelweiss (LX), Austrian Airlines (OS), Eurowings including Germanwings (EW), Brussels Airlines (SN) and Lufthansa Cargo (LCAG) as of 30 Jun 2018

Manufacturer/type	LH	LX	OS	EW	SN	LCAG	Group fleet	of which finance lease	of which operating lease	Change as of 31 Dec 2017	Change as of 30 Jun 2017
Airbus A319	30	5	7	51	22		115	24	15	1	8
Airbus A320	79	28	23	68	16		214	27	7	5	32
Airbus A321	63	9	6	5			83	2		1	5
Airbus A330	19	16		7	14		56	9	8	4	5
Airbus A340	37	9		2 ¹⁾			48			-3	-3
Airbus A350	11						11			5	8
Airbus A380	14						14			-	-
Boeing 747	32						32			-	-
Boeing 767			6				6	2		-	-
Boeing 777		10	6			5	21	2		3	3
Boeing MD-11F						12	12			-	-2
Bombardier CRJ	35						35			-	-
Bombardier C Series		23					23			8	14
Bombardier Q Series			18	20			38		20	-	20
Avro RJ										-	-7
Embraer	26		17				43			-	-
Fokker F70										-	-2
Fokker F100										-1	-4
Total aircraft	346	100	83	153	52	17	751	66	50	23	77

¹⁾ Leased to Brussels Airlines (SN).

Business segments

NETWORK AIRLINES BUSINESS SEGMENT

KEY FIGURES NETWORK AIRLINES

		Jan – Jun 2018	Jan – Jun 2017	Change in %	Apr – Jun 2018	Apr – Jun 2017	Change in %
Revenue	in €m	10,668	11,097	-3.9	5,940	6,168	-3.7
of which with companies of the Lufthansa Group	in €m	342	319	7.2	176	174	1.1
Adjusted EBITDA	in €m	1,559	1,360	14.6	1,142	1,099	3.9
Adjusted EBIT	in €m	951	757	25.6	837	797	5.0
EBIT	in €m	955	744	28.4	836	797	4.9
Adjusted EBIT margin	%	8.9	6.8	2.1 pts	14.1	12.9	1.2 pts
Segment capital expenditure	in €m	1,319	879	50.1	829	315	163.2
Employees as of 30 Jun	number	51,381	49,476	3.9	51,381	49,476	3.9
Passengers ¹⁾	thousands	49,025	45,266	8.3	27,823	25,624	8.6
Flights ¹⁾	number	431,672	408,579	5.7	233,504	219,168	6.5
Available seat-kilometres ¹⁾	millions	136,816	129,952	5.3	74,828	71,003	5.4
Revenue seat-kilometres ¹⁾	millions	109,141	103,076	5.9	60,944	57,969	5.1
Passenger load factor	%	79.8	79.3	0.5 pts	81.4	81.6	-0.2 pts
Yields ²⁾	€ Cent	9.0	9.2	-2.6 ³⁾	9.0	9.2	-1.7 ⁴⁾
Unit revenue (RASK) ²⁾	€ Cent	7.9	8.1	-2.7 ⁵⁾	8.0	8.2	-2.4 ⁶⁾
Unit cost (CASK) excluding fuel ²⁾	€ Cent	5.6	5.9	-5.3 ⁷⁾	5.3	5.6	-4.9 ⁸⁾

¹⁾ Previous year's figures have been adjusted.

²⁾ On a like-for-like basis, also previous year including IFRS 15 effects.

³⁾ Exchange rate-adjusted change: 1.4%.

⁴⁾ Exchange rate-adjusted change: 1.4%.

⁵⁾ Exchange rate-adjusted change: 1.4%.

⁶⁾ Exchange rate-adjusted change: 1.3%.

⁷⁾ Exchange rate-adjusted change: -2.1%.

⁸⁾ Exchange rate-adjusted change: -2.3%.

Business activities

The Network Airlines segment comprises Lufthansa German Airlines, SWISS and Austrian Airlines. The three airlines are positioned in the premium segment, offering the customers a high-quality product in order to maximise their exploitation of the income potential in their home markets. Intensive coordination and the optimised Group-wide management of Network Airlines allow the airline group to realise a high level of synergies. With their multi-hub strategy, the Network Airlines offer their passengers a comprehensive route network coupled with maximum travel flexibility. In the 2018 summer flight timetable, the route network comprised 287 destinations in 86 countries, served via the international hubs in Frankfurt, Munich, Zurich and Vienna.

Commercial joint ventures with leading international airlines make connections more attractive for customers, also by adding new destinations to the Network Airlines' route network. Joint ventures cover the most important long-haul markets and thus over 60 per cent of Network Airlines' revenues from long-haul connections.

Course of business and operating performance

The Network Airlines segment systematically focuses on sustainable cost reductions and making the best possible use of revenue potential. The streamlining of the airlines' commercial functions continues to be advanced for this purpose.

All the airlines continue to renew and optimise their fleets. For example, the Airbus A320 aircraft delivered to all the airlines of the Lufthansa Group from 2019 onwards are to be standardised. In addition to modernising its fleet, Network Airlines is optimising its network portfolio and implementing measures to reduce fuel costs.

Since the beginning of the 2018 summer flight timetable, Lufthansa Group airline passengers are able to opt for an Economy "Light" fare on routes to North America. This new basic fare is the cheapest option for price-conscious passengers who are travelling with hand luggage only and who do not require ticket flexibility. Luggage items and a preferred seat can be booked separately. The in-flight meals and beverages remain free of charge for the passengers.

In the first half-year of 2018, the Network Airlines segment saw a year-on-year increase in passenger numbers of 8.3 per cent to 49 million. The number of flights went up by 5.7 per cent. Capacity (available seat-kilometres) rose by 5.3 per cent. Sales (revenue seat-kilometres) went up by 5.9 per cent. The passenger load factor rose by 0.5 percentage points to 79.8 per cent. Yields adjusted for exchange rate effects improved by 1.4 per cent, and traffic revenue fell 4.4 per cent to EUR 9.8bn.

Capacity and sales were increased in all the traffic regions. The increase in Europe was particularly noticeable. The passenger load factor increased in all traffic regions with the exception of Asia/Pacific. Here, too, the greatest increase was seen in the Europe traffic region. The yields adjusted for exchange rate effects increased in the Europe and Americas traffic regions, but they fell in the Asia/Pacific and Middle East/Africa traffic regions.

Revenue and earnings development

The Network Airlines business segment's revenue for the first half-year of 2018 fell by 3.9 per cent to EUR 10.7bn. Adjusted for the effects of IFRS 15, revenue was 3.2 per cent higher year on year. Constant currency unit revenues (RASK) grew by 1.4 per cent due to higher load factors and increased yields.

Operating expenses declined by 6.7 per cent to EUR 10.1bn. Adjusted for the effects of IFRS 15, operating expenses were 0.6 per cent up on the previous year. Constant currency unit costs (CASK) excluding fuel decreased by 2.1 per cent.

The cost of materials and services dropped by 10.3 per cent to EUR 5.7bn. Adjusted for the effects of IFRS 15, the cost of materials and services increased by 2.1 per cent. Fuel costs grew by 4.2 per cent to EUR 2.2bn, mainly due to volumes. Fees and charges fell to EUR 1.6bn due to the effects of IFRS 15. After adjustment, this represents growth of 2.2 per cent.

Staff costs were stable year on year at EUR 2.0bn. The 3.7 per cent increase in the average employee headcount was largely offset by lower pension expenses as a result of new pension plans in Germany.

Adjusted EBIT rose by 25.6 per cent to EUR 951m. EBIT climbed by 28.4 per cent to EUR 955m. Adjusted EBIT margin improved accordingly by 2.1 percentage points to 8.9 per cent. Adjusted for the effects of IFRS 15, the improvement amounted to 1.5 percentage points.

Segment capital expenditure was up by 50.1 per cent to EUR 1.3bn, primarily for new aircraft. In the first half of the year, 20 aircraft were either purchased or were the subject of finance leases being concluded.

TRENDS IN TRAFFIC REGIONS

Network Airlines

	Net traffic revenue external revenue		Number of passengers		Available seat-kilometres		Revenue seat-kilometres		Passenger load factor	
	Jan – Jun 2018 in €m	Change ¹⁾ in %	Jan – Jun 2018 in thousands	Change in %	Jan – Jun 2018 in millions	Change in %	Jan – Jun 2018 in millions	Change in %	Jan – Jun 2018 in %	Change in pts
Europe	4,127	8.4	37,863	9.6	40,001	8.3	30,182	10.2	75.5	1.3
America	3,183	0.8	5,479	5.1	51,470	4.1	42,132	5.1	81.9	0.8
Asia/Pacific	1,782	-0.7	3,378	4.0	33,105	4.9	27,392	3.7	82.7	-1.0
Middle East/ Africa	682	-5.1	2,304	2.6	12,241	1.9	9,434	3.0	77.1	0.8
Total	9,774	3.1	49,025	8.3	136,816	5.3	109,141	5.9	79.8	0.5

¹⁾ IFRS 15 restatement in 2017.

Lufthansa German Airlines



KEY FIGURES LUFTHANSA GERMAN AIRLINES¹⁾

		Jan – Jun 2018	Jan – Jun 2017	Change in %
Revenue	in €m	7,494	7,840	-4.4
Adjusted EBITDA	in €m	1,065	973	9.5
Adjusted EBIT	in €m	660	569	16.0
EBIT	in €m	660	547	20.7
Employees as of 30 Jun	number	34,445	33,239	3.6
Passengers ²⁾	thousands	33,426	31,069	7.6
Flights	number	280,960	264,176	6.4
Available seat-kilometres ²⁾	millions	95,276	91,007	4.7
Revenue seat-kilometres ²⁾	millions	76,141	72,734	4.7
Passenger load factor	%	79.9	79.9	0.0 pts

¹⁾ Including regional partners.

²⁾ Previous year's figures have been adjusted.

With its hubs in Frankfurt and Munich, Lufthansa German Airlines is the largest German airline. The regional airlines Lufthansa CityLine and Air Dolomiti are also part of Lufthansa German Airlines. Overall, the Lufthansa German Airlines carriers serve a route network comprising 209 destinations in 74 countries.

Lufthansa German Airlines strives for quality leadership in its markets. To achieve this, it continually implements measures to refine customer services along the entire travel chain. Since December 2017, Lufthansa German Airlines is the only airline outside of Asia to have been recognised as a 5-Star Airline by the British management consultancy Skytrax, which specialises in aviation. It is one of only ten airlines worldwide to hold this seal of quality for premium service and first-rate comfort. On 17 July 2018, Lufthansa German Airlines was once again voted the best airline in Europe by Skytrax.

The transfer of five Airbus A380s from Frankfurt to Munich was successfully concluded in the second quarter of 2018. There are now flights from Munich to Los Angeles, Hong Kong and Beijing in the largest commercial aircraft.

Lufthansa German Airlines additionally deployed the tenth A350-900 in Munich on 1 June 2018. The world's most state-of-the-art and most environmentally friendly long-haul

aircraft uses 25 per cent less kerosene, produces 25 per cent less emissions and is much quieter than comparable aircraft types on take-off and landing. Lufthansa German Airlines is emphasising its growth in Munich both with the transfer of the A380s and with the use of the new A350s.

Lufthansa German Airlines further expanded its route portfolio at both of its hubs in the first half-year of 2018. For example, new long-haul flights were added from Frankfurt to San Diego and to San José, Costa Rica, while a service to Shenyang was reintroduced. Singapore and Chicago are new additions to the 2018 summer flight timetable from Munich. A number of new destinations were also added to its European network. Lufthansa German Airlines also significantly improved its entertainment programme on long-haul routes at the start of the 2018 summer holidays – passengers in all the classes now have approximately 30 per cent more movies to choose from.

One of the challenges in the first half-year of 2018 was the operational stability of flights. Throughout Europe, passengers experienced long waiting times, flight cancellations and irregular services. These were caused, among other things, by the strike of the trade union ver.di on 10 April 2018, the Fraport system failure on 16 May 2018, capacity bottlenecks within European air traffic control and unforeseeable weather conditions. Lufthansa German Airlines initiated measures to limit the disruptions caused as best as it could by improving its own processes.

Lufthansa German Airlines carried 7.6 per cent more passengers in the first six months of the financial year. The number of flights went up by 6.4 per cent. Capacity and sales both increased by 4.7 per cent and traffic revenue fell by 5.2 per cent to EUR 6.9bn. Adjusted for the effects of IFRS 15, traffic revenue rose by 3.3 per cent.

Lufthansa German Airlines' revenue decreased year on year by 4.4 per cent to EUR 7.5bn in the first half-year of 2018. Adjusted for the effects of IFRS 15, revenue was 3.4 per cent higher year on year, primarily due to volumes. Operating expenses declined by 7.5 per cent to EUR 7.1bn. Adjusted for the effects of IFRS 15, operating expenses were 0.6 per cent up on the previous year. Fuel costs increased at an above-average rate of 3.8 per cent while MRO service costs rose by 5.8 per cent, mainly as a result of a larger number of engine overhauls. Adjusted EBIT rose by 16.0 per cent to EUR 660m. EBIT was 20.7 per cent up on the previous year, also at EUR 660m.

SWISS

KEY FIGURES SWISS¹⁾

		Jan – Jun 2018	Jan – Jun 2017	Change in %
Revenue	in €m	2,303	2,271	1.4
Adjusted EBITDA	in €m	434	325	33.5
Adjusted EBIT	in €m	293	187	56.7
EBIT	in €m	294	190	54.7
Employees as of 30 Jun	number	9,818	9,524	3.1
Passengers ²⁾	thousands	9,548	8,703	9.7
Flights ²⁾	number	82,940	80,297	3.3
Available seat-kilometres ²⁾	millions	28,828	26,826	7.5
Revenue seat-kilometres ²⁾	millions	23,368	21,435	9.0
Passenger load factor	%	81.1	79.9	1.2 pts

¹⁾ Including Edelweiss Air.

Further information on SWISS can be found at www.swiss.com.

²⁾ Previous year's figures have been adjusted.

The SWISS airline is based in Switzerland and, with its sister company Edelweiss, serves a route network of 155 destinations in 56 countries from Zurich, Geneva and Lugano. The separately managed Swiss WorldCargo division uses the belly capacities of SWISS aircraft to offer comprehensive airport-to-airport services for high-value goods and sensitive freight to 130 destinations in more than 80 countries.

SWISS continued to renew its fleet in the first half of the year, adding two more Boeing 777-300ERs to the fleet for long-haul routes and ordering a further two B777-300ERs. These are scheduled to go into operation in early 2020 and will be used in particular to expand the route network. Eight Bombardier C Series aircraft were added on short-haul routes. SWISS now has a total of 23 aircraft of this type.

SWISS also invested further in the passenger travel experience both on the ground and on board. SWISS opened the new First Lounge A at Zurich Airport in March 2018. The 650-square-metre lounge features a check-in, its own security checkpoint, an à la carte restaurant and a barista bar.

SWISS introduced the new premium catering concept SWISS Saveurs on European flights departing from Geneva. This provides all Economy Class passengers with the option of paying a surcharge to choose from a wider array of high-quality foods and beverages, including traditional Swiss products, and to expand their basic option according to their preferences.

The number of passengers carried grew by 9.7 per cent in the first six months of the financial year. The number of flights went up by 3.3 per cent. Capacity was increased by 7.5 per cent and sales were up by 9.0 per cent and traffic revenue went up by 0.8 per cent to EUR 2.0bn. Adjusted for the effects of IFRS 15, traffic revenue was 2.4 per cent higher year on year.

Revenue increased by 1.4 per cent year on year to EUR 2.3bn in the first half-year of 2018 largely due to higher volumes. Adjusted for the effects of IFRS 15, revenue was 2.8 per cent higher year on year. Operating expenses fell by 2.1 per cent to EUR 2.1bn. Adjusted for the effects of IFRS 15, operating expenses were 0.6 per cent down on the previous year. This development was attributable to efficiency improvements as a result of fleet renewal, among other things. Adjusted EBIT rose by 56.7 per cent to EUR 293m. EBIT was 54.7 per cent up on the previous year at EUR 294m.

Austrian Airlines

KEY FIGURES AUSTRIAN AIRLINES¹⁾

		Jan – Jun 2018	Jan – Jun 2017	Change in %
Revenue	in €m	1,008	1,091	-7.6
Adjusted EBITDA	in €m	60	66	-9.1
Adjusted EBIT	in €m	-3	3	
EBIT	in €m	1	8	-87.5
Employees as of 30 Jun	number	7,118	6,713	6.0
Passengers ²⁾	thousands	6,355	5,785	9.8
Flights	number	72,009	68,278	5.5
Available seat-kilometres	millions	12,896	12,298	4.9
Revenue seat-kilometres	millions	9,775	9,045	8.1
Passenger load factor ²⁾	%	75.8	73.5	2.3 pts

¹⁾ Further information on Austrian Airlines can be found at www.austrian.com.

²⁾ Previous year's figures have been adjusted.

Austrian Airlines is Austria's largest airline, operating a global route network with 117 destinations in 47 countries.

Austrian Airlines further expanded its route network. Tokyo was introduced as a new long-haul destination. A Boeing 777 was added to the long-haul fleet and was delivered to Vienna in May. Austrian Airlines increased its short- and medium-haul services with connections to Berlin, Dusseldorf, Stuttgart and Tel Aviv. Services to holiday destinations in Italy and Greece are likewise being expanded.

Austrian Airlines introduced the Premium Economy Class on long-haul routes in March 2018. It gives passengers seats with a greater reclining angle, a bigger seat pitch, a broader seat area and a larger screen for on-demand entertainment, as well as providing higher-quality catering than in Economy Class.

At its meeting on 20 June 2018, the Supervisory Board of Austrian Airlines AG unanimously elected Dr Alexis von Hoensbroech as the new CEO and Chairman of the Executive Board of Austrian Airlines. He will succeed Kay Kratky on 1 August 2018. Wolfgang Jani succeeded Heinz Lachinger as CFO on 16 April 2018.

In the first six months of the financial year, 9.8 per cent more passengers flew with Austrian Airlines than a year ago. The number of flights went up by 5.5 per cent. Capacity rose by 4.9 per cent. Sales went up by 8.1 per cent. Traffic revenue was down by 8.6 per cent to EUR 906m. Adjusted for the effects of IFRS 15, traffic revenue rose by 5.5 per cent.

The revenue generated by Austrian Airlines fell by 7.6 per cent year on year to EUR 1.0bn. Adjusted for the effects of IFRS 15, revenue was 5.2 per cent higher year on year. Operating expenses fell by 7.4 per cent to EUR 1.1bn. Adjusted for the effects of IFRS 15, operating expenses were 4.9 per cent up on the previous year. This is primarily due to greater fuel expenses and costs attributable to poor weather conditions, air traffic control delays and interruptions caused by staff meetings. Adjusted EBIT fell by EUR 6m to EUR -3m in the first half-year of 2018. EBIT was EUR 7m below the previous year at EUR 1m.

EUROWINGS BUSINESS SEGMENT



KEY FIGURES EUROWINGS

		Jan – Jun 2018	Jan – Jun 2017	Change in %	Apr – Jun 2018	Apr – Jun 2017	Change in %
Revenue	€m	1,935	1,772	9.2	1,142	1,089	4.9
of which with companies of the Lufthansa Group	€m	–	–		2	–	
Adjusted EBITDA	€m	–65	12		73	101	–27.7
Adjusted EBIT	€m	–199	–77	–158.4	4	55	–92.7
EBIT	€m	–199	–77	–158.4	5	56	–91.1
Adjusted EBIT margin	%	–10.3	–4.3	–6.0 pts	0.4	5.1	–4.7 pts
Segment capital expenditure	€m	328	350	–6.3	151	229	–34.1
Employees as of 30 Jun	number	9,357	7,128	31.3	9,357	7,128	31.3
Passengers	thousands	17,883	14,505	23.3	10,509	8,957	17.3
Flights	number	153,474	130,617	17.5	85,597	75,448	13.5
Available seat-kilometres	millions	29,979	24,260	23.6	17,197	14,335	20.0
Revenue seat-kilometres	millions	23,918	18,778	27.4	13,936	11,441	21.8
Passenger load factor	%	79.8	77.4	2.4 pts	81.0	79.8	1.2 pts
Yields ¹⁾	€ cent	7.8	8.0	–1.5 ²⁾	8.0	8.0	–0.9 ³⁾
Unit revenue (RASK) ¹⁾	€ cent	6.7	6.6	1.9 ⁴⁾	6.9	6.8	1.5 ⁵⁾
Unit cost (CASK) excluding fuel ¹⁾	€ cent	5.9	5.5	6.9 ⁶⁾	5.4	5.1	6.3 ⁷⁾

¹⁾ On a like-for-like basis, also previous year including IFRS 15 effects.

²⁾ Exchange rate-adjusted change: –0.6%.

³⁾ Exchange rate-adjusted change: 0.7%.

⁴⁾ Exchange rate-adjusted change: 3.4%.

⁵⁾ Exchange rate-adjusted change: 3.6%.

⁶⁾ Exchange rate-adjusted change: 8.0%.

⁷⁾ Exchange rate-adjusted change: 7.7%.

Business activities

The Eurowings business segment comprises the airlines Eurowings, Germanwings, Eurowings Europe, Brussels Airlines and Luftfahrtgesellschaft Walter (LGW). The equity investment in SunExpress is also part of this segment. The route network of the Eurowings segment is served from a total of 13 bases and in the summer flight timetable 2018 comprising 197 destinations in 62 countries.

With Eurowings, the Lufthansa Group has an innovative and competitive offering for price-sensitive and service-oriented customers in the growing direct traffic segment. In addition to its greater efficiency and competitive costs, the concept is based on a scalable company structure that enables the flexible integration of new partners with a variety of cooperation models. The Eurowings concept is based on the central management of different flight operations. In addition to organic growth, this primarily enables the Eurowings segment to consolidate other airlines and therefore to alleviate overcapacities in the market. Eurowings is to be developed into a leading European player in direct traffic in the years ahead.

Course of business and operating performance

The Lufthansa Group acquired all the shares of LGW on 9 January 2018. The acquisition is based on a purchase agreement signed by the Lufthansa Group and the Air Berlin group on 13 October 2017.

There were increasing service irregularities in the form of flight delays and cancellations in the course of the first half-year of 2018, which made significant modifications to the Eurowings' 2018 summer flight timetable necessary. These irregularities were caused in particular by the European Commission not approving the acquisition of NIKI Luftfahrt GmbH and by the termination of the partnership with the successor company Laudamotion. Another contributing factor was the delay in incorporating former Air Berlin aircraft into the fleet because of the certification process for commercial aircraft as prescribed by the German Federal Aviation Office. The operating activities of Eurowings were additionally adversely affected by external factors such as air traffic controller strikes, manpower shortages within European air traffic control and weather-related flight cancellations.

The steps taken by Eurowings are having an effect; the number of flight delays and cancellations has been significantly reduced. The German Federal Aviation Office is expected to approve the remaining two of in total 77 former Air Berlin aircraft by mid-August 2018. This will further stabilise flight operations. Nonetheless, external factors – in particular the air traffic control manpower shortage – remain a challenge for the entire industry. Intermittent irregularities in European air traffic should therefore be expected also for the coming months. However, Eurowings will be able to overcome these with improved flight operations in the foreseeable future.

To achieve further optimisation, the Eurowings segment's long-haul flights are set to be taken on by Brussels Airlines. This is scheduled to happen in the course of 2019. The flight operations of Eurowings, headquartered in Cologne, focus on European direct traffic and will assume management of the European traffic.

In the first half-year 2018, the airlines in the Eurowings segment saw a year-on-year increase in passenger numbers of 23.3 per cent to 17.9 million. The number of flights rose by 17.5 per cent. Capacity grew by 23.6 per cent, which was primarily due to the addition of aircraft following Air Berlin's insolvency, which included the acquisition of LGW, and to Brussels Airlines' acquisition of Thomas Cook Belgium. Sales went up by 27.4 per cent. The passenger load factor rose by 2.4 percentage points to 79.8 per cent. Yields adjusted for exchange rate effects fell by 0.6 per cent. Traffic revenue rose by 9.1 per cent overall to EUR 1.9bn.

Regional developments varied. Capacity, sales and the passenger load factor increased on short-haul routes. Yields adjusted for exchange rate effects declined. Capacity and sales increased on long-haul routes, but the passenger load factor declined. Yields adjusted for exchange rate effects increased.

Revenue and earnings development

The Eurowings' revenue increased by 9.2 per cent to EUR 1.9bn in the first six months of the financial year. Adjusted for the effects of IFRS 15, revenue was 25.2 per cent higher year on year. Operating income rose by 11.5 per cent to EUR 2.1bn. Constant currency unit revenues (RASK) went up by 3.4 per cent.

Operating expenses climbed year on year by 17.1 per cent to EUR 2.2bn. Adjusted for the effects of IFRS 15, operating expenses were 31.9 per cent up on the previous year. Constant currency unit costs (CASK) excluding fuel increased by 8.0 per cent.

The cost of materials and services increased by 12.0 per cent to EUR 1.5bn. Adjusted for the effects of IFRS 15, the cost of materials and services increased by 33.1 per cent. Within the cost of materials and services, there was a price- and volume-related increase in fuel costs of 30.4 per cent to EUR 433m. Expenses for operating leases went up by 100.0 per cent to EUR 40m. In addition, the Eurowings' year-on-year earnings were burdened by unusually high expenses relating to compensation payments for flight delays and cancellations (EUR +45m) and additional wet leases to cover capacity shortfalls (EUR +36m) due to the delay in building up own capacities.

Staff costs rose by 28.8 per cent to EUR 304m based on a 33.2 per cent increase in the average number of employees. Depreciation and amortisation rose by 50.6 per cent to EUR 134m, mainly due to an increase of 54.9 per cent in depreciation of aircraft.

The result from equity investments dropped by 100.0 per cent to EUR -14m.

Adjusted EBIT and EBIT both fell by 158.4 per cent to EUR -199m. This reflects the significant increase in operating expenses, which was mainly driven by one-time integration costs relating to the acquisitions effected and the challenges of flight operations. Revenue growth was unable to keep pace with this increase in the first half-year of 2018.

Segment capital expenditure fell by 6.3 per cent to EUR 328m.

TRENDS IN TRAFFIC REGIONS

Eurowings

	Net traffic revenue external revenue		Number of passengers		Available seat-kilometres		Revenue seat-kilometres		Passenger load factor	
	Jan - Jun 2018 in €m	Change ¹⁾ in %	Jan - Jun 2018 in thousands	Change in %	Jan - Jun 2018 in millions	Change in %	Jan - Jun 2018 in millions	Change in %	Jan - Jun 2018 in %	Change in pts
Short-haul	1,445	27.2	16,398	23.1	19,680	22.7	15,588	29.4	79.2	4.1
Long-haul	428	19.9	1,484	25.0	10,299	25.3	8,330	23.7	80.9	-1.0
Total	1,873	25.5	17,883	23.3	29,979	23.6	23,918	27.4	79.8	2.4

¹⁾ IFRS 15 restatement in 2017.

LOGISTICS BUSINESS SEGMENT

KEY FIGURES LOGISTIK

		Jan – Jun 2018	Jan – Jun 2017	Change in %	Apr – Jun 2018	Apr – Jun 2017	Change in %
Revenue	in €m	1,301	1,158	12.3	660	589	12.1
of which with companies of the Lufthansa Group	in €m	16	14	14.3	8	7	14.3
Adjusted EBITDA	in €m	166	119	39.5	80	66	21.2
Adjusted EBIT	in €m	125	78	60.3	60	45	33.3
EBIT	in €m	125	84	48.8	60	51	17.6
Adjusted EBIT margin	%	9.6	6.7	2.9 pts	9.1	7.6	1.5 pts
Segment capital expenditure	in €m	153	14	992.9	149	8	1,762.5
Employees as of 30 Jun	number	4,316	4,476	-3.6	4,316	4,476	-3.6
Available cargo tonne-kilometres ¹⁾	millions	6,574	6,201	6.0	3,488	3,281	6.3
Revenue cargo tonne-kilometres ¹⁾	millions	4,400	4,294	2.5	2,258	2,247	0.5
Cargo load factor ¹⁾	%	66.9	69.2	-2.3 pts	64.7	68.5	-3.7 pts

¹⁾ Previous year's figures have been adjusted.

Business activities

Lufthansa Cargo is the logistics specialist within the Lufthansa Group. In addition to Lufthansa Cargo, the Logistics segment includes the airfreight container management specialist Jettainer Group, the time:matters subsidiary, which specialises in particularly urgent consignments, and the equity investment in the cargo airline AeroLogic GmbH. Lufthansa Cargo also has equity investments in various handling companies.

Lufthansa Cargo markets capacities on its own freighters and chartered cargo aircraft, along with belly capacities on passenger aircraft operated by Lufthansa German Airlines, Austrian Airlines and on long-haul flights of Eurowings' flight operations. Altogether, Lufthansa Cargo offers connections to more than 300 destinations in around 100 countries. From 1 September 2018, Lufthansa Cargo will also market the freight capacities of Brussels Airlines.

The focus of Lufthansa Cargo's operations lies in the airport-to-airport airfreight business. Its product portfolio comprises both standard and express freight and special products, such as the transport of living animals, valuable cargo, post and dangerous goods, and temperature-sensitive cargo.

Lufthansa Cargo continues to develop its partnerships. For example, a new partnership with United Airlines began in May 2018. All the stations in the USA and Europe are scheduled to have been connected by autumn 2018.

Course of business and operating performance

The global airfreight market remains volatile and challenging despite a historically good market situation. Lufthansa Cargo continues to systematically implement the strategic efficiency programme introduced in 2016. The target of making sustainable savings of EUR 80m by the end of 2018 has almost been achieved already.

There was an unusually sharp market-wide increase in demand for airfreight services at the end of 2017. Lufthansa Cargo benefited from this overproportionally. Demand in this segment also developed better than expected in the first half-year of 2018.

The freight centre in Frankfurt is being continually modernised. This involves expanding capacities and further improving the entire infrastructure of the cool centre for temperature-sensitive airfreight consignments. A concept was also developed for a modular renewal of the logistics centre. The upgrade of the Frankfurt hub should be under way at the end of 2018.

Two more Boeing 777Fs will be integrated into the fleet in spring 2019. The B777F aircraft stand out for their lower fuel consumption, great range and outstanding reliability. They will replace the MD-11F freighters in the medium term, thereby expediting the fleet's modernisation.

Digitalisation is an important pillar of the strategic Cargo Evolution programme. Since January 2018, the focus on digital transformation topics has been further increased at Lufthansa Cargo. The focal issues are process automation, connectivity and new business models. In the years ahead, the company intends to digitalise its relationships with all of its partners in the transport chain, from bookings to deliveries. In the long run, customers will benefit from greater transparency, higher speeds, better quality, more flexibility and greater efficiency.

Lufthansa Cargo increased its capacity (available cargo tonne-kilometres) by 6.0 per cent in the first half-year of 2018. Sales (revenue cargo tonne-kilometres) rose by 2.5 per cent. Yields adjusted for exchange rate effects increased by 16.5 per cent in line with the current strategic focus, in spite of a 2.3 percentage-point downturn in the cargo load factor to 66.9 per cent. Traffic revenue went up by 12.6 per cent to EUR 1.2bn.

Capacity was increased exclusively in the Asia/Pacific and Americas traffic regions, the most important traffic regions for Lufthansa Cargo. Sales likewise developed positively in these traffic regions, albeit not quite as strongly as capacity. As such, the cargo load factor fell slightly in all the traffic regions. Yields adjusted for exchange rate effects developed positively in all the traffic regions, in particular in Asia/Pacific and the Americas.

Revenue and earnings development

The Logistics business segment's revenue increased by 12.3 per cent year on year to EUR 1.3bn in the first half-year of 2018 due to higher volumes and prices. Operating income was 9.6 per cent higher at a total of EUR 1.3bn.

Operating expenses climbed year on year by 6.6 per cent to EUR 1.2bn. This increase related to the cost of materials and services, which went up by 9.9 per cent to EUR 840m. Within this item, fuel costs rose by 17.6 per cent to EUR 180m, mainly due to pricing. Charter expenses rose by 20.1 per cent to EUR 389m, while staff costs remained essentially unchanged year on year at EUR 210m. Depreciation and amortisation remained unchanged at EUR 41m.

The result from equity investments increased by 50.0 per cent to EUR 18m as a result of the positive development of Shanghai Pudong International Airport Cargo Terminal Co. Ltd.

Adjusted EBIT rose by 60.3 per cent to EUR 125m. EBIT climbed by 48.8 per cent to EUR 125m.

Segment capital expenditure rose by EUR 139m to EUR 153m. This included advance payments in the amount of EUR 139m for two B777 freighters on order.

TRENDS IN TRAFFIC REGIONS

Lufthansa Cargo

	Net traffic revenue external revenue		Available cargo tonne-kilometers		Revenue cargo tonne-kilometres		Cargo load factor	
	Jan – Jun 2018 in €m	Change in %	Jan – Jun 2018 in millions	Change in %	Jan – Jun 2018 in millions	Change in %	Jan – Jun 2018 in %	Change in pts
Europe	96	3.2	333	0.4	159	-5.5	47.9	-3.0
America	517	14.6	3,015	6.5	1,935	4.2	64.2	-1.4
Asia/Pacific	532	16.2	2,713	10.3	2,051	3.5	75.6	-4.9
Middle East/Africa	78	-7.1	514	-11.3	254	-11.5	49.5	-0.1
Total	1,223	12.6	6,574	6.0	4,400	2.5	66.9	-2.3

MRO BUSINESS SEGMENT

KEY FIGURES MRO

		Jan – Jun 2018	Jan – Jun 2017	Change in %	Apr – Jun 2018	Apr – Jun 2017	Change in %
Revenue	in €m	2,852	2,754	3.6	1,424	1,299	9.6
of which with companies of the Lufthansa Group	in €m	999	901	10.9	498	424	17.5
Adjusted EBITDA	in €m	277	279	-0.7	145	114	27.2
Adjusted EBIT	in €m	218	222	-1.8	115	85	35.3
EBIT	in €m	220	223	-1.3	117	85	37.6
Adjusted EBIT margin	%	7.6	8.1	-0.5 pts	8.1	6.5	1.6 pts
Segment capital expenditure	in €m	106	98	8.2	72	51	41.2
Employees as of 30 Jun	number	22,209	20,877	6.4	22,209	20,877	6.4

Business activities

Lufthansa Technik is the world's leading independent provider of maintenance, repair and overhaul services (MRO) for civil commercial aircraft.

The primary objectives of Lufthansa Technik include profitable organic growth and growth through strategic partnerships and acquisitions. For this reason, the joint venture 3D.aero GmbH was entered into with Pepperl+Fuchs in order to research, develop and market innovative automation solutions for the aircraft industry. In addition, a joint venture of Lufthansa Technik and MTU Aero Engines called EME Aero is to be established in Poland for the servicing of geared turbofan engines.

Digitalisation and artificial intelligence are permanently changing the MRO sector. Mastering new aircraft and engine technologies as well as modern manufacturing methods such as additive manufacturing will be essential for success in the MRO market. Lufthansa Technik considers itself to be in a good position here, thanks to its ongoing technological developments.

Course of business and operating performance

In the first half-year of 2018, Lufthansa Technik gained eleven new customers and signed 149 contracts with a volume of EUR 1.6bn for 2018 and the following years. The number of aircraft serviced under exclusive contracts went up to just under 5,000 in the reporting period.

Among others, Lufthansa Technik concluded an agreement with Asiana Airlines for component maintenance. The ten-year agreement includes nine Boeing 777-200ERs. Lufthansa Technik Philippines and Asiana Airlines also signed a five-year agreement for aircraft overhaul. This comprises performing 14 checks of the South Korean airline's Airbus A380 aircraft.

Lufthansa Technik was additionally contracted by the South Korean airline Eastar Jet with supplying components for its short- and medium-haul fleet. Eastar Jet currently operates 18 Boeing 737NGs and has more of these on order.

Revenue and earnings development

Revenue in the MRO segment increased by 3.6 per cent year on year to EUR 2.9bn in the first half-year of 2018. While revenue generated with non-Group customers remained stable, revenue with Group customers increased by 10.9 per cent. This is mainly attributable to the expansion of the engine maintenance business with Lufthansa German Airlines and to the maintenance of aircraft and components of Eurowings. Operating income rose by 2.1 per cent to EUR 3.0bn.

Operating expenses rose by 2.3 per cent to EUR 2.8bn. This is largely the result of a 2.6 per cent increase in the cost of materials and services to EUR 1.6bn and a 5.0 per cent increase in staff costs to EUR 710m. Depreciation and amortisation rose by 3.5 per cent to EUR 59m.

The result from equity investments dropped by 41.7 per cent to EUR 7m.

Adjusted EBIT fell by 1.8 per cent to EUR 218m. EBIT decreased by 1.3 per cent to EUR 220m. This was primarily due to lower capacity use in engine business and a lower year-on-year result from equity investments.

Segment capital expenditure rose by 8.2 per cent to EUR 106m.

CATERING BUSINESS SEGMENT

KEY FIGURES CATERING

		Jan – Jun 2018	Jan – Jun 2017	Change in %	Apr – Jun 2018	Apr – Jun 2017	Change in %
Revenue	in €m	1,552	1,597	-2.8	830	828	0.2
of which with companies of the Lufthansa Group	in €m	335	321	4.4	180	172	4.7
Adjusted EBITDA	in €m	70	45	55.6	54	31	74.2
Adjusted EBIT	in €m	40	13	207.7	39	15	160.0
EBIT	in €m	40	14	185.7	39	16	143.8
Adjusted EBIT margin	%	2.6	0.8	1.8 pts	4.7	1.8	2.9 pts
Segment capital expenditure	in €m	24	28	-14.3	14	15	-6.7
Employees as of 30 Jun	number	35,937	35,353	1.7	35,937	35,353	1.7

Business activities

The LSG group offers a complete portfolio of products and services related to in-flight service. Its established LSG Sky Chefs brand, the world's largest network of catering facilities and its expertise make the group the market leader for high-quality in-flight catering. LSG Sky Chefs also provides catering services for rail operators and lounges. Its portfolio is rounded out with other established expert brands such as Retail inMotion, a specialist in the development and management of in-flight sales programmes, SPIRIANT, which is responsible for designing and procuring in-flight service equipment, and Evertaste, a producer of convenience foods.

The LSG group's business model continues to change. In the traditional segment of airline catering, production capacities are increasingly being centralised and the network's reach is being expanded and made more flexible on the basis of logistics concepts and partnerships. At the same time, the company has positioned itself as the leading provider of in-flight sales programmes and is achieving significant growth in this area. Its business activities with in-flight service equipment and convenience foods are increasingly being made global.

Course of business and operating performance

Continued growth in global passenger numbers is strengthening the LSG group's development. LSG Sky Chefs extended comprehensive airline catering agreements with United Airlines, American Airlines, LATAM and Cathay Dragon in the first half-year of 2018, while Retail inMotion obtained the contract to manage the in-flight sales of Etihad Airways. The catering joint venture in Luanda, Angola, was extended ahead of schedule.

The LSG group's global process-oriented restructuring is being actively promoted. A major milestone was achieved in the transformation of the European production landscape with the decision in the first half-year of 2018 to build two regional production facilities in the Czech Republic and in western Germany.

Revenue and earnings development

The Catering segment's revenue fell by 2.8 per cent year on year to EUR 1.6bn in the first half-year of 2018 due to exchange rates. External revenue decreased by 4.6 per cent to EUR 1.2bn, and internal revenue climbed by 4.4 per cent to EUR 335m. Overall, total operating income decreased by 2.4 per cent to EUR 1.6bn.

Operating expenses of EUR 1.6bn were 4.1 per cent lower than last year. Cost of materials and services fell by 5.3 per cent to EUR 657m, mainly due to exchange rate movements. Staff costs likewise fell by 5.2 per cent to EUR 588m primarily as a result of exchange rate changes and reduced severance payment expenses. Depreciation and amortisation was down by 6.3 per cent on the year at EUR 30m.

The result from equity investments was down from the previous year by 10.0 per cent to EUR 9m.

Adjusted EBIT rose by 207.7 per cent to EUR 40m in the first half of the year, primarily due to lower transformation expenses. EBIT climbed by 185.7 per cent to EUR 40m.

Segment capital expenditure fell by 14.3 per cent to EUR 24m.

ADDITIONAL BUSINESSES AND GROUP FUNCTIONS

KEY FIGURES ADDITIONAL BUSINESSES AND GROUP FUNCTIONS

		Jan – Jun 2018	Jan – Jun 2017	Change in %	Apr – Jun 2018	Apr – Jun 2017	Change in %
Revenue	in €m	496	216	129.6	252	109	131.2
of which with companies of the Lufthansa Group	in €m	174	88	97.7	86	45	91.1
Adjusted EBITDA	in €m	-52	68		-41	61	-
Adjusted EBIT	in €m	-78	41		-53	47	-
EBIT	in €m	-80	39		-54	39	-
Segment capital expenditure	in €m	21	32	-34.4	10	27	-63.0
Employees as of 30 Jun	number	11,199	11,162	0.3	11,199	11,162	0.3

This segment comprises the service and financial companies as well as the Group functions of Lufthansa Group. They particularly include AirPlus, Lufthansa Aviation Training and the IT companies.

Companies' performance

AirPlus is a leading international provider of solutions for the everyday management of business travel. Under the AirPlus International brand, the company offers market-specific products in over 60 countries. The company served more than 51,000 corporate customers in total in the first half-year. AirPlus is realising the biggest transformation in the company's history with the overhaul of its IT landscape by the end of 2019. Its aim is to further consolidate its market leadership in the area of business travel management by systematically digitalising its products and processes.

Lufthansa Aviation Training (LAT) is one of the leading global providers of flight training. The biggest challenge LAT currently faces is the high demand for newly trained pilots. For the next two years, the focus will therefore be on recruiting, selecting and training pilots in order to support the Lufthansa Group's strategic plans.

Lufthansa Systems plays an important part in the Lufthansa Group's IT transformation. At the same time, as the common platform for innovation, the Aviation Campus is a cornerstone of the Lufthansa Group's digitalisation strategy. Lufthansa Systems continues to expand its market leadership in the global aviation market with approximately 350 airline customers.

Lufthansa Industry Solutions is among the 25 leading IT consultancy firms in Germany. The digital transformation process means the service provider is benefiting from high demand for IT consultancy and system integration services from customers both within and outside of the Lufthansa Group. Lufthansa Industry Solutions is accordingly expanding its expertise in key areas such as IT security, Industry 4.0, data analytics and cloud solutions.

Revenue and earnings development

AirPlus's Adjusted EBIT and EBIT fell by 66.7 per cent to EUR 7m in the reporting period. Expenses for the modernisation of the IT and process landscape more than offset the volume-related increase in income.

LAT significantly expanded its training activities in the first half-year of 2018. Adjusted EBIT nevertheless fell by 48.6 per cent to EUR 18m as a result of greater expenses in the area of pilot training. EBIT decreased by 56.4 per cent to EUR 17m.

Including all of their equity investments, Lufthansa Systems and Lufthansa Industry Solutions generated a cumulative Adjusted EBIT of EUR 12m in the reporting period, which was 29.4 per cent lower than last year. EBIT decreased by 25.0 per cent to EUR 12m.

Operating income of Group Functions fell by 13.4 per cent to EUR 671m. Operating expenses declined by 2.7 per cent to EUR 796m. Adjusted EBIT fell by 190.7 per cent to EUR -125m. EBIT decreased by 152.0 per cent to EUR -126m. This development stems mainly from the absence of the previous year's exchange rate gains.

Operating income in Additional Businesses and Group Functions segment overall decreased by 4.7 per cent to EUR 1.4bn, while operating expenses were up 3.6 per cent to EUR 1.5bn. The Adjusted EBIT of Group Functions fell by EUR 119m to EUR -78m, above all due to the negative earnings development in the Group Functions unit. EBIT was down by EUR 119m to EUR -80m.

Opportunities and risk report

The Lufthansa Group is exposed to various opportunities and risks. Continuously updated management systems ensure that they can be identified and managed at an early stage. Detailed information on the opportunity and risk management system and on the Lufthansa Group's opportunity and risk situation can be found in the [Annual Report 2017 starting on p. 64](#).

In the first six months of 2018, the risks and opportunities for the Group described there have changed as follows:

The expectations of economic growth in Germany and the euro zone in the years to come have deteriorated significantly. Protectionism, geopolitical tensions and potential international trade disputes are resulting in increasing risks.

On the one hand, rising fuel costs are weighing heavily on the Lufthansa Group, while on the other, this situation offers new market consolidation opportunities, as the financially weaker market players may suffer more than others from price erosion.

As yet, the General Data Protection Regulation (GDPR) has not led to a wave of cease-and-desist warnings as feared. The legal uncertainties regarding the new GDPR do, however, entail risks relating to the handling of personal data.

Brexit negotiations have reached a decisive phase. There is still uncertainty surrounding the consequences of Brexit for the Lufthansa Group and for the entire airline industry, particularly as far as air traffic rights are concerned.

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.

Forecast

Macroeconomic outlook

After expanding by 3.3 per cent in 2017, the global economy is expected to grow at the same pace in the 2018 financial year, according to data made available by Global Insight. Asia/Pacific remains the fastest growing region in the world, with a forecast growth rate of 5.0 per cent. Economic growth of 2.1 per cent is predicted for Europe.

GDP DEVELOPMENT¹⁾

Forecast 2018 to 2022 compared with previous year

in %	2018	2019	2020	2021	2022
World	3.3	3.1	2.9	2.9	3.1
Europe	2.1	1.8	1.8	1.8	1.7
Germany	2.2	1.8	1.7	1.6	1.5
North America	3.0	2.6	1.7	1.5	1.7
South America	1.1	1.1	1.9	2.5	3.1
Asia/Pacific	5.0	4.8	4.7	4.8	4.8
China	6.7	6.3	6.1	6.0	6.0
Middle East	2.3	3.1	3.4	3.6	3.5
Africa	3.7	3.7	3.8	3.8	3.8

Source: Global Insight World Overview as of 15 Jul 2018.

¹⁾ Forecast.

Futures rates indicate that oil prices will fall slightly. Overall, oil prices will remain exposed to geopolitical developments, however. Volatile kerosene prices should therefore also be expected for the remainder of the year 2018.

Currency developments up to the end of the year will be determined by the development of foreign policy and monetary policy in the USA and Europe. At the political level, the greatest uncertainty is further escalation of the trade dispute. The conflict has already significantly weakened the Chinese renminbi, which could weaken further should the dispute intensify. Regarding monetary policy, the Federal Reserve in the USA is expected to make further interest rate moves, while the development of the euro very much depends on what measures the European Central Bank implements. The consensus among analysts is that the US dollar will remain at its current level until the end of 2018.

Sector outlook

Taking into account the forecasts for global economic growth, the IATA is anticipating an increase in global revenue passenger-kilometres of 7.0 per cent in 2018, putting growth below the previous year's figure of 8.1 per cent. The strongest growth of 9.5 per cent is expected in the Asia/Pacific region, followed by Europe with 7.0 per cent, Latin America with 6.5 per cent, the Middle East with 5.9 per cent, Africa with 4.5 per cent and North America with 4.0 per cent. At 4.0 per cent, the increase in global revenue tonne-kilometres in 2018 as forecast by the IATA for cargo business is likewise below the previous year's level of 9.7 per cent.

Outlook for the Lufthansa Group

After a performance in the first half-year, that was overall in line with expectations for the full financial year, the Lufthansa Group is still expecting revenue excluding IFRS 15 effects to be significantly above and Adjusted EBIT to be slightly below previous year.

However, a number of influencing factors and parameters have affected revenue and earnings development since publication of the forecast in the Annual Report 2017. Among other things, the Company is now anticipating capacity growth of 8 per cent. This includes the expectation of organic growth of 6 per cent. This growth assumption, lower than the original forecast, is first and foremost a reflection of the delay in integrating the aircraft acquired from Air Berlin and the higher number of flight cancellations, particularly in the second quarter of 2018.

Aside from that, considering the increase in the first half of the year and the positive outlook for the second half of the year, the Lufthansa Group now expects to be able to slightly increase its unit revenues year on year after adjustment for exchange rates.

On the cost side, the Company is forecasting an increase in fuel costs of around EUR 850m due to higher oil prices. The Lufthansa Group expects to be able to reduce its unit costs by approximately 1 per cent year on year after adjusting for exchange rates. The Network Airlines segment will make an above-average contribution here. The development of the Eurowings costs will be more heavily influenced than originally forecasted by expenses relating to the integration of the aircraft acquired in the context of the Air Berlin insolvency by the consequential expenses of flight operation disruptions.

As such, the Eurowings earnings outlook has deteriorated in comparison with original expectations. A slightly weaker earnings development is also anticipated for the MRO and Additional Businesses and Group Functions segments. In contrast, the earnings forecast for SWISS has improved. Details can be found in the table below.

With the exception of the changes presented here, we refer you to the information given in the forecast in the [Annual Report 2017, p. 78 – 82](#), which continues to apply.

FORECAST TRAFFIC FIGURES PASSENGER AIRLINES

	Values 2017	Forecast for 2018
Capacity (ASK)	322,821	+8.0% including 6.0% organic growth ¹⁾
Unit revenue (RASK, at constant currency)	+1.9%	slightly above previous year ¹⁾
Unit costs (CASK, at constant currency and excluding fuel)	-0.4%	approximately 1.0% below previous year ¹⁾

¹⁾ Forecast has been adjusted compared with the Annual Report 2017.

FORECAST STRATEGIC FINANCIAL KEY FIGURES

	Values 2017	Forecast for 2018
Capital expenditure (gross)	€ 3.0bn	€ 3.4bn
Adjusted ROCE	11.6%	slightly below previous year
EACC	€ 1.8bn	significantly positive
Adjusted Net Debt/ Adjusted EBITDA	1.7	significantly below 3.5

FORECAST REVENUE AND RESULT

	Revenue		Adjusted EBIT	
	Revenue 2017 in €m	Forecast for 2018 ¹⁾	Adjusted EBIT 2017 in €m	Forecast for 2018
Lufthansa German Airlines	16,441		1,627	slightly below previous year
SWISS	4,727		542	stable to slightly above previous year ²⁾
Austrian Airlines	2,358		94	slightly below previous year
Network Airlines	23,317	slightly above previous year	2,263	slightly below previous year
Eurowings	4,041	significantly above previous year	94	negative ²⁾
Logistics	2,524	slightly above previous year	242	slightly below previous year
MRO	5,404	significantly above previous year	415	roughly stable ²⁾
Catering	3,219	slightly below previous year	66	slightly above previous year
Additional Businesses and Group Functions	446		-130	below previous year ²⁾
Internal revenue/Reconciliation	-3,372		23	
Lufthansa Group reported	35,579	significantly above previous year	2,973	slightly below previous year

¹⁾ Each adjusted for the effects of the first-time application of financial reporting standard IFRS 15.

²⁾ Forecast has been adjusted compared with the Annual Report 2017.

Consolidated income statement

January – June 2018

CONSOLIDATED INCOME STATEMENT

in €m	Jan – Jun 2018	Jan – Jun 2017	Apr – Jun 2018	Apr – Jun 2017
Traffic revenue	13,156	13,293	7,371	7,485
Other revenue	3,782	3,658	1,927	1,775
Total revenue	16,938	16,951	9,298	9,260
Changes in inventories and work performed by entity and capitalised	26	75	2	20
Other operating income	848	1,099	467	593
Cost of materials and services	-8,764	-9,269	-4,681	-4,883
Staff costs	-4,339	-4,294	-2,233	-2,213
Depreciation	-898	-860	-452	-438
Other operating expenses	-2,844	-2,715	-1,458	-1,362
Profit/loss from operating activities	967	987	943	977
Result of equity investments accounted for using the equity method	29	28	28	23
Result of other equity investments	14	16	12	15
Interest income	27	36	18	19
Interest expenses	-112	-169	-62	-75
Other financial items	30	-16	55	-22
Financial result	-12	-105	51	-40
Profit/loss before income taxes	955	882	994	937
Income taxes	-260	-191	-250	-187
Profit/loss after income taxes	695	691	744	750
Profit/loss attributable to minority interests	-18	-19	-10	-10
Net profit/loss attributable to shareholders of Deutsche Lufthansa AG	677	672	734	740
Basic/diluted earnings per share in €	1.44	1.43	1.56	1.58

Statement of comprehensive income

January – June 2018

STATEMENT OF COMPREHENSIVE INCOME

in €m	Jan – Jun 2018	Jan – Jun 2017	Apr – Jun 2018	Apr – Jun 2017
Profit/loss after income taxes	695	691	744	750
Other comprehensive income				
Other comprehensive income with subsequent reclassification to the income statement				
Differences from currency translation	33	-181	65	-172
Subsequent measurement of financial assets at fair value through profit or loss	-6	61	-	5
Subsequent measurement of cash flow hedges – cash flow hedge reserve	776	-746	932	-413
Subsequent measurement of cash flow hedges – costs of hedging	-75		-43	
Other comprehensive income from investments accounted for using the equity method	1	3	-	1
Other expenses and income recognised directly in equity	0*	-16	-1	-12
Income taxes on items in other comprehensive income	-172	169	-219	100
Other comprehensive income without subsequent reclassification to the income statement				
Revaluation of defined-benefit pension plans	-422	470	98	599
Other comprehensive income	2	0*	2	0*
Income taxes on items in other comprehensive income	55	-40	-28	-116
Other comprehensive income after income taxes	192	-280	806	-8
Total comprehensive income	887	411	1,550	742
Comprehensive income attributable to minority interests	-18	-11	-12	0*
Comprehensive income attributable to shareholders of Deutsche Lufthansa AG	869	400	1,538	742

* Rounded below EUR 1m.

Statement of financial position

as of 30 June 2018

STATEMENT OF FINANCIAL POSITION - ASSETS

in €m	30 Jun 2018	31 Dec 2017	30 Jun 2017
Intangible assets with an indefinite useful life ¹⁾	1,369	1,343	1,367
Other intangible assets	496	492	511
Aircraft and reserve engines	16,877	15,959	15,486
Repairable spare parts for aircraft	1,950	1,758	1,687
Property, plant and other equipment	2,186	2,186	2,177
Investments accounted for using the equity method	595	585	528
Other equity investments	233	221	211
Non-current securities	38	32	25
Loans and receivables	449	475	532
Derivative financial instruments	891	642	909
Deferred charges and prepaid expenses	11	9	10
Effective income tax receivables	15	12	10
Deferred tax assets	1,517	1,523	1,521
Non-current assets	26,627	25,237	24,974
Inventories	932	907	870
Contract assets ²⁾	185	-	-
Trade receivables and other receivables	6,065	5,314	5,339
Derivative financial instruments	1,006	600	212
Deferred charges and prepaid expenses	292	197	224
Effective income tax receivables	42	58	34
Securities	2,570	2,551	4,402
Cash and cash equivalents	1,534	1,397	1,716
Assets held for sale	5	6	130
Current assets	12,631	11,030	12,927
Total assets	39,258	36,267	37,901

¹⁾ Including goodwill.

²⁾ Recognition will occur separately for the first time from the 2018 financial year in accordance with IFRS 15.

STATEMENT OF FINANCIAL POSITION – SHAREHOLDERS' EQUITY AND LIABILITIES

in €m	30 Jun 2018	31 Dec 2017	30 Jun 2017
Issued capital	1,213	1,206	1,204
Capital reserve	313	263	242
Retained earnings	5,533	4,141	3,521
Other neutral reserves	1,990	1,521	1,611
Net profit/loss	677	2,364	672
Equity attributable to shareholders of Deutsche Lufthansa AG	9,726	9,495	7,250
Minority interests	100	103	97
Shareholders' equity	9,826	9,598	7,347
Pension provisions	5,418	5,116	8,127
Other provisions	547	601	557
Borrowings	5,911	6,142	6,556
Contract liabilities ¹⁾	43	-	-
Other financial liabilities	193	243	131
Advance payments received, deferred income and other non-financial liabilities	62	1,289	1,312
Derivative financial instruments	166	190	108
Deferred tax liabilities	628	449	445
Non-current provisions and liabilities	12,968	14,030	17,236
Other provisions	827	990	958
Borrowings	721	672	659
Trade payables and other financial liabilities	5,724	5,250	5,023
Contract liabilities from unused flight documents	5,605	3,773	5,036
Other contract liabilities ¹⁾	2,254	-	-
Advance payments received, deferred income and other non-financial liabilities	444	992	1,041
Derivative financial instruments	57	124	191
Effective income tax obligations	832	838	410
Current provisions and liabilities	16,464	12,639	13,318
Total shareholders' equity and liabilities	39,258	36,267	37,901

¹⁾ Recognition will occur separately for the first time from the 2018 financial year in accordance with IFRS 15.

Consolidated statement of changes in shareholders' equity

as of 30 June 2018

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	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
in €m												
As of 31 Dec 2016	1,200	222	1,081	670	236	326	2,313	1,549	1,776	7,060	89	7,149
Capital increases/reductions	4	20	-	-	-	-	-	-	-	24	-	24
Reclassifications	-	-	-	-	-	-	-	1,542	-1,542	-	-	-
Dividends to Lufthansa shareholders/minority interests	-	-	-	-	-	-	-	-	-234	-234	-14	-248
Transactions with minority interests	-	-	-	-	-	-	-	-	-	-	11	11
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	-	-	-	-	-	-	-	-	672	672	19	691
Other expenses and income recognised directly in equity	-	-	-516	-181	-	-5	-702	430	-	-272	-8	-280
As of 30 Jun 2017	1,204	242	565	489	236	321	1,611	3,521	672	7,250	97	7,347
As of 31 Dec 2017	1,206	263	693	266	236	326	1,521	4,141	2,364	9,495	103	9,598
Restatement IFRS 9	-	-	-90	-	-	-	-90	82	-	-8	-	-8
Restatement IFRS 15	-	-	-	-	-	-	-	-310	-	-310	-	-310
Adjusted as of 1 Jan 2018	1,206	263	603	266	236	326	1,431	3,913	2,364	9,177	103	9,280
Capital increases/reductions	7	50	-	-	-	-	-	-	-	57	-	57
Reclassifications	-	-	-	-	-	-	-	1,987	-1,987	-	-	-
Dividends to Lufthansa shareholders/minority interests	-	-	-	-	-	-	-	-	-377	-377	-21	-398
Transactions with minority interests	-	-	-	-	-	-	-	-	-	-	-	-
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	-	-	-	-	-	-	-	-	677	677	18	695
Other expenses and income recognised directly in equity	-	-	525	33	-	1	559	-367	-	192	-	192
As of 30 Jun 2018	1,213	313	1,128	299	236	327	1,990	5,533	677	9,726	100	9,826

Consolidated cash flow statement

January – June 2018

CONSOLIDATED CASH FLOW STATEMENT

in €m	Jan – Jun 2018	Jan – Jun 2017	Apr – Jun 2018	Apr – Jun 2017
Cash and cash equivalents 1 Jan	1,218	1,138	1,401	1,533
Net profit/loss before income taxes	955	882	994	937
Depreciation, amortisation and impairment losses on non-current assets (net of reversals)	896	855	450	434
Depreciation, amortisation and impairment losses on current assets (net of reversals)	11	47	-5	40
Net proceeds on disposal of non-current assets	-2	-27	1	-4
Result of equity investments	-43	-44	-40	-38
Net interest	85	133	44	56
Income tax payments/reimbursements	-92	-92	-47	-65
Significant non-cash-relevant expenses/income	-111	3	-125	15
Change in trade working capital	1,610	1,547	220	393
Change in other assets/shareholders' equity and liabilities	-291	-78	-99	-190
Cash flow from operating activities	3,018	3,226	1,393	1,578
Capital expenditure for property, plant and equipment and intangible assets	-1,913	-1,377	-1,205	-630
Capital expenditure for financial investments	-14	-20	-8	-12
Additions/loss to repairable spare parts for aircraft	-198	-136	-51	-26
Proceeds from disposal of non-consolidated equity investments	1	0*	0*	0*
Proceeds from disposal of consolidated equity investments	-	0*	-	0*
Cash outflows for acquisitions of non-consolidated equity investments	-17	-1	-10	-1
Cash outflows for acquisitions of consolidated equity investments	-12	191	-	-7
Proceeds from disposal of intangible assets, property, plant and equipment and other financial investments	56	85	37	32
Interest income	29	103	16	46
Dividends received	27	29	15	26
Net cash from/used in investing activities	-2,041	-1,126	-1,206	-572
Purchase of securities/fund investments	-2,142	-1,869	-1,305	-786
Disposal of securities/fund investments	1,831	50	1,491	23
Net cash from/used in investing and cash management activities	-2,352	-2,945	-1,020	-1,335
Capital increase	-	-	-	-
Transactions by minority interests	-	-	-	-
Non-current borrowing	100	1,072	25	379
Repayment of non-current borrowing	-320	-617	-184	-355
Dividends paid	-342	-225	-329	-217
Interest paid	-29	-118	-5	-47
Net cash from/used in financing activities	-591	112	-493	-240
Net increase/decrease in cash and cash equivalents	75	393	-120	3
Changes due to currency translation differences	-7	-16	5	-21
Cash and cash equivalents 30 Jun¹⁾	1,286	1,515	1,286	1,515
Securities	2,570	4,402	2,570	4,402
Liquidity	3,856	5,917	3,856	5,917
Net increase/decrease in liquidity	87	2,098	-616	652

* Rounded below EUR 1m.

¹⁾ Excluding fixed-term deposits with terms of three to twelve months (2018: EUR 248m, 2017: EUR 201m).

Notes

1 Standards applied and changes in the group of consolidated companies

The consolidated financial statements of Deutsche Lufthansa AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking account of interpretations by the IFRS Interpretations Committee (IFRIC) as applicable in the European Union (EU). This interim report as of 30 June 2018 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 2018 have been applied. The interim financial statements as of 30 June 2018 have been prepared using the same accounting policies as those on which the preceding consolidated financial statements as of 31 December 2017 were based. The standards and interpretations mandatory from 1 January 2018 onwards, particularly IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, had the following effects on the Group's net assets, financial and earnings position.

IFRS 15

Based on the modified retrospective method, the cumulative effects of the changes were recognised in retained earnings as of 1 January 2018. The following table summarises the adjustment effects of the first-time adoption of IFRS 15 on retained earnings as of 1 January 2018:

RETAINED EARNINGS

in €m	Effect of adopting IFRS 15 at 1 Jan 2018
Shift in timing of recognition for fees	29
Customer loyalty programmes	385
Related taxes	-104
Effect at 1 Jan 2018	310

DETAILED PRESENTATION OF THE EFFECTS:

IFRS 15 resulted in a shifting of the recognition date for certain items of other revenue (particularly rebooking fees) from the transaction date to the date of use.

The shifting of the recognition date also has an impact on the recognition of expired miles in the miles programme. These will no longer be recognised directly through profit or loss in the year of collection, but rather recognised as collected pro rata. The sum continues to include adjustments due to the introduction of a redesigned data model for the total amount of miles outstanding in relation to the introduction of IFRS 15.

PRESENTATION OF THE CHANGES IN RECOGNITION:

Contractual items that have not been performed in full are to be presented in the balance sheet as contract assets or liabilities (current and non-current, in each case). Obligations in respect of unused flight documents are still presented separately. As of 1 January 2018, liabilities relating to customer loyalty programmes are recognised under other current contract liabilities. They were previously accounted for under non-financial liabilities and deferrals and accruals (non-current and current). Since the timing of the fulfilment of these obligations is beyond the control of the Company, they are all presented as current, in accordance with IFRS 15. As a result, as of 1 January 2018, there is a reclassification of debts amounting to EUR 1.2bn from non-current to current. In addition, the short-term component of the customer loyalty programmes, which was previously recognised under deferred income in the amount of EUR 292m, was reclassified as other contract liabilities. Also included are obligations from works in progress in connection with longer-term production and/or service contracts. Here, advance payments received and other provisions in the amount of EUR 92m were reclassified as of 1 January 2018.

From 2018 onwards, for ticket revenue, the airport fees received and the corresponding airport invoices will no longer be recognised in the income statement. Applied to the first half-year 2018, this approach reduced revenue and expenses by EUR 1,072m. Otherwise, there are no material differences between revenue recognition under IFRS 15 and revenue recognition under IAS 11 or IAS 18. Also, in connection with IFRS 15, income from training and travel management was reclassified from other operating income to revenue. This had the effect of increasing revenue by EUR 180m in the first half of 2018. In the prior-year period, EUR 172m was shown under other operating income.

IFRS 9

In accordance with the transitional provisions of IFRS 9, Financial Instruments, the Lufthansa Group has not adjusted the figures for the previous year and recognised the cumulative transitional effects as of 1 January 2018 in retained earnings.

In phase I ("classification"), the transition of share items held as securities from the IAS 39 category "available for sale" (AfS) to the IFRS 9 category "fair value through profit or loss" (FVTPL) only leads to a transfer within reserves, between the cumulative market value reserve and retained earnings (EUR 43m). There are also transfer effects due to the reclassification of a share item from AfS to fair value without effect on profit and loss (without recycling) (EUR 12m). Debt instruments are still generally classified as at fair value without effect on profit and loss. There are no reclassification effects in phase I for loans and receivables, either, since they are still held at amortised cost.

As part of phase II ("impairment rules"), the first-time application of the expected loss model in line with IFRS 9 led to an additional need to recognise an impairment of EUR 8m (after tax), which was recognised in equity without effect on profit or loss as of 1 January 2018. The effects from this on income in the first half of 2018 were immaterial.

For fuel hedging transactions, the Group uses the component approach, with crude oil as the designated component and regular rebalancing. This leads to a reduction in volatility in the income statement from changes in the market value of derivatives. Accounting for the time values of options without effect on profit and loss under IFRS 9 means that the changes in time value previously recognised through profit or loss as of year-end 2017 were transferred within equity to the market value reserve as of 1 January 2018 (EUR -46m). The effects from this in the first half of 2018 were immaterial. For materiality reasons, no adjustments are made in the interim report to the previous year's figures in the statement of financial position, the income statement and the statement of comprehensive income. The conversion would reduce the market value reserve as of 1 January 2017 by EUR 58m to EUR 1,023m, while retained earnings would increase accordingly to EUR 1,607m. The financial result would improve by EUR 24m in the first half-year of 2017 to EUR -81m, while profit after income taxes would increase by EUR 18m to EUR 709m. Earnings per share would improve by EUR 0.04 to EUR 1.47.

In the area of exchange rate hedging with forward contracts, the Lufthansa Group has been using the spot-to-spot method since 1 January 2018. This involves the spot component of a forward contract being designated as a hedging instrument. The other components of the forward – the scheduling components and the basis spread – are recognised as the separate item "Cost of hedging" within the market value reserve. This does not have any material impact on the statement of financial position, the income statement or the statement of comprehensive income.

CHANGES IN THE GROUP OF CONSOLIDATED COMPANIES

With effect from 9 January 2018, Lufthansa Commercial Holding GmbH acquired all the shares in Luftfahrtgesellschaft Walter mbH. The acquisition is based on the purchase agreement signed by the Lufthansa Group and the Air Berlin group on 13 October 2017. The purchase price is EUR 24m. Within the Eurowings segment, the company acts as a platform with its own air operator certificate and provides services to Eurowings on the basis of wet-lease agreements for 20 Bombardier DH-8 Q400s and 13 Airbus A320/A319s. The company operates without its own fleet and solely within Eurowings. At the time of initial consolidation, it had gross assets of EUR 19m and net assets of EUR 1m. The difference of EUR 23m resulting from the purchase price allocation was classified in full as goodwill, given the peculiarities of the acquired business operations, and assigned to Eurowings. Since it only provides services within the Group, the effects on Group earnings are immaterial.

The other changes to the group of consolidated companies had no significant effects on the Group's net assets, financial and earnings position.

2 Notes to the income statement, statement of financial position, cash flow statement and segment reporting

ASSETS HELD FOR SALE

in €m	30 Jun 2018	31 Dec 2017	30 Jun 2017
Assets			
Aircraft and reserve engines	-	-	125
Financial assets	-	-	-
Other assets	5	6	5

In the following tables, revenue is disaggregated by primary geographical markets and the Group's major operating areas.

TRAFFIC REVENUE BY AREA OF OPERATIONS

	2018	Europe ¹⁾	North America ¹⁾	Central and South America ¹⁾	Asia/Pacific ¹⁾	Middle East ¹⁾	Africa ¹⁾	2017 ²⁾
in €m								
Network Airlines	10,013 ³⁾	6,659	1,695	271	1,021	247	120	10,449 ³⁾
Lufthansa German Airlines	6,866							7,245
SWISS	2,241 ³⁾							2,213 ³⁾
Austrian Airlines	906							991
Eurowings	1,920 ³⁾	1,731	75	4	27	13	70	1,758 ³⁾
Logistics	1,223	643	125	51	367	12	25	1,086
Total	13,156							13,293

¹⁾ Traffic revenue is allocated according to the original location of sale.

²⁾ Application of the modified retrospective approach; revenue measured for 2017 according to IAS 11 and IAS 18.

³⁾ Disclosure of traffic revenue, including belly revenue; this is reported in the segment reporting in the reconciliation column.

OTHER OPERATING REVENUE BY AREA OF OPERATIONS

	2018	Europe	North America	Central and South America	Asia/Pacific	Middle East	Africa	2017 ¹⁾
in €m								
MRO	1,853	801	404	77	387	65	119	1,853
MRO services	1,673							1,588
Other operating revenue	181							265
Catering	1,217	233	593	81	266	26	18	1,276
Catering services	986							1,059
Revenue from in-flight sales	67							44
Other services	164							173
Network Airlines	314	251	25	3	27	4	4	325
Eurowings	15	11	1	-	-	-	3	13
Logistics	61	35	23	-	-	3	-	62
Additional Businesses and Group Functions	322	249	25	5	32	8	3	128
IT services	144							128
Travel management	138							-
Other	40							-
Total	3,782							3,658

¹⁾ Application of the modified retrospective approach; revenue measured for 2017 according to IAS 11 and IAS 18.

Detailed comments on the income statement, the statement of financial position, the cash flow statement and the segment reporting can also be found in the [interim management report, p. 3 – 23](#).

3 Seasonality

The Group's business activities are mainly exposed to seasonal effects via the Network Airlines and Eurowings segments. As such, revenue in the first and fourth quarters is generally lower, since 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 in €m	30 Jun 2018	31 Dec 2017
From guarantees, bills of exchange and cheque guarantees	894	881
From warranty contracts	340	354
From providing collateral for third-party liabilities	41	39
	1,275	1,274

Provisions for other contingent liabilities were not made because it was not sufficiently probable that they would be drawn down. The potential financial effect of these provisions on the result would have been EUR 65m in total (as of 31.12.17: EUR 80m).

At the end of June 2018, there were order commitments of EUR 12.6bn for capital expenditure on property, plant and equipment, including repairable spare parts, and for intangible assets. As of 31 December 2017, the order commitments came to EUR 13.0bn.

Contracts for the sale of aircraft signed as of 31 December 2017 yielded profits and cash receipts of less than EUR 1m by 30 June 2018.

Since 30 June 2018, 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 tables show financial assets and liabilities held at fair value by level in the fair value hierarchy. The levels are defined as follows:

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

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

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

As of 30 June 2018, the fair value hierarchy for assets and liabilities held at fair value was as follows:

ASSETS AS OF 30 JUN 2018

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	-	32	-	32
Securities	900	2	-	902
Total financial assets through profit and loss	900	34	-	934
Derivative financial instruments which are an effective part of a hedging relationship				
	-	1,866	-	1,866
Financial assets at fair value without effect on profit and loss	13	1,499	-	1,512
Equity instruments	13	15	-	28
Debt instruments	-	1,484	-	1,484
Total assets	913	3,399	-	4,312

LIABILITIES AS 30 JUN 2018

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	-	37	-	37
Derivative financial instruments which are an effective part of a hedging relationship	-	186	-	186
Total liabilities	-	223	-	223

As of 31 December 2017, the fair value hierarchy for assets and liabilities held at fair value was as follows:

ASSETS AS OF 31 DEC 2017

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	-	131	-	131
Securities	-	-	-	-
Total financial assets through profit and loss	-	131	-	131
Derivative financial instruments which are an effective part of a hedging relationship	-	1,110	-	1,110
Financial assets at fair value without effect on profit and loss	410	2,173	-	2,583
Equity instruments	410	13	-	423
Debt instruments	-	2,160	-	2,160
Total assets	410	3,414	-	3,824

LIABILITIES AS OF 31 DEC 2017

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	-	123	-	123
Derivative financial instruments which are an effective part of a hedging relationship	-	191	-	191
Total liabilities	-	314	-	314

Since the start of the year, the simplified evidence of effectiveness required by IFRS 9 means that cross currency swaps used to hedge foreign currency liabilities are now designated as a hedging instrument. The cross currency swaps are designated both as fair value hedges and as cash flow hedges. This reduces both the market value of, and the earnings item pertaining to, stand-alone derivatives and the exchange rate effect of financial liabilities, which is offset by the opposing exchange rate effect of the cross currency swaps used to hedge them.

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. Forward currency transactions 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 also 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.

FINANCIAL LIABILITIES

The following table shows the carrying amounts and market values for individual classes of financial liabilities. Market values for bonds are equal to 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

in €m	30 Jun 2018		31 Dec 2017	
	Carrying amount	Market value	Carrying amount	Market value
Bonds	1,006	1,046	1,005	1,063
Liabilities to banks	2,032	2,073	2,044	2,113
Leasing liabilities and other loans	3,594	3,505	3,765	3,722
Total	6,632	6,624	6,814	6,898

6 Earnings per share

		30 Jun 2018	30 Jun 2017
Basic earnings per share	€	1.44	1.43
Consolidated net profit/loss	in €m	677	672
Weighted average number of shares		471,565,559	468,583,254
Diluted earnings per share	€	1.44	1.43
Consolidated net profit/loss	in €m	677	672
Weighted average number of shares		471,565,559	468,583,254

A resolution passed at the Annual General Meeting on 29 April 2015 authorised the Executive Board until 28 April 2020, subject to approval by the Supervisory Board, to increase the Company's issued capital by up to EUR 561,160,092 by issuing new registered shares on one or more occasions for payment in cash or in kind (Authorised Capital A). In certain cases, the shareholders' subscription rights can be excluded with the approval of the Supervisory Board.

Following a resolution of the Annual General Meeting held on 8 May 2018, the distributable profit of EUR 377m shown in the 2017 financial statements was paid out as dividends. This corresponds to a dividend of EUR 0.80 per share for the financial year 2017.

Dividend rights can be converted into new shares under consideration of a base dividend contribution. In this regard, 2.4 million new shares were distributed with a value of EUR 55.9m.

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.

A resolution passed at the Annual General Meeting held on 29 April 2015 authorised the Executive Board pursuant to Section 71 Paragraph 1 No. 8 Stock Corporation Act (AktG) to purchase treasury shares until 28 April 2020. The authorisation is limited to 10 per cent of current issued capital. According to the resolution of the Annual General Meeting held on 29 April 2015, the Executive Board is also authorised to purchase treasury shares by means of derivatives and to conclude corresponding derivative transactions.

B Segment reporting

Segment reporting has also been adjusted in line with the internal management reporting, which now focuses more on the performance indicator Adjusted EBIT. The individual expense and income categories no longer include the reconciliation items (especially impairment losses and pension

measurement effects). The resulting performance indicator is therefore Adjusted EBIT. The reconciliation items and the resulting EBIT are then shown as additional information. The previous year's figures are presented accordingly.

There have been no changes in the segmentation compared with the financial statements as of 31 December 2017.

SEGMENT INFORMATION FOR THE REPORTING SEGMENTS Jan – Jun 2018

	Network Airlines	Eurowings	Logistics	MRO	Catering	Total reportable operating segments	Additional Businesses and Group Functions	Recon- ciliation	Group
in €m									
External revenue	10,326	1,935	1,285	1,853	1,217	16,616	322	-	16,938
of which traffic revenue	9,774	1,873	1,223	-	-	12,870	-	286	13,156
Inter-segment revenue	342	0*	16	999	335	1,692	174	-1,866	-
Total revenue	10,668	1,935	1,301	2,852	1,552	18,308	496	-1,866	16,938
Other operating income	338	127	18	121	30	634	880	-650	864
Total operating income	11,006	2,062	1,319	2,973	1,582	18,942	1,376	-2,516	17,802
Operating expenses	10,070	2,247	1,212	2,762	1,551	17,842	1,462	-2,467	16,837
of which cost of materials	5,712	1,505	840	1,602	657	10,316	127	-1,679	8,764
of which staff costs	2,029	304	210	710	588	3,841	501	-4	4,338
of which depreciation and amortisation	608	134	41	59	30	872	26	0*	898
of which other operating expenses	1,721	304	121	391	276	2,813	808	-784	2,837
Results of equity investments	15	-14	18	7	9	35	8	0*	43
of which result of investments accounted for using the equity method	14	-14	16	4	9	29	-	-	29
Adjusted EBIT	951	-199	125	218	40	1,135	-78	-49	1,008
of which reconciliation items									
Impairment losses/gains	-1	-	-	-2	-	-3	2	-1	-2
Effects from pension provisions	0*	-	-	-	-	-	0*	1	1
Results of disposal of assets	-3	0*	0*	0*	0*	-3	0*	2	-1
EBIT¹⁾	955	-199	125	220	40	1,141	-80	-51	1,010
Total adjustments									-2
Other financial result									-55
Profit/loss before income taxes									955
Capital employed at end of period ²⁾	8,664	2,072	1,255	4,727	1,284	18,002	2,902	-467	20,437
of which from investments accounted for using the equity method	65	108	43	259	136	611	6	-22	595
Segment capital expenditure	1,319	328	153	106	24	1,930	21	5	1,956
of which from investments accounted for using the equity method	-	-	-	16	-	16	-	-	16
Number of employees at end of period	51,381	9,357	4,316	22,209	35,937	123,200	11,199	-	134,399

* Rounded below EUR 1m.

¹⁾ For detailed reconciliation from EBIT to Adjusted EBIT see p. 7 in the interim management report.

²⁾ The capital employed results from total assets adjusted for non-operating items (deferred taxes, positive market values, derivatives) less non-interest bearing liabilities (including trade payables and liabilities from unused flight documents).

SEGMENT INFORMATION FOR THE REPORTING SEGMENTS Jan - Jun 2017

	Network Airlines	Eurowings	Logistics	MRO	Catering	Total reportable operating segments	Additional Businesses and Group Functions	Recon- ciliation	Group
in €m									
External revenue	10,778	1,772	1,144	1,853	1,276	16,823	128	-	16,951
of which traffic revenue	10,223	1,716	1,086	-	-	13,025	-	268	13,293
Inter-segment revenue	319	0*	14	901	321	1,555	88	-1,643	-
Total revenue	11,097	1,772	1,158	2,754	1,597	18,378	216	-1,643	16,951
Other operating income	442	77	45	157	24	745	1,228	-834	1,139
Total operating income	11,539	1,849	1,203	2,911	1,621	19,123	1,444	-2,477	18,090
Operating expenses	10,791	1,919	1,137	2,701	1,618	18,166	1,411	-2,485	17,092
of which cost of materials	6,367	1,344	764	1,561	694	10,730	104	-1,565	9,269
of which staff costs	2,033	236	207	676	620	3,772	492	-2	4,262
of which depreciation and amortisation	603	89	41	57	32	822	27	-2	847
of which other operating expenses	1,788	250	125	407	272	2,842	788	-916	2,714
Results of equity investments	9	-7	12	12	10	36	7	1	44
of which result of investments accounted for using the equity method	7	-7	9	9	9	27	1	-	28
Adjusted EBIT	757	-77	78	222	13	993	41	8	1,042
of which reconciliation items									
Impairment losses/gains	1	-	-6	-1	-	-6	11	2	7
Effects from pension provisions	32	-	-	-	-	32	-	-	32
Results of disposal of assets	-20	0*	0*	0*	-1	-21	-9	2	-28
EBIT¹⁾	744	-77	84	223	14	988	39	4	1,031
Total adjustments									11
Other financial result									-149
Profit/loss before income taxes									882
Capital employed at the end of period ²⁾	9,186	1,657	1,090	3,966	1,318	17,217	4,585	-76	21,726
of which from investments accounted for using the equity method	40	92	57	209	127	525	6	-3	528
Segment capital expenditure	879	350	14	98	28	1,369	32	-194	1,207
of which from investments accounted for using the equity method	-	-	-	1	-	1	-	-	1
Number of employees at end of period	49,476	7,128	4,476	20,877	35,353	117,310	11,162	-	128,472

* Rounded below EUR 1m.

¹⁾ For detailed reconciliation from EBIT to Adjusted EBIT see p. 7 in the interim management report.

²⁾ The capital employed results from total assets adjusted for non-operating items (deferred taxes, positive market values, derivatives) less non-interest bearing liabilities (including trade payables and liabilities from unused flight documents).

FIGURES BY REGION Jan – Jun 2018

in €m	Europe	thereof Germany	North America	thereof USA	Central and South America	Asia/Pacific	Middle East	Africa	Total
Traffic revenue ¹⁾	9,034	4,221	1,895	1,706	326	1,414	271	216	13,156
Other operating revenue	1,581	507	1,071	905	166	711	105	148	3,782
Total revenue	10,615	4,728	2,966	2,611	492	2,125	376	364	16,938

¹⁾ Allocated according to the original location of sale.

FIGURES BY REGION Jan – Jun 2017

in €m	Europe	thereof Germany	North America	thereof USA	Central and South America	Asia/Pacific	Middle East	Africa	Total
Traffic revenue ¹⁾	8,805	4,011	2,101	1,903	345	1,488	319	235	13,293
Other operating revenue	1,444	483	1,044	886	150	733	180	107	3,658
Total revenue	10,249	4,494	3,145	2,789	495	2,221	499	342	16,951

¹⁾ Allocated according to the original location of sale.

9 Related party disclosures

As stated in [Note 46](#) to the consolidated financial statements in the Annual Report 2017, **p.177ff.**, the segments in the Lufthansa Group render numerous services to affiliated companies 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 the [Remuneration report of the Annual Report 2017, p. 87ff.](#), and in [Note 47, p. 180](#), of the 2017 consolidated financial statements also still exist unchanged, but are not of material significance for the Group.

10 Published standards that have not yet been applied

IFRS 16, Leases, must be applied from 1 January 2019. Currently, the payment obligations arising from operating leases only have to be disclosed in the Notes. In the future, the rights and obligations related to such leases are required to be recognised as assets (right-of-use asset) and liabilities (lease liability) in the statement of financial position. The Lufthansa Group will adopt the modified retrospective approach to introduction of this standard. Under this approach, the comparable figures for the previous year are not adjusted and all adjustment effects as of 1 January 2019

are therefore to be presented as adjustments to retained earnings. In addition, the Lufthansa Group will recognise the right-of-use assets on the basis of the corresponding lease liabilities upon first-time application and not in the amount of the carrying amounts of the lease liabilities at the start of the contract, such that IFRS 16 has no impact on equity as of 1 January 2019. Short-term leases with a term of less than twelve months (and containing no purchase options) and leases where the underlying asset has a low value will not be recognised. The same applies to contracts with a remaining term of less than a year upon first-time application.

The Lufthansa Group has set up a Group-wide project and has rolled out a Group-wide IT system to implement the new leasing standard. The Group is currently analysing the data collected on the existing leases.

In view of the contracts currently concluded and based on a preliminary evaluation, the Group is anticipating an increase in total assets of approximately EUR 2.0bn. This figure is expected to increase by the end of the year on the basis of ongoing negotiations regarding material leases and new lease which could potentially be concluded. Based on the total assets as of 31 December 2017 and the contracts as they stand, the first-time application of IFRS 16 would result in a decrease of approximately 1.4 percentage points in the equity ratio.

The expenses related to operating leases are currently shown in the income statement under cost of materials and services and other operating expenses. Henceforth, write-downs on right-of-use assets and interest expenses for lease liabilities will be recognised. These changes in presentation are not likely to have any significant impact on the result from operating activities (EBIT), while net interest will be affected in the medium double-digit million range.

In addition, the change in the presentation of the expenses related to operating leases will result in a transfer from cash flow from financing activities to cash flow from operating activities as the lease payments no longer affect the operating cash flow and are instead recognised as interest and redemption payments within cash flow from financing activities. Based on the current contracts, this effect will be in the range of EUR 300m and EUR 400m per annum.

Declaration by the legal representatives

We declare that to the best of our knowledge and according to the applicable accounting standards for interim reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, 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 principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Frankfurt, 27 July 2018
Executive Board



Carsten Spohr
Chairman of the
Executive Board and CEO



Thorsten Dirks
Member of the Executive Board
Eurowings and Aviation Services



Harry Hohmeister
Member of the Executive Board
Hub Management



Ulrik Svensson
Member of the Executive Board
Chief Financial Officer



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

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, 2018 which are part of the halfyear financial report pursuant to § (Article) 115 WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Managing Directors. Our responsibility is to issue a review report on the Condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that

the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

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

Dusseldorf, 27 July 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Petra Justenhoven
Wirtschaftsprüferin
(German Public Auditor)

Eckhard Sprinkmeier
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(German Public Auditor)

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The Lufthansa 2nd Interim Report is a translation of the original German Lufthansa Zwischenbericht 2/2018. Please note that only the German version is legally binding.

You can order the Annual Report in German via our website – www.lufthansagroup.com/investor-relations – or from the address above.

The latest financial information on the internet:
www.lufthansagroup.com/investor-relations

Financial calendar 2018/2019

2018

30 Oct Release of Interim Report
January – September 2018

2019

14 Mar Release of Annual Report 2018
30 Apr Release of Interim Report
January – March 2019
7 May Annual General Meeting
30 Jul Release of Interim Report
January – June 2019
29 Oct Release of Interim Report
January – September 2019

Disclaimer in respect of forward-looking statements

Information published in the 2nd Interim Report 2018, with regard to the future development of the Lufthansa Group and its subsidiaries consists purely of forecasts and assessments and not of definitive facts. Its purpose is exclusively informational, and can be identified by the use of such cautionary terms as “believe”, “expect”, “forecast”, “intend”, “project”, “plan”, “estimate”, “anticipate”, “can”, “could”, “should” or “endeavour”. These forward-looking statements are based on discernible information, facts and expectations available at the time that the statements were made. They are therefore subject to a number of risks, uncertainties and factors, including, but not limited to, those described in disclosures, in particular in the Opportunities and risk report in the Annual Report. Should one or more of these risks occur, or should the underlying expectations or assumptions fail to materialise, this could have a significant effect (either positive or negative) on the actual results.

It is possible that the Group's actual results and development may differ materially from the results forecast in the forward-looking statements. Lufthansa does not assume any obligation, nor does it intend, to adapt forward-looking statements to accommodate events or developments that may occur at some later date. Accordingly, it neither expressly nor conclusively accepts liability, nor gives any guarantee, for the actuality, accuracy and completeness of this data and information.

Note

Unless stated otherwise, all change figures refer to the corresponding period from the previous year. Due to rounding, some of the figures may not add up precisely to the stated totals, and percentages may not precisely reflect the absolute figures.

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