Lufthansa Group

2nd Interim Report January – June 2017

✈ Best first half-year result in Company's history / Adjusted EBIT doubled to EUR 1,042m / Revenues raised by EUR 1.9bn to EUR 17.0bn / Free cash flow almost doubled to EUR 2.1bn / Net financial debt more than halved to EUR 1.1bn / Adjusted EBIT guidance improved to "above previous year" / Eurowings expects to break-even in 2017 – one year earlier than planned / Lufthansa Cargo also to break-even in 2017

Lufthansa Group overview

Key figures Lufthansa Group		Jan. – June 2017	Jan. – June 2016	Change in %	April – June 2017	April – June 2016	Change in %
Revenue and result							
Total revenue	€m	16,951	15,042	12.7	9,260	8,126	14.0
of which traffic revenue*	€m	13,293	11,637	14.2	7,485	6,402	16.9
EBIT	€m	1,031	518	99.0	1,015	567	79.0
Adjusted EBIT	€m	1,042	529	97.0	1,017	582	74.7
EBITDA	€m	1,891	1,361	38.9	1,453	1,018	42.7
Net profit / loss for the period	€m	672	429	56.6	740	437	69.3
Key balance sheet and cash flow statement figures							
Total assets	€m	37,901	35,054	8.1	–	–	
Equity ratio	%	19.4	10.4	9.0 pts	–	–	
Net indebtedness	€m	1,139	2,499	–54.4	–	–	
Cash flow from operating activities	€m	3,226	2,193	47.1	1,578	1,091	44.6
Capital expenditure (gross)	€m	1,207	1,167	3.4	650	559	16.3
Free cash flow	€m	2,100	1,123	87.0	1,006	545	84.6
Key profitability and value creation figures							
EBIT margin	%	6.1	3.4	2.7 pts	11.0	7.0	4.0 pts
Adjusted EBIT margin	%	6.1	3.5	2.6 pts	11.0	7.2	3.8 pts
EBITDA margin	%	11.2	9.0	2.2 pts	15.7	12.5	3.2 pts
Lufthansa share							
Share price at the quarter-end	€	19.93	10.53	89.3	–	–	
Earnings per share	€	1.43	0.92	55.4	1.58	0.94	68.1
Traffic figures*							
Passengers	thousands	59,990	51,178	17.2	34,756	28,858	20.4
Available seat-kilometres	millions	154,240	138,086	11.7	85,349	75,294	13.4
Revenue seat-kilometres	millions	121,882	105,428	15.6	69,421	58,407	18.9
Passenger load factor	%	79.0	76.3	2.7 pts	81.3	77.6	3.8 pts
Available cargo tonne-kilometres	millions	7,496	7,286	2.9	3,938	3,851	2.2
Revenue cargo tonne-kilometres	millions	5,174	4,832	7.1	2,683	2,524	6.3
Cargo load factor	%	69.0	66.3	2.7 pts	68.1	65.5	2.6 pts
Total available tonne-kilometres	millions	21,874	21,065	3.8	11,871	11,332	4.8
Total revenue tonne-kilometres	millions	16,484	15,185	8.6	9,112	8,250	10.4
Overall load factor	%	75.4	72.1	3.3 pts	76.8	72.8	4.0 pts
Flights	number	543,654	501,454	8.4	296,865	269,044	10.3
Employees							
Employees as of 30.6.	number	128,472	122,799	4.6	128,472	122,799	4.6

* Previous year's figures have been adjusted.
Date of publication: 2 August 2017.

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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.

Ladies and gentlemen,

We are pleased to be able to report to you a highly successful first half-year for the Lufthansa Group.

The measures initiated in recent years are showing their effect and are paying off: We have achieved the best first half-year result in the history of the Lufthansa Group. We have set new records in terms of passenger numbers, the number and load factor of flights and the level of Adjusted EBIT. We have adjusted our earnings forecast for the year accordingly.

Network Airlines and Point-to-Point Airlines were the main drivers of this strong performance. Lufthansa German Airlines and Eurowings in particular performed very well. It is especially positive that the earnings improvement in these segments was not only due to strong revenue but that we were again also able to reduce our unit costs. This enables us to secure sustainably higher earnings.

At the Aviation Services the first half-year was also successful. Lufthansa Cargo achieved a strong improvement in earnings and is now making a positive contribution to the Lufthansa Group's result again. Lufthansa Technik and the LSG group are meeting their growth targets and continue to contribute to the Company's success. All business segments have made significant progress with implementing their respective strategies and efficiency programmes.

Future viability, and therefore also the ability to grow profitably, remain our main objectives, after the safety of our flight operations. These goals can only be reached by means of continuous structural improvements. And here too, we have made great progress this year so far, as shown by the further steps taken to realign the distribution strategy of the Network Airlines, as well as the agreement with Fraport to reduce costs and to engage in a closer strategic dialogue in the future.

We are particularly pleased that our investment offensive pays off and the quality of our products are highly appreciated and acknowledged by our customers. At this year's Skytrax Awards, all the airlines in the Lufthansa Group were commended, particularly Lufthansa German Airlines, which was voted the best airline in Europe. Terminal 2, which we operate jointly with Munich Airport, was voted as best airport terminal in the world. Also, according to the current rankings, Austrian Airlines has the best staff of all European airlines. These successes are only possible with an excellent team. With their commitment and passion, all the employees of the Lufthansa Group contribute to the Company's current performance.

The Executive Board team has also continued to evolve this year. Ulrik Svensson took over as Chief Financial Officer on 1 January 2017. Thorsten Dirks succeeded Karl Ulrich Garnadt, who has fulfilled a very wide range of leadership roles in his many years of service for the Lufthansa Group, as Chief Officer Eurowings and Aviation Services on 1 May 2017.

Dear shareholders, your Company is very well positioned. Our share price went up by 62.4 per cent in the first half-year, which is better than any other company in the DAX. This confirms the path we have set: to develop the Lufthansa Group strategically, financially and culturally.

Please continue to give us your trust and your support!

Frankfurt, 31 July 2017
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
Finances

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

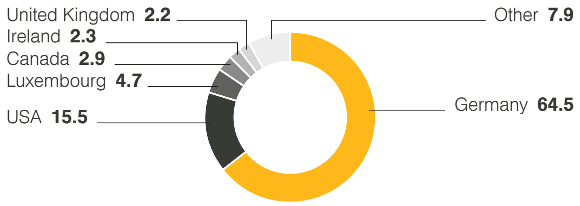
Lufthansa share

At the end of the first half-year 2017, the Lufthansa share was trading at EUR 19.93. This represents an increase in the share price of 62.4 per cent since year-end 2016. Including the dividend of EUR 0.50 per share distributed in June 2017, the total shareholder return came to 66.5 per cent. The DAX index increased by 7.4 per cent over the same period. The Lufthansa share outperformed all other shares in the DAX. In addition to general developments in the market environment, which had a positive impact on both business and leisure travel, the strong share performance was driven significantly by good economic performance.

As of 30 June 2017, nine analysts recommended the Lufthansa share as a buy, seven as a hold and eleven as a sell. The average target price was EUR 16.96.

The free float for Lufthansa shares was unchanged at 100 per cent at the end of the first half-year. 64.5 per cent of Lufthansa shares were held by German investors. The biggest individual investor was BlackRock, Inc. with 3.3 per cent.

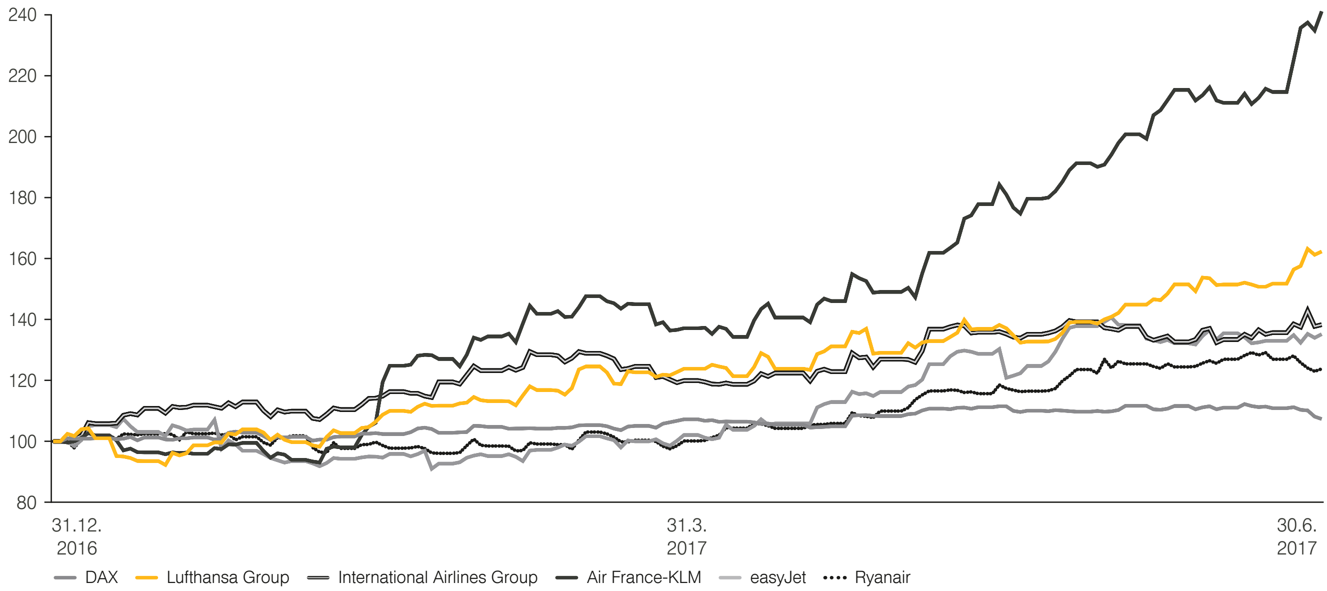
Shareholder structure by nationality as of 30.6.2017 in %



Free float: 100%

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

Performance of the Lufthansa share, indexed as of 31.12.2016, compared with the DAX and competitors, in %



Economic environment and sector performance

Macroeconomic situation

GDP growth 2017 compared with previous year

in %	Q1	Q2*	Q3*	Q4*	Full year*
World	2.9	3.1	3.1	3.0	3.0
Europe	2.1	2.0	2.3	1.9	2.1
Germany	1.7	1.7	2.3	2.4	2.0
North America	2.1	2.5	2.3	2.5	2.3
South America	0.8	0.8	1.3	1.9	1.2
Asia/Pacific	4.8	4.9	4.8	4.7	4.8
China	6.9	6.8	6.5	6.3	6.6
Middle East	2.1	1.7	1.8	2.1	1.9
Africa	2.6	2.8	3.0	3.2	2.9

Source: Global Insight World Overview as of 15.7.2017.
* Forecast.

The global economy grew by 3.1 per cent year on year in the second quarter of 2017 (prior-year period: 2.4 per cent). Asia/Pacific was the world's fastest growing region with a growth rate of 4.9 per cent (prior-year period: 4.9 per cent). Economic growth in European countries is constant at 2.0 per cent (prior-year period: 2.0 per cent). In North and South America, economic performance recovered significantly. In North America, the economy expanded by 2.5 per cent (prior-year period: 1.3 per cent). Economic growth in South America came to 0.8 per cent (prior-year period: –2.0 per cent).

The oil price went down from USD 56.82/barrel to USD 47.92/barrel in the first half of 2017. The average price of USD 52.74/barrel was 28.0 per cent up on last year's figure. At the same time, the jet fuel crack (the price difference between crude oil and kerosene) was 28.1 per cent higher than last year. Overall, the average kerosene price increased year on year by 28.2 per cent. The Lufthansa Group's hedging result burdened the result by EUR 93m (previous year: EUR 571m). Fuel costs for the Lufthansa Group rose in the first half-year by 9.5 per cent to a total of EUR 2.6bn, partly due to the first-time consolidation of Brussels Airlines.

At the beginning of the year, the euro was still weak in comparison with the main foreign currencies for the Lufthansa Group. However, by the end of the half-year the common European currency had recovered significantly. Compared to the averages from the previous year the euro lost 3.0 per cent against the US dollar, 2.2 per cent against the Japanese yen and 1.8 per cent against the Swiss franc. The euro gained 10.4 per cent against the pound sterling following the Brexit referendum. The euro also gained 2.0 per cent against the Chinese renminbi. Overall, exchange rate effects reduced EBIT for the first half-year by EUR 5m compared with last year.

Development of crude oil, kerosene and currency

		Minimum	Maximum	Average	30.6.2017
ICE Brent	in USD/bbl	44.82	57.10	52.74	47.92
Kerosene	in USD/t	439.50	532.75	494.95	465.75
USD	1 EUR/USD	1.0427	1.1430	1.0825	1.1413
JPY	1 EUR/JPY	115.3400	128.2300	121.6257	128.230
CHF	1 EUR/CHF	1.0635	1.0976	1.0766	1.0946
CNY	1 EUR/CNY	7.2374	7.7492	7.4434	7.7390
GBP	1 EUR/GBP	0.8356	0.8852	0.8600	0.8774

As of 30 June 2017, the interest rate used for measuring pension obligations was unchanged compared with the beginning of the year at 2.1 per cent. Pension provisions were down by 2.8 per cent at EUR 8.1bn compared with year-end 2016.

Sector developments

Ongoing global economic growth had a positive impact on worldwide demand for air travel. According to the International Air Transport Association (IATA), revenue passenger-kilometres sold worldwide went up year on year by 7.9 per cent in the first five months of this year. Carriers from the Asia / Pacific region saw the fastest growth. They sold 10.5 per cent more passenger-kilometres year on year in the first five months of the year. Airlines from Europe grew by 8.7 per cent and African carriers by 8.5 per cent. Airlines from the Middle East reported growth of 8.0 per cent and those from Latin America of 6.6 per cent. North American airlines grew by 3.8 per cent.

Last year the European market for air travel experienced significant disruption from terrorist attacks in various countries and, therefore, the resulting decline in bookings from Asia and North America. Demand is recovering in the current financial year and revenue is up by a significant amount year on year, especially for the European network airlines.

Although overcapacities continue to hinder performance in some markets, a more moderate development of competition is forecast, especially for routes between Europe and Asia. The rapid growth of state-owned carriers from the Gulf and Bosporus regions has recently slowed down significantly. In Europe, the positive effects of an incipient consolidation process can be felt, above all in the Lufthansa Group's home markets.

Freight business performed even better than passenger business. According to IATA calculations, global revenue tonne-kilometres rose by 10.2 per cent in the first five months of the year. Regional variations were more pronounced than in passenger traffic. Airlines from Africa expanded fastest at 24.8 per cent. Carriers from Europe grew by 13.4 per cent. Airlines from the Asia / Pacific region reported an increase of 9.9 per cent, those from North America of 8.8 per cent and those from the Middle East of 8.4 per cent. Latin American airlines saw a contraction of –1.4 per cent. Demand for airfreight services has already increased significantly since the end of 2016. At the end of the first half-year, the usual decline in demand was apparent. However, there is no sign of a fundamental change in the positive market trend. Overall, demand is significantly higher than last year. The market is still characterised by disparities in capacity demand between regions, with severe overcapacities in some cases, which in turn have an effect on long-term pricing.

The positive trend continued in the market for aircraft maintenance, repair and overhaul services (MRO). Year-on-year market growth of 7.6 per cent is expected for 2017. Performance will vary between regions. While the Asia / Pacific region is predicted to grow fastest at 10.5 per cent, America is expected to post below-average growth of 4.2 per cent. Growth of 7.1 per cent is forecast for Europe, Africa and the Middle East. The finances of the airlines remain tight and MRO capacities continue to grow, which means that pricing pressure in the MRO business is still high.

Rising global passenger numbers are strengthening demand for in-flight service concepts. However, persistent pressure regarding cost and competition means that Network Airlines, especially in Europe, are increasingly switching their in-flight service to in-flight sales programmes for short and medium-haul flights. As with the low-cost carriers, this gives them the opportunity to earn additional income and to bundle their products with in-flight entertainment programmes.

Course of business

The Lufthansa Group reported a very good performance in the first six months of the financial year. A new record of 60 million passengers was reached. All-time highs were also achieved for capacity, sales and load factor in the first half-year of 2017. Revenue rose significantly year on year, while EBIT, Adjusted EBIT and free cash flow almost doubled. All business segments contributed to this positive performance, with the exception of the Catering segment. It was the Network Airlines segment that made the largest absolute earnings contribution. The Logistics segment also made a positive contribution once more to the good result. The Point-to-Point airlines were able to reduce their losses year on year significantly. Compared with last year, the main driver of the very positive earnings performance was strong airline revenue as a result of greater demand.

Significant events

Remaining shares in Brussels Airlines acquired
Deutsche Lufthansa AG acquired the remaining 55 per cent of the shares in SN Airholding SA / NV (Brussels Airlines) with effect from 9 January 2017. The acquisition is based on a purchase and option agreement signed in 2008. The strike price for the remaining shares was EUR 2.6m.

Wet-lease agreement with Air Berlin approved
On 30 January 2017, the German Federal Cartel Office unconditionally approved the wet-lease agreement between the Lufthansa Group and Air Berlin, which pertains to 38 aircraft. As of the end of the first half-year of 2017, 36 aircraft have already been integrated into the Eurowings and Austrian Airlines fleets. In the course of the transaction, the Lufthansa Group acquired 13 Airbus A320s from Air Berlin's lessors and will, in turn, itself lease them to Air Berlin for operation at market prices, in order to realise cost reductions for the wet lease.

Collective agreement reached with pilots' union
On 15 March 2017, the Lufthansa Group and the Vereinigung Cockpit pilots' union concluded a declaration of intent, which is not currently legally binding. This includes forward-looking rules on pay and productivity gains as well as retirement and transitional benefits for pilots at Lufthansa German Airlines, Lufthansa Cargo and Germanwings.

Cooperation with Cathay Pacific Airways agreed
On 27 March 2017, the Lufthansa Group and Cathay Pacific Airways signed a code-share and frequent flyer agreement. The freight operations of both airlines have successfully marketed joint capacities since February 2017.

New Executive Board members appointed
As of 1 January 2017, Ulrik Svensson was appointed to the Executive Board as Chief Financial Officer until 31 December 2019. He succeeds Simone Menne, who left the Company at her own request as of 31 August 2016.

Thorsten Dirks joined the Executive Board as of 1 May 2017, taking over responsibility for Eurowings and Aviation Services. He succeeds Karl Ulrich Garnadt, whose contract for his position on the Executive Board expired on 30 April 2017 and was not renewed due to his retirement. Thorsten Dirks has initially been appointed to the Executive Board for three years.

Lufthansa German Airlines voted best European airline
On 20 June 2017, Lufthansa German Airlines won an award as the "Best Airline in Europe" from the market research institute Skytrax. The award was based on a survey of 18 million passengers from over 160 countries. The airlines in the Lufthansa Group altogether won four "Skytrax World Airline Awards". Lufthansa German Airlines was also voted "Best Airline in Western Europe" and "Best First Class Lounge Dining". Austrian Airlines picked up the award for "Best Airline Staff Service in Europe". Terminal 2 at Munich Airport, which is jointly operated by the Lufthansa Group and Munich Airport, was also voted the best terminal in the world in March 2017 at the World Airport Awards.

Events after the reporting date

Lufthansa Group and Fraport sign agreement to cut costs and increase growth
On 5 July 2017, the Lufthansa Group and Fraport AG signed an initial settlement on short-term cost reductions. Both partners have thereby created the conditions for further growth of the Lufthansa Group at Frankfurt Airport. At the same time, the agreement allows talks to start on a medium and long-term partnership.

Financial performance

Earnings position

Revenue and income

The airlines in the Lufthansa Group reported significantly higher traffic year on year in the first half of 2017. Capacity (available seat-kilometres) and sales (revenue seat-kilometres) were up by 11.7 per cent and 15.6 per cent respectively. The first-time inclusion of Brussels Airlines in the group of consolidated companies of the Lufthansa Group accounted for 6.7 percentage points in each case. Passenger numbers were up by 17.2 per cent, of which 8.3 percentage points stemmed from the first-time consolidation of Brussels Airlines. Traffic in the freight business also increased. Capacity (available cargo tonne-kilometres) was extended by 2.9 per cent, while sales (revenue cargo tonne-kilometres) were 7.1 per cent higher. The individual performance data for the separate segments is presented in the respective chapters.

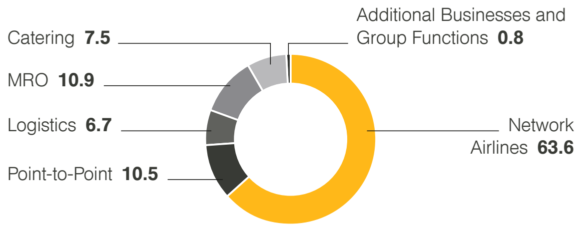
Revenue and income

	Jan. – June 2017 in €m	Jan. – June 2016 in €m	Change in %
Traffic revenue	13,293	11,637	14.2
Other revenue	3,658	3,405	7.4
Total revenue	**16,951**	**15,042**	**12.7**
Changes in inventories and work performed by the entity and capitalised	75	58	29.3
Other operating income	1,099	1,174	–6.4
Total operating income	**18,125**	**16,274**	**11.4**

Traffic revenue for the Group rose by 14.2 per cent overall on the previous year to EUR 13.3bn. Higher volume (+8.8 per cent) as well as positive exchange rate effects (+0.6 per cent) were offset by a slight fall in prices (–0.5 per cent). The first-time consolidation of Brussels Airlines increased traffic revenue by 5.2 percentage points. Network Airlines accounted for EUR 10.2bn (+6.7 per cent) of traffic revenue, Point-to-Point for EUR 1.7bn (+86.7 per cent) and Logistics for EUR 1.1bn (+15.7 per cent).

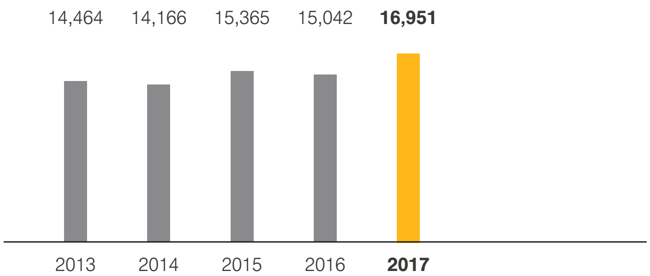
At EUR 3.7bn, other revenue was 7.4 per cent up on the previous year. Of the total, the MRO segment generated EUR 1.9bn (+7.5 per cent), Catering EUR 1.3bn (+5.2 per cent) and Additional Businesses and Group Functions EUR 128m (–4.5 per cent). The companies in the Network Airlines, Point-to-Point and Logistics segments contributed EUR 401m (19.7 per cent) to other revenue.

External revenue share of the business segments in % (as of 30.6.2017)



Total revenue for the Group increased by 12.7 per cent to EUR 17.0bn, of which 3.9 percentage points were due to the first-time consolidation of Brussels Airlines. Network Airlines' share of total revenue fell in the first half-year to 63.6 per cent (–3.5 percentage points). The distribution of revenue by segment and region is shown in the → segment reporting, p. 33ff.

Revenue development in €m (Jan. – June)



Other operating income shrank by 6.4 per cent to EUR 1.1bn. Total operating income went up by 11.4 per cent to EUR 18.1bn. The first-time consolidation of Brussels Airlines accounted for 4.0 percentage points of the increase.

Expenses

Operating expenses rose by 8.8 per cent to EUR 17.1bn in the first half-year, of which 4.2 percentage points were due to the first-time consolidation of Brussels Airlines. The cost of materials and services was up by a total of 11.9 per cent to EUR 9.3bn, of which +4.7 percentage points were from the first-time consolidation of Brussels Airlines. Within the cost of materials and services, fuel costs climbed by 9.5 per cent to EUR 2.6bn. Fuel prices declined by 1.6 per cent after hedging, but this was offset by higher volumes (+3.0 per cent), the rise in the US dollar (+2.0 per cent) and the first-time consolidation of Brussels Airlines (+6.1 per cent).

Expenses

	Jan. – June 2017 in €m	Jan. – June 2016 in €m	Change in %
Cost of materials and services	9,269	8,283	11.9
of which fuel	2,560	2,337	9.5
of which fees and charges	3,056	2,778	10.0
of which operating lease	44	30	46.7
Staff costs	4,294	3,984	7.8
Depreciation	860	843	2.0
Other operating expenses	2,715	2,636	3.0
Total operating expenses	**17,138**	**15,746**	**8.8**

The expenses for other raw materials, consumables and supplies rose by 7.6 per cent to EUR 1.8bn, largely due to volumes and exchange rates.

Fees and charges went up by 10.0 per cent to EUR 3.1bn. The first-time inclusion of Brussels Airlines in the group of consolidated companies of the Lufthansa Group accounted for 4.8 percentage points of the increase.

Other purchased services were up by 23.8 per cent to EUR 1.9bn, largely due to the consolidation of Brussels Airlines (+8.0 per cent), higher charter expenses (+67.1 per cent) as well as higher volume-related MRO costs (+12.0 per cent).

Staff costs increased by 7.8 per cent to EUR 4.3bn. Based on an increase in the average number of employees by 5.0 per cent to 128,474, of which +3.4 percentage points came from the larger group of consolidated companies, this is mainly due to necessary adjustments to the final agreements on changing the system of retirement and transitional benefits for cabin staff at Lufthansa German Airlines (EUR 32m) and higher expenses for profit-share payments.

Depreciation and amortisation was up by 2.0 per cent on the year at EUR 860m. Depreciation of aircraft was up by 7.3 per cent to EUR 680m, primarily due to the first-time consolidation of Brussels Airlines (+5.7 percentage points). Impairment losses were down by 75.5 per cent to EUR 13m.

Other operating expenses rose by 3.0 per cent to EUR 2.7bn. An increase due to the first-time consolidation of Brussels Airlines (EUR +125m) and higher costs of computerised distribution systems (EUR +8m) was offset mainly by lower exchange rate losses (EUR –81m). The individual other items did not vary significantly compared with last year.

Earnings performance

The result from operating activities increased by 86.9 per cent to EUR 987m in the first half-year.

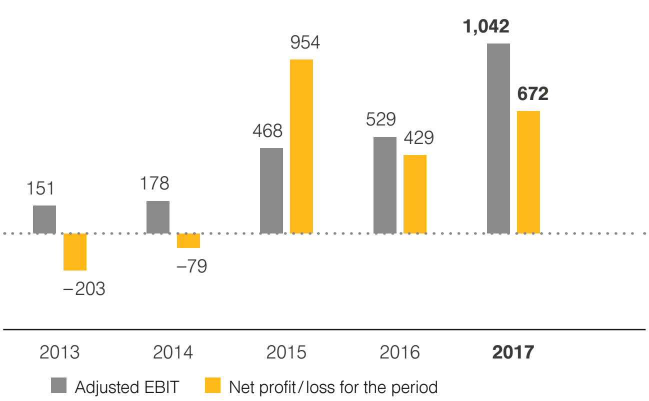
The result from equity investments was up year on year by EUR 54m to EUR 44m. The main reasons for the change were lower losses at SunExpress (EUR +17m) as well as the absence of a negative earnings contribution from Brussels Airlines (EUR +22m) due to its consolidation. Net interest was stable year on year at EUR –133m.

The result from other financial items fell by EUR 130m to EUR –16m. Income in the previous year of EUR 104m was attributable to the higher market values of derivative financial instruments defined by IAS 39 as held for trading.

Earnings before interest and taxes (EBIT) reflect the development in the operating result and the result from equity investments and were up by 99.0 per cent at EUR 1,031m at the end of the first half-year. Adjusting for the effects of the measurement of pension provisions, the valuation and disposal of non-current assets and recognised impairments resulted in Adjusted EBIT of EUR 1,042m (+97.0 per cent).

Earnings before taxes (EBT) rose by 77.1 per cent to EUR 882m. Deducting income taxes (EUR 191m) and earnings attributable to minority interests (EUR 19m) resulted in a net profit for the period of EUR 672m, an increase of 56.6 per cent. Earnings per share rose by 55.4 per cent to EUR 1.43.

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



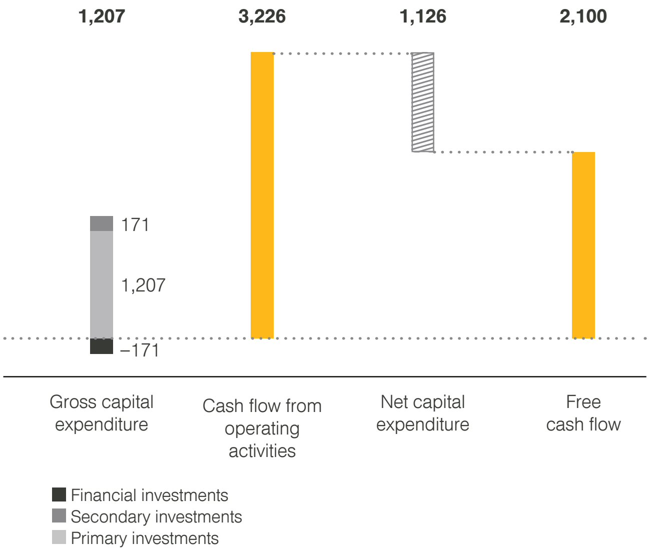
Reconciliation of results

in €m	Jan. – June 2017 Income statement	Jan. – June 2017 Reconciliation Adjusted EBIT	Jan. – June 2016 Income statement	Jan. – June 2016 Reconciliation Adjusted EBIT
Total revenue	**16,951**	**–**	**15,042**	**–**
Changes in inventories	75	–	58	–
Other operating income	1,099	–	1,174	–
of which book gains		−30		−50
of which write-ups on capital assets		−6		0*
of which badwill		–		–
Total operating income	**18,125**	**−36**	**16,274**	**−50**
Cost of materials and services	−9,269	–	−8,283	–
Staff costs	−4,294	–	−3,984	–
of which past service costs / settlement		32		0*
Depreciation	−860		−843	
of which impairment losses		13		54
Other operating expenses	−2,715		−2,636	
of which impairment losses on assets held for sale		0*		−1
of which expenses incurred from book losses		2		8
Total operating expenses	**−17,138**	**47**	**−15,746**	**61**
Profit / loss from operating activities	**987**	**–**	**528**	**–**
Result from equity investments	44	–	−10	–
EBIT	**1,031**		**518**	
Total amount of reconciliation Adjusted EBIT		11		11
Adjusted EBIT		**1,042**		**529**
Write-downs (included in profit from operating activities)	860	–	843	–
Write-downs on financial investments, securities and assets held for sale	0*	–	0*	–
EBITDA	**1,891**	**–**	**1,361**	**–**

* Rounded below EUR 1m.

Financial position

Cash flow and capital expenditure in €m (as of 30.6.2017)



In the first half of 2017, the Lufthansa Group increased cash flow from operating activities by EUR 1.0bn (or 47.1 per cent) to EUR 3.2bn. Based on a EUR 384m increase in profit before income tax, the positive year-on-year operating performance improved trade working capital by EUR 492m, particularly due to an increase in liabilities from unused flight documents. Eliminating non-cash depreciation and amortisation, as well as cash flows attributable to capital expenditure and financing activities, reduced cash flow from operating activities by a total of EUR 33m.

Gross capital expenditure of EUR 1.2bn in the first six months of 2017 was EUR 40m higher than last year. This capital expenditure pertained to 31 aircraft: two Boeing 777s, two Airbus A350s, one A330, 21 A320s, one A319 and four Bombardier C Series. This capital expenditure also includes aircraft overhauls and down payments. An additional EUR 132m was invested in other property, plant and equipment. Intangible assets accounted for EUR 39m of the remaining capital expenditure. Financial investments totalling EUR 20m related to acquisitions of shares and loans. Additions to and disposals of repairable spare parts for aircraft resulted in net payments of EUR 136m. Cash outflows of EUR 1.4bn were offset by EUR 191m in cash from the first-time consolidation of Brussels Airlines.

Free cash flow, defined as cash flow from operating activities less net capital expenditure, came to EUR 2.1bn and was therefore EUR 1.0bn higher than last year.

The funding requirement was partly covered by interest and dividend income of EUR 132m, as well as by proceeds of EUR 85m from the disposal of assets and loan repayments. The purchase and sale of current securities and funds resulted in a net cash outflow of EUR 1.8bn. This includes the purchase of securities totalling EUR 1.6bn for transferral to a new defined-contribution pension system for the flight attendants at Lufthansa German Airlines. The contribution to the plan assets will begin in the third quarter and will be made in several instalments running until the end of the year. Net cash used for investing and cash management activities rose by EUR 1.2bn to EUR 2.9bn.

The balance of all financing activities was a net cash inflow of EUR 112m. New borrowing (EUR 1.1bn) – in particular from a borrower's note loan of EUR 660m but also from various other aircraft financing transactions – was offset by scheduled capital repayments (EUR 617m), interest payments (EUR 118m) and dividend distributions to shareholders of Deutsche Lufthansa AG and minority shareholders (EUR 225m).

Cash and cash equivalents rose by a total of EUR 377m to EUR 1.5bn. This includes a decrease of EUR 16m in cash and cash equivalents due to exchange rate movements. The internal financing ratio rose by 79.4 percentage points to 267.3 per cent. Overall, cash including current securities at the end of the first half-year rose by EUR 1.9bn to EUR 5.9bn. → Cash flow statement, p. 29.

Net assets

The Group's total assets rose by EUR 3.2bn compared with year-end 2016 to EUR 37.9bn as of the end of the first half-year of 2017. Non-current assets were up by EUR 470m, while current assets increased by EUR 2.7bn. The proportion of non-current assets in the total assets declined from 70.6 per cent at year-end 2016 to 65.9 per cent currently.

Within non-current assets, the item aircraft and reserve engines rose by EUR 688m to EUR 15.5bn. EUR 269m was due to the first-time consolidation of Brussels Airlines. Intangible assets totalling EUR 162m were also recognised for goodwill, brand and customer base when Brussels Airlines was included in the group of consolidated companies. Repairable spare parts for aircraft increased by EUR 83m to EUR 1.7bn. The drop in value of derivative financial instruments by EUR 565m is mainly due to lower market values of exchange rate and interest rate hedges.

Within current assets, receivables rose by EUR 769m overall to EUR 5.3bn, mainly for seasonal and billing reasons. Current financial derivatives were down by EUR 322m, largely due to lower market values of fuel and currency hedges. Cash and cash equivalents, consisting of current securities, bank balances and cash in hand, went up by EUR 2.2bn to EUR 6.1bn because free cash flow was positive.

Shareholders' equity (including minority interests) climbed by EUR 198m to EUR 7.3bn as of the end of the first half-year. A positive after-tax result of EUR 691m was offset particularly by lower market values of financial instruments, predominantly of currency and fuel hedges. With total assets growing by 9.2 per cent, the equity ratio went down from 20.6 per cent as of year-end 2016 to 19.4 per cent.

Non-current liabilities and provisions rose by EUR 697m to EUR 17.2bn, while current borrowing was stepped up by EUR 2.3bn to EUR 13.3bn. Within non-current borrowing, pension provisions decreased by EUR 237m to EUR 8.1bn. The increase in borrowing of EUR 745m to EUR 6.6bn relates largely to the issue of a borrower's note loan for EUR 660m.

Within current liabilities and provisions, other provisions fell by EUR 108m. Current borrowing fell by EUR 105m due to scheduled repayments. The positive operating performance, as well as seasonal and billing reasons, increased liabilities from unused flight documents by EUR 2.0bn to EUR 5.0bn, of which EUR 269m stems from the first-time consolidation of Brussels Airlines. Trade payables and other financial liabilities increased by a total of EUR 334m.

The Group's net debt fell by EUR 1.6bn compared with year-end 2016 to EUR 1.1bn as of 30 June 2017.

Calculation of net indebtedness

	30 June 2017 in €m	31 Dec. 2016 in €m	Change in %
Liabilities to banks	2,146	1,775	20.9
Bonds	1,005	1,009	−0.4
Other non-current borrowing	4,064	3,791	7.2
	7,215	**6,575**	**9.7**
Other bank borrowing	42	63	−33.3
Group indebtedness	**7,257**	**6,638**	**9.3**
Cash and cash equivalents	1,716	1,256	36.6
Securities	4,402	2,681	64.2
Net indebtedness	**1,139**	**2,701**	**−57.8**
Pension provisions	8,127	8,364	−2.8
Net indebtedness and pensions	**9,266**	**11,065**	**−16.3**

Group fleet – Number of commercial aircraft
Lufthansa German Airlines inclusive regional airlines (LH), SWISS inclusive Edelweiss (LX), Austrian Airlines (OS), Eurowings (EW) inclusive Germanwings, Brussels Airlines (SN) and Lufthansa Cargo (LCAG) as of 30.6.2017

Manufacturer/type	LH	LX	OS	EW	SN	LCAG	**Group fleet**	of which finance lease	of which operating lease	Change as of 31.12.2016	Change as of 30.6.16
Airbus A319	30	5	7	43	22		107	24	14	+22	+22
Airbus A320	78*	28	23	43	10		182	22	8	+28	+43
Airbus A321	63	9	6				78	2		−1	−1
Airbus A330	25*	16			10		51	9	7	+9	+11
Airbus A340	42	9					51			−2	−4
Airbus A350	3						3			+2	+3
Airbus A380	14						14			–	–
Boeing 737										−1	−7
Boeing 747	32						32			–	–
Boeing 767			6				6	2		–	–
Boeing 777		8	5			5	18	1		+2	+3
Boeing MD-11F						14	14			–	–
Bombardier CRJ	35						35			–	–
Bombardier C Series		9					9			+4	+8
Bombardier Q Series			18				18			–	–
Avro RJ		4			3		7	3	1	−1	−9
Embraer	27		16				43			–	–
Fokker F70			2				2			−1	−3
Fokker F100			4				4			−4	−7
Total aircraft	**349**	**88**	**87**	**86**	**45**	**19**	**674**	**63**	**30**	**57**	**59**

* Partly leased to Eurowings (EW).

Business segments

As part of the restructuring of the Lufthansa Group, the new Point-to-Point business segment has been reported on since 1 January 2017, consisting of Eurowings (including Germanwings), Brussels Airlines and the equity investment in SunExpress. The former Passenger Airline Group segment has been renamed as the Network Airlines segment, consisting of Lufthansa German Airlines, SWISS and Austrian Airlines.

The training activities that were previously within the remit of the Passenger Airline Group (largely Lufthansa Flight Training and Swiss Aviation Training) have been merged to form the Lufthansa Aviation Training group as of the beginning of 2017 and are being reported in the Additional Businesses and Group Functions segment. The figures for the previous year have been adjusted accordingly.

Network Airlines business segment

Key figures Network Airlines

		Jan. – June 2017	Jan. – June 2016[1]	Change in %	**April – June 2017**	April – June 2016[1]	Change in %
Revenue	€m	11,097	10,401	6.7	6,168	5,696	8.3
of which with companies of the Lufthansa Group	€m	319	315	1.3	174	154	13.0
EBIT	€m	744	439	69.5	797	401	98.8
Adjusted EBIT	€m	757	487	55.4	797	451	76.7
EBITDA[2]	€m	1,364	1,099	24.1	1,100	759	44.9
Segment capital expenditure	€m	879	831	5.8	315	358	–12.0
Employees as of 30.6.	number	49,476	51,849	–4.6	49,476	51,849	–4.6
Passengers	thousands	45,485	42,939	5.9	25,799	23,922	7.8
Flights	number	408,378	414,773	–1.5	219,043	220,790	–0.8
Available seat-kilometres	millions	129,980	126,827	2.5	71,014	68,706	3.4
Revenue seat-kilometres	millions	103,104	96,814	6.5	57,980	53,247	8.9
Passenger load factor	%	79.3	76.3	3.0 pts	81.6	77.5	4.1 pts
Yields	€ Cent	9.9	9.9	0.2	9.9	9.9	–0.3

[1] Previous year's figures have been adjusted, in particular due to the restructuring of business segments.
[2] Before profit / loss transfer from other intra-Group companies.

Business activities

The Network Airlines segment comprises Lufthansa German Airlines, SWISS and Austrian Airlines. Intensive coordination among the airlines creates significant synergies for the airline group. All of the airlines share the common objective of meeting customers' demands in terms of safety, quality, punctuality, reliability and professional service. With their multi-hub strategy, the Network Airlines can offer their passengers a comprehensive route network combined with the highest level of travel flexibility. In the 2017 summer flight timetable, the route network comprised 263 destinations in 86 countries, served via the international hubs in Frankfurt, Munich, Zurich and Vienna.

The Network Airlines in the Lufthansa Group secure their leading competitive position at the four major hubs. They pursue a profitable strategy of growing associated European and long-haul route networks and ensuring their premium position by continuously improving their products and services for their customers. The route network is also increasingly being expanded to include short and long-haul tourist destinations.

Commercial joint ventures with leading international airlines make connections more attractive for customers, also by adding new destinations to the Network Airlines' route networks. Joint ventures cover the most important long-haul markets and so around 70 per cent of the Network Airlines' long-haul revenue. This also supports the performance of unit revenues. Commercial joint ventures exist with United Airlines and Air Canada on routes between Europe and North America, and with All Nippon Airways (ANA), Singapore Airlines and Air China on routes between Europe and Japan / Singapore and China respectively. On 27 March 2017, the Lufthansa Group and Cathay Pacific Airways also signed a code-share and frequent flyer agreement.

Course of business and operating performance

The Network Airlines segment is implementing a wide range of measures to cut costs and make best use of its revenue potential. Further progress is being made on the organisational integration of the airlines. The fleet renewal continued at all the airlines and the reorganisation of commercial processes was completed. The harmonisation of IT systems is also progressing well and this will create further synergies.

In the first half-year of 2017, the Network Airlines segment saw a year-on-year increase in passenger numbers of 5.9 per cent to 45.5 million. The number of flights went down by 1.5 per cent. Capacity (available seat-kilometres) rose by 2.5 per cent. Sales (revenue seat-kilometres) went up by 6.5 per cent. The passenger load factor rose by 3.0 percentage points to 79.3 per cent. Yields improved by 0.2 per cent and traffic revenue went up by 6.7 per cent.

Capacity was increased in all traffic regions. The increase was particularly significant in the Middle East / Africa region. The passenger load factor was also up in all traffic regions. The Asia / Pacific region reported the biggest increase here. Yields improved in all regions, with the exception of the yields from the Middle East / Africa.

Revenue and earnings development

The increase of 6.7 per cent in traffic revenue to EUR 10.2bn stemmed from higher sales (+6.5 per cent), lower prices (–0.4 per cent) as well as positive exchange rate effects (+0.6 per cent).

Other operating income decreased by 11.8 per cent to EUR 462m. Total operating income was 5.8 per cent higher at EUR 11.6bn.

Operating expenses were up by 3.2 per cent year on year to EUR 10.8bn. The cost of materials and services rose by 3.1 per cent to EUR 6.4bn. Within the cost of materials and services, fuel costs were stable year on year at EUR 2.1bn, whereas fees and charges rose by 2.2 per cent to EUR 2.3bn. Passenger fees and security fees were up by more than traffic revenue, with a 6.1 per cent and a 10.4 per cent increase respectively. The main reason for the increase in other purchased services (+8.2 per cent) was higher expenses for external MRO services (+8.8 per cent).

Based on the fact that the average number of employees fell by 4.6 per cent, staff costs also fell by 1.9 per cent to EUR 2.1bn. As part of the centralisation of the commercial management of Network Airlines, employees have been transferred to the Additional Businesses and Group Functions segment as of the beginning of the financial year. This lowers staff costs while simultaneously increasing other operating expenses. Expenses went up by EUR 32m due to changes to the final agreements on changing the system of retirement and transitional benefits for cabin staff at Lufthansa German Airlines, as well as higher costs for profit-share payments.

Depreciation and amortisation was down by 8.5 per cent on the year at EUR 604m. Depreciation of aircraft sank by 1.4 per cent, while other depreciation, amortisation and impairment was down by EUR 48m to EUR 42m.

Other operating expenses rose by 15.6 per cent to EUR 1.8bn, partly due to the process services provided to Network Airlines by Central Group Functions and higher exchange rate losses.

The result from equity investments increased by EUR 8m to EUR 9m, mainly from the Terminal 2 Betriebsgesellschaft at Munich Airport.

Total EBIT came to EUR 744m, which is 69.5 per cent higher than last year. Adjusting for the effects of the disposal of non-current assets, recognised impairment losses and past service expenses produced an Adjusted EBIT of EUR 757m, an increase of 55.4 per cent on last year.

Segment capital expenditure was up by 5.8 per cent to EUR 879m, primarily for new aircraft. As part of the ongoing fleet modernisation, the Network Airlines segment took delivery of 16 new aircraft in the first half-year. ➔ Group fleet, p. 10.

Development of traffic regions

Network Airlines

	Net traffic revenue in €m external revenue		Number of passengers in thousands		Available seat-kilometres in millions		Revenue seat-kilometres in millions		Passenger load factor in %	
	Jan. – June 2017	Change in %	**Jan. – June 2017**	Change in %	**Jan. – June 2017**	Change in %	**Jan. – June 2017**	Change in %	**Jan. – June 2017**	Change in pts
Europe	4,279	6.4	34,723	5.7	36,923	2.8	27,391	6.3	74.2	2.4
America	3,307	7.2	5,256	4.6	49,458	2.4	40,100	5.2	81.1	2.1
Asia / Pacific	1,882	7.2	3,278	6.4	31,551	0.2	26,423	6.9	83.7	5.2
Middle East / Africa	755	5.7	2,227	11.7	12,047	8.2	9,190	12.2	76.3	2.7
Total	**10,223**	**6.7**	**45,485**	**5.9**	**129,980**	**2.5**	**103,104**	**6.5**	**79.3**	**3.0**

Lufthansa German Airlines

Key figures Lufthansa German Airlines[1]

		Jan. – June 2017	Jan. – June 2016[2]	Change in %
Revenue	€m	7,840	7,406	5.9
EBIT	€m	547	327	67.3
Adjusted EBIT	€m	569	361	57.6
EBITDA	€m	951	806	18.0
Employees as of 30.6.	number	33,239	36,570	−9.1
Passengers	thousands	31,225	29,805	4.8
Flights	number	264,176	270,454	−2.3
Available seat-kilometres	millions	91,006	90,692	0.3
Revenue seat-kilometres	millions	72,731	69,358	4.9
Passenger load factor	%	79.9	76.5	3.4 pts

[1] Including regional partners.
[2] Previous year's figures have been adjusted, in particular due to the restructuring of business segments.

Lufthansa German Airlines is the biggest German airline, with hubs in Frankfurt and Munich. The Lufthansa CityLine and Air Dolomiti regional airlines are also part of Lufthansa German Airlines. Overall, the Lufthansa German Airlines carriers serve a route network comprising 205 destinations in 74 countries.

Lufthansa German Airlines strives for quality leadership in its markets. To achieve this, it continually identifies and implements measures to refine customer services along the entire travel chain. On 20 June 2017, this was recognised by the market research institute Skytrax, which voted Lufthansa German Airlines the "Best Airline in Europe" and the "Best Airline in Western Europe", based on a survey of 18 million passengers from 160 countries. It was also commended by Skytrax for offering the "Best First Class Lounge Dining". In addition, Terminal 2 at Munich Airport, which is jointly operated by the Lufthansa Group and Munich Airport, was also voted World's Best Airport Terminal in March at the World Airport Awards 2017.

On 10 February 2017, Lufthansa German Airlines stationed the first Airbus A350-900, the world's most modern and environmentally friendly long-haul aircraft, in Munich. It 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. Customer comfort is also enhanced significantly by the wider cabin, new seats in Economy Class and larger monitors. Three of these planes are now in service in Munich. On 22 June 2017, the Lufthansa Group also announced its intention to move five of the 14 A380s operated by Lufthansa German Airlines from Frankfurt to Munich. They are scheduled to fly to Los Angeles, Hong Kong and Beijing in the summer timetable 2018. This is a further contribution towards pursuing growth at the Munich hub.

Deutsche Lufthansa AG and Fraport AG signed an initial settlement on short-term cost reductions on 5 July 2017. Both partners have thereby created the conditions for further growth of Lufthansa German Airlines at Frankfurt Airport. At the same time, the agreement allows talks to start on a medium and long-term partnership. Lufthansa German Airlines and Fraport seek to make full use of the potential for efficiency gains and cost reductions, jointly and in a systematic way. Thus, the utilisation of existing infrastructure is to be improved and costs are to be reduced by better forward planning of passenger numbers, for example. Lufthansa German Airlines and Fraport will also coordinate customer communications more closely, in order to optimise the non-aviation products and services.

The Lufthansa Group and the Vereinigung Cockpit pilots' union reached a fundamental agreement on the outstanding collective bargaining topics on 15 March 2017. In a declaration of intent (which is not currently legally binding), the bargaining partners agreed on forward-looking rules for transitional benefits, retirement benefits, the framework agreement and the wage agreement for the pilots at Lufthansa German Airlines, Lufthansa Cargo and Germanwings. The wage agreements are to be drafted in detail in the second half of the year. The final settlement is expected to reduce pension liabilities by a high three-digit million euro amount and deliver lasting cost reductions in subsequent years.

In the first six months of the financial year, the number of passengers increased by 4.8 per cent. The number of flights went down by 2.3 per cent. Capacity was increased by 0.3 per cent. Sales went up by 4.9 per cent. The passenger load factor was up accordingly by 3.4 percentage points at 79.9 per cent. In combination with higher traffic revenue (+6.0 per cent), this led to higher yields (+1.1 per cent).

Lufthansa German Airlines generated revenue of EUR 7.8bn in the first half-year of 2017. This represents an increase of 5.9 per cent, which is largely volume-related. Expenses rose by 2.7 per cent to EUR 7.7bn. Whereas costs for fuel and depreciation and amortisation were down year on year, externally purchased MRO services increased, mainly regarding engine overhauls and the resulting fees and charges. Adjusted EBIT rose by 57.6 per cent to EUR 569m. EBIT was 67.3 per cent up on the previous year at EUR 547m.

SWISS

Key figures SWISS[1]

		Jan. – June 2017	Jan. – June 2016[2]	Change in %
Revenue	€m	2,271	2,094	8.5
EBIT	€m	190	127	49.6
Adjusted EBIT	€m	187	127	47.2
EBITDA	€m	328	254	29.1
Employees as of 30.6.	number	9,524	9,056	5.2
Passengers	thousands	8,764	8,260	6.1
Flights	number	80,096	82,530	–2.9
Available seat-kilometres	millions	26,855	24,835	8.1
Revenue seat-kilometres	millions	21,464	19,194	11.8
Passenger load factor	%	79.9	77.3	2.6 pts

[1] Including Edelweiss Air. Further information on SWISS can be found at www.swiss.com.
[2] Previous year's figures have been adjusted, in particular due to the restructuring of business segments.

The SWISS airline is based in Switzerland and, with its sister company Edelweiss Air, serves a route network of 142 destinations in 54 countries from Zurich and Geneva. The separately managed Swiss WorldCargo division offers a comprehensive range of airport-to-airport services for high-value goods and sensitive freight to 130 destinations in more than 80 countries, among other services.

Systematic renewal of its fleet continued in the first half-year of 2017. Two more Boeing 777-300ER aircraft were integrated into the long-haul fleet. SWISS put more Bombardier C Series aircraft into service on short and medium-haul routes from Zurich and Geneva, further increasing efficiency and travel comfort for its passengers. In addition to the eight C Series 100 aircraft already in service, SWISS took delivery of its first C Series 300 from Bombardier in May, which is stationed in Geneva.

SWISS continues to align its capacity with the needs of the Swiss economy, society and tourism. SWISS added five new seasonal destinations to its network for the summer 2017 flight plan: Bergen, Cork, Figari, Niš and Sylt.

SWISS also expanded its in-flight services for passengers in all classes and introduced a selection of digital reading material comprising around 250 titles in over ten languages.

In the first six months of 2017, the number of passengers increased by 6.1 per cent. The number of flights went down by 2.9 per cent. Capacity was increased by 8.1 per cent. Sales went up by 11.8 per cent. The passenger load factor rose by 2.6 percentage points to 79.9 per cent. Yields contracted by 4.1 per cent. Traffic revenue went up by 7.2 per cent.

In the first six months of the financial year SWISS generated revenue of EUR 2.3bn. This represents a largely volume-driven increase of 8.5 per cent. Expenses rose by 4.8 per cent to EUR 2.2bn. Higher staff costs and unfavourable exchange rates were mostly responsible for the increase. Adjusted EBIT rose by 47.2 per cent to EUR 187m. EBIT went up by 49.6 per cent to EUR 190m.

Austrian Airlines

Key figures Austrian Airlines[1]

		Jan. – June 2017	Jan. – June 2016	Change in %
Revenue	€m	1,091	972	12.2
EBIT	€m	8	1	700.0
Adjusted EBIT	€m	3	–1	
EBITDA	€m	71	55	29.1
Employees as of 30.6.	number	6,713	6,223	7.9
Passengers[2]	thousands	5,782	5,093	13.5
Flights	number	68,278	65,103	4.9
Available seat-kilometres[2]	millions	12,298	11,427	7.6
Revenue seat-kilometres[2]	millions	9,045	8,360	8.2
Passenger load factor	%	73.6	73.2	0.4 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 116 destinations in 46 countries.

The introduction of the Embraer medium-haul aircraft to replace the Fokker jets, which began in 2015, was continued in the first half-year of 2017. 16 out of a total of 17 aircraft had been successfully integrated into the fleet by the end of June 2017. Austrian Airlines also rented five A320s on wet leases from Air Berlin.

Austrian Airlines further expanded its route network, adding Los Angeles as a long-haul destination, as well as Gothenburg and Shiraz to its short and medium-haul routes. Flights to the Seychelles are due to start in autumn 2017.

Since May 2017, Austrian Airlines has offered its passengers Wi-Fi on board all short and medium-haul aircraft. The introduction of a new digital entertainment programme that can be streamed to passengers' own digital devices is planned for the third quarter of 2017.

Its continuous service and product improvements were acknowledged for the fourth time in a row at the Skytrax World Airline Awards 2017. Austrian Airlines took first place in the category "Best Airline Staff Service Europe".

In the first six months of the financial year, 13.5 per cent more passengers flew with Austrian Airlines than a year ago. The number of flights went up by 4.9 per cent. Capacity rose by 7.6 per cent. Sales went up by 8.2 per cent. This meant that the passenger load factor picked up by 0.4 percentage points in the first half-year to 73.6 per cent. Yields improved by 3.0 per cent. Traffic revenue went up by 11.5 per cent.

Revenue at Austrian Airlines was 12.2 per cent up on the year at EUR 1.1bn. Expenses were 7.8 per cent up on the year at EUR 1.1bn. Higher MRO expenses were mainly responsible, as well as higher volumes and training expenses for the introduction of the Embraer aircraft. Adjusted EBIT improved by EUR 4m to EUR 3m, despite a significant positive one-off effect in the prior-year period. EBIT climbed by EUR 7m to EUR 8m.

Point-to-Point business segment

Key figures Point-to-Point

		Jan. – June 2017	Jan. – June 2016	Change in %	thereof Brussels Airlines	**April – June 2017**	April – June 2016	Change in %
Revenue	€m	1,772	922	92.2	623	1,089	545	99.8
of which with companies of the Lufthansa Group	€m	–	–		–	–	–	
EBIT	€m	–77	–135	43.0	–29	56	–11	
Adjusted EBIT	€m	–77	–135	43.0	–29	55	–11	
EBITDA[1]	€m	13	–106		13	102	5	1,940.0
Segment capital expenditure	€m	350	111	215.3	48	229	2	11,350.0
Employees as of 30.6.	number	7,128	3,444	107.0	3,606	7,128	3,444	107.0
Passengers	thousands	14,505	8,239	76.1	4,271	8,957	4,936	81.5
Flights	number	130,617	82,314	58.7	40,335	75,448	45,968	64.1
Available seat-kilometres	millions	24,260	11,259	115.5	9,206	14,335	6,589	117.6
Revenue seat-kilometres	millions	18,778	8,614	118.0	7,009	11,441	5,160	121.7
Passenger load factor	%	77.4	76.5	0.9 pts	76.1	79.8	78.3	1.5 pts
Yields	€ Cent	9.1	10.7	–14.3	8.2	9.2	10.5	–12.2

[1] Before profit/loss transfer from other intra-Group companies.

Business activities

The Point-to-Point segment consists of the airlines Eurowings (including Germanwings) and Brussels Airlines, which are consolidated under the umbrella of the Eurowings group. The equity investment in SunExpress is also part of this segment. The route network of the Eurowings group is served from a total of eleven bases and in the summer flight timetable 2017 comprised 192 destinations in 62 countries.

With the Eurowings group, the Lufthansa Group provides 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 Eurowings to consolidate other airlines and therefore to alleviate overcapacities in the market. The Eurowings group is to be developed into a leading European player in direct traffic in the years ahead. It will thereby also secure the Lufthansa Group's leading position in European traffic, particularly in its home markets of Germany, Austria, Switzerland and Belgium.

Course of business and operating performance

Deutsche Lufthansa AG acquired the remaining 55 per cent of the shares in Brussels Airlines on 9 January 2017. The acquisition is based on the purchase and option agreement dating from 2008. The strike price for the remaining shares was EUR 2.6m. The deliberations on integrating Brussels Airlines into the Eurowings group should be finished by the end of 2017.

On 30 January 2017, the German Federal Cartel Office unconditionally approved the wet-lease agreement between the Lufthansa Group and Air Berlin. Under the agreement, Air Berlin will lease 33 aircraft, including cockpit and cabin crew and maintenance, to Eurowings, which are to fly in the Eurowings livery in future. In the first half-year of 2017, 31 aircraft have already been successfully integrated into the operating processes. Two further aircraft will be added in the financial year 2018.

The agreement reached in March 2017 with the collective bargaining partners for cockpit crew also applies to Germanwings.
➔ Lufthansa German Airlines, p. 13.

Eurowings is now the sole market leader at four German sites: Cologne / Bonn, Stuttgart, Hamburg and Dusseldorf. This was helped by the replacement of the 23 Bombardier CRJ 900 aircraft with 23 A320s, which was successfully completed in the first half-year of 2017. Performance at Munich Airport, where four aircraft have been stationed since late 2016, is also very positive. From summer 2018, the plan is to establish Munich Airport as a second long-haul base, alongside Cologne / Bonn, with three A330 aircraft at its disposal.

The airlines in the Point-to-Point segment increased passenger numbers year on year by 76.1 per cent to 14.5 million in the first six months of 2017. The number of flights rose by 58.7 per cent. Capacity was increased by 115.5 per cent. Growth stemmed mainly from the first-time consolidation of Brussels Airlines, as well as the deployment of additional aircraft at Eurowings as part of the wet-lease agreement with Air Berlin. Sales were 118.0 per cent higher than last year. The passenger load factor rose by 0.9 percentage points to 77.4 per cent. Yields fell by 14.3 per cent as a result of the consolidation. Traffic revenue was up by 86.7 per cent.

From a regional perspective, both capacity and traffic revenue were up for short and long-haul routes. The passenger load factor only increased for short-haul routes.

Revenue and earnings development

Revenue and earnings performance for the Point-to-Point segment were significantly affected by the first-time consolidation of Brussels Airlines.

Total revenue went up by 92.2 per cent to EUR 1.8bn. Other operating income increased by 102.6 per cent to EUR 77m. Total operating income was 92.6 per cent higher at EUR 1.8bn.

Operating expenses climbed year on year by 82.9 per cent to EUR 1.9bn. The cost of materials and services rose by 75.9 per cent to EUR 1.3bn. Within the cost of materials and services, fuel costs were up by 114.2 per cent to EUR 332m and leasing expenses increased by 110.1 per cent to EUR 145m. Based on the fact that the average number of employees increased by 109.7 per cent, staff costs also increased by 66.2 per cent to EUR 236m. Depreciation and amortisation rose by 233.3 per cent to EUR 90m, mainly due to an increase of 211.5 per cent in depreciation of aircraft. Other operating expenses went up by 114.7 per cent to EUR 249m.

The result from equity investments improved by 84.8 per cent to EUR –7m.

EBIT and Adjusted EBIT each improved by 43.0 per cent to EUR –77m.

Segment capital expenditure rose by 215.3 per cent to EUR 350m.

Development of traffic regions

Point-to-Point

	Net traffic revenue in €m external revenue		Number of passengers in thousands		Available seat-kilometres in millions		Revenue seat-kilometres in millions		Passenger load factor in %	
	Jan. – June 2017	Change in %	**Jan. – June 2017**	Change in %	**Jan. – June 2017**	Change in %	**Jan. – June 2017**	Change in %	**Jan. – June 2017**	Change in pts
Short-haul	1,336	57.5	13,328	67.1	16,069	73.5	12,071	77.7	75.1	1.8
Long-haul	380	435.2	1,177	344.9	8,191	309.9	6,707	268.0	81.9	–9.3
Total	**1,716**	**86.7**	**14,505**	**76.1**	**24,260**	**115.5**	**18,778**	**118.0**	**77.4**	**0.9**

Aviation Services

Logistics business segment

Key figures Logistics

		Jan. – June 2017	Jan. – June 2016	Change in %	April – June 2017	April – June 2016	Change in %
Revenue	€m	1,158	976	18.6	589	496	18.8
of which with companies of the Lufthansa Group	€m	14	12	16.7	7	5	40.0
EBIT	€m	84	–46		51	–27	
Adjusted EBIT	€m	78	–45		45	–26	
EBITDA[1]	€m	125	–4		72	–6	
Segment capital expenditure	€m	14	15	–6.7	8	9	–11.1
Employees as of 30.6.	number	4,476	4,509	–0.7	4,476	4,509	–0.7
Available cargo tonne-kilometres[2]	millions	6,177	6,054	2.0	3,257	3,215	1.3
Revenue cargo tonne-kilometres[2]	millions	4,249	4,045	5.0	2,210	2,120	4.3
Cargo load factor[2]	%	68.8	66.8	2.0 pts	67.9	65.9	1.9 pts
Yields	€ Cent	25.6	23.2	10.3	25.0	22.5	11.1

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

Business activities

In addition to Lufthansa Cargo AG, 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 Eurowings long-haul flights. Altogether, Lufthansa Cargo offers connections to more than 300 destinations in around 100 countries.

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

Lufthansa Cargo continues to develop its partnerships. The cooperation agreement with All Nippon Airways (ANA) is still successful. In February 2017, the first joint consignments were transported from Hong Kong to Europe with Cathay Pacific Cargo, after Cathay Pacific moved its freight handling in Frankfurt to the Lufthansa Cargo Center. Joint flights from Europe to Hong Kong are planned to start in 2018. A cooperation agreement was also signed with United Cargo in April 2017, which is due to take effect in 2017.

Course of business and operating performance

The global airfreight market remains challenging. Under these circumstances, Lufthansa Cargo intends to cut its annual staff costs and staff-related expenses by at least EUR 80m per annum by 2018. A strategic cost-cutting programme was drawn up and has been underway since autumn 2016. The reorganisation of sales and other areas as of the beginning of 2017 should contribute to strengthening its market position as Europe's leading cargo airline.

The freight centre in Frankfurt is being continually modernised. This involves expanding capacities and further improving the entire infrastructure of the cool centre. A concept is also being developed for a modular renewal of the logistics centre.

Digitalisation is an important pillar of the strategic Cargo Evolution programme. In the years ahead, the company intends to digitalise its relationships with all the players in the transport chain, from bookings to deliveries. In the long run, customers will benefit from greater transparency, higher speeds, better quality and more flexibility as well as greater efficiency.

The agreement reached in March 2017 with the collective bargaining partners for cockpit staff also applies to Lufthansa Cargo.
→ Lufthansa German Airlines, p. 13.

Capacity (available cargo tonne-kilometres) at Lufthansa Cargo increased year on year by 2.0 per cent in the first half-year of 2017. Sales (revenue cargo tonne-kilometres) rose by 5.0 per cent. The cargo load factor improved as a result by 2.0 percentage points to 68.8 per cent. Yields improved by 10.3 per cent. Traffic revenues went up by 15.7 per cent.

Performance varied between regions. Capacity was expanded in the Americas and Asia / Pacific traffic regions. The cargo load factor improved in all regions, with the exception of the Middle East / Africa. Traffic revenue and yields were up in all regions.

Revenue and earnings development

Lufthansa Cargo's revenue climbed year on year by 18.6 per cent to EUR 1.2bn in the first half of 2017. Other operating income went up by 73.3 per cent year on year to EUR 52m, largely as a result of compensation for damages. Total operating income was 20.3 per cent higher at EUR 1.2bn.

Operating expenses increased by 6.9 per cent year on year to EUR 1.1bn. The cost of materials and services went up by 10.6 per cent to EUR 764m. Within this item, fuel costs rose by 37.9 per cent to EUR 153m, mainly due to pricing. MRO expenses were up by 6.6 per cent at EUR 67m due to the new engine maintenance contract for the B777F. Charter expenses increased by 6.1 per cent to EUR 324m, and fees and charges by 7.9 per cent to EUR 150m. Staff costs climbed by 2.0 per cent to EUR 207m. Depreciation and amortisation was down by 2.4 per cent to EUR 41m. Other operating expenses went down by 2.3 per cent to EUR 126m.

The result from equity investments dropped by 7.7 per cent to EUR 12m.

EBIT improved by EUR 130m to EUR 84m and includes a write-back on an MD-11F that was reactivated in June. Adjusted EBIT improved by EUR 123m to EUR 78m.

Segment capital expenditure sank by 6.7 per cent to EUR 14m in the reporting period.

Development of traffic regions

Lufthansa Cargo

	Net traffic revenue in €m external revenue		Available cargo tonne-kilometres in millions		Revenue cargo tonne-kilometres in millions		Cargo load factor in %	
	Jan. – June 2017	Change in %	**Jan. – June 2017**	Change in %	**Jan. – June 2017**	Change in %	**Jan. – June 2017**	Change in pts
Europe	93	5.7	324	–5.6	165	–1.4	51.0	2.2
America	451	16.5	2,821	1.6	1,832	4.4	64.9	1.7
Asia / Pacific	458	20.2	2,459	4.2	1,967	7.5	80.0	2.4
Middle East / Africa	84	1.2	573	–0.4	285	–2.8	49.7	–1.2
Total	**1,086**	**15.7**	**6,177**	**2.0**	**4,249**	**5.0**	**68.8**	**2.0**

MRO business segment

Key figures MRO

		Jan. – June 2017	Jan. – June 2016	Change in %	**April – June 2017**	April – June 2016	Change in %
Revenue	€m	2,754	2,538	8.5	1,299	1,248	4.1
of which with companies of the Lufthansa Group	€m	901	815	10.6	424	409	3.7
EBIT	€m	223	204	9.3	85	117	–27.4
Adjusted EBIT	€m	222	204	8.8	85	117	–27.4
EBITDA*	€m	280	256	9.4	114	143	–20.3
Segment capital expenditure	€m	98	95	3.2	51	60	–15.0
Employees as of 30.6.	number	20,877	20,657	1.1	20,877	20,657	1.1

* Before profit/loss transfer from other intra-Group companies.

Business activities

Lufthansa Technik is the world's leading independent provider of maintenance, repair and overhaul services (MRO) for civilian commercial aircraft. The Lufthansa Technik group consists of 31 technical maintenance operations around the world. The company also holds direct and indirect stakes in 57 companies.

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.

Profitable organic growth and expansion by means of strategic partnerships and acquisitions will remain Lufthansa Technik's key objectives in the years ahead. In this context, Lufthansa Technik and MTU Aero Engines are planning to set up a joint maintenance company for turbofan engines, in which each partner will hold 50 per cent of the shares. The companies signed a corresponding agreement in February.

Course of business and operating performance

In the first half of 2017, Lufthansa Technik won ten new customers and signed 211 contracts with a volume of EUR 2.1bn for 2017 and the following years. The number of aircraft serviced under exclusive contracts went up to 4,234 in the reporting period (year-end 2016: 4,132).

Air Astana, for instance, signed a long-term exclusive contract with Lufthansa Technik for the repair and overhaul of the V2500 engines on its A320 fleet. Lufthansa Technik will support the airline with its full range of repair and overhaul capacities, including warranty management and the supply of replacement engines.

Air Canada and Lufthansa Technik also strengthened their partnership with an agreement on an integrated component supply for the airline's future B737 MAX fleet.

On 1 July 2017, the production function of commercial aircraft overhaul operations at the site in Hamburg was shut down. The affected staff were given new jobs with Lufthansa Technik at the Hamburg plant.

Revenue and earnings development

Revenue was up 8.5 per cent year on year in the first half of 2017 at EUR 2.8bn. Both revenue with external customers (+7.5 per cent) and revenue with customers within the Group (+10.6 per cent) increased compared with last year. The higher internal revenue is mainly due to Lufthansa German Airlines and stems from engine business and the idle periods for the A380s in Hamburg. At EUR 158m, other operating income was up 31.7 per cent compared with last year.

Total operating expenses were 9.7 per cent higher at EUR 2.7bn. Staff costs were 3.8 per cent up on the previous year at EUR 676m. The cost of materials and services increased by 12.4 per cent to EUR 1.6bn.

The result from equity investments improved by 50.0 per cent to EUR 12m.

EBIT went up by 9.3 per cent to EUR 223m and Adjusted EBIT went up by 8.8 per cent to EUR 222m in the reporting period. The increase is mainly due to better capacity utilisation in overhauling aircraft and a higher earnings contribution from the equity investments.

Segment capital expenditure rose by 3.2 per cent to EUR 98m.

Catering business segment

Key figures Catering

		Jan. – June 2017	Jan. – June 2016	Change in %	April – June 2017	April – June 2016	Change in %
Revenue	€m	1,597	1,526	4.7	828	807	2.6
of which with companies of the Lufthansa Group	€m	321	313	2.6	172	167	3.0
EBIT	€m	14	26	–46.2	16	26	–38.5
Adjusted EBIT	€m	13	24	–45.8	15	28	–46.4
EBITDA*	€m	46	61	–24.6	32	43	–25.6
Segment capital expenditure	€m	28	28	0.0	15	15	0.0
Employees as of 30.6.	number	35,353	35,571	–0.6	35,353	35,571	–0.6

* Before profit/loss transfer from other intra-Group companies.

Business activities

The LSG Group is the world's leading provider of comprehensive products and services related to in-flight service. This range of services includes catering, in-flight sales and entertainment, in-flight service equipment and the associated logistics as well as consultancy services and the operation of lounges. The company is increasingly using its extensive know-how in the areas of culinary expertise and logistics to expand its deliveries to retail chains and services for rail operators, now counting these activities among its core business segments.

The LSG group's strategy is focused on profitable growth and the transformation of the company. Beyond the moderate growth available in airline catering, there is particular potential in the areas of in-flight sales programmes, in-flight service equipment and the global roll-out of business with international retail chains. The main aim of the transformation is to make the existing operating and commercial business models more flexible and agile for the airline's customers, so that the company can actively adapt to the constant changes in market demands.

Course of business and operating performance

Further increases in passenger numbers and its extensive portfolio enabled the LSG group to achieve its growth targets in the first half-year of 2017. Contracts were signed or extended in the in-flight sales segment with LATAM, Eurowings, SunExpress and Aer Lingus. TGV Lyria was obtained as a new customer in the railway business. The equipment subsidiary SPIRIANT established new brand partnerships for its amenity kits for Royal Air Jordanian and Eva Air and renewed its extensive contract with Czech Air. SPIRIANT won further awards for its creative designs from TravelPlus and the German Design Council.

The LSG group signed an agreement with AAS Catering, which is based in Japan, for the provision of technical support regarding in-flight catering activities. Management responsibility for the catering facility in Helsinki, Finland, reverted to Finnair in April. LSG group's catering facility in Munich was recognised as one of the leaders in the safe production of high-quality in-flight meals for the fifth year in a row at the QSAI Awards.

The pilot plant for centralised production of in-flight meals for Europe in the Czech Republic started operations successfully in March. It will be evaluated at the end of the third quarter, to enable the LSG group to make further decisions on the transformation of the European production and logistics network. Implementation of the process-oriented global reorganisation of the LSG group is progressing on schedule.

Revenue and earnings development

The Catering segment again reported higher revenue in the first half-year. It rose by 4.7 per cent on the previous year to EUR 1.6bn, mainly due to volumes and exchange rates. Changes in the group of consolidated companies contributed EUR 7m to the revenue growth. External revenue improved by 5.2 per cent to EUR 1.3bn and internal revenue climbed by 2.6 per cent to EUR 321m. Other income was 30.6 per cent down on the previous year at EUR 25m, mainly due to lower exchange rate gains and a positive one-off effect in the previous year. Overall, total operating income improved by 3.8 per cent to EUR 1.6bn.

Total operating expenses of EUR 1.6bn were 4.9 per cent higher than last year. The cost of materials and services increased by 5.5 per cent to EUR 694m, mainly as a result of higher sales volumes and exchange rates. Staff costs climbed by 5.1 per cent to EUR 620m. Transformation expenses in the European region were the main reason for the increase in staff costs, in addition to exchange rates. Depreciation and amortisation was down by 8.6 per cent on the year at EUR 32m. Other operating expenses climbed by 5.0 per cent to EUR 272m.

At EUR 10m, the result from equity investments was 66.7 per cent up on the figure for the previous year.

EBIT fell by 46.2 per cent to EUR 14m in the first half of the year, primarily due to higher transformation expenses. Adjusted EBIT fell by EUR 45.8 per cent to EUR 13m.

Segment capital expenditure was unchanged year on year at EUR 28m.

Additional Businesses and Group Functions

Key figures Additional Businesses and Group Functions

		Jan. – June 2017	Jan. – June 2016[1]	Change in %	**April – June 2017**	April – June 2016[1]	Change in %
Revenue	€m	216	214	0.9	109	110	–0.9
of which with companies of the Lufthansa Group	€m	88	80	10.0	45	41	9.8
EBIT	€m	39	–13		39	6	550.0
Adjusted EBIT	€m	41	–50		47	–32	
EBITDA[2]	€m	108	34	217.6	87	6	1,350.0
Segment capital expenditure	€m	32	14	128.6	27	6	350.0
Employees as of 30.6.	number	11,162	6,769	64.9	11,162	6,769	64.9

[1] Previous year's figures have been adjusted, in particular due to the restructuring of business segments.
[2] Before profit/loss transfer from other intra-Group companies.

This segment comprises the service and financial companies as well as the Group functions of the Lufthansa Group.

Companies' performance
AirPlus is one of the leading worldwide providers of solutions for business travel payments and analysis. The first half of 2017 shows strong growth in international business travel. AirPlus customers spent 6.6 per cent more on business travel in the first six months than in the same period a year ago. In May, the acquisition of BCC Corporate (BCCC) was completed, which is a Belgian issuer of Visa and MasterCard company cards that was previously a subsidiary of the Alpha Card Group. Also announced in May was the merger of Road Account, a toll specialist under the umbrella of AirPlus, with Eurowag, which provides toll billing services for cargo vehicles.

Lufthansa Systems supports airlines at all levels of their digital transformation. On the flight deck area, for example, the IT provider has been accompanying its customers on the way to a paperless cockpit for more than 15 years. Lufthansa Systems is expanding its digital competences accordingly, in order to offer innovative solutions to the entire sphere of an airline and its passengers. These solutions span from data analytics, personalisation and mobility to new developments such as eye tracking and dynamic navigation charts.

Lufthansa Industry Solutions has established itself on the market as an IT partner for corporate digital transformation. The market research company Lünendonk scored it as one of the 25 biggest IT consultancy firms in Germany for the third year in a row. The service provider is increasingly gaining a reputation as a valuable contact regarding Industry 4.0, data analytics and IT security, providing support to more than 200 customers as they transform into digital companies.

Revenue and earnings development
EBIT at AirPlus fell by 62.5 per cent to EUR 21m in the first half-year, due to one-off income from the disposal of non-current financial assets in the prior-year period. Adjusted EBIT rose by EUR 5.0 per cent on the year to EUR 21m due to higher volumes.

Including all of their equity investments, Lufthansa Systems and Lufthansa Industry Solutions generated cumulative EBIT of EUR 16m in the reporting period, which was 128.6 per cent higher than last year. Adjusted EBIT rose by 26.2 per cent to EUR 17m.

Total operating income for the Group functions increased by 60.5 per cent to EUR 780m. Operating expenses rose by 35.0 per cent to EUR 830m. EBIT improved by 61.2 per cent to EUR –50m and Adjusted EBIT improved by 66.7 per cent to EUR –43m. The higher earnings stem mainly from higher exchange rate gains compared with last year.

For the entire Additional Businesses and Group Functions segment, the reporting period was again defined by exchange rate gains, which are allocated to this segment. Total income climbed by 21.3 per cent to EUR 1.5bn, while operating expenses were up 16.6 per cent at EUR 1.4bn. EBIT improved by EUR 52m to EUR 39m. Adjusted EBIT improved by EUR 91m to EUR 41m.

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 2016, p. 57ff.

In the first six months of 2017, the risks and opportunities for the Group described there have changed as follows.

The Lufthansa Group can currently seize opportunities that arise from the relatively low fuel prices and the recovery of the European economy.

There is great 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. Risks from restrictions on competition and opportunities are both conceivable for the Lufthansa Group.

Forecast

GDP development*

in %	2017	2018	2019	2020	2021
World	3.0	3.2	3.1	3.1	3.2
Europe	2.1	1.9	1.8	1.8	1.8
Germany	2.0	2.0	1.6	1.5	1.5
North America	2.3	2.7	2.3	2.1	2.3
South America	1.2	2.0	3.0	3.2	3.1
Asia / Pacific	4.8	4.7	4.7	4.6	4.8
China	6.6	6.3	6.1	6.0	6.0
Middle East	1.9	3.4	4.0	4.1	4.2
Africa	2.9	3.2	3.6	4.0	4.0

Source: Global Insight World Overview as of 15.7.2017.
* Forecast.

Macroeconomic outlook
After expanding by 2.5 per cent in 2016, the global economy is currently forecast to grow by 3.0 per cent in the 2017 financial year. This is partly due to economic recovery in the USA and Europe, as well as the return to growth of South America and Russia. Asia / Pacific remains the fastest growing region in the world, with a forecast growth rate of 4.8 per cent. Growth of 2.3 per cent is forecast for North America, while South America is predicted to grow by 1.2 per cent.

Economic growth of 2.1 per cent is predicted for Europe. Ireland (4.0 per cent), Spain (2.8 per cent) and Austria (2.4 per cent) are among the fastest growing European countries. However, below-average growth is expected in Italy (1.2 per cent), Norway (1.4 per cent), the UK (1.4 per cent) and Switzerland (1.6 per cent). Growth of 2.0 per cent is predicted for Germany.

Futures rates indicate that oil prices will rise 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 2017.

The market consensus is that currency markets will continue their sideways trend for the remainder of the year. As before, the highest political uncertainty in Europe relates to the outcome of Brexit negotiations. It could lead to increased short-term volatility for the euro to pound sterling exchange rate but overall, this euro currency pair is also expected to remain stable at current share price levels. Most analysts are also expecting the euro to end the year at the same level against the US dollar.

Sector outlook
Taking forecasts for global economic growth into account, the IATA predicts an increase in revenue passenger-kilometres of 7.4 per cent for 2017 (prior-year period: 7.4 per cent), which will result in different growth rates for the individual regions. The industry association is forecasting the fastest growth in the Asia / Pacific region (10.4 per cent), followed by Latin America and Africa (each 7.5 per cent), Europe and the Middle East (each 7.0 per cent) and North America (4.0 per cent). Forecasts for all regions apart from Asia / Pacific have therefore improved significantly compared with year-end 2016. For the freight business, IATA is projecting an increase of 7.5 per cent in global revenue tonne-kilometres (prior-year period: 3.6 per cent).

Outlook for the Lufthansa Group
In the first half of the current financial year the Lufthansa Group reported an exceptionally good result. Adjusted EBIT roughly doubled in this period. The key drivers for the improvement in earnings were the Network Airlines, Point-to-Point and Logistics segments. The business segments MRO and Additional Businesses and Group Functions also performed well.

As opposed to the previous forecast, in particular revenue and profit developed better than expected due to strong demand. Pre-bookings for the economically very important third quarter have stabilised.

Against the background of this better than expected performance, the Executive Board of Deutsche Lufthansa AG has increased its forecast for the full year.

Lufthansa Group now expects an Adjusted EBIT above previous year
The Executive Board of Deutsche Lufthansa AG increases their forecast for the year from an Adjusted EBIT "slightly below previous year" to "above previous year". The expected organic capacity growth in the second half-year is expected to be 4.7 per cent. From today's perspective, unit revenues at constant currency will be negative in the second half-year compared to the prior-year period. Unit costs excluding fuel and currency effects are expected to come down slightly in the second half-year.

The fuel cost projection (excluding consolidation of Brussels Airlines) as of 30 June 2017 indicates a tailwind of around EUR 100m in the second half-year compared to the previous year period. The Air Berlin wet lease and the first time consolidated Brussels Airlines are expected to deliver a small profit contribution. The remaining business segments expect to achieve a cumulative profit on par with last year in the second half-year of 2017.

Passenger Airlines and Lufthansa Cargo in particular are expecting earnings improvements for the full year

The Network Airlines Lufthansa German Airlines, SWISS and Austrian Airlines are now all expecting Adjusted EBIT for the financial year 2017 to be higher than last year, largely thanks to good revenue and earnings performance in the first half-year.

The airlines in the Point-to-Point segment are now also expecting cumulative Adjusted EBIT for the financial year 2017 to be positive, largely thanks to good revenue and earnings performance in the first half-year.

Unit revenues at constant currency are still expected to decline cumulatively for both the Network Airlines and Point-to-Point business segments in the second half of the year. Unit costs excluding fuel and currency effects are expected to fall slightly. Strong revenue, and especially the significant increase in load factors at the airlines, cause additional costs related to passenger numbers that make it necessary to change original target for unit costs. The fact that the Point-to-Point segment with its systematically lower unit revenues is growing disproportionately will contribute to a fall in unit revenues as well as a slight decline in unit costs in the second half-year.

Forecast traffic figures passenger airlines

	Values 2016	**Forecast for the second half-year 2017**[1]
Number of flights	+1.9%	+4.0% at Network Airlines, +5.4% at Point-to-Point
Capacity (ASK)	+4.6%	+4.7% cumulative organic growth in the Network Airlines and Point-to-Point segments +13.5% total growth, including the wet-lease agreement with Air Berlin and first-time consolidation of Brussels Airlines
Unit revenue (RASK)[2]	−5.8%	negative
Unit costs (CASK, excluding fuel and non-recurring effects from collective agreement with UFO)[2]	−2.5%	slightly negative

[1] Excluding wet lease with Air Berlin and integration of Brussels Airlines.
[2] At constant currency.

The Logistics segment is now expecting Adjusted EBIT for the financial year 2017 to be positive, thanks to good revenue and earnings performance in the first half-year as well as initial earnings contributions from improvement measures initiated in 2016.

The MRO segment is now expecting Adjusted EBIT for the financial year 2017 to be on par with last year, largely due to the good performance of individual business segments and some equity investments.

The Catering segment still expects Adjusted EBIT to be significantly below that of the previous year.

Forecast revenue and result[1]

	Revenue		**Adjusted EBIT**	
	Revenue 2016 in €m	**Forecast for 2017**	Adjusted EBIT 2016 in €m	**Forecast for 2017**
Lufthansa German Airlines	15,412	–	1,090	above previous year[2]
SWISS	4,471	–	405	above previous year[2]
Austrian Airlines	2,153	–	58	above previous year[2]
Network Airlines	21,864	above previous year[2]	1,555	above previous year[2]
Point-to-Point	2,060	significantly above previous year	−104	positive result[2]
Logistics	2,084	above previous year[2]	−50	positive result[2]
MRO	5,144	significantly above previous year	411	in line with previous year[2]
Catering	3,194	slightly above previous year	104	significantly below previous year
Additional Businesses and Group Functions	437	–	−182	slightly above previous year
Internal revenue / Reconciliation	−3,123	–	18	–
Lufthansa Group	**31,660**	**significantly above previous year**	**1,752**	**above previous year**[2]

[1] Figures have been adjusted and reflect the realignment of the business segments from 2017.
[2] Forecast has been adjusted compared with the Annual Report 2016.

Consolidated income statement

January – June 2017

in €m	**Jan. – June 2017**	Jan. – June 2016	**April – June 2017**	April – June 2016
Traffic revenue	13,293	11,637	7,485	6,402
Other revenue	3,658	3,405	1,775	1,724
Total revenue	**16,951**	**15,042**	**9,260**	**8,126**
Changes in inventories and work performed by entity and capitalised	75	58	20	27
Other operating income	1,099	1,174	593	552
Cost of materials and services	−9,269	−8,283	−4,883	−4,347
Staff costs	−4,294	−3,984	−2,213	−2,027
Depreciation, amortisation and impairment	−860	−843	−438	−451
Other operating expenses	−2,715	−2,636	−1,362	−1,331
Profit / loss from operating activities	**987**	**528**	**977**	**549**
Result of equity investments accounted for using the equity method	28	−23	23	8
Result of other equity investments	16	13	15	10
Interest income	36	22	19	13
Interest expenses	−169	−156	−75	−80
Other financial items	−16	114	−22	23
Financial result	**−105**	**−30**	**−40**	**−26**
Profit / loss before income taxes	**882**	**498**	**937**	**523**
Income taxes	−191	−58	−187	−80
Profit / loss after income taxes	**691**	**440**	**750**	**443**
Profit / loss attributable to minority interests	−19	−11	−10	−6
Net profit / loss attributable to shareholders of Deutsche Lufthansa AG	**672**	**429**	**740**	**437**
Basic / diluted earnings per share in €	**1.43**	**0.92**	**1.58**	**0.94**

Statement of comprehensive income

January – June 2017

in €m	**Jan. – June 2017**	Jan. – June 2016	**April – June 2017**	April – June 2016
Profit/loss after income taxes	**691**	**440**	**750**	**443**
Other comprehensive income				
Other comprehensive income with subsequent reclassification to the income statement				
Differences from currency translation	−181	−33	−172	21
Subsequent measurement of available-for-sale financial assets	61	−21	5	−22
Subsequent measurement of cash flow hedges	−746	821	−413	773
Other comprehensive income from investments accounted for using the equity method	3	−4	1	−1
Other expenses and income recognised directly in equity	−16	−4	−12	−2
Income taxes on items in other comprehensive income	169	−178	100	−173
Other comprehensive income without subsequent reclassification to the income statement				
Revaluation of defined-benefit pension plans	470	−3,998	599	−2,643
Other comprehensive income from investments accounted for using the equity method	0*	−9	0*	−9
Income taxes on items in other comprehensive income	−40	992	−116	641
Other comprehensive income after income taxes	**−280**	**−2,434**	**−8**	**−1,415**
Total comprehensive income	**411**	**−1,994**	**742**	**−972**
Comprehensive income attributable to minority interests	−11	−7	0*	−4
Comprehensive income attributable to shareholders of Deutsche Lufthansa AG	**400**	**−2,001**	**742**	**−976**

* Rounded below EUR 1m.

Consolidated balance sheet

as of 30 June 2017

Assets

in €m	30.6.2017	31.12.2016	30.6.2016
Intangible assets with an indefinite useful life*	1,367	1,265	1,258
Other intangible assets	511	472	443
Aircraft and reserve engines	15,486	14,798	14,708
Repairable spare parts for aircraft	1,687	1,604	1,422
Property, plant and other equipment	2,177	2,199	2,187
Investments accounted for using the equity method	528	516	479
Other equity investments	211	212	169
Non-current securities	25	23	24
Loans and receivables	532	513	456
Derivative financial instruments	909	1,474	1,292
Deferred charges and prepaid expenses	10	11	14
Effective income tax receivables	10	4	19
Deferred tax assets	1,521	1,413	2,035
Non-current assets	**24,974**	**24,504**	**24,506**
Inventories	870	816	786
Trade receivables and other receivables	5,339	4,570	4,987
Derivative financial instruments	212	534	335
Deferred charges and prepaid expenses	224	167	190
Effective income tax receivables	34	37	71
Securities	4,402	2,681	2,683
Cash and cash equivalents	1,716	1,256	1,408
Assets held for sale	130	132	88
Current assets	**12,927**	**10,193**	**10,548**
Total assets	**37,901**	**34,697**	**35,054**

* Including goodwill.

Shareholders' equity and liabilities

in €m	30.6.2017	31.12.2016	30.6.2016
Issued capital	1,204	1,200	1,193
Capital reserve	242	222	203
Retained earnings	3,521	1,549	63
Other neutral reserves	1,611	2,313	1,667
Net profit/loss	672	1,776	429
Equity attributable to shareholders of Deutsche Lufthansa AG	**7,250**	**7,060**	**3,555**
Minority interests	97	89	77
Shareholders' equity	**7,347**	**7,149**	**3,632**
Pension provisions	8,127	8,364	10,823
Other provisions	557	503	496
Borrowings	6,556	5,811	5,069
Other financial liabilities	131	124	132
Advance payments received, deferred income and other non-financial liabilities	1,312	1,246	1,217
Derivative financial instruments	108	54	110
Deferred tax liabilities	445	437	385
Non-current provisions and liabilities	**17,236**	**16,539**	**18,232**
Other provisions	958	1,066	911
Borrowings	659	764	1,478
Trade payables and other financial liabilities	5,023	4,689	4,932
Liabilities from unused flight documents	5,036	3,040	4,295
Advance payments received, deferred income and other non-financial liabilities	1,041	875	965
Derivative financial instruments	191	185	525
Effective income tax obligations	410	390	84
Liabilities related to assets held for sale	–	–	–
Current provisions and liabilities	**13,318**	**11,009**	**13,190**
Total shareholders' equity and liabilities	**37,901**	**34,697**	**35,054**

Consolidated statement of changes in shareholders' equity

as of 30 June 2017

in €m	Issued capital	Capital reserve	Fair value measurement of financial instruments	Currency differences	Revaluation reserve (due to business combinations)	Other neutral reserves	**Total other neutral reserves**	Retained earnings	Net profit/loss	**Equity attributable to shareholders of Deutsche Lufthansa AG**	Minority interests	**Total shareholders' equity**
As of 31.12.2015	**1,189**	**187**	**–76**	**604**	**236**	**318**	**1,082**	**1,612**	**1,698**	**5,768**	**77**	**5,845**
Capital increases/reductions	4	16	–	–	–	–	–	–	–	20	1	21
Reclassifications	–	–	–	–	–	–	–	1,466	−1,466	–	–	–
Dividends to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	−232	−232	−8	−240
Transactions with minority interests	–	–	–	–	–	–	–	–	–	–	–	–
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	429	429	11	440
Other expenses and income recognised directly in equity	–	–	622	−33	–	−4	585	−3,015	–	−2,430	−4	−2,434
As of 30.6.2016	**1,193**	**203**	**546**	**571**	**236**	**314**	**1,667**	**63**	**429**	**3,555**	**77**	**3,632**
As of 31.12.2016	**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 30.6.2017	**1,204**	**242**	**565**	**489**	**236**	**321**	**1,611**	**3,521**	**672**	**7,250**	**97**	**7,347**

Consolidated cash flow statement

January – June 2017

in €m	**Jan. – June 2017**	Jan. – June 2016	**April – June 2017**	April – June 2016
Cash and cash equivalents 1.1.	**1,138**	**996**	**1,533**	**1,096**
Net profit / loss before income taxes	882	498	937	523
Depreciation, amortisation and impairment losses on non-current assets (net of reversals)	855	843	434	451
Depreciation, amortisation and impairment losses on current assets (net of reversals)	47	52	40	27
Net proceeds on disposal of non-current assets	–27	–42	–4	–37
Result of equity investments	–44	10	–38	–18
Net interest	133	134	56	67
Income tax payments / reimbursements	–92	–73	–65	–58
Significant non-cash-relevant expenses / income	3	–216	15	–93
Change in trade working capital[1]	1,547	1,055	393	288
Change in other assets / shareholders' equity and liabilities[1]	–78	–68	–190	–59
Cash flow from operating activities	**3,226**	**2,193**	**1,578**	**1,091**
Capital expenditure for property, plant and equipment and intangible assets	–1,377	–1,122	–630	–517
Capital expenditure for financial investments	–20	–13	–12	–12
Additions / loss to repairable spare parts for aircraft	–136	–88	–26	–80
Proceeds from disposal of non-consolidated equity investments	0*	26	0*	26
Proceeds from disposal of consolidated equity investments	0*	0*	0*	0*
Cash outflows for acquisitions of non-consolidated equity investments	–1	–32	–1	–30
Cash outflows for acquisitions of consolidated equity investments	191	0*	–7	0*
Proceeds from disposal of intangible assets, property, plant and equipment and other financial investments	85	51	32	19
Interest income	103	83	46	26
Dividends received	29	25	26	22
Net cash from / used in investing activities	**–1,126**	**–1,070**	**–572**	**–546**
Purchase of securities / fund investments	–1,869	–813	–786	–537
Disposal of securities / fund investments	50	101	23	33
Net cash from / used in investing and cash management activities	**–2,945**	**–1,782**	**–1,335**	**–1,050**
Capital increase	–	–	–	–
Transactions by minority interests	–	1	–	0*
Non-current borrowing	1,072	743	379	738
Repayment of non-current borrowing	–617	–505	–355	–301
Dividends paid	–225	–240	–217	–235
Interest paid	–118	–95	–47	–38
Net cash from / used in financing activities	**112**	**–96**	**–240**	**164**
Net increase / decrease in cash and cash equivalents	**393**	**315**	**3**	**205**
Changes due to currency translation differences	–16	–9	–21	1
Cash and cash equivalents 30.6.[2]	**1,515**	**1,302**	**1,515**	**1,302**
Securities	4,402	2,683	4,402	2,683
Liquidity	**5,917**	**3,985**	**5,917**	**3,985**
Net increase / decrease in total liquidity	2,098	995	652	710

* Rounded below EUR 1m.
[1] Previous year's figures have been adjusted.
[2] Excluding fixed-term deposits with terms of three to twelve months (2017: EUR 201m , 2016: EUR 106m).

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 2017 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 2017 have been applied. The interim financial statements as of 30 June 2017 have been prepared using the same accounting policies as those on which the preceding consolidated financial statements as of 31 December 2016 were based. The standards and interpretations mandatory for the first time as of 1 January 2017 did not have a significant effect on the Group's net assets, financial and earnings position.

Deutsche Lufthansa AG acquired the remaining 55 per cent of the shares in SN Airholding SA/NV (Brussels, Belgium) with effect from 9 January 2017 and is therefore the sole shareholder of the Brussels Airlines group. The Company, as well as the operating company Brussels Airlines SA/NV (Brussels, Belgium), has since been fully consolidated in the Lufthansa Group. The acquisition is based on the purchase and option agreement dating from 2008. The option was exercised on the basis of a new agreement between the previous shareholders and Lufthansa, dated 15 December 2016, which set the strike price for the remaining shares at EUR 2.6m. The acquisition of SN Airholding will strengthen the new Point-to-Point operating segment from the 2017 financial year. → 8) Segment reporting, p. 33f.

The following table shows the main assets and liabilities of SN Airholding immediately before and after the acquisition date: Since the acquisition took place in the first quarter, these amounts are based on a provisional valuation as of the acquisition date. All of the assets and liabilities as well as the calculation of goodwill are therefore only provisional. Goodwill is determined as the difference between the acquisition costs incurred of EUR 2.6m (the shares acquired in the past were already measured with a market value of EUR 0, which corresponded to the former carrying amount) and the net worth according to purchase price allocation of EUR –70.8m. SN Airholding's contribution from first-time consolidation to net profit/loss for the period is EUR –41.6m.

Balance sheet SN group

in €m	Before acquisition	After acquisition
Non-current assets	351	486
of which goodwill		73
of which brand names		37
of which customer relationships		21
Current assets	364	366
of which liquid assets	211	211
of which other current assets	154	155
Total assets	**715**	**852**
Equity*	–101	3
Non-current liabilities	391	411
of which borrowing	247	244
Current liabilities	425	438
of which borrowing	81	80
Total equity and liabilities	**715**	**852**

* Or purchase price.

Between 1 July 2016 and 30 June 2017, there were no other significant changes to the group of consolidated companies.

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

Assets held for sale

in €m	**30.6.2017**	31.12.2016	30.6.2016
Assets			
Aircraft and reserve engines	125	127	83
Financial assets	–	–	–
Other assets	5	5	5

Detailed comments on the income statement, the balance sheet, 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 Point-to-Point segments. As such, revenue in the first and fourth quarters is generally lower as people travel less, while higher revenue and operating profits are normally earned in the second and third quarters.

4) Contingencies and events after the balance sheet date

Contingent liabilities

in €m	30.6.2017	31.12.2016
From guarantees, bills of exchange and cheque guarantees	847	909
From warranty contracts	458	733
From providing collateral for third-party liabilities	36	35
	1,341	**1,677**

Provisions for other contingent liabilities were not made because an outflow of resources was not sufficiently probable. The potential financial effect of these provisions on the result would have been EUR 130m (as of 31.12.2016: EUR 103m).

At the end of June 2017, there were order commitments of EUR 13.9bn for capital expenditure on property, plant and equipment and intangible assets. As of 31 December 2016, the order commitments came to EUR 15.6bn.

Contracts for the sale of aircraft signed as of 31 December 2016 yielded profits and cash receipts of EUR 6m by 30 June 2017.

Lufthansa Group and Fraport sign agreement to cut costs and increase growth

On 5 July 2017, the Lufthansa Group and Fraport AG signed an initial settlement on short-term cost reductions. Both partners have thereby created the conditions for further growth of the Lufthansa Group at Frankfurt Airport. At the same time, the agreement allows talks to start on a medium and long-term partnership.

5) Financial instruments and financial liabilities

Financial instruments

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

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

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

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

Assets 30.6.2017

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	–	197	–	197
Total financial assets through profit and loss	**–**	**197**	**–**	**197**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**924**	**–**	**924**
Available-for-sale financial assets				
Equity instruments	317	11	–	328
Debt instruments	–	4,094	–	4,094
Total available-for-sale financial assets	**317**	**4,105**	**–**	**4,422**
Total assets	**317**	**5,226**	**–**	**5,543**

Liabilities 30.6.2017

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	–	91	–	91
Derivative financial instruments which are an effective part of a hedging relationship	–	208	–	208
Total liabilities	**–**	**299**	**–**	**299**

As of 31 December 2016, the fair value hierarchy for assets and liabilities held at fair value was as follows:

Assets 31.12.2016

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	–	341	–	341
Total financial assets through profit and loss	**–**	**341**	**–**	**341**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**1,667**	**–**	**1,667**
Available-for-sale financial assets				
Equity instruments	576	10	0	586
Debt instruments	–	2,113	–	2,113
Total available-for-sale financial assets	**576**	**2,123**	**0**	**2,699**
Total assets	**576**	**4,131**	**0**	**4,707**

Liabilities 31.12.2016

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	–	54	–	54
Derivative financial instruments which are an effective part of a hedging relationship	–	185	–	185
Total liabilities	**–**	**239**	**–**	**239**

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

Financial liabilities

	30.6.2017		31.12.2016	
in €m	Carrying amount	Market value	Carrying amount	Market value
Bonds	1,005	1,059	1,009	1,037
Liabilities to banks	2,146	2,171	1,775	1,775
Leasing liabilities and other loans	4,064	4,106	3,791	3,820
	7,215	**7,336**	**6,575**	**6,632**

6) Earnings per share

		30.6.2017	30.6.2016
Basic earnings per share	€	**1.43**	**0.92**
Consolidated net profit/loss	€m	672	429
Weighted average number of shares		468,583,254	464,869,578
Diluted earnings per share	€	**1.43**	**0.92**
Consolidated net profit/loss	€m	672	429
Weighted average number of shares		468,583,254	464,869,578

7) Issued capital

Following a resolution of the Annual General Meeting held on 5 May 2017, the distributable profit of EUR 234m shown in the 2016 financial statements was paid out as dividends. This corresponds to a dividend of EUR 0.50 per share for the financial year 2016.

Dividend rights can be converted into new shares under consideration of a base dividend contribution. In this regard, 1.4 million new shares were distributed with a value of EUR 23.6m.

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.

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

8) Segment reporting

In the course of restructuring the Lufthansa Group, an organisational realignment was decided regarding direct traffic as of 1 January 2017. Segment reporting was adapted to the new structure with effect from 1 January 2017. The new Point-to-Point operating segment comprises the airlines Eurowings (including Germanwings) and Brussels Airlines, as well as the equity investment in SunExpress. The former Passenger Airline Group segment will be known as the Network Airlines segment in future, consisting of Lufthansa German Airlines, SWISS and Austrian Airlines. In addition, the training activities that previously formed part of the Passenger Airline Group (largely Lufthansa Flight Training and Swiss Aviation Training) are merged with the Lufthansa Aviation Training group as of the beginning of the year and reported in the Additional Businesses and Group Functions segment. The figures for the previous year have been adjusted in accordance with the new segment reporting structure.

Segment information by operating segment January – June 2017

in €m	Network Airlines	Point-to-Point	Logistics	MRO	Catering	Total reportable operating segments	Additional Businesses and Group Functions	Reconciliation	**Group**
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	–	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	462	77	52	158	25	774	1,239	−839	1,174
Total operating income	**11,559**	**1,849**	**1,210**	**2,912**	**1,622**	**19,152**	**1,455**	**−2,482**	**18,125**
Operating expenses	**10,824**	**1,919**	**1,138**	**2,701**	**1,618**	**18,200**	**1,423**	**−2,485**	**17,138**
of which cost of materials and services	6,367	1,344	764	1,561	694	10,730	104	−1,565	9,269
of which staff costs	2,065	236	207	676	620	3,804	492	−2	4,294
of which depreciation and amortisation	604	90	41	57	32	824	37	−1	860
of which other operating expenses	1,788	249	126	407	272	2,842	790	−917	2,715
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
EBIT	**744**	**−77**	**84**	**223**	**14**	**988**	**39**	**4**	**1,031**
of which reconciliation items									
Impairment losses/gains	−1	–	6	1	0*	6	−11	−2	−7
Past service costs/settlement	−32	0*	–	–	–	−32	–	–	−32
Results of disposal of assets	20	0*	0*	0*	1	21	9	−2	28
Adjusted EBIT[1]	**757**	**−77**	**78**	**222**	**13**	**993**	**41**	**8**	**1,042**
Total adjustments									−11
Other financial result									−149
Profit/loss before income taxes									882
Capital employed[2]	9,186	1,657	1,090	3,966	1,318	17,217	4,501	8	21,726
of which from investments accounted for using the equity method	40	92	57	209	127	525	6	−3	528
Segment capital expenditure[3]	879	350	14	98	28	1,386	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 ➔ p. 8 of 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).

[3] Capital expenditure for intangible assets, property, plant and equipment, and investments accounted for using the equity method. Under the heading "Group" all investments (excluding capitalised borrowing costs) are shown.

Segment information by operating segment January – June 2016

in €m	Network Airlines	Point-to-Point	Logistics	MRO	Catering	Total reportable operating segments	Additional Businesses and Group Functions	Reconciliation	**Group**
External revenue	10,086	922	964	1,723	1,213	14,908	134	–	15,042
of which traffic revenue	9,577	919	939	–	–	11,435	–	202	11,637
Inter-segment revenue	315	–	12	815	313	1,455	80	–1,535	–
Total revenue	**10,401**	**922**	**976**	**2,538**	**1,526**	**16,363**	**214**	**–1,535**	**15,042**
Other operating income	524	38	30	120	36	748	986	–502	1,232
Total operating income	**10,925**	**960**	**1,006**	**2,658**	**1,562**	**17,111**	**1,200**	**–2,037**	**16,274**
Operating expenses	**10,487**	**1,049**	**1,065**	**2,462**	**1,542**	**16,605**	**1,220**	**–2,079**	**15,746**
of which cost of materials and services	6,175	764	691	1,389	658	9,677	105	–1,499	8,283
of which staff costs	2,105	142	203	651	590	3,691	297	–4	3,984
of which depreciation and amortisation	660	27	42	52	35	816	28	–1	843
of which other operating expenses	1,547	116	129	370	259	2,421	790	–575	2,636
Results of equity investments	**1**	**–46**	**13**	**8**	**6**	**–18**	**7**	**1**	**–10**
of which result of investments accounted for using the equity method	1	–46	11	6	4	–24	1	0*	–23
EBIT	**439**	**–135**	**–46**	**204**	**26**	**488**	**–13**	**43**	**518**
of which reconciliation items									
Impairment losses/gains	–51	–	–1	–	–2	–54	–	1	–53
Past service costs/settlement	–	–	–	–	–	–	–	–	–
Results of disposal of assets	3	0*	0*	0*	4	7	37	–2	42
Adjusted EBIT[1]	**487**	**–135**	**–45**	**204**	**24**	**535**	**–50**	**44**	**529**
Total adjustments									–11
Other financial result									–20
Profit/loss before income taxes									498
Capital employed[2]	9,755	845	1,117	3,529	1,349	16,595	2,654	–4	19,245
of which from investments accounted for using the equity method	19	94	48	193	119	473	6	–	479
Segment capital expenditure[3]	831	111	15	95	28	1,080	14	73	1,167
of which from investments accounted for using the equity method	–	–	–	–	–	–	–	–	–
Number of employees at end of period	51,849	3,444	4,509	20,657	35,571	116,030	6,769	–	122,799

* Rounded below EUR 1m.
[1] For detailed reconciliation from EBIT to Adjusted EBIT ➔ p. 8 of 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).
[3] Capital expenditure for intangible assets, property, plant and equipment, and investments accounted for using the equity method. Under the heading "Group" all investments (excluding capitalised borrowing costs) are shown.

Figures by region January – June 2017

in €m	Europe	thereof Germany	North America	thereof USA	Central and South America	Asia/Pacific	Middle East	Africa	**Total**
Traffic revenue*	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**

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

Figures by region January – June 2016

in €m	Europe	thereof Germany	North America	thereof USA	Central and South America	Asia/Pacific	Middle East	Africa	**Total**
Traffic revenue*	7,683	3,616	1,877	1,702	290	1,324	298	165	11,637
Other operating revenue	1,328	464	998	791	146	651	158	124	3,405
Total revenue	**9,011**	**4,080**	**2,875**	**2,493**	**436**	**1,975**	**456**	**289**	**15,042**

* Traffic revenue is 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 2016, p. 165ff., the operating segments in the Lufthansa Group render numerous services to related parties within the scope of their ordinary business activities and also receive services from them. These extensive supply and service relationships take place unchanged on the basis of market prices. There have been no significant changes in comparison with the balance sheet date. The contractual relationships with the group of related parties described in the → Remuneration report, p. 79ff. and in → Note 47, p. 167f., of the 2016 consolidated financial statements also still exist unchanged, but are not of material significance for the Group.

Declaration by the legal representatives

We declare that to the best of our knowledge and according to the applicable accounting standards for half-year financial reports, the consolidated half-year 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, 31 July 2017
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
Finances

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, 2017 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the Condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Dusseldorf, 31 July 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Petra Justenhoven	Dr Bernd Roese
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Credits

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The Lufthansa 2nd Interim Report is a translation of the original German Lufthansa Zwischenbericht 2/2017. Please note that only the German version is legally binding.

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Financial calendar 2017/2018

2017

25 Oct. Release of Interim Report January – September 2017

2018

15 March Release of Annual Report 2017

26 April Release of Interim Report January – March 2018

8 May Annual General Meeting

31 July Release of Interim Report January – June 2018

30 Oct. Release of Interim Report January – September 2018

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