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Lufthansa Group operationally back in the profit zone after the first six months of 2011

Catastrophes in Japan and political unrest in North Africa place burden on development of business during first half of 2011 / Group confirms forecast for 2011 and expects improvements of revenue and result on previous year's figures

Deutsche Lufthansa AG has posted an operating profit of three million euros for the first six months of 2011. The figure is 174 million euros above the previous year's figure. The Group was thus able to record a positive operating result despite the result being burdened by losses in the lower triple-digit millions as a result of the catastrophes in Japan and political unrest in North Africa. "Lufthansa remains among the profitable airlines in the world even after six months of strong headwinds. All of our business segments are continuing to work hard to extend the gap to our competitors," commented Member of the Board of Deutsche Lufthansa AG, responsible for Finance and Aviation Services, Stephan Gemkow, on the occasion of the release of the first-half results. The net result of minus 206 million euros for the first six months was 102 million euros below the previous year's figure. It was marked by measurement effects from the application of IAS 39.

The Passenger Airline Group, the business segment in the Group with the highest revenue, improved its operating result to minus 239 million euros, recording a year-on-year increase of 103 million euros. Besides the improved sales and robust average yields, the increase can also be attributed to the ongoing modernization of the fleet and the introduction of the new European cabin on Lufthansa's continental routes, which was accompanied by a significant reduction in unit costs. Lufthansa Passenger Airlines was able to successfully sell its expanded capacities in European traffic. However, the events in Japan and North Africa, the price pressure in Europe and the high fuel costs all had a negative impact on the result, which meant that although the airline contributed an improved operating result to the Group's overall operating result, it was still negative at minus 100 million euros. SWISS recorded a very good first half result and almost doubled the previous year's figure posting an operating profit of 104 million euros. Austrian Airlines had to assert itself in conditions that were considerably tougher than expected at the start of the year and recorded a negative operating result of 64 million euros. The same applied for bmi, which recorded an operating loss of 120 million euros at the close of the first half. Within the Group Austrian Airlines and bmi were worst-affected by the impact of the

events in Japan and North Africa. Germanwings recorded an operating result of minus 46 million euros.

Lufthansa Cargo recorded an operating profit of 133 million euros in the Logistics business segment. The figure was only slightly below the previous year's record-breaking result. The MRO segment posted an operating profit of 106 million euros. The IT Services business segment posted an operating result of six million euros, which was slightly below the previous year's figure as a result of restructuring costs. In the Catering business segment, LSG Sky Chefs benefitted from the rise in passenger figures recording an operating profit of 21 million euros, a significant improvement on the previous year's figure.

On the whole, the Group expects the positive development of demand and sales to continue during the further course of the year, and considers an improvement of the situation in Japan probable. The challenges for Lufthansa remain in the high oil price and the competitive pressure in certain markets. The Group companies encounter these challenges with far-reaching measures to safeguard earnings and restructuring efforts. Deutsche Lufthansa AG confirmed its outlook for the full year based on the improved result during the first half of the year and the prospect of a positive development of business during the coming six months. The Group consequently continues to expect a year-on-year improvement of revenue and operating result for 2011.

First-half figures 2011

During the first six months of 2011, the Lufthansa Group generated revenues totalling 14.1 billion euros, equivalent to a year-on-year increase of 11.4 per cent. The traffic revenue rose by 13.7 per cent to 11.6 billion euros. During the reporting period, the Group's operating income increased by altogether 9.0 per cent to 15.4 billion euros.

Operating expenses rose by 7.3 per cent to 15.3 billion euros during the first half of the year. One important reason for this were the fuel costs, which rose by 598 million euros to a total of three billion euros; equivalent to a year-on-year increase of 24.6 per cent, which was both price and volume related. A positive hedging result of 434 million euros is already included in this amount. There was a growth-related increase in fees and charges of 17.8 per cent on the previous year's figure.

The Lufthansa Group posted an operating result of three million euros, which marked an increase of 174 million euros in comparison to the previous year's figure. The Group posted a net result of minus 206 million euros; during the same period last year, it had stood at minus 104 million euros. It includes a negative measurement effect from changes

in the time values of hedging transactions following the application of IAS 39. The earnings per share currently amount to minus 0.45 euros.

Lufthansa's capital expenditure during the reporting period totalled 1.4 billion euros, of which 1.2 billion euros were spent on the expansion and modernization of the fleet. Operating cash flow totalled 1.7 billion euros, the free cash flow (operating cash flow minus net investments) stood at 857 million euros. At the close of the first half of 2011, the Group had reduced its net indebtedness to 1.4 billion euros. In comparison to the 2010 financial statements, the Group's equity ratio dropped from 28.4 per cent to 26.5 per cent.

Lufthansa Group		January-June		Change
		2011	2010	
Revenue	€m	14,063	12,625	+1,438
of which traffic revenue	€m	11,597	10,203	+1,394
Profit from operating activities	€m	164	-66	+230
Operating result	€m	3	-171	+174
Adjusted operating margin*	In %	0.4	-1.0	+1.4 PP.
Net result	€m	-206	-104	-102
Capital expenditure	€m	1,437	974	+463
Cash flow	€m	1,740	1,420	+320
Employees (as of 30 June 2011)		118,766	116,844	-
Earnings per share	€	-0.45	-0.23	-0.22

*) Operating result plus write back of provisions divided by revenue

The complete interim report for the first half of 2011 is available on the Internet at www.lufthansa.com/investor-relations. Photographs will be available for download at: <http://presse.lufthansa.com/de/mediathek/bildarchiv.html>

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