2nd Interim Report January – June 2016

Adjusted EBIT up by EUR 61m to EUR 529m / Group margin rises to 3.5 per cent / Total expenses fall faster than fuel costs / Lufthansa Passenger Airlines key driver of this positive development / Greater financial stability achieved / Terrorist attacks in Europe and economic uncertainty having a significant adverse impact on advance bookings on long-haul routes to Europe / Forecast for Adjusted EBIT hence reduced to “below previous year” / Consistent implementation of the strategy

Lufthansa Group overview

Key figures Lufthansa Group		**Jan. – June 2016**	Jan. – June 2015	Change in %	**April – June 2016**	April – June 2015	Change in %
Revenue and result							
Total revenue	€m	15,042	15,365	−2.1	8,126	8,392	−3.2
of which traffic revenue*	€m	11,637	12,181	−4.5	6,402	6,734	−4.9
EBIT	€m	518	463	11.9	567	607	−6.6
Adjusted EBIT	€m	529	468	13.0	582	635	−8.3
EBITDA	€m	1,361	1,316	3.4	1,018	1,084	−6.1
Net profit/loss for the period	€m	429	954	−55.0	437	529	−17.4
Key balance sheet and cash flow statement figures							
Total assets	€m	35,054	33,088	5.9	–	–	–
Equity ratio	%	10.4	17.5	−7.1 pts	–	–	–
Net indebtedness	€m	2,499	2,363	5.8	–	–	–
Cash flow from operating activities	€m	2,193	2,527	−13.2	1,091	1,133	−3.7
Capital expenditure (gross)	€m	1,167	1,498	−22.1	559	683	−18.2
Key profitability and value creation figures							
EBIT margin	%	3.4	3.0	0.4 pts	7.0	7.2	−0.2 pts
Adjusted EBIT margin	%	3.5	3.0	0.5 pts	7.2	7.6	−0.4 pts
EBITDA margin	%	9.0	8.6	0.4 pts	12.5	12.9	−0.4 pts
Lufthansa share							
Share price at the quarter-end	€	10.53	11.57	−9.0	–	–	–
Earnings per share	€	0.92	2.06	−55.3	0.94	1.14	−17.5
Traffic figures*							
Passengers	thousands	51,287	50,925	0.7	28,955	29,364	−1.4
Available seat-kilometres	millions	138,086	132,572	4.2	75,294	73,654	2.2
Revenue seat-kilometres	millions	105,559	103,857	1.6	58,524	59,166	−1.1
Passenger load factor	%	76.4	78.3	−1.9 pts	77.7	80.3	−2.6 pts
Available cargo tonne-kilometres	millions	7,315	7,293	0.3	3,873	3,827	1.2
Revenue cargo tonne-kilometres	millions	4,809	4,933	−2.5	2,508	2,519	−0.4
Cargo load factor	%	65.7	67.6	−1.9 pts	64.7	65.8	−1.1 pts
Available tonne-kilometres	millions	21,079	19,672	7.2	11,342	10,635	6.6
Revenue tonne-kilometres	millions	15,172	14,432	5.1	8,241	7,864	4.8
Overall load factor	%	72.0	73.4	−1.4 pts	72.7	73.9	−1.3 pts
Flights	number	502,651	490,887	2.4	270,196	264,810	2.0
Employees							
Employees as of 30.6.	number	122,799	119,357	2.9	122,799	119,357	2.9

* Previous year's figures have been adjusted.
Date of publication: 2 August 2016.

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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,

The Lufthansa Group can look back on a satisfactory first half of 2016: Adjusted EBIT, our leading forecasting indicator, is up on last year, we have reduced our net debt compared with the end of 2015 and our financial stability has increased. Unit costs at the passenger airlines are falling and we have agreed a wage settlement with the UFO flight attendants' union that further strengthens the future viability of the Lufthansa Group.

Despite these successes, we had to reduce our forecast for the full year a few weeks ago. Instead of Adjusted EBIT "slightly above the previous year", we now expect Adjusted EBIT "below the previous year". Advance bookings, especially on long-haul routes to Europe, have declined significantly, due in particular to repeated terrorist attacks in Europe and to greater political and economic uncertainty since the original forecast was made in March. So from today's perspective, we no longer believe it likely that bookings will recover again in full. We are now expecting a significantly weaker performance at the passenger airlines. At the same time, we are certain of making further improvements to our airlines' cost positions. And right now, because of the effect of external factors on yields, that has become even more important. We will therefore continue to work systematically to shape our Group's structures and cost positions sustainably and competitively.

In order to achieve this, we launched the "7to1 – Our Way Forward" programme two years ago. On the basis of seven areas of action, we are working continuously to achieve improvements in the three strategic pillars of our Company – network airlines, direct traffic and aviation services – as well as in our administrative structures.

To this end, we have continually improved the network airlines' product. From October 2016, Lufthansa Passenger Airlines will become the first European network airline to start installing an internet infrastructure in its short- and medium-haul fleet. Good progress is also being made in expanding our portfolio of destinations and partnerships for our customers as well as in the different areas of digitalisation. Bookings made via digital channels are increasing constantly, and with them demand for services that can be booked individually. We intend to keep improving our customer offering here. We are cutting our operating costs by means of continuous fleet modernisation, by reducing fees and charges, as well as by signing new wage agreements and through systematic process orientation, which will lead to increases in effectiveness and efficiency. As a result of this, we have already cut 22 per cent of managerial positions in commercial functions at the network airlines.

Our biggest area of growth is in the direct traffic segment with our second brand, Eurowings. The renewal of the regional fleet with aircraft from the A320 family, the successful start of long-haul operations and the establishment of the new base in Vienna illustrate the speed at which we are developing the company. In the second half-year, we will decide whether we will also push forward with non-organic growth by acquiring the remaining shares in Brussels Airlines.

All of the large service companies are currently working on both growth initiatives and efficiency programmes. Lufthansa Cargo, Lufthansa Technik and the LSG group have each presented ambitious restructuring plans intended to underpin ongoing growth with reasonable margins in future.

We are currently working to streamline our administrative structures. Here, too, we will initiate a reorganisation in the second half-year that enables us to operate more efficiently, faster and, above all, at lower cost, as has already been achieved in the operating processes at the passenger airlines.

After flight safety, ensuring the future viability of the Lufthansa Group is and remains our primary corporate objective. Please continue to give us your trust and your support!

The Executive Board, 29 July 2016

Carsten Spohr
Chairman of the
Executive Board and CEO

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

Harry Hohmeister
Member of the Executive Board
Hub Management

Simone Menne
Member of the Executive Board
and Chief Financial Officer

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

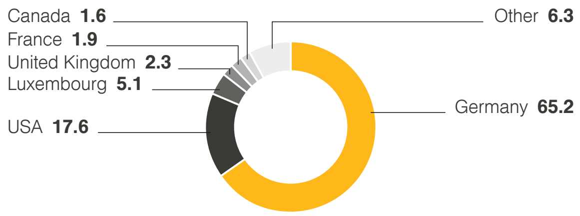
Lufthansa share

At the end of the first half-year 2016, the Lufthansa share was trading at EUR 10.53. This represents a fall in the share price of 27.7 per cent against the end of the previous year. The DAX index fell by 9.9 per cent over the same period. Along with the generally tense political situation, the result of the referendum held in the United Kingdom on the country's continued membership of the European Union ("Brexit") was a significant reason for the particularly poor performance of European airline shares.

As of 30 June 2016, six analysts recommended the Lufthansa share as a buy, eleven as a hold and ten as a sell. The average target price was EUR 13.02.

The free float for Lufthansa shares was unchanged at 100 per cent at the end of the first half-year. 65.2 per cent of Lufthansa shares were held by German investors. The largest single shareholder was Templeton Global Advisors Limited with 10.1 per cent.

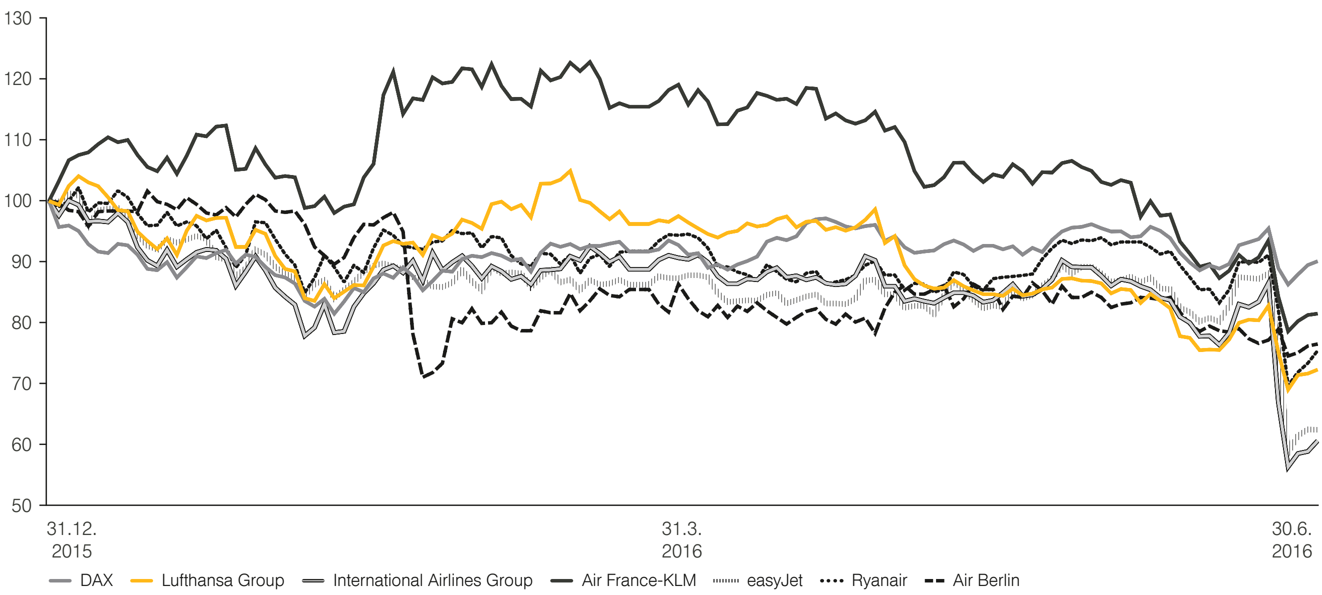
Shareholder structure by nationality in % (as of 30.6.2016)



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 31.12.2015, compared with the DAX and competitors, in %



Economic environment and sector performance

Macroeconomic situation

GDP growth 2016 compared with previous year

in %	Q1	Q2*	Q3*	Q4*	Full year*
World	2.5	2.5	2.4	2.5	2.5
Europe	1.9	1.9	1.7	1.3	1.7
Germany	1.6	1.6	1.6	1.5	1.6
North America	2.0	1.6	1.7	2.0	1.8
South America	–1.4	–1.1	–0.9	–0.2	–0.8
Asia/Pacific	4.6	4.7	4.6	4.5	4.6
China	6.7	6.6	6.4	6.2	6.5
Middle East	2.0	2.2	2.4	2.5	2.3
Africa	2.2	2.3	2.3	2.5	2.3

Source: Global Insight World Overview as of 15.7.2016.
* Forecast.

The global economy grew by 2.5 per cent year-on-year in the second quarter. Growth last year came to 2.7 per cent. Asia/Pacific was the world's fastest growing region with a growth rate of 4.7 per cent (prior-year period: 4.7 per cent). Despite increasing political uncertainty, economic growth in Europe remains stable overall at 1.9 per cent (prior-year period: 1.9 per cent). In North America, the economy expanded by 1.6 per cent (prior-year period: 2.6 per cent). In Latin America, by contrast, the economy contracted by 1.1 per cent (prior-year period: +0.2 per cent).

The referendum vote in the United Kingdom to leave the European Union ("Brexit") caused great uncertainty on the global markets. Further developments and the impact on the airline industry will depend on the outcome of the European Union's negotiations with the UK, which have not yet begun. The Lufthansa Group generates about 5 per cent of its revenue in the United Kingdom.

The oil price went up from USD 37.22/barrel to USD 49.68/barrel in the first half of 2016. The average price of USD 41.20/barrel was 30.5 per cent down on last year's figure. At the same time, the jet fuel crack (the price difference between crude oil and kerosene) was around 45.5 per cent lower than last year. Overall, the average kerosene price decreased year-on-year by 33.5 per cent. The Lufthansa Group's hedging result negatively impacted the result by EUR 571m due to the drop in the oil price. The Lufthansa Group's fuel costs for the first half-year came to EUR 2.3bn overall (–20.3 per cent).

The fuel price is a central factor behind changes in the Lufthansa Group's expenses. To limit the ensuing risks, the Company has a systematic risk management system for fuel with a rule-based hedging strategy with a time horizon of up to 24 months. This means that there are also periods in which fuel hedging involves neither positive earnings contributions nor losses of earnings.

Development of crude oil, kerosene and currency

		Minimum	Maximum	Average	30.6.2016
ICE Brent	in USD/bbl	27.88	52.51	41.20	49.68
Kerosene	in USD/t	260.50	483.50	386.10	462.25
USD	1 EUR/USD	1.0746	1.1527	1.1162	1.1073
JPY	1 EUR/JPY	112.4000	131.8200	124.4136	114.27
CHF	1 EUR/CHF	1.0790	1.1145	1.0958	1.08215
CNY	1 EUR/CNY	7.0095	7.4834	7.2959	7.3712
GBP	1 EUR/GBP	0.7329	0.8354	0.7786	0.83458

Compared with last year, the euro's performance against other currencies relevant for the Lufthansa Group was mixed. Its exchange rate against the US dollar remained stable. The euro's decline of 7.3 per cent against the Japanese yen had a positive impact on income. However, the euro gained 5.2 per cent against the Chinese renminbi and 3.7 per cent against the Swiss franc. Its rise of 6.3 per cent against the pound sterling was particularly significant. This is mainly due to the increased uncertainty as a result of the Brexit referendum. In April 2016, the Lufthansa Group increased its hedging level for the pound sterling in order to reduce any potentially negative effects on income. Overall, exchange rate effects increased EBIT for the first half-year compared with last year by EUR 57m.

The discount rate used for measuring pension obligations fell from 2.8 per cent at the beginning of the year to 1.6 per cent as of 30 June 2016. Largely due to this measurement effect as of the reporting date, pension provisions increased by 63.3 per cent compared with year-end 2015 to EUR 10.8bn.

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 6.0 per cent in the first five months of this year. Middle Eastern airlines again reported the fastest growth rates. They sold 11.2 per cent more passenger-kilometres year-on-year in the first five months of the year. Airlines from Africa grew by 9.7 per cent, those from Asia by 8.1 per cent and European carriers by 3.9 per cent. North American airlines reported growth of 3.6 per cent and carriers from Latin America 3.3 per cent. After several terrorist attacks in Europe and in a general climate of increasing political and economic uncertainty, European airlines saw bookings being made at increasingly short notice and reported lower demand, especially on long-haul routes to Europe.

In contrast to the passenger business, cargo traffic was down. Globally, revenue tonne-kilometres fell by 0.5 per cent in the first five months of the year. Regional variations were more pronounced than in passenger traffic. Here, too, airlines from the Middle East expanded fastest at 5.9 per cent. Carriers from Europe grew by 2.9 per cent. Airlines from Africa contracted by 1.1 per cent, however, with carriers from North America, Asia and Latin America down by 2.3 per cent, 3.4 per cent and 4.0 per cent respectively. Overall, the market is characterised by severe overcapacities, however, which in turn have an effect on pricing.

The positive trend continued in the market for aircraft maintenance, repair and overhaul services. Year-on-year market growth of 5.4 per cent is expected for 2016. Regional growth is forecast to be particularly strong in Asia, at 10.2 per cent. In the Americas region, the forecast expansion of 1.6 per cent will be below average, however. Growth in Europe, Africa and the Middle East is projected to stand at 5.4 per cent, driven in particular by the Middle East growth market.

Sustained increases in global passenger numbers continue to drive up demand for in-flight service concepts. At the same time, the airline catering market is changing radically and rapidly. The main reasons behind this are the change in airlines' service concepts towards in-flight sales programmes, accompanied by diverse in-flight entertainment programmes, ongoing cost pressure on the airlines and the segmentation of their demand into various different service packages such as production, assembly and delivery.

Course of business

The Lufthansa Group reported a positive performance overall in the first six months of the financial year. Revenue at the airlines was down compared with last year, largely due to lower traffic revenue, but Adjusted EBIT was higher. The improvement stemmed primarily from the positive performance of the Passenger Airline Group, which is largely attributable to the good result at Lufthansa Passenger Airlines. Behind the positive performance were lower fuel costs compared with the previous year, lower unit costs and the absence of negative non-recurring effects from the same period last year. Lufthansa Cargo and Lufthansa Technik, in particular, reported significantly lower earnings in the period under review.

Significant events

The strategic agenda "7to1 – Our Way Forward" launched in 2014 comprises the seven areas of action, "Customer orientation and quality focus", "New concepts for growth", "Innovation and digitalisation", "Efficient and effective organisation", "Culture and leadership", "Value-based management" and "Constantly improving efficiency" in order to achieve the goal "Lufthansa – First choice for customers, employees, shareholders and partners". Two years after the programme was launched, a large number of measures have already been put into practice in the individual areas of action and key targets have been reached. In future, the focus shall increasingly be on quality, efficiency and innovation.

The network airlines took a number of key strategic decisions in order to sustainably improve their revenue quality. At the same time, steps were taken that are intended to contribute to the lasting optimisation of costs. These include pushing ahead with the renewal of the fleet and implementing the reorganisation of commercial processes. The harmonisation of IT systems is also progressing well. Eurowings successfully started the renewal of its short-haul fleet and commenced flight operations at its new station in Vienna.

Alongside important growth projects, the service companies also initiated or continued wide-ranging efficiency programmes: Lufthansa Cargo launched a comprehensive cost-cutting programme, which is intended to reduce the annual costs of staff and service providers by EUR 80m. Lufthansa Technik has negotiated with the ver.di trade union on measures to increase efficiency in order to maintain the engine overhaul plant in Hamburg. In order to ensure profitable and sustainable growth, the LSG group plans to outsource some areas and to close decentralised plants, which will have an impact on the facilities and their employees in Europe.

As of 31 August 2016, Simone Menne, Executive Board member and CFO, will leave the Company at her own request. She will be succeeded by Ulrik Svensson, currently CEO of the Swedish company Melker Schörling AB and former CFO of SWISS International Airlines, who was appointed as a member of the Executive Board with responsibility for the finance function from 1 January 2017 until 31 December 2019.

Lufthansa Passenger Airlines and the UFO flight attendants' union announced their intention to accept the arbitration proposal from Matthias Platzeck on 5 July 2016. The collective bargaining partners had previously spent around two years negotiating all the outstanding wage agreements along with many other topics. The proposal is still subject to approval by UFO members. Further information can be found in the "Lufthansa Passenger Airlines" chapter on p. 12.

Financial performance

Earnings position

Revenue and income The airlines in the Lufthansa Group reported higher year-on-year passenger traffic in the first half of 2016. Capacity and sales in the passenger business were up by 4.2 per cent and 1.6 respectively. Passenger numbers rose by 0.7 per cent. Freight traffic saw a decline. The individual performance data for the separate segments is presented in the respective chapters.

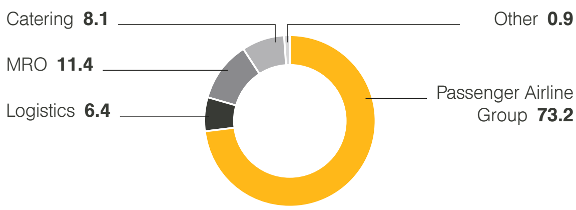
Revenue and income

	Jan. – June 2016 in €m	Jan. – June 2015 in €m	Change in %
Traffic revenue*	11,637	12,181	–4.5
Other revenue*	3,405	3,184	6.9
Total revenue	**15,042**	**15,365**	**–2.1**
Changes in inventories and work performed by the entity and capitalised	58	99	–41.4
Other operating income	1,174	1,500	–21.7
Total operating income	**16,274**	**16,964**	**–4.1**

* Previous year's figures have been adjusted.

Traffic revenue for the Group fell by 4.5 per cent overall to EUR 11.6bn. An increase in volume of 1.1 per cent was offset by lower prices (–4.1 per cent) and negative exchange rate movements (–1.5 per cent). The Passenger Airline Group accounted for EUR 10.5bn (–2.7 per cent) of traffic revenue and the Logistics segment for EUR 939m (–19.5 per cent).

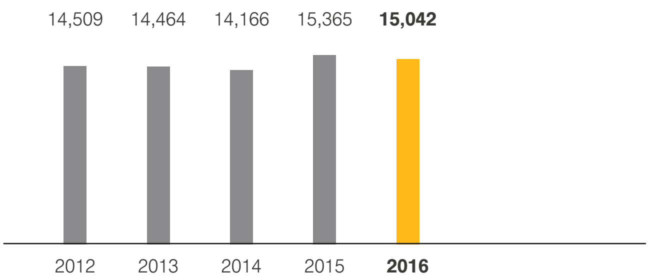
External revenue share of the business segments in % (as of 30.6.2016)



At EUR 3.4bn, other revenue was 6.9 per cent up on the previous year. Of the total, the MRO segment generated EUR 1.7bn (+8.2 per cent), Catering EUR 1.2bn (+6.5 per cent) and Other EUR 134m (unchanged on the previous year). The companies in the Passenger Airline Group and Logistics segment contributed EUR 335m (+5.3 per cent) to other revenue.

Overall, Group revenue fell by 2.1 per cent to EUR 15.0bn. The increase in other revenue only partly offset the decline in traffic revenue, which was due to prices and exchange rates. The development of revenue over the last five years is shown in the chart below. The Passenger Airline Group's share of total revenue fell in the first half-year to 73.2 per cent (–0.4 percentage points). The distribution of revenue by segment and region is shown in the segment reporting starting on p. 34.

Revenue development in €m (Jan. – June)



Other operating income was down by EUR 326m to EUR 1.2bn. Lower exchange rate gains (EUR –349m) were partially offset by higher income from the write-back of provisions (EUR +52m). The individual other items did not vary significantly compared with last year.

Total operating income went down by EUR 690m, or 4.1 per cent, to EUR 16.3bn.

Expenses Operating expenses fell by a total of EUR 788m (–4.8 per cent) to EUR 15.7bn in the first half-year. This included a reduction of 4.2 per cent overall in the cost of materials and services at the Lufthansa Group to EUR 8.3bn. Within the cost of materials and services, fuel costs sank by 20.3 per cent to EUR 2.3bn. Fuel prices declined by 22.6 per cent after hedging, but this was partly offset by the rise in the US dollar (+0.3 per cent) and higher volumes (+2.0 per cent).

The expenses for other raw materials, consumables and supplies rose by 8.1 per cent to EUR 1.7bn, largely due to volumes and exchange rates.

Fees and charges went up by 0.9 per cent to EUR 2.8bn. An increase of 11.3 per cent in security fees was particularly notable. Expenses for the air traffic tax were stable year-on-year at EUR 178m.

Other purchased services were up by 6.1 per cent overall to EUR 1.5bn, due, among other things, to higher charter expenses (+33.3 per cent).

Staff costs increased by 1.6 per cent to EUR 4.0bn. Since the average number of employees was 2.8 per cent higher at 122,410, the proportionately lower increase was largely due to more favourable exchange rates and to lower additions to pension provisions due to changes in interest rates.

Depreciation and amortisation was 0.9 per cent below last year's figure at EUR 843m. Depreciation of aircraft was up by 2.8 per cent to EUR 634m, primarily due to the new aircraft deliveries. Impairment losses of EUR 54m in total were also recognised as of 30 June 2016 (prior-year period: EUR 85m). Of the total, EUR 51m was for four Airbus A340-600s and seven Boeing 737-300s which were held for sale. Last year, impairment losses of EUR 65m were recognised on existing investments in connection with the project costs for a possible new freight centre at Frankfurt Airport.

Expenses

	Jan. – June 2016 in €m	Jan. – June 2015 in €m	Change in %
Cost of materials and services	8,283	8,644	–4.2
of which fuel	2,337	2,934	–20.3
of which fees and charges	2,778	2,752	0.9
of which operating lease	30	24	25.0
Staff costs	3,984	3,923	1.6
Depreciation	843	851	–0.9
Other operating expenses	2,636	3,116	–15.4
Total operating expenses	**15,746**	**16,534**	**–4.8**

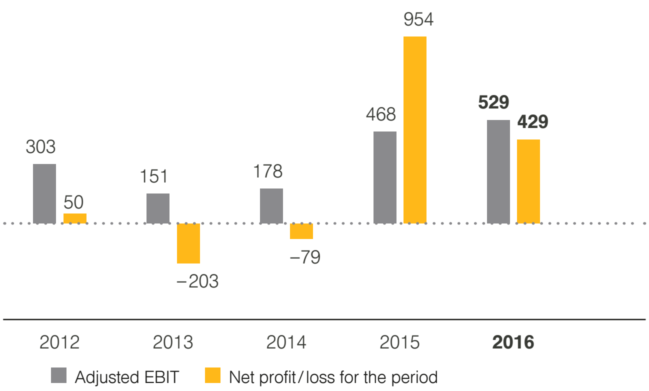
Other operating expenses shrank by EUR 480m to EUR 2.6bn. This was primarily driven by lower exchange rate losses (EUR –546m), which were partly offset by higher expenses for computerised distribution systems (EUR +63m) and advertising and sales promotion costs (EUR +28m). The individual other items did not vary significantly compared with last year.

Earnings The result from operating activities increased by EUR 98m to EUR 528m in the first half-year.

The result from equity investments was down year-on-year by EUR 43m to EUR –10m. Earnings contributions from SunExpress (EUR –24m) and SN Airholding (EUR –22m) were the main driver of the decline. Lower interest income meant that net interest was also down (EUR –80m).

The result from other financial items fell to EUR 114m (prior-year period: EUR 572m). Of the total, EUR 104m was attributable to the higher market values of derivative financial instruments defined by IAS 39 as held for trading. Last year, this item also included income of EUR 503m from the increase in value of JetBlue shares previously recognised without effect on profit and loss.

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



Earnings before interest and taxes (EBIT) reflect the development in the operating result and the result from equity investments and came to EUR 518m at the end of the first half-year (prior-year period: EUR 463m). 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 529m (prior-year period: EUR 468m).

Reconciliation of results

in €m	Jan. – June 2016 Income statement	Jan. – June 2016 Reconciliation Adjusted EBIT	Jan. – June 2015 Income statement	Jan. – June 2015 Reconciliation Adjusted EBIT
Total revenue	**15,042**	**–**	**15,365**	**–**
Changes in inventories	58	–	99	–
Other operating income	1,174	–	1,500	–
of which book gains		–50		–55
of which write-ups on capital assets		0*		–4
Total operating income	**16,274**	**–50**	**16,964**	**–59**
Cost of materials and services	–8,283	–	–8,644	–
Staff costs	–3,984	–	–3,923	–
of which past service costs/settlement		0*		–32
Depreciation	–843		–851	
of which impairment losses		54		85
Other operating expenses	–2,636		–3,116	
of which impairment losses on assets held for sale		–1		2
of which expenses incurred from book losses		8		9
Total operating expenses	**–15,746**	**61**	**–16,534**	**64**
Profit/loss from operating activities	**528**	–	**430**	–
Result from equity investments	–10	–	33	–
EBIT	**518**		**463**	
Total amount of reconciliation Adjusted EBIT		11		5
Adjusted EBIT		**529**		**468**
Write-downs (included in profit from operating activities)	843	–	851	–
Write-downs on financial investments, securities and assets held for sale		–	2	–
EBITDA	**1,361**	**–**	**1,316**	**–**

* Rounded below EUR 1m.

Earnings before taxes (EBT) fell by EUR 483m to EUR 498m. Deducting income tax (EUR 58m; prior-year period: EUR 13m) and earnings attributable to minority interests (EUR 11m; prior-year period: EUR 14m) resulted in net profit for the period of EUR 429m (prior-year period: EUR 954m). Earnings per share amounted to EUR 0.92 (prior-year period: EUR 2.06).

Cash flow and capital expenditure

The Group generated a cash flow from operating activities of EUR 2.2bn in the first half of 2016. This was EUR 334m less than in the previous year. Starting from a reduction of EUR 483m in profit before income taxes, the elimination of non-cash depreciation and amortisation and of cash flows attributable to investing or financing activities increased cash flow from operating activities by EUR 135m in total. Adjusting the result for non-cash expenses and income recognised in profit and loss as well as for changes in income tax payments improved the reconciliation with cash flow from operating activities by a further EUR 477m. By contrast, cash flow from operating activities was reduced by the change in trade working capital (EUR –421m).

Gross capital expenditure of EUR 1.2bn in the first six months of 2016 was 22.1 per cent down on last year. Of this, EUR 885m was for a total of 26 aircraft: five B777ERs, one A330, one A321, 18 A320s and one C Series. This capital expenditure also includes aircraft overhauls and down payments. An additional EUR 187m was invested in other property, plant and equipment. Intangible assets accounted for EUR 50m of the remaining capital expenditure. Financial investments totalling EUR 45m related to acquisitions of shares and loans. Additions to and disposals of repairable spare parts for aircraft resulted in net payments of EUR 88m.

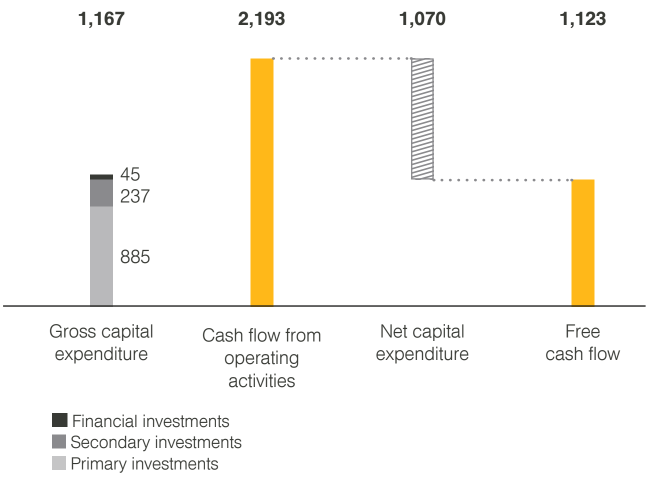
The funding requirement was partly covered by interest and dividend income (EUR 108m in total) as well as by proceeds of EUR 51m from the disposal of assets and loan repayments. The purchase and sale of current securities and funds resulted in a net cash outflow of EUR 712m. A total of EUR 1.8bn in net cash was therefore used for capital expenditure and cash management activities (prior-year period: EUR 1.9bn).

Free cash flow, defined as cash flow from operating activities less net capital expenditure, came to EUR 1.1bn and was therefore EUR 103m higher than last year.

The balance of all financing activities was a net cash outflow of EUR 96m. New borrowing (EUR 743m) was offset by scheduled capital repayments (EUR 505m), interest payments (EUR 95m) and dividend distributions to shareholders of Deutsche Lufthansa AG and minority shareholders (EUR 240m).

Cash and cash equivalents rose by a total of EUR 306m to EUR 1.3bn. This includes a decrease of EUR 9m in cash and cash equivalents due to exchange rate movements. The internal financing ratio was 187.9 per cent (prior-year period: 168.7 per cent). Overall, cash including current securities at the end of the first half-year rose to EUR 4.1bn (prior-year period: EUR 3.4bn). The detailed cash flow statement can be found on p. 29.

Cash flow and capital expenditure in €m (as of 30.6.2016)



Assets and financial position

Total assets went up by EUR 2.6bn, or 8.0 per cent at the end of the second quarter of 2016 compared with the end of 2015. Non-current assets were up by EUR 980m, while current assets increased by EUR 1.6bn.

Within non-current assets, the item aircraft and reserve engines rose by EUR 117m to EUR 14.7bn. The decline of EUR 41m in investments accounted for using the equity method was due to the pro rata earnings contributions and to the dividends received during the reporting period. Loans and receivables decreased by EUR 60m, mainly as a result of capital repayments. The increase in derivative financial instruments is due principally to higher market values of fuel hedges. Claims related to deferred tax assets increased by EUR 835m, primarily due to the significant rise in pension provisions, which in turn was mainly the result of a fall in the discount rate from 2.8 per cent to 1.6 per cent.

Within current assets, receivables rose by EUR 598m overall to EUR 5.0bn, mainly for seasonal and billing reasons. Current financial derivatives were down by EUR 105m, largely due to lower market values of currency hedges, which were offset by higher market values of fuel hedges. Cash and cash equivalents, consisting of current securities, bank balances and cash-in-hand, went up by EUR 998m to EUR 4.1bn because free cash flow was positive. The proportion of non-current assets in the balance sheet total declined from 72.5 per cent at year-end 2015 to 69.9 per cent currently.

Shareholders' equity (including minority interests) contracted by EUR 2.2bn to EUR 3.6bn as of the end of the first half-year. The positive after-tax result of EUR 429m was neutralised by an increase of EUR 3.0bn in pension provisions, which is recognised directly in equity. Dividends of EUR 232m were also distributed to shareholders of Deutsche Lufthansa AG. However, equity was increased by EUR 622m due to the higher market values of financial instruments, primarily fuel hedges. With total assets growing by 8.0 per cent, the equity ratio went down from 18.0 per cent as of year-end 2015 to 10.4 per cent.

Non-current liabilities and provisions rose significantly by EUR 4.1bn to EUR 18.2bn, while current borrowing was stepped up by EUR 753m to EUR 13.2bn. Within non-current liabilities, pension provisions went up by EUR 4.2bn to EUR 10.8bn, mainly due to a reduction in the discount rate from 2.8 per cent to 1.6 per cent. Lower negative market values of derivative financial instruments (EUR −197m) related mainly to fuel hedges.

Within current liabilities and provisions, other provisions fell by EUR 164m. Trade payables and other financial liabilities increased (EUR +85m) – largely for seasonal and billing reasons – as did liabilities from unused flight documents (EUR +1.4bn). The negative market values of derivative financial instruments, primarily for fuel hedging, went down by EUR 696m in total.

Net indebtedness came to EUR 2.5bn as of 30 June 2016 (year-end 2015: EUR 3.3bn). The debt repayment ratio, i.e. the adjusted cash flow from operating activities in relation to net indebtedness including pension provisions, came to 23.1 per cent (prior-year period: 28.0 per cent).

Calculation of net indebtedness

	30. June 2016 in €m	31. Dec. 2015 in €m	Change in %
Liabilities to banks	1,296	1,079	20.1
Bonds	1,763	1,749	0.8
Other non-current borrowing	3,488	3,542	−1.5
	6,547	**6,370**	**2.8**
Other bank borrowing	43	70	−38.6
Group indebtedness	**6,590**	**6,440**	**2.3**
Cash and cash equivalents	1,408	1,099	28.1
Securities	2,683	1,994	34.6
Net indebtedness	**2,499**	**3,347**	**−25.3**
Pension provisions	10,823	6,626	63.3
Net indebtedness and pensions	**13,322**	**9,973**	**33.6**

Group fleet – Number of commercial aircraft
Lufthansa Passenger Airlines and regional airlines (LH), SWISS (LX), Austrian Airlines (OS), Eurowings (EW) and Lufthansa Cargo (LCAG) as of 30.6.2016

Manufacturer/type	LH	LX	OS	EW	LCAG	**Group fleet**	of which finance lease	of which operating lease	Change as of 31.12.2015	Change as of 30.6.2015
Airbus A319	35	5	7	38		85	12	4	–	–
Airbus A320	76	28	16	19		139	19	1	+18	+19
Airbus A321	64	9	6			79	2		+1	+1
Airbus A330	23	17				40	1	4	+3	+5
Airbus A340	42	13				55	3	1	−2	−2
Airbus A380	14					14			–	–
Boeing 737	7					7			−7	−13
Boeing 747	32					32			–	−4
Boeing 767			6			6	2		–	–
Boeing 777		5	5		5	15	1		+5	+5
Boeing MD-11F					14	14			–	−2
Bombardier CRJ	35					35			–	−4
Bombardier Q Series			18			18			–	–
Bombardier C Series		1				1			+1	+1
Avro RJ		16				16		6	–	−2
Embraer	36		7			43			–	–
Fokker F70			5			5			−1	−1
Fokker F100			11			11			−3	−4
Total aircraft	**364**	**94**	**81**	**57**	**19**	**615**	**40**	**16**	**+15**	**−1**

Business segments

Passenger Airline Group business segment

Key figures Passenger Airline Group

		Jan. – June 2016	Jan. – June 2015	Change in %	**April – June 2016**	April – June 2015	Change in %
Revenue	€m	11,302	11,642	−2.9	6,230	6,485	−3.9
of which with companies of the Lufthansa Group	€m	294	337	−12.8	143	176	−18.8
EBIT	€m	393	277	41.9	458	530	−13.6
Adjusted EBIT	€m	441	249	77.1	508	503	1.0
EBITDA[1]	€m	1,089	911	19.5	834	858	−2.8
Segment capital expenditure[2]	€m	932	1,375	−32.2	347	658	−47.3
Employees as of 30.6.	number	56,119	55,298	1.5	56,119	55,298	1.5
Passengers[2]	thousands	51,287	50,925	0.7	28,955	29,364	−1.4
Flights[2]	number	498,257	486,321	2.5	267,890	262,550	2.0
Available seat-kilometres[2]	millions	138,086	132,572	4.2	75,294	73,654	2.2
Revenue seat-kilometres[2]	millions	105,559	103,857	1.6	58,524	59,166	−1.1
Passenger load factor[2]	%	76.4	78.5	−2.1 pts	77.7	80.3	−2.6 pts
Yields[2]	€ cent	9.9	10.4	−4.3	9.9	10.2	−2.7
Unit revenue (RASK)	€ cent	7.6	8.1	−6.6	7.7	8.2	−5.9
Unit cost (CASK)	€ cent	8.3	9.1	−9.4	8.0	8.5	−6.3

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

Business activities Passenger transportation is the Lufthansa Group's largest business segment. The Passenger Airline Group comprises the airlines Lufthansa Passenger Airlines, SWISS, Austrian Airlines and Eurowings. Other strategic investments in Brussels Airlines and SunExpress complete the portfolio. Eurowings will report separately as an independent business entity within the Passenger Airline Group as of the financial year 2016. The figures for the previous year have been adjusted accordingly.

Coordination among the airlines creates significant synergies for the airline group. With its multi-hub strategy, the Passenger Airline Group can offer its passengers a comprehensive route network combined with the highest level of travel flexibility. The route network comprises 301 destinations in 100 countries and is served via the international hubs in Frankfurt, Munich, Zurich, Vienna and Brussels.

Markets and competition The situation in European aviation is tense. Advance bookings for flights to Europe, in particular, have come under significant pressure since the terrorist attacks in Europe. The US Department of State has issued a travel alert for the countries in the EU for the period June to August 2016. Bookings by travel groups from China and other Asian countries to countries in the European Union are currently seeing a high rate of cancellations. Furthermore, political and economic instability is also having a considerably adverse effect on bookings to and from South America.

In structural terms, the long-haul business is still under pressure from aggressive expansion by state-owned airlines from the Gulf and Bosporus regions and from the resulting overcapacities, especially between Europe and Asia. The Passenger Airline Group is addressing these trends with a wide range of measures.

Further progress is being made on the organisational integration of the airlines. Key steps have been taken by the network airlines in connection with this. The fleet renewal was implemented 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 additional synergies.

In addition, the Executive Board of Deutsche Lufthansa AG decided in May 2016 to merge the Lufthansa Group's flight training schools in Germany, Switzerland and the USA into one "European Flight Academy" (EFA). It is intended to provide the airlines in the Lufthansa Group as well as external carriers with standardised pilot training at a consistently high level of quality and at competitive prices. Training will take place at the existing flight schools.

The new sales strategy defined last year is starting to pay off. The Distribution Cost Charge (DCC) levied on tickets issued via a global reservation system has been accepted by the market.

At the same time, the share of direct bookings at the network airlines has continually increased. Negotiations on direct bookings with customers, tour operators, travel agencies and technology providers are delivering a steady stream of successes. Demand has also increased for complementary services such as upgrades, baggage services, hotels, rental cars and insurance.

Course of business and operating performance The Passenger Airline Group improved its earnings in the first six months of the year. Adjusted EBIT went up year-on-year by EUR 192m, or 77.1 per cent, to EUR 441m. The performance of the passenger airlines in the airline group was mixed. Lufthansa Passenger Airlines and Austrian Airlines increased Adjusted EBIT by EUR 281m and EUR 16m respectively, thereby making positive contributions to the earnings of the Passenger Airline Group. However, these earnings were reduced by the decline in Adjusted EBIT at SWISS and Eurowings of EUR 47m and EUR 67m respectively.

In the first half-year 2016, the airlines in the Passenger Airline Group saw a year-on-year increase in passenger numbers of 0.7 per cent to 51.3 million. The number of flights rose by 2.5 per cent. Available seat-kilometres were up by 4.2 per cent, mostly due to the use of larger aircraft. Revenue seat-kilometres increased by 1.6 per cent on last year. The passenger load factor was down by 2.1 percentage points to 76.4 per cent.

Yields fell by 4.3 per cent and traffic revenue declined by 2.7 per cent.

Sales in the Europe traffic region were virtually unchanged. Yields improved by 0.3 per cent, and traffic revenue was up by 0.2 per cent. Sales in the Americas region rose by 5.6 per cent. Yields fell by 8.7 per cent, and traffic revenue declined by 3.6 per cent. In the Asia/Pacific region, sales climbed year-on-year by 0.5 per cent. Yields were down by 6.8 per cent, and traffic revenue dropped by 6.3 per cent. Sales in the Middle East/Africa region fell by 5.3 per cent. Yields were down by 3.8 per cent, and traffic revenue dropped by 8.9 per cent.

Revenue and earnings development Based on a 4.2-per-cent improvement in traffic (measured in available seat-kilometres), the business segment saw an increase in sales of 1.6 per cent in the first half of the financial year. Exchange rate movements were negative (–1.4 per cent) and prices were lower (–2.9 per cent), taking traffic revenue down overall by 2.7 per cent to EUR 10.5bn.

Other operating income decreased by EUR 191m to EUR 571m. The decline was largely due to a fall of EUR 223m in exchange rate gains, while income from the write-back of provisions rose by EUR 21m. Total operating income fell by 4.3 per cent to EUR 11.9bn.

Operating expenses sank year-on-year by 5.7 per cent to EUR 11.4bn. The cost of materials and services was down by 7.8 per cent to EUR 6.9bn. Within the cost of materials and services, fuel costs fell by 19.6 per cent, largely due to pricing, while fees and charges increased by 1.4 per cent. Higher security fees (+11.3 per cent) and handling charges (+3.0 per cent) were largely responsible for this. The main reason for the decrease in other purchased services (–4.4 per cent) was lower expenses for external MRO services (–13.4 per cent), offset by higher charter expenses (+64.4 per cent).

While the average workforce grew by 1.3 per cent, staff costs rose by 1.0 per cent. The higher headcount was partly offset by exchange-rate-related reductions in expenses as well as by lower additions to pension provisions due to changes in interest rates.

Depreciation and amortisation rose by 9.8 per cent to EUR 696m. Depreciation of aircraft increased by 2.9 per cent, while other depreciation, amortisation and impairment was up significantly by EUR 45m to EUR 100m. This was due to impairment losses of EUR 51m (prior-year period: EUR 5m) on four A340-600s and seven B737-300s held for sale.

Development of traffic regions
Passenger Airline Group

	Net traffic revenue in €m external revenue		Number of passengers in thousands		Available seat-kilometres in millions		Revenue seat-kilometres in millions		Passenger load factor in %	
	Jan.–June 2016	Change in %	**Jan.–June 2016**	Change in %	**Jan.–June 2016**	Change in %	**Jan.–June 2016**	Change in %	**Jan.–June 2016**	Change in pts
Europe	4,871	0.2	40,919	0.7	45,174	2.6	32,633	0.0	72.2	–1.9
America	3,125	–3.6	5,156	4.8	49,407	9.8	39,150	5.6	79.2	–3.2
Asia/Pacific	1,775	–6.3	3,142	–0.5	32,076	2.2	25,311	0.5	78.9	–1.3
Middle East/Africa	725	–8.9	2,070	–6.0	11,428	–6.0	8,465	–5.3	74.1	0.5
Total	**10,496**	**–2.7**	**51,287**	**0.7**	**138,086**	**4.2**	**105,559**	**1.6**	**76.4**	**–2.1**

Other operating expenses fell by EUR 188m in total to EUR 1.6bn. The decline was primarily due to lower exchange rate losses (EUR –303m), offset in part by higher costs for computerised distribution systems (EUR +64m) and higher advertising and sales promotion expenses (EUR +34m).

The result from equity investments of EUR –44m (prior-year period: EUR –4m) related mainly to SunExpress and SN Airholding.

Altogether, this resulted in EBIT of EUR 393m (prior-year period: EUR 277m). Adjusting for the effects of the disposal of non-current assets and recognised impairments produced an Adjusted EBIT of EUR 441m (prior-year period: EUR 249m).

Segment capital expenditure of EUR 932m was 32.2 per cent lower than last year's and was mainly incurred for new aircraft. As part of the ongoing fleet modernisation, the Passenger Airline Group took delivery of 26 new aircraft in the first half-year. Detailed explanations can be found starting on p. 34.

Lufthansa Passenger Airlines

Key figures Lufthansa Passenger Airlines[1]

		Jan. – June 2016	Jan. – June[2] 2015	Change in %
Revenue	€m	7,405	7,691	–3.7
EBIT	€m	354	101	250.5
Adjusted EBIT	€m	387	106	265.1
EBITDA	€m	840	529	58.8
Employees as of 30.6.	number	37,093	37,260	–0.4
Passengers	thousands	29,690	30,006	–1.1
Flights	number	268,348	264,889	1.3
Available seat-kilometres	millions	90,566	89,069	1.7
Revenue seat-kilometres	millions	69,313	69,782	–0.7
Passenger load factor	%	76.5	78.3	–1.8 pts

[1] Including regional partners.
[2] Previous year's figures have been adjusted.

Lufthansa Passenger 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 Passenger Airlines. Overall, the Lufthansa Passenger Airlines carriers serve a route network comprising 203 destinations in 74 countries.

Lufthansa Passenger 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.

The introduction of the Signature Service in the Business Class on the entire Lufthansa Passenger Airlines long-haul fleet was completed in March 2016.

In January 2016, Lufthansa Passenger Airlines became the first customer worldwide to take delivery of the A320neo. This year, a total of five A320neo aircraft will be delivered to Lufthansa Passenger Airlines and stationed in Frankfurt. Compared with the previous A320, the A320neo is much quieter and uses 15 per cent less fuel, with a corresponding reduction in CO_2 emissions.

The first aircraft in the short- and medium-haul fleet will be equipped with broadband internet connections in October 2016. This innovative technology is scheduled to be fitted successively in the entire A320 fleet by mid 2018.

In early July 2016, Lufthansa Passenger Airlines and the UFO flight attendants' union – subject to the approval of its members – accepted an arbitration proposal to end their collective bargaining dispute. The parties have agreed to abide by the proposal over the long term. The wage settlement runs until 30 June 2019 and the collective agreements on retirement and transitional benefits until 2023. Retirement and transitional benefits are to be switched entirely from a defined-benefit to a defined-contribution system. In addition, the collective bargaining partners have agreed to apply by a number of conflict resolution mechanisms until 2023. This means that if an all-out strike is announced, for example, the company can call an arbitrator and divert potential industrial action into a mandatory arbitration procedure. Other elements of the arbitration agreement relate to moderate pay increases, the switch to a new pay structure dependent on qualifications, increased long-term competitiveness by means of cost monitoring as well as an employment guarantee for all cabin crew at Lufthansa Passenger Airlines until 2021.

In the first six months of the year, the number of passengers declined by 1.1 per cent compared to the previous year. Available seat-kilometres went up by 1.7 per cent, but revenue seat-kilometres were down by 0.7 per cent. The passenger load factor fell as a result by 1.8 percentage points to 76.5 per cent. In combination with lower traffic revenue (–3.7 per cent), this led to lower yields (–3.0 per cent).

Lufthansa Passenger Airlines generated revenue of EUR 7.4bn in the first half-year 2016. This represents a decline of 3.7 per cent, largely due to pricing and exchange rates. Expenses were down 8.1 per cent on last year. Fuel costs in particular fell significantly due to lower prices. MRO services for product modifications were also much lower. This was offset by higher depreciation and amortisation due to the fleet renewal. EBIT for the first half-year came to EUR 354m, which was an improvement of 250.5 per cent on the previous year. Adjusted EBIT rose by 265.1 per cent to EUR 387m.

SWISS

Key figures SWISS[1]

		Jan. – June 2016	Jan. – June 2015	Change in %
Revenue	€m	2,094	2,204	–5.0
EBIT	€m	131	211	–37.9
Adjusted EBIT	€m	131	178	–26.4
EBITDA	€m	261	341	–23.5
Employees as of 30.6.	number	9,359	8,806	6.3
Passengers	thousands	8,266	8,266	0.0
Flights	number	82,492	80,367	2.6
Available seat-kilometres	millions	24,834	23,504	5.7
Revenue seat-kilometres[2]	millions	19,270	19,010	1.4
Passenger load factor	%	77.6	80.9	–3.3 pts

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

SWISS is the national airline in Switzerland and, with its sister company Edelweiss Air, serves a route network of 136 destinations worldwide in 53 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.

SWISS systematically continued its fleet renewal in the first half-year. It put the first of five long-haul B777-300ER aircraft into operation in February. A total of six aircraft will join the fleet in 2016 and will also be used to replace part of the A340 fleet. With the B777-300ER, SWISS can offer its passengers in-flight telephony and internet for the first time. On short- and medium-haul routes, the new Bombardier C Series will replace the Avro RJ100 from July 2016.

And on the ground, SWISS again upgraded its premium product, opening new First Class, Business Class and Senator Lounges at Zurich Airport.

The strong Swiss franc is having an increasing effect on the Swiss aviation industry. Competitors are using the margins this creates to cut prices, thereby increasing pressure on income.

As a result, SWISS is continuing to take steps to increase its efficiency. In 2016, the primary focus is the integration of the new aircraft into the fleet and the reductions in fees and charges agreed with Zurich Airport.

The number of passengers carried by SWISS remained constant in the first six months of the year. Available seat-kilometres were up year-on-year by 5.7 per cent and revenue seat-kilometres by 1.4 per cent. The passenger load factor was down 3.3 percentage points at 77.6 per cent.

Revenue at SWISS fell to EUR 2.1bn (–5.0 per cent) in the first half-year, largely due to exchange rates. Expenses declined by 4.5 per cent to EUR 2.1bn. EBIT sank by 37.9 per cent to EUR 131m. This significant year-on-year decline is principally due to one-off factors in the previous year.

Austrian Airlines

Key figures Austrian Airlines[1]

		Jan. – June 2016	Jan. – June 2015	Change in %
Revenue	€m	972	952	2.1
EBIT	€m	1	–17	
Adjusted EBIT	€m	–1	–17	94.1
EBITDA	€m	55	36	52.8
Employees as of 30.6.	number	6,223	6,019	3.4
Passengers[2]	thousands	5,092	4,982	2.2
Flights	number	65,103	61,456	5.9
Available seat-kilometres[2]	millions	11,426	11,016	3.7
Revenue seat-kilometres[2]	millions	8,362	8,266	1.2
Passenger load factor	%	73.2	75.0	–1.9 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 to 115 destinations in 46 countries.

The modernisation of its fleet is making progress. By the end of June 2016, six out of a total of 17 Embraer aircraft had joined the fleet, successively replacing the 21 Fokker aircraft.

The fleet renewal and the associated need for pilot training, in particular, caused repeated irregularities in flight operations in recent months. Austrian Airlines responded, in part, by thinning out its summer flight timetable and by signing wet lease agreements with Nordica, Condor and SunExpress Germany.

Business development is subdued and the competitive situation at the Vienna hub remains tense. Austrian Airlines is responding with ongoing capacity management and by expanding local traffic between Germany and Austria.

In the first six months of the year, 2.2 per cent more passengers flew with Austrian Airlines than a year ago. Available seat-kilometres were up by 3.7 per cent. Revenue seat-kilometres increased by 1.2 per cent. The passenger load factor came to 73.2 per cent (–1.9 percentage points) in the first half-year.

Revenue for Austrian Airlines in the first half of 2016 came to EUR 972m, an increase of 2.1 per cent on last year. Expenses rose by 1.1 per cent to EUR 1.1bn. Lower fuel costs and MRO expenses as well as a significant positive non-recurring effect from signing a long-term lease agreement with Vienna Airport were offset by additional costs for more staff, higher training expenses due to the new Embraer aircraft which were added to the fleet as well as to the stronger US dollar. EBIT climbed by EUR 18m to EUR 1m in the first half-year. Adjusted EBIT improved by EUR 16m to EUR –1m.

Eurowings

Key figures Eurowings*

		Jan. – June 2016	Jan. – June 2015	Change in %
Revenue	€m	922	854	8.0
EBIT	€m	–89	–22	–304.5
Adjusted EBIT	€m	–89	–22	–304.5
EBITDA	€m	–61	1	
Employees as of 30.6.	number	3,444	3,213	7.2
Passengers	thousands	8,239	7,671	7.4
Flights	number	82,314	79,609	3.4
Available seat-kilometres	millions	11,259	8,984	25.3
Revenue seat-kilometres	millions	8,614	6,799	26.7
Passenger load factor	%	76.5	75.7	0.8 pts

* Further information on Eurowings can be found at www.eurowings.com.

Eurowings operates in the growing segment of price-sensitive direct connections, serving a route network of 123 destinations in 36 countries from airports including Cologne, Düsseldorf, Stuttgart, Berlin, Hamburg and Hanover.

Eurowings is also expanding its services outside of Germany. In addition to growth at the major base in Cologne, another base was opened at Vienna Airport. Eurowings is set to become a leading European player in direct traffic in the next years.

The expansion of long-haul routes is also progressing. The airline now operates four A330 long-haul aircraft, mainly to tourist destinations. Very good load factors and good yields show that direct long-haul flights have great potential.

The replacement of 23 CRJ900 aircraft with an equal number of A320s that began in 2015 is progressing on schedule. A total of 13 aircraft had already been replaced by the end of the first half of 2016. The programme of renewal should be completed by early 2017.

In the first six months of the year, the number of passengers carried by Eurowings globally increased by 7.4 per cent. Available seat-kilometres were up year-on-year by 25.3 per cent and revenue seat-kilometres by 26.7 per cent. The passenger load factor rose by 0.8 percentage points to 76.5 per cent.

Revenue at Eurowings was up by 8.0 per cent to EUR 922m in the first half-year, due to higher volumes. Expenses rose by 11.7 per cent to EUR 1.0bn. EBIT sank by EUR 67m to EUR –89m, partly due to one-off project costs, start-up difficulties in long-haul traffic and a decline in yields. Adjusted EBIT also fell by EUR 67m to EUR –89m.

Logistics business segment

Key figures Logistics

		Jan. – June 2016	Jan. – June 2015	Change in %	April – June 2016	April – June 2015	Change in %
Revenue	€m	976	1,207	–19.1	496	593	–16.4
of which with companies of the Lufthansa Group	€m	12	13	–7.7	5	6	–16.7
EBIT	€m	–46	–16	–187.5	–27	–68	60.3
Adjusted EBIT	€m	–45	50		–26	–2	–1,200.0
EBITDA[1]	€m	–4	88		–6	18	
Segment capital expenditure[2]	€m	15	95	–84.2	9	30	–70.0
Employees as of 30.6.	number	4,509	4,660	–3.2	4,509	4,660	–3.2
Available cargo tonne-kilometres[2]	millions	6,038	6,122	–1.4	3,200	3,238	–1.2
Revenue cargo tonne-kilometres[2]	millions	4,022	4,148	–3.0	2,104	2,132	–1.3
Cargo load factor[2]	%	66.6	67.7	–1.1 pts	65.8	65.9	–0.1 pts

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

Business activities Lufthansa Cargo is the logistics specialist within the Lufthansa Group. In addition to Lufthansa Cargo, the Logistics segment includes the airfreight container management specialist Jettainer Group and the equity investment in the cargo airline AeroLogic. Lufthansa Cargo also holds equity interests in various handling companies and in time:matters, a company specialising in particularly urgent or complex logistics assignments.

Lufthansa Cargo markets capacities on its own freighters and on chartered cargo aircraft along with belly capacities on passenger planes operated by Lufthansa Passenger Airlines, Austrian Airlines and Eurowings. Altogether, Lufthansa Cargo offers connections to more than 300 destinations in around 100 countries.

Markets and competition Competition on global airfreight markets remains intense. Airlines from the Gulf and Bosporus region, in particular, are increasing their freight capacities, especially due to their many new passenger aircraft. Global airfreight capacity is growing faster than demand. This has recently resulted in significant overcapacities, which are having a highly adverse impact on Lufthansa Cargo's revenue. Lufthansa Cargo provides the highest-quality services in this market and is responding to the changing market conditions with flexible capacity management and a wide-ranging efficiency programme.

Course of business and operating performance Lufthansa Cargo is addressing the challenging market situation resolutely and in the first half-year it adapted its corporate strategy to the new environment. Entitled "Cargo eVolution", the strategy expresses the company's aim of being the first choice for airfreight worldwide.

Four main areas of action should contribute to achieving this. Firstly, the core business is to be renewed and strengthened by implementing leaner processes and a modern, flexible infrastructure, in order to make lasting cost savings. A comprehensive cost-cutting programme was launched back in autumn 2015, which is intended to reduce the annual costs of staff and service providers by EUR 80m. Higher revenue is also expected to come from innovative products and a particular proximity to customers. Secondly, new services will open up additional customer segments, as with the myAirCargo product, which provides transport solutions for private individuals. Thirdly, the closely-knit and wide-ranging network will be expanded further by developing partnerships. Fourthly, the company will continue to drive forward digitalisation along the entire logistics chain.

To improve its cargo load factor and in view of the higher capacities in the airfreight market, Lufthansa Cargo provisionally retired two MD-11F freighters at the end of 2015. The company now operates 17 of its own freighters; five B777Fs and twelve MD-11s.

At the start of its summer flight timetable in late March 2016, Lufthansa Cargo began marketing belly capacities for Eurowings. This means that the network is expanded to include new destinations from Cologne Airport.

From July 2016, the partnership with Japanese carrier All Nippon Airways (ANA), which began in December 2014, also includes the entire European feeder network of Lufthansa Passenger Airlines. Capacities on the partnership routes are marketed jointly by both partners, which enables them to present customers with more attractive and more flexible offers.

In May 2016, Lufthansa Cargo signed an agreement on close bilateral cooperation with Cathay Pacific Cargo. In future, the two airlines will coordinate network planning and sales, bookings, IT and handling on their routes between Hong Kong and Europe. The joint route network enables more than 140 direct weekly flights to be offered between Hong Kong and 13 European destinations.

Available tonne-kilometres at Lufthansa Cargo fell by 1.4 per cent and cargo tonne-kilometres by 3.0 per cent, meaning that the cargo load factor declined year-on-year by 1.1 percentage points.

Sales in the Europe traffic region increased by 3.6 per cent. Yields fell by 15.1 per cent, and traffic revenue declined by 12.0 per cent. Sales in the Americas traffic region were down by 7.2 per cent. Yields sank by 17.2 per cent, and traffic revenue dropped by 23.1 per cent. Sales in the Asia/Pacific traffic region were up by 1.8 per cent. Yields were down by 18.0 per cent, and traffic revenue declined by 16.4 per cent. Sales in the Middle East/Africa region fell by 8.6 per cent. Yields were down by 14.7 per cent, and traffic revenue dropped by 22.4 per cent.

Revenue and earnings development Lufthansa Cargo's revenue fell year-on-year by 19.1 per cent to EUR 976m in the first half of 2016 due to overcapacities on the market and the resulting decline in traffic revenue. Other operating revenue went down to EUR 29m (–12.1 per cent) owing to lower handling income. Other operating income went up by 100.0 per cent year-on-year to EUR 30m, largely as a result of higher exchange rate gains. Lower traffic revenue brought total operating income down to EUR 1.0bn (–17.7 per cent).

Operating expenses fell by 14.8 per cent year-on-year to EUR 1.1bn. The cost of materials and services went down by 12.4 per cent to EUR 691m. Within this item, the cost of fuel decreased to EUR 111m (–33.1 per cent), primarily as a result of lower prices. MRO expenses were up by 6.8 per cent to EUR 63m due to more maintenance inspections. Charter expenses sank by 9.8 per cent to EUR 305m, and fees and charges by 6.7 per cent to EUR 139m. Staff costs fell year-on-year by 3.3 per cent to EUR 203m. The increase due to the wage settlement was more than offset by the decline in volumes. Depreciation and amortisation was down by 59.6 per cent to EUR 42m, whereby capitalised project costs in connection with the postponement of the planned new freight terminal in Frankfurt (LCCneo) were written off last year. Other operating expenses fell to EUR 129m (–12.2 per cent), largely due to lower exchange rate losses.

The result from equity investments was up by 8.3 per cent to EUR 13m, largely thanks to positive earnings contributions from subsidiaries accounted for using the equity method.

EBIT, which was reduced last year by impairment charges, fell by EUR 30m to EUR –46m. Adjusted EBIT fell by EUR 95m to EUR –45m.

Capital expenditure was down by 84.2 per cent to EUR 15m in the reporting period, due, primarily, to the end of down payments and final payments in connection with the purchase of the B777F aircraft last year.

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 2016	Change in %	**Jan. – June 2016**	Change in %	**Jan. – June 2016**	Change in %	**Jan. – June 2016**	Change in pts
Europe	88	–12.0	343	3.4	168	3.6	48.8	0.1
America	387	–23.1	2,763	–1.0	1,743	–7.2	63.1	–4.2
Asia/Pacific	381	–16.4	2,357	–2.4	1,819	1.8	77.2	3.2
Middle East/Africa	83	–22.4	575	–1.8	293	–8.6	50.9	–3.8
Total	**939**	**–19.5**	**6,038**	**–1.4**	**4,022**	**–3.0**	**66.6**	**–1.1**

MRO business segment

Key figures MRO

		Jan. – June 2016	Jan. – June 2015	Change in %	**April – June 2016**	April – June 2015	Change in %
Revenue	€m	2,538	2,556	–0.7	1,248	1,307	–4.5
of which with companies of the Lufthansa Group	€m	815	963	–15.4	409	482	–15.1
EBIT	€m	204	268	–23.9	117	162	–27.8
Adjusted EBIT	€m	204	268	–23.9	117	162	–27.8
EBITDA*	€m	256	318	–19.5	143	187	–23.5
Segment capital expenditure	€m	95	42	126.2	60	23	160.9
Employees as of 30.6.	number	20,657	20,036	3.1	20,657	20,036	3.1

* Before profit/loss transfer from other 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 55 companies.

Markets and competition Six airlines with a total of 14 aircraft have ceased operations since the start of the year, while 14 start-ups with 26 aircraft commenced operations. 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.

Lufthansa Technik's main competitors are aircraft, engine and component OEMs (original equipment manufacturers), the MRO divisions of other airlines as well as independent providers. Furthermore, the market remains dominated by consolidation among both customers and competitors.

Profitable organic growth and expansion by means of strategic partnerships and acquisitions will remain Lufthansa Technik's key objectives in the years ahead. One important step in this direction is the acquisition of the British company FLYdocs, which provides digital services to support aircraft operators with the management of their aircraft and maintenance documentation. FLYdocs paves the way for developing more innovative products for Lufthansa Technik's customers.

Course of business and operating performance In the first half of 2016, Lufthansa Technik won 19 new customers and signed 167 contracts with a volume of EUR 1.2bn for 2016 and the following years. The number of aircraft serviced under exclusive contracts went up to 3,954 in the reporting period.

Among other things, Lufthansa Technik is now responsible for the technical management of the new Eurowings long-haul fleet. Services such as component support, maintenance, engineering and consumables support are provided for up to seven of the airline's A330-200 wide-bodied aircraft.

On 22 July 2016, Lufthansa Technik and the United Services Union (ver.di) reached an agreement on the future of the engine overhaul facility at the site in Hamburg, which is subject to the approval of the boards. The introduction of various measures to increase efficiency will enable 1,300 jobs to be secured in the long term. Furthermore, around EUR 80m is to be invested in the site to enable the overhaul and maintenance of the latest generation of aircraft engines.

Revenue and earnings development At EUR 2.5bn, revenue remained at the previous year's level in the first half of 2016 (–0.7 per cent). While revenue with Group companies was down (–15.4 per cent), in particular due to the successful refit of long-haul cabins at Lufthansa Passenger Airlines, external revenue increased by 8.2 per cent to EUR 1.7bn. Other operating income was down compared with last year at EUR 120m (–17.8 per cent).

Operating expenses were stable year-on-year at EUR 2.5bn (+0.7 per cent). The cost of materials and services rose by 8.3 per cent to EUR 1.4bn, largely due to pricing, and staff costs were unchanged year-on-year at EUR 651m (+0.3 per cent).

The result from equity investments sank by 20.0 per cent to EUR 8m.

EBIT fell by 23.9 per cent to EUR 204m in the reporting period. Adjusted EBIT also fell by EUR 23.9 per cent to EUR 204m. The decline is primarily due to the absence of positive non-recurring effects following the completion of the cabin refit at Lufthansa Passenger Airlines last year.

Capital expenditure rose by 126.2 per cent to EUR 95m.

Catering business segment

Key figures Catering

		Jan. – June 2016	Jan. – June 2015	Change in %	April – June 2016	April – June 2015	Change in %
Revenue	€m	1,526	1,448	5.4	807	776	4.0
of which with companies of the Lufthansa Group	€m	313	309	1.3	167	171	–2.3
EBIT	€m	26	16	62.5	26	17	52.9
Adjusted EBIT	€m	24	26	–7.7	28	29	–3.4
EBITDA[1]	€m	61	60	1.7	43	45	–4.4
Segment capital expenditure[2]	€m	28	39	–28.2	15	24	–37.5
Employees as of 30.6.	number	35,571	33,614	5.8	35,571	33,614	5.8

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

Business activities In terms of market share, quality and innovation, the LSG group is the global market leader in airline catering. The group comprises 155 individual companies and has a global presence at 211 airports in 50 countries. Its product portfolio for airlines is expanded continuously. The focus is partly on consumer-oriented in-flight sales programmes, covering food and drinks, boutique articles and virtual products. In addition, the company is investing to broaden its expertise in the procurement and development of in-flight service equipment and to internationalise its management of airport lounges. At the same time, the LSG group is consolidating its position in adjacent segments, such as services for rail operators and supplies to retail chains.

Markets and competition Demand from airlines is characterised by shifts in their service concepts towards in-flight sales, the segmentation of purchased services – sourcing from different suppliers – and high pricing pressure. The LSG group positions itself in this market with a unique service portfolio and a strict focus on quality. Numerous changes aimed at stimulating sustainable and profitable growth have also been initiated in the mature European markets. These include the planned outsourcing of dishwashing operations at Frankfurt International and the planned closure of the plants in Dresden at year-end 2016 and in Bremen at year-end 2017. The planned takeover of gategroup by HNA Aviation announced in the first half-year paves the way for further consolidation in the airline catering industry.

Course of business and operating performance In February 2016, the LSG group completed the acquisition of the remaining shares in Retail inMotion and of all the shares in Media inMotion. The core expertise of these companies primarily includes the procurement and sale of retail products, the management of in-flight sales programmes, end-to-end IT support for these programmes using proprietary software, as well as hardware and software solutions for a diverse range of in-flight entertainment programmes.

At the World Travel Catering & Onboard Services Expo, the LSG group was presented as a new corporate brand which acts as the umbrella brand for the company's extensive portfolio and at the same time enables the various activities to be differentiated in their respective markets. LSG Sky Chefs will remain the main catering brand for the core business segment.

Revenue and earnings development The Catering segment reported higher revenue in the first half-year. It increased year-on-year by 5.4 per cent to EUR 1.5bn, largely due to higher volumes, which in turn was, in part, the result of opening a new plant in Chicago, and despite negative exchange rate movements. Changes in the group of consolidated companies contributed EUR 19m to the revenue growth. External revenue improved by 6.5 per cent to EUR 1.2bn, and internal revenue by 1.3 per cent to EUR 313m. Other income was up by 9.1 per cent on the year at EUR 36m. Overall, total operating income improved by 5.5 per cent to EUR 1.6bn. Total operating expenses of EUR 1.5bn were 5.3 per cent higher than last year. The cost of materials and services increased by 5.3 per cent to EUR 658m, primarily as a result of higher sales volumes. Staff costs climbed by 8.1 per cent to EUR 590m. In addition to an increase in the workforce to cover new orders, higher staff costs were also due to pay rises in North America and to restructuring expenses in Europe. Depreciation and amortisation of EUR 35m was 20.5 per cent below last year's figure, mainly due to impairment losses in the previous year. Other operating expenses rose to EUR 259m (+3.6 per cent), due mainly to the higher volume of business.

The result from equity investments was up by EUR 6m on the previous year at EUR 6m.

The LSG group increased EBIT by 62.5 per cent to EUR 26m in the first half of the year. Adjusted EBIT fell by EUR 7.7 per cent to EUR 24m.

Capital expenditure was down by 28.2 per cent to EUR 28m.

Other

Other

		Jan. – June 2016	Jan. – June 2015	Change in %	**April – June 2016**	April – June 2015	Change in %
Revenue	€m	215	262	–17.9	111	110	0.9
of which with companies of the Lufthansa Group	€m	81	128	–36.7	42	44	–4.5
EBIT	€m	–45	–100	55.0	–8	–19	57.9
Adjusted EBIT	€m	–81	–140	42.1	–44	–47	6.4
EBITDA*	€m	–8	–80	90.0	–13	–10	–30.0
Segment capital expenditure	€m	10	8	25.0	5	3	66.7
Employees as of 30.6.	number	5,943	5,749	3.4	5,943	5,749	3.4

* Before profit/loss transfer from other companies.

The Other segment comprises the service and financial companies as well as the IT companies and the central Group functions of the Lufthansa Group.

Companies' performance AirPlus is one of the leading worldwide providers of solutions for paying for and analysing business travel.

A new regulation to reduce the credit card fee, known as the "interchange fee", has been in effect in the EU since December 2015. To make up for the reduction in income that this has caused, AirPlus added the transaction-fee-based AirPlus Travel Expense Card to its card portfolio in April 2016.

Lufthansa Systems GmbH & Co. KG focuses on developing applications to optimise business processes for its more than 300 airline customers. In addition, it continuously develops its advisory and service segments. Lufthansa Systems is responding to the continued high demand for in-flight entertainment services with its flexible BoardConnect portable solution, which Eurowings and others will be using from summer 2016.

Lufthansa Industry Solutions continued to expand its strategic position as an IT partner for the digital transformation of companies. The service provider for IT consultancy and system integration continuously expands its expertise, particularly in the Internet of Things and Big Data Analytics areas, and has added new products and services for its more than 200 customers.

Revenue and earnings development EBIT of EUR 56.0m at AirPlus was significantly higher than last year (+93.1 per cent) due to other income from the disposal of equity investments. Adjusted EBIT was 30.5 per cent down on the year due to lower income from the interchange fee.

Including all of their equity investments, the successor companies to the former Lufthansa Systems AG generated EBIT of EUR 7m in the reporting period, which is EUR 54m lower than the same period last year. This is largely down to a positive purchase price adjustment attributable to these companies last year and connected to the sale of the Infrastructure segment of what was Lufthansa Systems AG to the IBM group. Adjusted EBIT came to EUR 13m (prior-year period: EUR 19m).

Total operating income for the Group functions was down by 30.2 per cent year-on-year at EUR 486m. Operating expenses declined to EUR 615m (–32.0 per cent). EBIT came to EUR –129m (prior-year period: EUR –209m) and Adjusted EBIT to EUR –129m (prior-year period: EUR –208m). The higher earnings stem mainly from higher exchange rate gains compared with last year.

For the entire Other segment, the reporting period was again defined by exchange rate gains, which are allocated to this segment. Total income fell to EUR 1.1bn (prior-year period: EUR 1.4bn), while operating expenses dropped to EUR 1.1bn (prior-year period: EUR 1.5bn). EBIT came to EUR –45m (prior-year period: EUR –100m) and Adjusted EBIT to EUR –81m (prior-year period: EUR –140m).

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 2015" starting on p. 69.

In the first six months of 2016, the risks and opportunities for the Group described there have changed as follows:

At present, Brexit does not entail any significant financial risks for the Lufthansa Group.

The threat to civil aviation has gone up in view of the generally tense security situation and the first attacks on civil aircraft for more than ten years (Metrojet / Egypt, Daallo Airlines / Somalia). Flights from critical third-party countries are at risk, in addition to the public areas of airports, as the attacks in Brussels and Istanbul have shown. Alongside its immediate dangers, the increasing risk of terrorism in Germany and Europe may also result in tighter security regulations and further restrictions on the freedom of movement (Schengen, visa requirements), which would entail additional expenses. Negative effects on booking patterns are also expected, particularly in the event of further attacks.

The risk of cyber attacks is higher this year than last. Continuous advances in technology mean that the number of digital crimes committed is on the rise. Ways must be found of dealing with this challenge. Further investment and cybersecurity defence mechanisms will be necessary in future.

The measurement of pension provisions is still highly volatile. Reducing the discount rate used for the measurement of pension obligations increased the amount of provisions compared with the first quarter of 2016. Higher pension obligations have a negative impact on financial indicators, which means that there is a danger of losing the investment grade rating from Standard & Poor's. In the long term, the switch from a defined-benefit to a defined-contribution system will reduce the burden.

The main outstanding issues concerning retirement and transitional benefits, remuneration and also the way collective bargaining disputes are resolved in future were settled in early July 2016 in the course of arbitration between Lufthansa Passenger Airlines and the UFO flight attendants' union. Important matters have still not been agreed with the Vereinigung Cockpit pilots' union, including retirement and transitional benefits. Constructive, confidential talks are currently taking place, however.

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

Supplementary report

On 5 July 2016 in Berlin, Lufthansa Passenger Airlines and the UFO flight attendants' union declared that they would accept the arbitration proposal made by Matthias Platzeck, the former state premier of Brandenburg. In addition to an agreement on the wage settlement, the arbitration proposal also covers the switch from a defined-benefit system of retirement and transitional benefits for cabin staff to a defined-contribution system. Based on the information currently available, this will lead to a reduction in pension provisions to be recognised in the consolidated financial statements, which will lie in the upper three-digit million range. According to international accounting standards, the vast majority of this reduction is to be recognised in the current financial year as past service expense in profit or loss and will thereby have a positive effect on EBIT, but not on Adjusted EBIT, however.

On 22 July 2016, Lufthansa Technik and the United Services Union (ver.di) reached an agreement on the future of the engine overhaul facility at the site in Hamburg, which is subject to the approval of the boards. The introduction of various measures to increase efficiency will enable 1,300 jobs to be secured in the long term. Furthermore, around EUR 80m is to be invested in the site to enable the overhaul and maintenance of the latest generation of aircraft engines.

Forecast

GDP development

in %	2016*	2017*	2018*	2019*	2020*
World	2.5	2.7	3.1	3.2	3.3
Europe	1.7	1.2	1.7	1.7	1.8
Germany	1.6	1.4	1.6	1.5	1.6
North America	1.8	2.4	2.4	2.3	2.3
South America	−0.8	1.2	2.5	3.2	3.4
Asia / Pacific	4.6	4.5	4.8	4.9	4.9
China	6.5	6.2	6.4	6.4	6.5
Middle East	2.3	3.0	3.7	4.1	4.4
Africa	2.3	3.3	3.9	4.1	4.4

Source: Global Insight World Overview as of 15.7.2016.
* Forecast.

Macroeconomic outlook After expanding by 2.6 per cent in 2015, the global economy is currently forecast to grow by 2.5 per cent in the 2016 financial year. One reason for the slightly weaker economic performance than last year is slower economic growth in the USA and China. Asia / Pacific is the fastest growing region of the world with an expected growth rate of 4.6 per cent, followed by Africa with 2.3 per cent. Growth of 1.8 per cent is forecast for North America, whereas the South American economy is predicted to contract by 0.8 per cent.

Economic growth of 1.7 per cent is predicted for Europe in 2016. The fastest growing countries in Europe are expected to be Ireland at 4.1 per cent, Poland at 3.4 per cent, Sweden at 3.1 per cent and Spain at 2.9 per cent. Growth of 1.6 per cent is predicted for Germany.

Futures rates indicate the expectation 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 2016.

The performance of the euro will depend, among other things, to a large extent on further developments in the Brexit negotiations between the United Kingdom and the European Union. Currency markets are expected to be highly volatile given the greater uncertainty. Most analysts assume that the pound sterling will remain weak until at least the end of 2016. The consensus is that the euro will move sideways against the US dollar, Chinese renminbi, Japanese yen and Swiss franc, with a slight tendency to appreciate against these currencies.

Sector outlook Taking forecasts for global economic growth into account, the IATA predicts growth in revenue passenger-kilometres of 6.2 per cent for 2016 (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 Middle East (11.2 per cent), followed by Asia / Pacific (8.5 per cent), Europe (4.9 per cent), Africa (4.5 per cent), South America (4.2 per cent) and North America (4.0 per cent).

Outlook for the Lufthansa Group The Lufthansa Group's overall result developed positively in the first six months of the current financial year, with an increase in earnings compared with last year's successful performance. However, the quality of the earnings improvement was not satisfactory. Of the operating segments, only the Passenger Airline Group was able to improve its earnings, which in turn was down only to Lufthansa Passenger Airlines after eliminating non-recurring effects.

In a very challenging environment, the fall in earnings at SWISS was in line with the forecast. Austrian Airlines reported an improvement in earnings. But adjusting for a positive one-off effect from a transaction with Vienna Airport would have meant a decline. Earnings at Eurowings suffered from non-recurring expenses for integrating the various flight operations and the subsequent costs of start-up difficulties in long-haul operations. Brussels Airlines and SunExpress, the main equity investments in the Passenger Airlines segment, were directly affected by considerable geopolitical influences in their home markets and could also not match the level of last year's earnings.

In the other business segments, Lufthansa Cargo reported a significant fall in earnings due to extensive market overcapacities. Lufthansa Technik suffered from lower income from new orders and the successful completion of its product installations at Lufthansa Passenger Airlines and the associated fall in revenue compared with last year meant that it was not able to match last year's earnings. Performance at the LSG group was stable. The Other segment reported a significantly positive year-on-year performance, in particular thanks to the year-on-year decline in exchange rate losses.

The Lufthansa Group's performance in the first half-year was still within the operating and financial forecast from the beginning of the year.

Lufthansa Group now expects Adjusted EBIT to be below the previous year Advance bookings, especially on long-haul routes to Europe, have declined significantly, due in particular to repeated terrorist attacks in Europe and to greater political and economic uncertainty since the original forecast was made in March. From today's perspective, the Executive Board no longer believes it likely that bookings will recover again in full. For this reason, the Executive Board of Deutsche Lufthansa AG has decided to lower the full-year forecast for Adjusted EBIT from "slightly above previous year" to "below previous year", even though earnings in the first half-year were higher than the previous year.

Forecast: Development of key figures Passenger Airline Group

	Values 2015	Forecast for 2016
Number of flights	+0.2%	+1.4%*
Capacity (ASK)	+2.2%	+5.4%*
Sales (RPK)	+2.7%	lower than capacity growth*
Passenger load factor (SLF)	+0.3 pts	negative*
Pricing (Yields)[1]	−3.5%	significantly negative
Unit revenue (RASK)[1]	−3.0%	significantly negative, −8% to −9% in the second half*
Unit costs (CASK, excluding fuel)[1]	+2.4%	negative, −2% to −3% in the second half*

* Forecast has been adjusted compared with the Annual Report 2015.
[1] At constant currency.

The Executive Board expects unit revenues in the Passenger Airline Group segment to deteriorate, especially in the third quarter. The Executive Board now anticipates that currency-adjusted unit revenues will fall by 8 to 9 per cent in the second half-year. Planned capacity growth at the passenger airlines has been cut from 6.0 to 5.4 per cent for the full year. The Executive Board stands by its forecast of a decline of some 2 to 3 per cent in unit costs after adjustment for exchange rates and fuel costs in the second half-year. On current estimates, fuel costs will go down by approximately EUR 350m in the second half-year. The other business segments are expecting cumulative earnings on par with the same period last year in the second half-year. Any restructuring costs are already included in the figures mentioned above.

Overall risks from underlying macroeconomic and geopolitical developments remain unchanged and continue to represent an uncertainty for the development of revenue and earnings, especially for the Passenger Airline Group.

The performance of the Passenger Airline Group in particular is expected to be weaker in the second half-year In view of the changes in the market described above and the significant adverse external factors, Lufthansa Passenger Airlines is now forecasting Adjusted EBIT for the full year 2016 to be down on last year. Ongoing initiatives regarding both costs and income as well as strict management of capacities led, among other things, to a positive development in unit costs. Overall, however, this trend will not be able to make up for the fall in demand, which is significantly lower than last year.

SWISS continues to expect Adjusted EBIT in 2016 to be below the previous year, in particular due to the currency situation of the Swiss franc. However, the market changes described above and the significant adverse external factors will burden earnings more heavily than assumed at the beginning of the year.

For 2016, Austrian Airlines still expects Adjusted EBIT to be above the previous year. The earnings improvement was driven by significant income from a finance lease with Vienna Airport. In addition, ongoing initiatives regarding both costs and income, as well as strict management of capacities and marketing activities, will have a positive effect in that they are primarily intended to strengthen unit revenues. However, the market changes described above and the significant adverse external factors will burden earnings more heavily than assumed at the beginning of the year.

Eurowings continues to expect a negative Adjusted EBIT for 2016. The negative earnings performance should be driven primarily by one-off expenses in connection with further expanding the Eurowings group, as well as by costs for the expansion of the Vienna site and of long-haul connections. However, the market changes described above and the significant adverse external factors will burden earnings more heavily than assumed at the beginning of the year.

Earnings performance remains largely dependent on political and economic developments in the Passenger Airline Group's markets. All airlines in the Passenger Airline Group are able to adjust their capacities to lasting changes in demand. Volatile oil prices, exchange rate risks, changes in capacity and in pricing on the market as well as strike risks will also determine the level of earnings. The assumptions made in the Annual Report 2015 for the operating performance of the Passenger Airline Group have been amended in line with the adjustment to forecast.

Remaining business segments expect earnings performance to vary widely Lufthansa Cargo is responding to the weak market and earnings in the first half-year with a wide-ranging programme of structural cost-cutting measures and adjustments to its strategy. In view of its current earnings performance, Lufthansa Cargo is now expecting Adjusted EBIT for 2016 to be negative.

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

The LSG group continues to expect revenue to be slightly above, and Adjusted EBIT to be slightly below last year in 2016. Earnings will be adversely affected by expenses in connection with refocusing the business model on Europe. The ongoing programmes to increase efficiency as well as the expansion of activities in adjacent markets will continue to be driven forward.

Lufthansa Group and operating segments earnings forecast 2016

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

* Forecast has been adjusted compared with the Annual Report 2015.

Consolidated income statement

January – June 2016

in €m	**Jan. – June 2016**	Jan. – June 2015*	**April – June 2016**	April – June 2015*
Traffic revenue	11,637	12,181	6,402	6,734
Other revenue	3,405	3,184	1,724	1,658
Total revenue	**15,042**	**15,365**	**8,126**	**8,392**
Changes in inventories and work performed by entity and capitalised	58	99	27	23
Other operating income	1,174	1,500	552	663
Cost of materials and services	−8,283	−8,644	−4,347	−4,667
Staff costs	−3,984	−3,923	−2,027	−2,001
Depreciation, amortisation and impairment	−843	−851	−451	−477
Other operating expenses	−2,636	−3,116	−1,331	−1,370
Profit / loss from operating activities	**528**	**430**	**549**	**563**
Result of equity investments accounted for using the equity method	−23	15	8	28
Result of other equity investments	13	18	10	16
Interest income	22	117	13	23
Interest expenses	−156	−171	−80	−79
Other financial items	114	572	23	74
Financial result	**−30**	**551**	**−26**	**62**
Profit / loss before income taxes	**498**	**981**	**523**	**625**
Income taxes	−58	−13	−80	−88
Profit / loss after income taxes	**440**	**968**	**443**	**537**
Profit / loss attributable to minority interests	−11	−14	−6	−8
Net profit / loss attributable to shareholders of Deutsche Lufthansa AG	**429**	**954**	**437**	**529**
Basic / diluted earnings per share in €	**0.92**	**2.06**	**0.94**	**1.14**

* Previous year's figures have been adjusted.

Statement of comprehensive income

January – June 2016

in €m	**Jan. – June 2016**	Jan. – June 2015	**April – June 2016**	April – June 2015
Profit/loss after income taxes	**440**	**968**	**443**	**537**
Other comprehensive income				
Other comprehensive income with subsequent reclassification to the income statement				
Differences from currency translation	−33	287	21	−46
Subsequent measurement of available-for-sale financial assets	−21	−548	−22	−28
Subsequent measurement of cash flow hedges	821	571	773	44
Other comprehensive income from investments accounted for using the equity method	−4	6	−1	6
Other expenses and income recognised directly in equity	−4	4	−2	−3
Income taxes on items in other comprehensive income	−178	−130	−173	−1
Other comprehensive income without subsequent reclassification to the income statement				
Revaluation of defined-benefit pension plans	−3,998	830	−2,643	3,707
Revaluation of defined-benefit pension plans with groups of disposal	–	−19	–	–
Other comprehensive income from investments accounted for using the equity method	−9	–	−9	–
Income taxes on items in other comprehensive income	992	−209	641	−1,009
Other comprehensive income after income taxes	**−2,434**	**792**	**−1,415**	**2,670**
Total comprehensive income	**−1,994**	**1,760**	**−972**	**3,207**
Comprehensive income attributable to minority interests	−7	−18	−4	−5
Comprehensive income attributable to shareholders of Deutsche Lufthansa AG	**−2,001**	**1,742**	**−976**	**3,202**

Consolidated balance sheet

as of 30 June 2016

Assets

in €m	30.6.2016	31.12.2015	30.6.2015
Intangible assets with an indefinite useful life*	1,258	1,235	1,254
Other intangible assets	443	422	403
Aircraft and reserve engines	14,708	14,591	14,563
Repairable spare parts for aircraft	1,422	1,388	1,244
Property, plant and other equipment	2,187	2,173	2,086
Investments accounted for using the equity method	479	520	466
Other equity investments	169	201	166
Non-current securities	24	15	30
Loans and receivables	456	516	519
Derivative financial instruments	1,292	1,234	1,171
Deferred charges and prepaid expenses	14	12	13
Effective income tax receivables	19	19	33
Deferred tax assets	2,035	1,200	1,193
Non-current assets	**24,506**	**23,526**	**23,141**
Inventories	786	761	715
Trade receivables and other receivables	4,987	4,389	4,796
Derivative financial instruments	335	440	625
Deferred charges and prepaid expenses	190	158	179
Effective income tax receivables	71	85	106
Securities	2,683	1,994	2,260
Cash and cash equivalents	1,408	1,099	1,223
Assets held for sale	88	10	43
Current assets	**10,548**	**8,936**	**9,947**
Total assets	**35,054**	**32,462**	**33,088**

* Including goodwill.

Shareholders' equity and liabilities

in €m	**30.6.2016**	31.12.2015	30.6.2015
Issued capital	1,193	1,189	1,185
Capital reserve	203	187	170
Retained earnings	63	1,612	1,894
Other neutral reserves	1,667	1,082	1,507
Net profit/loss	429	1,698	954
Equity attributable to shareholders of Deutsche Lufthansa AG	**3,555**	**5,768**	**5,710**
Minority interests	77	77	73
Shareholders' equity	**3,632**	**5,845**	**5,783**
Pension provisions	10,823	6,626	6,580
Other provisions	496	526	617
Borrowings	5,069	5,031	5,080
Other financial liabilities	132	121	107
Advance payments received, deferred income and other non-financial liabilities	1,217	1,223	1,263
Derivative financial instruments	110	307	221
Deferred tax liabilities	385	346	297
Non-current provisions and liabilities	**18,232**	**14,180**	**14,165**
Other provisions	911	1,075	933
Borrowings	1,478	1,339	712
Trade payables and other financial liabilities	4,932	4,847	4,953
Liabilities from unused flight documents	4,295	2,901	4,563
Advance payments received, deferred income and other non-financial liabilities	965	918	1,002
Derivative financial instruments	525	1,221	863
Effective income tax obligations	84	136	112
Liabilities related to assets held for sale	–	–	2
Current provisions and liabilities	**13,190**	**12,437**	**13,140**
Total shareholders' equity and liabilities	**35,054**	**32,462**	**33,088**

Consolidated statement of changes in shareholders' equity
as of 30 June 2016

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 31.12.2014	**1,185**	**170**	**407**	**364**	**236**	**314**	**1,321**	**1,237**	**55**	**3,968**	**63**	**4,031**
Capital increases/reductions	–	–	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	55	−55	–	–	–
Dividends to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	–	–	−7	−7
Transactions with minority interests	–	–	–	–	–	–	–	–	–	–	−1	−1
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	954	954	14	968
Other expenses and income recognised directly in equity	–	–	−107	287	–	6	186	602	–	788	4	792
As of 30.6.2015	**1,185**	**170**	**300**	**651**	**236**	**320**	**1,507**	**1,894**	**954**	**5,710**	**73**	**5,783**
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**

Consolidated cash flow statement

January – June 2016

in €m	**Jan. – June 2016**	Jan. – June 2015	**April – June 2016**	April – June 2015
Cash and cash equivalents 1.1.	**996**	**828**	**1,096**	**825**
Net profit/loss before income taxes	498	981	523	625
Depreciation, amortisation and impairment losses on non-current assets (net of reversals)	843	847	451	474
Depreciation, amortisation and impairment losses on current assets (net of reversals)	52	40	27	18
Net proceeds on disposal of non-current assets	–42	–46	–37	–24
Result of equity investments	10	–33	–18	–44
Net interest	134	54	67	56
Income tax payments/reimbursements	–73	–139	–58	–74
Significant non-cash-relevant expenses/income	–216	–627	–93	–236
Change in trade working capital	989	1,410	249	416
Change in other assets/shareholders' equity and liabilities	–2	40	–20	–78
Cash flow from operating activities	**2,193**	**2,527**	**1,091**	**1,133**
Capital expenditure for property, plant and equipment and intangible assets	–1,122	–1,447	–517	–671
Capital expenditure for financial investments	–13	–49	–12	–10
Additions/loss to repairable spare parts for aircraft	–88	–185	–80	–77
Proceeds from disposal of non-consolidated equity investments	26	0*	26	0*
Proceeds from disposal of consolidated equity investments	0*	–84	0*	6
Cash outflows for acquisitions of non-consolidated equity investments	–32	–1	–30	–1
Cash outflows for acquisitions of consolidated equity investments	0*	–1	0*	–1
Proceeds from disposal of intangible assets, property, plant and equipment and other financial investments	51	56	19	35
Interest income	83	160	26	36
Dividends received	25	44	22	38
Net cash from/used in investing activities	**–1,070**	**–1,507**	**–546**	**–645**
Purchase of securities/fund investments	–813	–492	–537	–86
Disposal of securities/fund investments	101	67	33	39
Net cash from/used in investing and cash management activities	**–1,782**	**–1,932**	**–1,050**	**–692**
Capital increase	–	–	–	–
Transactions by minority interests	1	–	0*	0*
Non-current borrowing	743	201	738	19
Repayment of non-current borrowing	–505	–434	–301	–116
Dividends paid	–240	–7	–235	–3
Interest paid	–95	–94	–38	–36
Net cash from/used in financing activities	**–96**	**–334**	**164**	**–136**
Net increase/decrease in cash and cash equivalents	**315**	**261**	**205**	**305**
Changes due to currency translation differences	–9	34	1	–7
Cash and cash equivalents 30.6. [1]	**1,302**	**1,123**	**1,302**	**1,123**
Securities	2,683	2,260	2,683	2,260
Liquidity	**3,985**	**3,383**	**3,985**	**3,383**
Net increase/decrease in total liquidity	995	770	710	342

* Rounded below EUR 1m.
[1] Excluding fixed-term deposits with terms of three to twelve months (2016: EUR 106m, 2015: EUR 100m).

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 2016 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 2016 have been applied. The interim financial statements as of 30 June 2016 have been prepared using the same accounting policies as those on which the preceding consolidated financial statements as of 31 December 2015 were based. The standards and interpretations mandatory for the first time as of 1 January 2016 did not have a significant effect on the Group's net assets, financial and earnings position.

There have been no significant changes to the group of consolidated companies since this time last year. The individual changes compared with year-end 2015 and 30 June 2015 are shown in the following table. These changes had no significant effect on the Group's net assets, financial and earnings position compared with the same period last year.

In the course of revising the definition of other revenue in flight operations, certain other revenue that is closely related to flight services has been reclassified within revenue from other revenue to traffic revenue as of 1 January 2016. The previous year's figures, including the information on yields, have been adjusted accordingly; traffic revenue for the first half of 2015 was shown EUR 58m higher and other revenue as EUR 58m lower.

Changes in the group of consolidated companies in the period 1.7.2015 to 30.6.2016

Name, registered office	Additions	Disposals	Reason
Passenger Airline Group segment			
Eurowings Aviation GmbH, Cologne	17.7.15		Established
Eurowings Europe GmbH, Vienna Airport, Austria	3.9.15		Established
LHAMIP LIMITED, Dublin, Ireland	1.12.15		Consolidated for the first time
ORIX Himalia Corporation Ltd., Tokyo, Japan	15.12.15		Established
ORIX Miranda Corporation Ltd., Tokyo, Japan	15.12.15		Established
Yamasa Aircraft LH12 Kumiai Ltd., Okayama, Japan	15.12.15		Established
LHAMIW LIMITED, Dublin, Ireland	1.2.16		Consolidated for the first time
Lufthansa Asset Management Leasing GmbH, Frankfurt/Main	10.3.16		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 31, Salzburg, Austria	4.4.16		Established
TraviAustria GmbH, Vienna, Austria		22.10.15	Sale
Lufthansa Leasing Austria GmbH & Co. OG Nr. 9, Salzburg, Austria		14.11.15	Merger
Lufthansa Leasing Austria GmbH & Co. OG Nr. 1, Salzburg, Austria		1.12.15	Merger
Raffles Leasing Ltd., Hamilton, Bermuda		30.12.15	Liquidation
Syracuse Ltd., Hamilton, Bermuda		30.12.15	Liquidation
Logistics segment			
LHAMIC LIMITED, Dublin, Ireland	31.7.15		Consolidated for the first time
Lufthansa Leasing GmbH & Co. Echo-Zulu oHG, Grünwald		28.12.15	Merger
Catering segment			
Retail inMotion Limited, Dublin, Ireland	5.2.16		Acquisition of shares from 40 up to 100 per cent
MIM IFE Limited, Dublin, Ireland	5.2.16		Acquisition
UAB Airo Catering Services Lietuva, Vilnius, Lithuania		21.7.15	Sale
LSG Sky Chefs Nürnberg GmbH, Neu-Isenburg		1.9.15	Merger
Other			
LHAMIH LIMITED, Dublin, Ireland	31.7.15		Consolidated for the first time

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

Assets held for sale

in €m	30.6.2016	31.12.2015	30.6.2015
Assets			
Aircraft and reserve engines	83	5	28
Financial assets	–	–	–
Other assets	5	5	15
Equity/liabilities associated with assets held for sale			
Equity	–	–	–
Liabilities	–	–	2

Detailed comments on the income statement, the balance sheet, the cash flow statement and the segment reporting can also be found in the interim Group management report on p. 3–19.

3) Seasonality

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

4) Contingencies and events after the balance sheet date

Contingent liabilities

in €m	30.6.2016	31.12.2015
From guarantees, bills of exchange and cheque guarantees	838	843
From warranty contracts	697	872
From providing collateral for third-party liabilities	41	47
	1,576	**1,762**

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 52m (31.12.2015: EUR 51m).

At the end of June 2016, there were order commitments of EUR 15.8bn for capital expenditure on property, plant and equipment and intangible assets. As of 31 December 2015, the order commitments came to EUR 16.5bn.

On 5 July 2016 in Berlin, Lufthansa Passenger Airlines and the UFO flight attendants' union declared that they would accept the arbitration proposal made by Matthias Platzeck, the former state premier of Brandenburg. In addition to an agreement on the wage settlement, the arbitration proposal also covers the switch from a defined-benefit system of retirement and transitional benefits for cabin staff to a defined-contribution system. Based on the information currently available, this will lead to a reduction in pension provisions to be recognised in the consolidated financial statements, which will lie in the upper three-digit million range. According to international accounting standards, the vast majority of this reduction is to be recognised in the current financial year as past service expense in profit or loss and will thereby have a positive effect on EBIT, but not on Adjusted EBIT, however.

On 22 July 2016, Lufthansa Technik and the United Services Union (ver.di) reached an agreement on the future of the engine overhaul facility at the site in Hamburg, which is subject to the approval of the boards. The introduction of various measures to increase efficiency will enable 1,300 jobs to be secured in the long term. Furthermore, around EUR 80m is to be invested in the site to enable the overhaul and maintenance of the latest generation of aircraft engines.

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 30.6.2016

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	–	275	–	275
Total financial assets through profit and loss	**–**	**275**	**–**	**275**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**1,352**	**–**	**1,352**
Available-for-sale financial assets				
Equity instruments	226	85	–	311
Debt instruments	–	2,388	–	2,388
Total available-for-sale financial assets	**226**	**2,473**	**–**	**2,699**
Total assets	**226**	**4,100**	**–**	**4,326**

The financial assets of EUR 24m shown in level 3 of the fair value hierarchy as of 31 December 2015 have been disposed of.

Liabilities 30.6.2016

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	–	95	–	95
Derivative financial instruments which are an effective part of a hedging relationship	–	540	–	540
Total liabilities	**–**	**635**	**–**	**635**

As of 31 December 2015, the fair value hierarchy for assets and liabilities held at fair value was as follows:

Assets 31.12.2015

in €m	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Financial derivatives classified as held for trading	–	259	–	259
Total financial assets through profit and loss	**–**	**259**	**–**	**259**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**1,415**	**–**	**1,415**
Available-for-sale financial assets				
Equity instruments	238	51	24	313
Debt instruments	–	1,714	–	1,714
Total available-for-sale financial assets	**238**	**1,765**	**24**	**2,027**
Total assets	**238**	**3,439**	**24**	**3,701**

Liabilities 31.12.2015

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	–	85	–	85
Derivative financial instruments which are an effective part of a hedging relationship	–	1,443	–	1,443
Total liabilities	**–**	**1,528**	**–**	**1,528**

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

	30.6.2016		31.12.2015	
in €m	Carrying amount	Market value	Carrying amount	Market value
Bonds	1,763	1,784	1,749	1,789
Liabilities to banks	1,296	1,300	1,079	1,095
Leasing liabilities and other loans	3,488	3,606	3,542	3,663
	6,547	**6,690**	**6,370**	**6,547**

6) Earnings per share

		30.6.2016	30.6.2015
Basic earnings per share	€	**0.92**	**2.06**
Consolidated net profit/loss	€m	429	954
Weighted average number of shares		464,538,697	462,772,266
Diluted earnings per share	€	**0.92**	**2.06**
Consolidated net profit/loss	€m	429	954
Weighted average number of shares		464,538,697	462,772,266

7) Issued capital

Following a resolution of the Annual General Meeting held on 28 April 2016, the distributable profit of EUR 232m shown in the 2015 financial statements was paid out as dividends. This corresponds to a dividend of EUR 0.50 per share for the financial year 2015.

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 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.

8) Segment reporting

Segment information by operating segment January – June 2016

in €m	Passenger Airline Group	Logistics	MRO	Catering	**Total reportable operating segments**	Other	Reconciliation	**Group**
External revenue	11,008	964	1,723	1,213	14,908	134	–	15,042
of which traffic revenue	10,496	939	–	–	11,435	–	202	11,637
Inter-segment revenue	294	12	815	313	1,434	81	–1,515	–
Total revenue	**11,302**	**976**	**2,538**	**1,526**	**16,342**	**215**	**–1,515**	**15,042**
Other operating income	571	30	120	36	757	865	–390	1,232
Total operating income	**11,873**	**1,006**	**2,658**	**1,562**	**17,099**	**1,080**	**–1,905**	**16,274**
Operating expenses	**11,436**	**1,065**	**2,462**	**1,542**	**16,505**	**1,132**	**–1,891**	**15,746**
of which cost of materials and services	6,902	691	1,389	658	9,640	79	–1,436	8,283
of which staff costs	2,281	203	651	590	3,725	263	–4	3,984
of which depreciation and amortisation	696	42	52	35	825	17	1	843
of which other operating expenses	1,557	129	370	259	2,315	773	–452	2,636
Results of equity investments	**–44**	**13**	**8**	**6**	**–17**	**7**	**–**	**–10**
of which result of investments accounted for using the equity method	–44	11	6	4	–23	1	–1	–23
EBIT	**393**	**–46**	**204**	**26**	**577**	**–45**	**–14**	**518**
of which reconciliation items								
Impairment losses/gains	–51	–1	–	–2	–54	–1	2	–53
Past service costs/settlement	–	–	–	–	–	–	–	–
Results of disposal of assets	3	0*	0*	4	7	37	–2	42
Adjusted EBIT[1]	**441**	**–45**	**204**	**24**	**624**	**–81**	**–14**	**529**
Total adjustments								–11
Other financial result								–20
Profit/loss before income taxes								498
Capital employed[2]	11,013	1,117	3,529	1,349	17,008	1,375	862	19,245
of which from investments accounted for using the equity method	113	48	193	119	473	6	–	479
Segment capital expenditure[3]	932	15	95	28	1,070	10	87	1,167
of which from investments accounted for using the equity method	–	–	–	–	–	–	–	–
Number of employees at end of period	56,119	4,509	20,657	35,571	116,856	5,943	–	122,799

* Rounded below EUR 1m.
[1] For detailed reconciliation from EBIT to Adjusted EBIT, please see page 7 of the interim Group 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 are shown.

Segment information by operating segment January – June 2015

in €m	Passenger Airline Group	Logistics	MRO	Catering	**Total reportable operating segments**	Other	Reconciliation	**Group**
External revenue	11,305	1,194	1,593	1,139	15,231	134	–	15,365
of which traffic revenue[4]	10,792	1,166	–	–	11,958	–	223	12,181
Inter-segment revenue	337	13	963	309	1,622	128	–1,750	–
Total revenue	**11,642**	**1,207**	**2,556**	**1,448**	**16,853**	**262**	**–1,750**	**15,365**
Other operating income	762	15	146	33	956	1,090	–447	1,599
Total operating income	**12,404**	**1,222**	**2,702**	**1,481**	**17,809**	**1,352**	**–2,197**	**16,964**
Operating expenses	**12,123**	**1,250**	**2,444**	**1,465**	**17,282**	**1,468**	**–2,216**	**16,534**
of which cost of materials and services	7,486	789	1,282	625	10,182	85	–1,623	8,644
of which staff costs	2,258	210	649	546	3,663	263	–3	3,923
of which depreciation and amortisation	634	104	50	44	832	18	1	851
of which other operating expenses	1,745	147	463	250	2,605	1,102	–591	3,116
Results of equity investments	**–4**	**12**	**10**	**0***	**18**	**16**	**–1**	**33**
of which result of investments accounted for using the equity method	–5	11	9	–	15	1	–1	15
EBIT	**277**	**–16**	**268**	**16**	**545**	**–100**	**18**	**463**
of which reconciliation items								
Impairment losses/gains	–5	–66	–	–9	–80	–3	–	–83
Past service costs/settlement	32	–	–	–	32	–	–	32
Results of disposal of assets	1	0*	0*	–1	0*	43	3	46
Adjusted EBIT[1]	**249**	**50**	**268**	**26**	**593**	**–140**	**15**	**468**
Total adjustments								–5
Other financial result								518
Profit/loss before income taxes								981
Capital employed[2]	10,269	1,167	3,161	1,313	15,910	1,340	223	17,473
of which from investments accounted for using the equity method	88	47	199	126	460	6	–	466
Segment capital expenditure[3]	1,375	95	42	39	1,551	8	–61	1,498
of which from investments accounted for using the equity method	–	–	–	–	–	–	–	–
Number of employees at end of period	55,298	4,660	20,036	33,614	113,608	5,749	–	119,357

* Rounded below EUR 1m.
[1] For detailed reconciliation from EBIT to Adjusted EBIT, please see page 7 of the interim Group 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 are shown.
[4] Previous year's figures have been adjusted.

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.

Figures by region January – June 2015[1)]

in €m	Europe	thereof Germany	North America	thereof USA	Central and South America	Asia/Pacific	Middle East	Africa	**Total**
Traffic revenue[2)]	7,739	3,543	2,007	1,815	406	1,501	344	184	12,181
Other operating revenue	1,244	494	859	671	174	588	174	145	3,184
Total revenue	**8,983**	**4,037**	**2,866**	**2,486**	**580**	**2,089**	**518**	**329**	**15,365**

1) Previous year's figures have been adjusted.
2) Traffic revenue is allocated according to the original location of sale.

9) Related party disclosures

As stated in "Note 44" to the consolidated financial statements from p. 179 in the Annual Report 2015, 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" from p. 96 and in "Note 45" from p. 181 of the 2015 consolidated financial statements also still exist unchanged, but are not of material significance for the Group.

Declaration by the legal representatives

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

The Executive Board, 29 July 2016

Carsten Spohr
Chairman of the
Executive Board and CEO

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

Harry Hohmeister
Member of the Executive Board
Hub Management

Simone Menne
Member of the Executive Board
and Chief Financial Officer

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

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, 2016 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, 29 July 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

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The Lufthansa 2nd Interim Report is a translation of the original German Lufthansa Zwischenbericht 2/2016. Please note that only the German version is legally binding.

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

The latest financial information on the internet:
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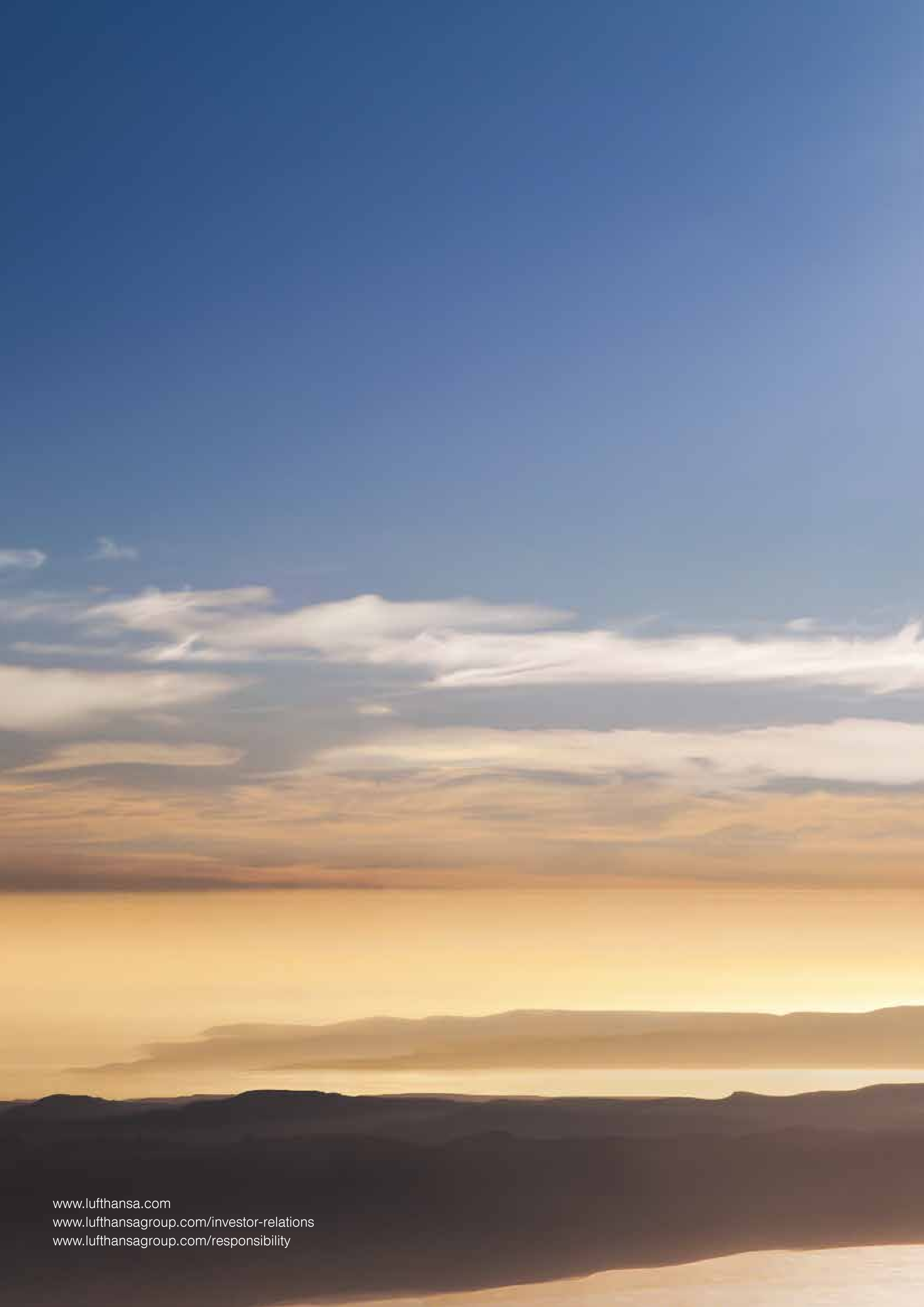
Financial calendar 2016 / 2017

2016

2 Nov.	Release of Interim Report January – September 2016

2017

16 March	Release of Annual Report 2016
27 April	Release of Interim Report January – March 2017
5 May	Annual General Meeting in Hamburg
2 Aug.	Release of Interim Report January – June 2017
26 Oct.	Release of Interim Report January – September 2017



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