



## For the first half-year of 2009 Lufthansa reports a decrease in revenue of 15 per cent and an operating result of EUR 8m

### Excerpt of the 2nd Interim Report

#### Overview

The persistent economic crisis and its effects on demand present the Lufthansa Group with major challenges. Lufthansa suffered a sharp fall in revenue in the first half-year, which meant that we were only able to report a considerably reduced operating profit of EUR 8m. A year ago the figure was EUR 677m.

All business segments were affected by the fall in earnings. The Passenger Airlines Group was not able to repeat last year's good results. It nevertheless managed to post a profit. Logistics was able to make up for a good half of the fall in revenue, but ultimately still had to recognise a significant loss. The Catering and IT Services segments were also not able to match last year's revenue and results. Only the MRO segment continued its revenue growth, although it also posted an operating result below last year's.

The Group still benefits from its solid position, operating flexibility and robust financial profile, but the force of the economic downturn and the structural changes which have since occurred oblige us to take additional measures. We have therefore increased our efforts to safeguard earnings in all segments. For this reason Lufthansa Passenger Airlines has launched the ambitious but necessary programme CLIMB 2011 in order to face the structural changes in demand as well as to adapt current capacities and costs. By 2011, the segment's earnings base is to be sustainably improved by EUR 1bn, principally by cost-cutting measures.

Thanks to the approval of the equity investment in Brussels Airlines and the compromise reached with the previous majority shareholder of British Midland, Sir Michael Bishop, together with both airlines it can now be worked at full thrust on elaborating sustainable business models. The planned takeover of Austrian Airlines is also to be expected an important enhancement, despite the momentarily difficult situation of the long-time Star Alliance partner.

#### Share

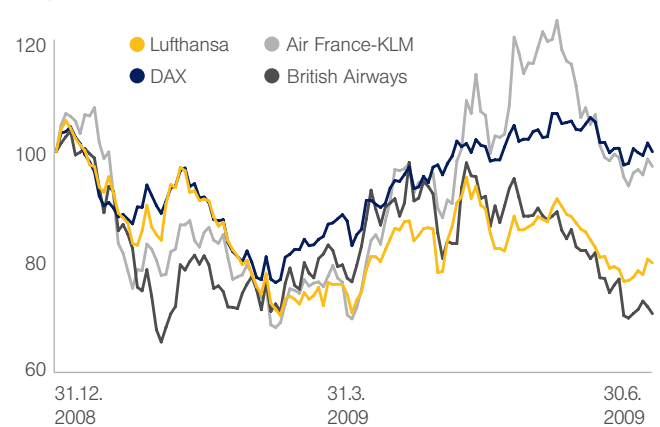
In the first quarter, stock exchanges reflected the ongoing economic crisis and poor company news in falling share prices, but in the second quarter they made good the lost ground. This upswing was initially buoyed by improved reports from the financial sector and subsequently by the hope of a more widespread economic recovery. Fundamental signs of a general economic convalescence were still lacking, however. Speculation that the global economy would soon recover nevertheless caused the oil price to rise sharply. The major international indices performed correspondingly well. The German stock market index DAX rose by 18 per cent in the second quarter, regaining its year's opening level of 4,809 points.

The shares of European airlines did not benefit from this rally. British Airways registered a fall of 29 per cent in the first half-year. Shares in Air France-KLM, which had already suffered heavy losses in 2008, sank by a further three per cent.

The Lufthansa share reported a decline of around 20 per cent; adjusted to include the dividend payment the drop was 14 per cent. The share finished trading on 30 June at EUR 8.93.

Despite the weak environment, which led to a correction in earnings expectations and further measures to safeguard earnings, the majority of analysts continue to see the Lufthansa Group as a long-term

**Lufthansa's share price trend** (indexed on 31 December 2008) compared with the DAX and competitors in %



winner in the industry. Three reasons are given for this: better operating stability compared with the competition, the solid financial position, and an active strategic development option by means of various alternatives, even in difficult times. Thanks to its greater earnings stability, Lufthansa was also the only European airline able to pay its shareholders a dividend for the previous financial year. A resolution was passed at the Annual General Meeting on 24 April to distribute EUR 0.70 per share, which was paid out on 27 April.

#### Earnings position

**Traffic** at the Lufthansa Group decreased considerably in the first half-year of 2009 compared with the same period last year. The Group's airlines transported some 33 million passengers (-4.8 per cent) and around 0.8 million tonnes of freight and mail (-19.8 per cent). In passenger traffic the load factor fell by 3.1 percentage points to 75.2 per cent. Capacity was reduced by 1.8 per cent, while sales fell by 5.7 per cent. Sales in the Group's airfreight business (including SWISS World Cargo) as measured in tonne-kilometres declined by 20.5 per cent, while capacity was cut by 7.9 per cent. The cargo load factor was down 8.9 percentage points at 56.4 per cent.

**Traffic revenue** fell in the first half-year by 19.3 per cent to EUR 7.8bn, reflecting the reduced traffic. Lower volumes accounted for 8.1 per cent and pricing for 13.2 per cent of the fall in revenue. In contrast, currency effects had a positive effect of 2.0 per cent. The Passenger Airlines Group accounted for EUR 6.8bn (-16.4 per cent) of traffic revenue in the reporting period and the Logistics segment for EUR 0.9bn (-35.8 per cent).

**Other revenue** went up to EUR 2.4bn (+1.9 per cent), mainly due to higher MRO revenue. Of the total, the MRO segment reported revenue of EUR 1.2bn (+13.6 per cent), IT Services EUR 125m (-5.3 per cent) and Catering EUR 778m (-7.4 per cent). The airborne companies in the Passenger Airlines Group and Logistics segments contributed EUR 241m (-12.4 per cent) to other revenue.

## Lufthansa Group Overview

		January - June 2009	January - June 2008 <sup>3)</sup>	Change in %
<b>Revenue and Result</b>				
Revenue	€m	10,226	12,057	- 15.2
- of which traffic revenue	€m	7,846	9,722	- 19.3
Operating result	€m	8	677	- 98.8
EBIT	€m	- 198	564	
EBITDA	€m	617	1,289	- 52.1
Net profit/loss for the period	€m	- 216	381	
<b>Key balance sheet and cash flow statement figures</b>				
Total assets	€m	23,474	23,632	- 0.7
Equity ratio	%	25.7	27.9	- 2.2 pts.
Net liquidity <sup>1)</sup>	€m	- 396	916	
Cash flow from operating activities	€m	1,030	1,753	- 41.2
Capital expenditure	€m	1,165	1,231	- 5.4
<b>Key profitability and value creation figures</b>				
Adjusted operating margin <sup>2)</sup>	%	0.5	5.9	- 5.4 pts.
EBITDA margin	%	6.0	10.7	- 4.7 pts.
<b>The Lufthansa share</b>				
Share price at the half-year end	€	8.93	13.70	- 34.8
Earnings per share	€	- 0.47	0.83	
<b>Traffic figures</b>				
Passengers	thousands	33,185	34,845	- 4.8
Freight/mail	thousand tonnes	788	983	- 19.8
Passenger load factor	%	75.2	78.3	- 3.1 pts.
Cargo load factor	%	56.4	65.3	- 8.9 pts.
Available tonne-kilometres	millions	16,369	17,165	- 4.6
Revenue tonne-kilometres	millions	10,971	12,396	-11.5
Overall load factor	%	67.0	72.2	- 5.2 pts.
Number of flights		393,896	412,302	- 4.7
<b>Employees</b>				
Number of employees as of 30.06.		105,499	108,073	- 2.4

<sup>1)</sup> Long-term securities serving as liquidity reserves and cashable at short notice have been included in the calculation of net liquidity.

<sup>2)</sup> Ratio for comparability with other airlines: (operating result and reversals of provisions)/revenue.

<sup>3)</sup> Last year's figures have been adjusted in line with IFRIC 13.

The interim report at 30 June 2009 was prepared in accordance with the rules of IAS 34, taking into account the standards applicable since 1 January 2009. Date of disclosure: 30 June 2009.

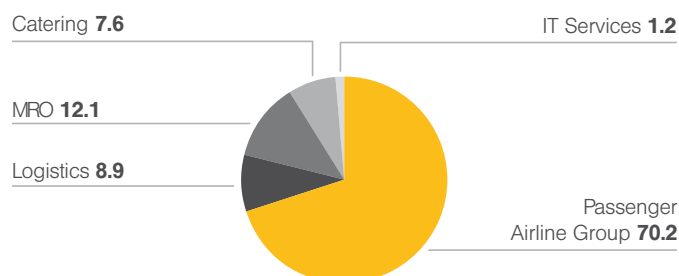
**Group revenue** decreased by 15.2 per cent to EUR 10.2bn as a result of lower traffic revenue. The Passenger Airlines Group's share of total revenue fell to 70.3 per cent (-1.0 percentage points). **Total operating income** came to EUR 11.6bn (-10.1 per cent).

**Operating expenses** contracted to EUR 11.6bn (-4.8 per cent). This reduction is due to the fact that the **cost of materials and services** fell by 11.4 per cent to EUR 5.8bn. This in turn stemmed from the fall of EUR 897m (-36.6 per cent to EUR 1.6bn) in fuel costs. Fuel expenses include a negative hedging result of EUR 87m.

**Staff costs** rose by 1.1 per cent. As the average number of employees fell by 1.0 per cent, this is largely the result of wage settlements agreed last year and increased contributions to the pension insurance scheme. On average over the half-year the Group had 106,223 employees. **Depreciation and amortisation** rose to EUR 674m (+10.9 per cent). Depreciation of aircraft, mainly last year's new purchases, accounted for EUR 30m (+6.2 per cent) of the increase.

Adjusted for non-recurring factors, the **operating profit** was EUR 8m compared with EUR 677m in the particularly strong first half-year of 2008. The comparable operating margin fell to 0.5 per cent (previous year: 5.9 per cent). The **net profit/loss** for the first half-year after minority interests (EUR 6m) was EUR -216m (previous year: EUR 381m).

## Revenue distribution by business segment in %



## Cash flow and capital expenditure

**Cash flow from operating activities** of EUR 1.0bn (previous year: EUR 1.8bn) was generated in the first half of the 2009 financial year. Free cash flow is the sum of cash flow from operating activities less net capital expenditure. It was positive in the first half-year at EUR 140m.

**Gross capital expenditure** came to EUR 1.2bn, of which EUR 898m was for final payments on three Airbus A340s, three Airbus A330s, four Airbus A321s, three Airbus A320s, four Airbus A319s, two Cessna Citations, three Canadair Regional Jet 900s and seven Embraer E195s, as well as for aircraft overhauls and prepayments on aircraft. A total of EUR 95m was spent to purchase financial investments. The acquisition of 45 per cent of the shares in SN Airholding accounted for EUR 65m and the purchase of additional JetBlue shares as part of a capital increase for EUR 13m. Repairable spare parts were purchased for a further EUR 113m. In addition, a total of EUR 1.5bn was invested in current securities and funds, net of disposals. On the income side, the Lufthansa Group received interest and dividend payments of EUR 114m. Proceeds on the disposal of assets contributed EUR 274m. In total, EUR 2.3bn in net cash was used for investing and cash management activities (previous year: EUR 1.5bn).

## Operating expenses

	January - June 2009 in €m	January - June 2008 in €m	Change in %
Cost of materials and services	5,770	6,512	- 11.4
- of which fuel	1,557	2,454	- 36.6
- of which fees and charges	1,677	1,720	- 2.5
Staff costs	2,848	2,818	1.1
Depreciation, amortisation and impairment	674	608	10.9
Other operating expenses	2,281	2,215	3.0
<b>Total operating expenses</b>	<b>11,573</b>	<b>12,153</b>	<b>- 4.8</b>

## Assets and financial position

The **consolidated balance sheet total** amounted to EUR 23.5bn at the end of the first half-year of 2009, or EUR 1.1bn more than at year-end 2008.

**Non-current assets** rose only slightly by EUR 36m to EUR 15.0bn while current assets went up by EUR 1.0bn to EUR 8.5bn. Within non-current assets the items aircraft and spare engines increased by EUR 301m due to additions. In contrast, equity investments fell by EUR 57m, derivative financial instruments (mostly from currency hedges) by EUR 118m and long-term securities by EUR 117m.

**Under current assets**, receivables rose by EUR 136m for seasonal and billing reasons. Securities went up by EUR 1.4bn, particularly from investing cash inflows. Cash and cash equivalents declined by EUR 415m, however. Non-current assets as a proportion of total assets sank as a result from 66.8 per cent at year-end 2008 to 64.0 per cent on the reporting date.

With regard to shareholders' equity and liabilities, the measurement change for miles awarded under bonus miles programmes but not yet used, in accordance with IFRIC 13, meant that the corresponding obligations rose to EUR 1.5bn as of 1 January 2009 compared with EUR 1.0bn as of 31 December 2008. At the same time deferred tax liabilities sank by EUR 103m and shareholders' equity by EUR 325m to EUR 6.6bn. This change reduced the equity ratio as of 1 January 2009 from 30.9 per cent to 29.4 per cent.

In the first half-year, **shareholders' equity** (including minority interests) dropped by EUR 552m compared with the adjusted figure as of 1 January 2009. The fall is predominantly due to the negative post-tax result of EUR –216m and the dividend payment of EUR 320m for the 2008 financial year. At the end of the first half-year, the **equity ratio** was 25.7 per cent and therefore below the medium-term target of 30 per cent. **Non-current liabilities and provisions** went up by EUR 1.3bn to EUR 9.1bn and current borrowing also rose by EUR 290m to EUR 8.3bn. The rise in non-current borrowing is due to increased financial debt of EUR 1.4bn. The newly assumed non-current bonded loans and the bond were responsible for the increase. **Higher current liabilities** mainly resulted from the rise in liabilities from unused flight documents for seasonal and billing reasons (EUR +464m) and higher other provisions (EUR +121m) while trade payables and other financial liabilities declined by EUR 211m and the market value of derivative financial instruments by EUR 182m. As of 30 June 2009, the Group exhibited **net indebtedness** again for the first time since 2003 at EUR 396m (including EUR 368m in non-current liquidity reserves). At year-end 2008 the Group had net liquidity of EUR 125m.

## Outlook

The weak demand visible in the first half-year is expected to continue in the second half-year. There is also no sign of a respite from pricing pressure. This is compounded by the severe volatility on oil markets, where the most recent spikes bore no relation to the state of the real economy. The future course of business therefore remains exposed to considerable risks. The Lufthansa Group is expecting the remainder of the financial year to remain difficult. It will therefore primarily be flexibility and speed of reaction in short-term capacity and cost management which will decide the competitiveness and ensure profitability. All the segments in the Lufthansa Group have these capabilities. Their approaches are to be continued and stepped up.

The Lufthansa Group benefits in this environment also from its strong business segments, which in some cases have different business cycles. This has a considerable stabilising effect on the earnings performance of the Group. All segments make a major contribution to its continued success thanks to their position in the market and their steps to safeguard earnings. They also contribute to further distinguishing the Lufthansa Group from its competitors. In this still challenging environment, with a substantial fall in revenue expected and the new compa-

nies in the airline group weighing on earnings, the Group's efforts remain directed at earning an operating profit for the full year of 2009. The achievement of this goal is nevertheless subject to considerable risks from future developments in demand and fuel prices. It also depends on the additional measures being successfully implemented in the near future.

## Business segment news

### Passenger Airline Group segment

The global economic downturn affected the traffic figures for the segment throughout the first half-year of 2009. The collapse in demand led to decreasing load factors and sharp falls in average yields. Traffic revenue fell sharply with 16.4 per cent to EUR 6.8bn as a result. The operating result of EUR 35m was with 90.4 per cent well below last year's successful performance. In view of persistently weak demand further capacity adjustments were made at Lufthansa and SWISS. Lufthansa Passenger Airlines also launched a programme to safeguard earnings known as CLIMB 2011, which is to lower the cost base sustainably by EUR 1bn by the end of 2011.

Following anti-trust approval in June and the acquisition of 45 per cent of SN Airholding SA/NV, the parent company of Brussels Airlines, the company was consolidated using the equity method as of 30 June 2009. The commercial collaboration already underway has been extended.

On 1 July 2009, following an out-of-court settlement, LHBD Holding Limited, a company owned 35 per cent and controlled by Lufthansa, acquired a stake of 50 per cent plus one share in bmi. This gives the Group a total interest of 80 per cent in bmi. The remaining 20 per cent are held by SAS Scandinavian Airlines. From 1 July onwards bmi will be fully consolidated.

The customer loyalty programme Miles & More again won decorations at the 2009 Freddie Awards (gold, silver and two bronze). SWISS also won a prize. The renowned British consultancy Skytrax gave its much sought-after World Airline Award 2009 to SWISS as the Best Airline in Europe for short and long haul.

On 17 June 2009, Lufthansa CityLine celebrated its 50th jubilee. In order to focus more on the shuttle services for Munich and Frankfurt in the future, the group company is to get 20 Embraer 190/195 regional jets from autumn 2009 and retire 35 smaller and in some cases older planes.

### Logistics business segment

In a persistently weak economic environment Lufthansa Cargo reported a severe fall in revenue of 35.5 per cent to EUR 916m and a considerable operating loss in the first half-year of 2009 (EUR –134m). The programme to safeguard earnings was bolstered, reduced working hours ramped up from 20 per cent to 25 per cent, capacity cut further and other operating budgets trimmed by 25 per cent across the board.

The contraction of the global export economy adversely affected Lufthansa Cargo in the second quarter, too. The result was that capacities equivalent to around four aircraft were left unused. From 1 June 2009, capacities equivalent to just three Boeing 747-400s are being deployed under Lufthansa Cargo's responsibility at Jade Cargo.

On 19 June 2009, AeroLogic GmbH – the joint venture between DHL Express and Lufthansa Cargo – began flight operations. AeroLogic deploys the fuel-saving Boeing 777F in its fleet, currently the most modern wide-body freighter on the market. It offers reduced delivery times for its freight, especially on direct flights between its home airport Leipzig/Halle and the Asian growth markets.

Lufthansa Cargo received two major awards in the first half-year. It took first place at the World Air Cargo Awards in the category Air Cargo Industry Customer Care. It received a further accolade at the Asian Freight & Supply Chain Awards (AFSCA), being voted Best Air Cargo Carrier Europe.

### MRO business segment

Airlines again cut capacities sharply in the first half-year due to persistently weak demand. In 2009 alone, an additional 160 aircraft deliveries have been postponed, 2,450 planes are still grounded and active aircraft are being deployed less frequently. These developments were accompanied in the first half-year by a continuously shrinking global demand for maintenance, repair and overhaul (MRO) services, and by a further increase in pricing pressure. Total revenue came to EUR 2.1bn, which is 14.5 per cent more than in the same period last year. The operating result fell as a result by 8.9 per cent to EUR 144m.

In terms of external business Lufthansa Technik remains on a growth path. In the first half of this year, 20 new clients were acquired for the full year and 275 new contracts with a total volume of EUR 373m were signed. Its fleet under management rose by 21 per cent to 1,995 aircraft worldwide.

### IT Services business segment

In the first half-year of 2009, business at Lufthansa Systems was dominated by the global economic crisis and its effects on the international aviation sector. Airlines were cautious about investing in IT projects and revenue was therefore down as a result. Costs have been consistently cut since the start of the current financial year; the variable cost block in particular has been pared down through the use of fewer external staff. These steps resulted in improved results from the second quarter of 2009. In the first half of 2009, Lufthansa Systems recorded total revenue of EUR 302m (-4.1 per cent). The operating result sank to EUR 7m (previous year: EUR 18m).

Despite the adverse effects of the general economic situation, Lufthansa Systems was able to sign some major new customer con-

tracts in the first half-year. In the field of flight-path planning and navigation solutions, Lufthansa Systems was also able to expand its customer base with Germanwings and Cargoitalia. Significant implementation projects were also completed successfully, such as the introduction of the Dynamic Price Engine for setting prices at the Central and South American airline TACA and in the network management space at Asia's largest carrier, China Southern Airlines. The roll-out of 2,500 new PCs and laptops in all German-speaking locations of the leisure travel group Thomas Cook was also completed.

### Catering business segment

The weak demand in the passenger business of many airlines led to further reductions in their capacities. Combined with the pronounced passenger migration from premium to economy classes, this has perpetuated, and in some cases exacerbated, revenue erosion due to lower volumes and prices in the first half-year. These developments led to a sharp decline in demand for catering products and in-flight management services. Volumes and revenue in the Catering segment are therefore considerably lower than last year. In the first half-year, revenue fell by 8.4 per cent to EUR 1.0bn compared with the same period last year. The operating result for LSG Sky Chefs comes to EUR 25m (-19.4 per cent).

LSG Sky Chefs held steady in the current difficult market environment and was able to strengthen its customer base in the first half-year. Major contracts were signed or renewed for individual locations with Alaska Airlines, TUI Group, Dragonair, Thomson and Condor. The contract with SAS in Scandinavia expired at the end of April, however. In addition to the investment and hiring freeze introduced in September 2008, and the reduced working hours in force in some German plants, LSG Sky Chefs is also countering revenue and margin deterioration with two wide-ranging initiatives: Performance 2009 and Upgrade<sup>plus</sup>.

### Financial data

#### 2009

**29 Oct.** Press Conference and Analysts' Conference on interim result January - September 2009

#### 2010

**11 March** Press Conference and Analysts' Conference on 2009 result

**27 April** Release of Interim Report January - March 2010

**29 April** Annual General Meeting, Berlin

**29 July** Release of Interim Report January - June 2010

**28 Oct.** Press Conference and Analysts' Conference on Interim result January - September 2010

**Investor Relations on the Internet** You will find the annual report, interim reports, monthly traffic figures, reports on financial press conferences and the AGM, including voting results, as well as detailed information about the executive bodies and the structure of the Lufthansa Group on our website [www.lufthansa.com/investor-relations](http://www.lufthansa.com/investor-relations). Financial information can be found there, as can ad hoc releases and obligatory disclosures. The website additionally includes charts, tables and the latest presentations by members of the Executive Board. You can use our order service to order print copies of the annual and interim reports as well as to subscribe to or unsubscribe from our e-mail newsletter, the monthly investor info or the electronic delivery of the interim reports.

### Disclaimer in respect of forward-looking statements

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

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

### Editorial information and further information

**Deutsche Lufthansa AG**

**Investor Relations**

Lufthansa Aviation Center

Airportring

60546 Frankfurt/Main, Germany

Phone: +49 69 696-28008

Fax: +49 69 696-90990

E-Mail: [investor.relations@dlh.de](mailto:investor.relations@dlh.de)

10 August 2009