



Lufthansa

1st Interim Report
January – March 2006

4.4bn

EUR revenue

+8.5%

increase in average yields of
Lufthansa Passenger Airlines

290m

EUR cashflow from
operating activities

Key data

Lufthansa Group overview*

		January – March 2006	January – March 2005	Change in %
Revenue	€m	4,446	3,903	13.9
of which traffic revenue	€m	3,364	2,979	12.9
EBITDA	€m	206	222	– 7.2
Operating result	€m	– 75	– 26	– 188.5
Net profit/loss for the period	€m	– 98	– 116	15.5
Capital expenditure	€m	612	480	27.5
Cash flow from operating activities	€m	290	133	118.0
Total assets as at 31 March	€m	19,227	18,647	3.1
Net-indebtedness**	€m	– 74	– 95	22.1
Employees as at 31 March	number	92,616	89,939	3.0
Earnings/loss per share	€	– 0.21	– 0.25	16.0

* Previous year's figures only partly comparable due to changes in the group of consolidated companies.

** From the first quarter 2006, long-term securities serving as liquidity reserves and cashable at short notice have been included in calculation of net debt. The previous year's figures have been adjusted accordingly.

The interim report at 31 March 2006 was prepared in accordance with the rules of IAS 34, taking into account the standards applicable since 1 January 2006.

Date of disclosure: 11 May 2006

Traffic figures Lufthansa Passenger Airlines and Lufthansa Cargo

		January – March 2006	January – March 2005	Change in %
Passengers carried	thousands	11,442	11,131	2.8
Passenger load factor	%	71.8	73.3	– 1.5 P.
Freight/mail	thousand tonnes	410	415	– 1.0
Cargo load factor	%	68.3	65.2	3.1 P.
Available tonne-kilometres	millions	6,135	6,117	0.3
Revenue tonne-kilometres	millions	4,313	4,270	1.0
Overall load factor	%	70.3	69.8	0.5 P.
Number of flights		156,461	151,740	3.1

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Dear shareholders,

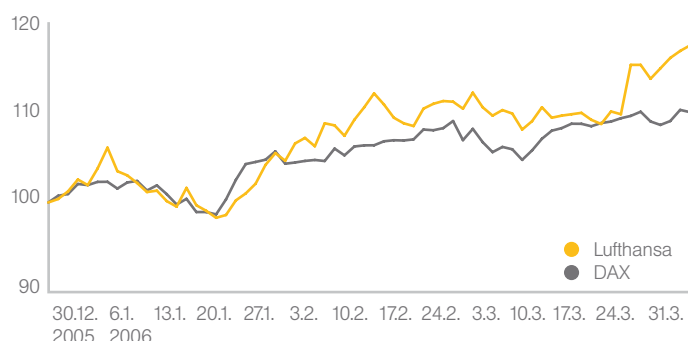
in spite of oil prices being on the rise again, economic indicators point to robust international economic growth in the first quarter of 2006 that should continue throughout the year. Spurred on by this trend, the aviation industry got off to a correspondingly good start to the new year as demand for aviation services continued to firm up.

Lufthansa likewise profited from the cyclical trend. We were able to report year-on-year growth in passenger numbers and output. The operating result for the first quarter, traditionally weak, was EUR –75m (previous year: EUR –26m), but comparability with the previous year's results is limited due to changes in the group of consolidated companies. Without these changes, the operating result would have been EUR –47m. Net profit/loss for the period improved to EUR –98m (previous year: EUR –116m).

The share

In the first quarter of 2006, German stock markets kept up the previous year's positive trend. With good economic data and expectations of high corporate profits for financial year 2005, Germany's DAX index rose by 10.4 per cent in the quarter to a five-year high.

Lufthansa's share price trend (indexed on 30.12.2005)
in the first quarter of 2006 compared with the German DAX



The Lufthansa share price rose to EUR 14.77, an 18.1 per cent increase and a marked improvement on the DAX performance. This price rise was basically triggered by a dividend proposal of EUR 0.50 per share and a positive operating outlook. After Lufthansa's 2005 results were published most analysts increased their target price for the share. On our website we publish a regularly updated review of analysts' reports.

At 31 March 2006 German investors held 75.2 per cent of Lufthansa's share capital. Second with 7.1 per cent were shareholders from the U.S.A. followed by investors from Great Britain with 5.1 per cent. Lufthansa's free-float comes to 100 per cent.

Important events in the first quarter

On 4 January 2006, Lufthansa repaid ahead of time from cash and cash equivalents a nominal EUR 699m of the 1.25 per cent 2002/2012 convertible bond (WKN 795 560). At present only EUR 51m of the bond is still outstanding. Due to differences between market value and carrying amount at the time of redemption, the repayment generated a EUR 28m financial return.

The squeeze-out initiated in August 2005 as part of the takeover of Swiss International Air Lines AG (SWISS) was completed successfully in January 2006. Lufthansa and the Almea Foundation now hold 100 per cent of SWISS shares via the Swiss company AirTrust AG. The private shareholders in SWISS affected by the squeeze-out were paid CHF 8.96 per share, or the same as shareholders who had sold their SWISS shares to AirTrust AG during the purchase offer. Swiss International Air Lines AG was delisted on 27 January.

As part of our strategy, we are about to develop with other companies an aviation network system along the value chain. To that end, we have increased our stake in airport operator Fraport to 9.3 per cent. At the AGM of Fraport shareholders on 31 May, Lufthansa chairman and CEO Wolfgang Mayrhofer will be nominated for election to Fraport AG's Supervisory Board. The aim of this equity holding is to play an active part in shaping the infrastructure needed to run an airline and to optimise costs, quality and efficiency.

Change in management

On 22 March 2006 Stephan Gemkow was appointed as Chief Financial Officer by Deutsche Lufthansa AG's Supervisory Board for a three-year term from 1 June 2006. Stephan Gemkow, Board Member Finance and Human Resources of Lufthansa Cargo AG since February 2004, is taking over from Dr. Karl-Ludwig Kley, who is stepping down as CFO on 31 May 2006 and is moving to Merck KGaA.

Action plan

We are continuing to work at full stretch on the action plan launched in 2004 to achieve sustainable cost reductions of EUR 1.2bn by the end of 2006. Savings of EUR 985m towards that total had been realised by the end of the first quarter.

Economic settings

The international economy continues to be on an upturn. Current cyclical indicators point to significant continued growth in the first quarter of 2006 in spite of higher oil prices. A further upturn is expected for the first quarter in the euro zone and Germany. The main growth drivers continue to be Asia, especially China, and the United States. More momentum has also come lately from Japan.

Oil prices continued to increase sharply in the first three months of 2006. From averaging USD 48/bbl in the first quarter of 2005, they swelled to an average of USD 63/bbl in the first quarter of 2006, a sharp increase of 31 per cent. By the end of the quarter the oil price had risen due to international political tension, such as the Iran conflict, to around USD 66/bbl.

The aviation industry has benefited from the ongoing positive cyclical trend and got off to a good start in 2006. Industry data for March indicate year-on-year growth of 5.9 per cent in passenger transportation and 5.2 per cent in freight transport.

Standards applied and changes in the group of consolidated companies

This interim report up to 31 March 2006 has been drawn up in accordance with the rules of IAS 34 and in compliance with the standards and interpretations applicable from 1 January 2006. We have otherwise used the same accounting and valuation methods as for the consolidated financial statements for the year 2005.

Compared with last year's first quarter the group of consolidated companies was extended to include AirTrust AG (SWISS is now wholly owned by AirTrust AG) and the Eurowings Group including Germanwings, in which Lufthansa acquired a majority voting interest

at the end of 2005. In the Catering segment we have newly consolidated four companies, while five companies left the group of consolidated companies. See page 16 of this report and the segments affected for details.

Course of business

In the first quarter the Lufthansa Passenger Airlines and Lufthansa Cargo boosted sales (passenger and freight) by 1.0 per cent. Since capacity was increased only marginally – by 0.3 per cent, the overall load factor improved by 0.5 percentage points to 70.3 per cent.

Between January and March 2006 Lufthansa carried 11.4 million passengers, or 2.8 per cent more than in the previous year. The 3.1 per cent increase in capacity was not quite taken up by the market, with the result that the passenger load factor was down 1.5 percentage points to 71.8 per cent.

In the cargo business, the volume carried was down 1 per cent to 410,000 tonnes. Yet even with a 3.4 per cent cutback in capacity, we were able to lift sales by 1.1 per cent to 1.9 billion tonne-kilometres. The cargo load factor increased accordingly by 3.1 percentage points to 68.3 per cent.

Revenue

Traffic revenue was up EUR 385m, or 12.9 per cent, on the year to EUR 3.4bn. The main driver, along with the enlargement of the group of consolidated companies, was our policy of a market-oriented expansion of capacity with its positive influence on average yields in the first quarter of 2006. At the Lufthansa Passenger Airlines we were able to boost average yields by 8.5 per cent and at Lufthansa Cargo by 9.0 per cent on the year. Other operating revenue also rose sharply – by 17.1 per cent to EUR 1.1bn. The MRO segment accounted for EUR 509m of that increase, a growth rate of 22.1 per cent. The LSG Sky Chefs Group contributed EUR 409m, up 10.5 per cent on the year. Overall, revenue rose 13.9 per cent to EUR 4.4bn from EUR 3.9bn. Other operating income increased by 4.9 per cent to EUR 299m from EUR 285m.

Expenses

Despite successful cost savings achieved by the action plan, operating expenses increased to EUR 4.8bn (previous year: EUR 4.3bn). In addition to the larger group of consolidated companies, this was caused mainly by the higher cost of materials.

The cost of materials was up 24.3 per cent to EUR 2.4bn, with fuel as the main cost driver. We had to expend EUR 751m, or 64.0 per cent, more than a year ago on kerosene. Higher traffic out-

put was responsible for merely 1.7 per cent, but 44.8 per cent to higher prices, including hedging, while 17.5 per cent were caused by changed currency parities. Fuel price hedging achieved savings of EUR 29m in the fuel bill. Fees and charges were 16.4 per cent higher at EUR 668m among others due to the expansion in short-haul traffic on higher-fee routes for example from Hamburg and Dusseldorf.

At 31 March 2006 the Lufthansa Group employed 92,616 staff, 3.0 per cent more than the year before. Adjusted for changes in the group of consolidated companies, the number of employees would have been only 0.4 per cent higher than in the previous year. Staff costs were 7.6 per cent up at EUR 1.3bn on the year caused among others by provisions in connection with one-off payments arising from the restructuring at LSG Sky Chefs in the United States and higher income thresholds for social insurance contributions in Germany from 1 January 2006.

Result

In a traditionally weak first quarter the Lufthansa Group's result from operating activities was EUR –46m (previous year: EUR –29m). This decline was due mainly to the changes in the group of consolidated companies. The financial result improved by 23.3 per cent to EUR –79m from EUR –103m, due largely to a EUR 25m (59.5 per cent) increase in the contribution from subsidiaries, joint ventures and associates.

The result from operating activities and the financial result balance to a loss before income taxes of EUR –125m, or 5.3 per cent up on the previous year's EUR –132m. The net loss improved by 15.5 per cent to EUR –98m (previous year: EUR –116m).

Group fleet

Number of commercial aircraft as at 31.3.2006

Manufacturer/Type								Change		Share
	Lufthansa	Lufthansa Cargo	CityLine	Air Dolomiti	Germanwings*	Eurowings*	Group	vis-à-vis 31.3.2005	vis-à-vis 31.12.2005	thereof Finance/ Operating Lease
Airbus A300	14	–	–	–	–	–	14	– 1	–	–
Airbus A310	5	–	–	–	–	–	5	– 1	– 1	–
Airbus A319	20	–	–	–	17	–	37	+ 17*	–	13
Airbus A320	36	–	–	–	3	–	39	+ 3*	–	3
Airbus A321	26	–	–	–	–	–	26	–	–	1
Airbus A330	12	–	–	–	–	–	12	+ 2	–	2
Airbus A340	39	–	–	–	–	–	39	– 1	–	1
Boeing 747	30	–	–	–	–	–	30	– 2	–	2
Boeing 737	63	–	–	–	–	–	63	–	–	2
MD 11F	–	19	–	–	–	–	19	–	–	–
Canadair	9	–	62	–	–	8	79	+ 7*	–	17
BAE 146	–	–	–	5	–	14	19	+ 19*	+ 1	18
AVRO	–	–	18	–	–	–	18	–	–	13
ATR	–	–	–	14	–	15	29	+ 13*	– 3	21
Total	254	19	80	19	20	37	429	+ 56	– 3	93

Leasing rate Lufthansa Group: 22 %

* Newly included in the group of consolidated companies

Assets and financial position

The EUR 19.2bn Group's assets at the end of the first quarter of 2006 were on a par with the 2005 year-end assets. There was a EUR 393m shift from short- to long-term assets. Among long-term assets, financial assets in particular showed a EUR 496m increase due to investment in the first quarter, whereas fixed assets were down EUR 96m due to depreciation. Among short-term assets, cash and cash equivalents decreased to EUR 1.1bn whereas short-term accounts payable grew by EUR 575m on the year's end for accounting-related reasons. Long-term assets thereby increased to 66.1 per cent of the balance sheet total from 63.9 per cent at the end of 2005.

On the liabilities side, shareholders' equity, including minority interests, declined slightly – by EUR 50m – on the end of 2005 and now totals EUR 4.5bn. The reason for this decline, given a counter-vailing positive change of EUR 182m in the market value of financial instruments, was for one the EUR 95m net loss for the quarter after taxes and for another the cutback in the premium from the issue of conversion options in connection with the 2002/2012 convertible bond. EUR 102m in pro rata discount had to be booked out as the corresponding conversion options were bought back in the January 2006 convertible bond repurchase.

The equity ratio is almost unchanged at 23.3 per cent compared with 23.5 per cent at the end of financial year 2005.

The Group's net assets including long-term liquidity reserves of EUR 500m totalled EUR 74m at the end of the first quarter 2006. This was EUR 69m down compared to year-end 2005, including EUR 150m long-term liquidity reserves. Gearing, including pension provisions, amounted to 90.1 per cent (year-end 2005: 85.8 per cent).

Cash flow and capital expenditure

In spite of the negative result of the first quarter a positive cash flow from operating activities of EUR 290m (previous year: EUR 133m) was generated. First-quarter gross capital expenditure totalled EUR 612m, of which EUR 145m was in aircraft repair and overhaul work and advance payments on aircraft. EUR 414m was invested in financial assets, of which EUR 350m was in long-term securities – long-term liquidity reserves – and EUR 51m in acquiring a larger stake in Fraport AG. As the gross capital expenditure was financed mainly by asset disposals and the sale of short-term securities held as cash and cash equivalents, only EUR 127m (previous year:

EUR 380m) was used for investment activities in the first quarter of 2006. A total of EUR 842m was required for financing activities, i.e. scheduled debt repayment, EUR 699m in redemption of the convertible bond in January 2006 and current interest payments, with the result that cash and cash equivalents were down EUR 680m. The same quarter last year saw a EUR 182m net inflow from financing activities with the result that cash and cash equivalents showed an overall decline of merely EUR 65m. The internal financing ratio in the first quarter was 47.4 per cent (previous year: 27.7 per cent).

Major events occurring after the reporting period

Deutsche Lufthansa AG placed on 26 April a 500m euro-benchmark bond with a seven-year term at an issue price of 99.742 per cent, paying interest at 4.625 per cent. The issuing yield was 4.669 per cent. The issue was oversubscribed six fold. The bond has been traded on the Frankfurt stock market since 8 May. The proceeds are to be used by the Group for general financing purposes.

We have reached an important milestone in restructuring LSG Sky Chefs in North America. In mid-April, US employees agreed to an extraordinary amendment to the wage agreement that will lead to annual savings of around USD 50m in staff costs. A further cost reduction of around USD 4m a year was achieved by amendments to or cancellation of long-term rental agreements.

Outlook

Economic experts predict the international economic upturn to continue in 2006 and 2007 and are also forecasting higher year-on-year economic growth for the euro zone and Germany. All Lufthansa Group companies stand to benefit from this trend. The high oil price will continue to weigh heavily, however, because no signs of a reversal of the price trend can be assumed. What is more, the Group's market environment is characterised by fierce competition and resulting pressure on prices and revenues. Lufthansa will continue to pursue its programmes to boost productivity and profits and therefore reaffirms its forecast of a 2006 operating result at least on a par with the previous year. Since the date on which SWISS will be totally integrated is not yet known, we have not taken the consolidation of SWISS into consideration.

The business segments

Segment Passenger Transportation

Passenger Transportation *				
		January – March 2006	January – March 2005	Change in %
Revenue	€m	2,917	2,566	13.7
Segment result	€m	– 87	– 83	– 4.8
Operating result	€m	– 113	– 78	– 44.9
EBITDA **	€m	41	73	– 43.8
Employees as at 31 March	number	37,502	34,890	7.5
Passengers carried ***	thousands	11,442	11,131	2.8
Available seat-kilometres ***	millions	33,494	32,472	3.1
Revenue passenger-kilometres ***	millions	24,044	23,815	1.0
Passenger load factor ***	%	71.8	73.3	– 1.5,P.

* Due to changes in the group of consolidated companies, the comparability of prior year figures is limited.

** Before profit transfer from other business segments.

*** Lufthansa Passenger Airlines.

The Passenger Transportation segment's group of consolidated companies has changed in comparison with the first quarter of 2005. Deutsche Lufthansa AG, Air Dolomiti, Lufthansa CityLine and the Eurowings Group including Germanwings as well as – at-equity – Swiss International Airlines belong to this business segment. Comparison with the previous year's figures is limited accordingly.

The Lufthansa Passenger Airlines – Deutsche Lufthansa AG and airlines collaborating under the Lufthansa Regional brand (Air Dolomiti, Lufthansa CityLine, Eurowings, Contact Air and Augsburg Airways) – carried 11.4 million passengers in the first quarter of 2006. That was 2.8 per cent more than a year ago. Capacity was expanded by 3.1 per cent while sales went up 1.0 per cent only. Hence the load factor at 71.8 per cent was 1.5 percentage points down on the year.

Europe was the traffic region with the highest growth rate, with positive contributions made by additions to Eastern European services and by the betterFly concept in Hamburg and Dusseldorf. Passenger

numbers rose by 4.0 per cent and sales by 5.8 per cent in all. Since capacity expansion was a little higher at 7.1 per cent, the passenger load factor fell 0.7 percentage points below the previous year at 60.1 per cent.

In the Asia/Pacific traffic region, Lufthansa was able to increase passenger numbers by 3.8 per cent and sales by 5.8 per cent. Supply grew 6.8 per cent on the year following the transfer of capacity from America to the Asia/Pacific area. Utilisation was down accordingly by 0.8 percentage points to 78.2 per cent.

In America, Lufthansa pulled 2.3 per cent of capacity out of the market in the first quarter of 2006. The number of passengers fell by 4.3 per cent, but this decline was offset by growth in the premium segment. Sales shrank by 4.7 per cent and the passenger load factor fell 2.0 percentage points to 77.5 per cent.

In spite of a slight increase (0.4 per cent) in capacity, performance declined in the Middle East/Africa traffic area. Passenger numbers dropped by 2.2 per cent and sales by 3.8 per cent. The passenger load factor at 69.9 per cent was 3.1 percentage points lower on the year.

Market-oriented capacity and yield management helped lift Lufthansa Passenger Airlines' yields by an average 8.5 per cent in the first quarter of 2006. As a result, and due also to changes in the group of consolidated companies, the business segment's traffic revenue grew by 13.6 per cent on the year to EUR 2.7bn. Total revenue increased by 13.7 per cent to EUR 2.9bn. Other segment income rose by 9.1 per cent to EUR 216m. In all, the Passenger Transportation business segment earned EUR 3.1bn in first-quarter segment income.

Expenses in the Passenger Transportation business segment increased by 13.1 per cent in the first quarter to EUR 3.2bn, with the cost of materials showing the highest growth of 20.5 per cent to EUR 1.8bn. Due to higher oil prices and changes in the group of consolidated companies, the airlines spent a total of EUR 633m, that is EUR 256m or 67.9 per cent more than in the previous year, on fuel. Fees and charges climbed by 18.5 per cent to EUR 596m due to changes in the group of consolidated companies, to the expansion of the fee-intensive short-haul services and to the higher security fees as a result of new EU regulations. In addition, air traffic control charges on routes to Asia increased significantly, especially in Russia.

The segments

Staff costs grew by 8.9 per cent to EUR 597m. At 31 March 2006, employee numbers were up by 2,612, or 7.5 per cent, to 37,502, of which the newly consolidated companies accounted for 1,997. More personnel and a one-off payment as part of the 2004 pay settlement led to a 6.9 per cent increase in wages and salaries, while social insurance contributions rose by 6.4 per cent from 1 January 2006 due to a higher income threshold.

Depreciation decreased by 10.5 per cent on the year to EUR 179m. Other operating expenses went up 5.9 per cent to EUR 624m. In spite of higher sales, agency commission costs were 1.3 per cent lower than the previous year.

Capital expenditure in the segment was at EUR 150m well below the previous year's EUR 245m (two Airbus A330s were taken into service in the first quarter of 2005).

In the traditionally weak first quarter, the Passenger Transportation segment's result remained virtually stable at EUR –87m (previous year: EUR –83m).

The operating result was EUR –113m (previous year: EUR –78m). Changes in the group of consolidated companies depressed the result by EUR 28m. The full year's operating result, excluding SWISS, is expected to exceed the previous year's provided that the positive development of the international economy is not impaired by higher oil price rises, geopolitical risks or pandemics.

Since 26 March, Lufthansa has been operating the 2006 summer timetable. Compared with the 2005 summer flight schedules, capacities have been stepped up by 1.5 per cent. On intercontinental services, the Asia traffic area leads the field with a 1.7 per cent capacity increase, followed by the Middle East/Africa with +1.2 per cent. In the Americas capacities have been reduced by 1.3 per cent. In Europe, capacity was boosted by 5.0 per cent for the betterFly programme of Lufthansa flights from EUR 99 within Europe. After a successful launch in Hamburg the programme was extended to all Germany, the EU, Switzerland, Norway and Turkey.

The individual point-to-point services offered by Lufthansa Private Jet continue to be in brisk demand and are being extended accordingly. Along with the 1,000 destinations in Europe, flights have since April 2006 been available to all international airports in the Russian Federation.

The integration of SWISS is making swift progress. From the 2006 summer timetable, Lufthansa and SWISS services were further harmonised, especially on South American and South-East Asian routes. Check-in desks at major international hubs were merged. In addition, the SWISS frequent flyer programme was merged with Lufthansa's from 1 April 2006.

SWISS became a member of the Star Alliance on 1 April and South African Airways on 10 April. Their admission raises the membership base of the world's leading airline alliance to a total of 18 partner airlines around the globe.

Segment Logistics

Lufthansa Logistics Group

		January – March 2006	January – March 2005	Change in %
Revenue	€m	679	612	10.9
Segment result	€m	18	6	200.0
Operating result	€m	11	0*	–
EBITDA	€m	49	52	– 5.8
Employees as at 31 March	number	4,695	4,854	– 3.3
Freight/mail	thousand tonnes	410	415	– 1.0
Available cargo tonne-kilometres	millions	2,769	2,866	– 3.4
Revenue cargo tonne-kilometres	millions	1,891	1,870	+ 1.1
Cargo load factor	%	68.3	65.2	+ 3.1P.

* Rounded below € 0.5m.

Cyclical recovery in Germany and the continued positive trend in the international economy are readily apparent at Lufthansa Cargo. Volume transported in the first quarter may have been down slightly on the year to 410,000 tonnes (–1.0 per cent), but sales grew in spite of a significant 3.4 per cent reduction of capacity by 1.1 per cent to 1.9bn tonne-kilometres. The load factor improved accordingly by 3.1 percentage points on the year to 68.3 per cent.

Business developed most pleasingly in the Asia/Pacific traffic region. The freight volume transported climbed by 7 per cent and sales by 5.1 per cent on the year. Against the background of a mere 1.2 per cent capacity increase, utilisation improved by 2.7 percentage points to 72 per cent. In Europe and the Americas, the load factor grew by 3.8 percentage points (Europe) and 4.2 percentage points. Capacity in Europe was reduced by 10.0 per cent, in the Americas it declined by 9.4 on the year, due mainly to the end of cooperation with US Airways. Sales fell in Europe by 1.4 per cent and in the Americas by 5.9 per cent.

In the Middle East/Africa traffic region, Lufthansa Cargo expanded capacity by a clear 6.8 per cent in the first quarter. Sales grew by 3.6 per cent. The volume transported was almost unchanged at –0.2 per cent. Utilisation decreased 1.9 percentage points on the year to 59.5 per cent.

Revenue rose to EUR 679m, which was EUR 67m or 10.9 per cent more than the previous year. The traffic revenue in the total climbed by EUR 59m or 10.2 per cent to EUR 638m. Positive currency effects, resulting largely from changes in the exchange rate of the euro to the US dollar (up 10.9 per cent on the year) and the Indian rupee (up 8.6 per cent on the year), higher fuel surcharges and

improvements in demand lifted yields 9.0 per cent. Other business segment income fell by EUR 12m to EUR 29m. In the previous year, Lufthansa Cargo's results profited from the sale of two Boeing 747 freighters. In all, segment income rose by 8.4 per cent to EUR 708m (previous year: EUR 653m).

Expenses for the business segment were up 6.6 per cent to EUR 690m, due mainly to higher oil prices. In detail, segment expenses were as follows:

The cost of materials rose by 10.2 per cent to EUR 465m. Fuel was at EUR 117m the main cost driver and Lufthansa Cargo had to expend EUR 36m more than in the previous year. Chartering costs were up EUR 9m on the year to EUR 225m, due mainly to the higher cost of marketing belly capacities on Lufthansa passenger aircraft. MRO expenditure shrank by EUR 3m to EUR 29m due to a new contract structure.

Staff costs increased by EUR 2m on the year to EUR 84m. Savings from cuts in the workforce, which was down 3.3 per cent to 4,695 on the reporting date, were countervailed by allocations to reserves and one-off payments arising from the 2004 pay settlements.

Other segment expenses were nearly all unchanged on the year. Completion of the fleet rollover reduced first-quarter capital expenditure to EUR 2m from the year-earlier EUR 21m.

In the first quarter, which tends to be weak, the cargo carrier's results were gratifying. Good pre-Easter business and positive cyclical impulses helped lift the segment result by EUR 12m to EUR 18m. The operating result was EUR 11m. Lufthansa Cargo is anticipating a full-year operating result which will, at best, be on a par with the previous year's level.

Lufthansa Cargo has prolonged for a year until the end of 2007 the Excellence + Growth programme initiated in 2004. Its aim is to achieve an operating result contribution of EUR 233m at year-end 2007 through further quality improvement, optimisation of processes and structures and stronger customer orientation.

The integration of SWISS is forging ahead in the airfreight business, too. As part of the process, Swiss World Cargo and Lufthansa Cargo Charter have signed a worldwide sales agreement.

On 31 March 2006, Lufthansa Cargo Chairman Jean-Peter Jansen stepped down for health reasons. Stefan Lauer, Deutsche Lufthansa AG's Chief Officer for Aviation Services and Human Resources took over as interim chairman. At the same time, Lufthansa AG CEO and Chairman Wolfgang Mayrhofer took over temporarily from Stefan Lauer as Supervisory Board chairman at Lufthansa Cargo AG. Karl-Heinz Köpfle, previously Managing Director of Lufthansa CityLine, joined the Lufthansa Cargo Executive Board on 1 April 2006 in charge of the newly created Operations Division.

Stephan Gemkow, Board Member Finance and Human Resources at Lufthansa Cargo AG, was appointed as Chief Financial Officer of Deutsche Lufthansa AG for a three-year term from 1 June 2006. Dr. Roland Busch, who is currently head of Corporate Finance at Lufthansa AG, has been appointed to the Executive Board of Lufthansa Cargo AG in charge of Finance and Human Resources, effective 1 June 2006.

Segment Maintenance, Repair and Overhaul (MRO)

Lufthansa Technik Group

		January – March 2006	January – March 2005	Change in %
Revenue	€m	859	778	10.4
Segment result	€m	64	77	– 16.9
Operating result	€m	58	73	– 20.5
EBITDA	€m	85	92	– 7.6
Employees as at 31 March	number	17,759	17,736	0.1

Recovery in world demand for maintenance, repair and overhaul (MRO) services continued in the first quarter of 2006 with ongoing pressure on prices. Lufthansa Technik got off to a good start in the new year, boosting revenue by 10.4 per cent to EUR 859m (previous year: EUR 778m). Inter-segment revenue fell by EUR 11m or 3.0 per cent to EUR 350m, due mainly to the relatively high base in the previous year, when much of Lufthansa's long-haul fleet was converted to the new Business Class. Moreover, a larger number of engine events accrued in the first quarter of 2005 than in the first quarter this year.

Business with non-Lufthansa Group customers was again strengthened significantly, with 138 additional contracts and 28 new customers, which are expected to generate a revenue volume of EUR 254m over the full year 2006. Lufthansa Technik is currently servicing 1,115 aircraft, worldwide, what is 11 per cent more than last year.

External revenue increased accordingly by 22.1 per cent or EUR 92m to EUR 509m. As a share of total revenue, it rose by 5.6 percentage points to 59.3 per cent. In all, the Lufthansa Technik Group earned segment income totalling EUR 894m (+8.8 per cent).

The cost reduction and efficiency programme "Technik Perspectives" initiated in 2005 is to continue in 2006. Its aim is to lower costs by EUR 240m on a permanent basis by 2007. In the first quarter of 2006, the savings already achieved increased cumulatively to a total of EUR 149m.

Segment expenses were nonetheless higher year on year, increasing by 12.5 per cent or EUR 92m to EUR 830m. The cost of materials made up the lion's share of EUR 445m. It was up EUR 85m or 23.6 per cent on the year. This large increase was due to building up material stocks for new aircraft types and for customers contracting Lufthansa Technik to supply materials and components for their fleets. Consumption of materials increased in keeping with sales.

Staff costs grew by EUR 11m (4.7 per cent) to EUR 244m, due in part to the one-off payment from the 2004 pay settlement. The size of the workforce, with 17,759 employees at 31 March 2006, remained roughly the same as in the previous year. Depreciation was up, by EUR 1m to EUR 18m. Other operating expenses fell by EUR 5m to EUR 123m caused by the cut-off date effects of asset evaluation. Capital expenditure in the MRO business segment was on a par with the previous year at EUR 22m and consisted mainly of new technical

The segments

equipment and an extra spare engine. It also includes outlay on construction work for the A380 Airbus maintenance hangar in Frankfurt, which is scheduled for use from 2007.

Lufthansa Technik was unable to match the previous year's very good result, which owed much to one-off special items. The segment result was down accordingly, as expected, by 13m to EUR 64m, while the operating result fell by EUR 15m to EUR 58m. In face of increasingly fierce competition and concomitant pressure on margins, Lufthansa Technik assumes that it will not quite be able to repeat its very good 2005 result.

Newcomers in the customer base in the first quarter 2006 were Italy's biggest no-frills carrier Wind Jet and Japan Transocean Air, one of the country's major regional airlines. The Completion Center in Hamburg has obtained further contracts from Bombardier and Airbus to equip Challenger 850 and A318 Elite jets with executive interiors. Additionally, the foundation stone was laid for a new workshop to repair aero-engine blades for Aerofoil Services SDN.Bhd., a joint venture operated by Lufthansa Technik and MTO Aero Engines in Selangor Science Park in Kota Damansara in Malaysia. Construction also began in the first quarter on a jet engine overhaul facility housing Germany's largest jet engine test stand at Arnstad in eastern Germany for the N3 Engine Overhaul Services company, owned by Lufthansa Technik and Rolls Royce.

Segment Catering

LSG Sky Chefs Group

		January – March 2006	January – March 2005	Change in %
Revenue	€m	526	484	8.7
Segment result	€m	– 31	– 28	– 10.7
Operating result	€m	– 9	– 14	35.7
EBITDA	€m	– 11	– 30	63.3
Employees as at 31 March	number	28,240	28,149	0.3

The Catering business segment's group of consolidated companies was enlarged on the first quarter of 2005 with the addition of LSG South America, Siam Flight Services Ltd. and LSG Sky Chefs (Thailand) Ltd., all of which were first consolidated in the second half of 2005. Compared with the first quarter of 2005, five companies no longer form part of the group of consolidated companies (see page 16 for details). That does not significantly impair comparability with the previous year's figures.

In the Catering business segment the previous year's positive trend continued in the first quarter of 2006. LSG Sky Chefs benefited from a higher demand for catering services mainly in Europe.

Revenue increased by 8.7 per cent on the year to EUR 526m, including inter-segment revenue up 2.6 per cent to EUR 117m. Ex-

ternal business showed much stronger growth, with revenue up 10.5 per cent to EUR 409m. Above-average growth was achieved in the UK, Denmark and Italy, due mainly to higher volumes as a result of higher passenger numbers and the agreement signed with Virgin Atlantic in 2005. In the Americas, by contrast, sales decreased slightly, especially in North America, where a number of catering operations were shut down in the course of last year. In all, the Catering segment income in the first quarter of 2006 amounted to EUR 554m (previous year: EUR 523m).

The cost of materials grew by 10.0 per cent on the year to EUR 221m due to higher materials input resulting from higher volumes.

Staff costs rose by 9.1 per cent to EUR 251m, due mainly to one-off effects of restructuring in the United States. A EUR 20m provision was made for compensation payments to US employees. In return a new wage structure was agreed that will reduce staff costs in the US permanently by about USD 50m a year. The headcount in the business segment increased only slightly by 91, or 0.3 per cent, to 28,240, including the 387 employees of the newly consolidated companies.

Depreciation and amortisation decreased by 6.3 per cent to EUR 15m as fixed assets in the United States were reduced significantly on the year, with several facilities having been shut down last year and assets written off ahead of time. Other depreciation was on a par with the previous year. Other operating expenses fell by EUR 6m to EUR 98m, due mainly to a marked decline in exchange rate losses.

In all, the Catering segment expenses totalled EUR 585m (+6.2 per cent).

Capital expenditure in the business segment was 45.0 per cent down on the previous year at EUR 11m. In the first quarter of 2005 LSG Sky Chefs invested in a new facility in the UK. In the first quarter of 2006, preparations were made for the proposed new plant in Frankfurt. Work on the new facility is to begin in the second quarter, so capital expenditure can be expected to increase sharply over the full year.

The segment result for the first quarter was EUR –31m (previous year: EUR –28m). The operating result improved on the previous year by EUR 5m to EUR –9m.

For the full year 2006, the LSG Sky Chefs group is expected to exceed significantly its positive 2005 operating result. This forecast is based largely on the lasting successes that the various cost reduction measures have achieved, and which will come into effect fully in the course of the year. That positive prospect is substantiated by rising revenue figures.

In March, LSG Sky Chefs UK booked a large in-flight management order for Thomsonfly, one of the UK's largest charter airlines. At the beginning of April, plans were announced to merge the French activities of the LSG Sky Chefs France subsidiary with those of Gate Gourmet S.A.S. The merger is intended to lay a firm foundation from which to become more competitive in the difficult French market.

Segment Leisure Travel

Thomas Cook AG

		1.11.2005 – 31.1.2006	1.11.2004 – 31.1.2005	Change in %
Revenue	€m	1,108	1,128	– 1.8
Result from operations (EBITA)	€m	– 126	– 145	13.1
Average number of employees	number	19,463	21,404	– 9.1

After a successful 2004/05 financial year, Thomas Cook AG's positive commercial development continued in the first quarter of 2006.

Thanks to significant cost structure improvement in the past two years an above-average participation in the growth forecast for the tourist industry is planned in the year ahead. A crucial role will be played by economic developments in Europe, where growth is expected to be stronger than last year, and by the anticipated upturn in private consumption.

In the first quarter of financial year 2005/06 (1.11.2005 – 31.1.2006), the number of leisure travellers at 1.3 million – was 5.1 per cent lower than the previous year. Yet in Germany, Thomas Cook developed better than the market in general. The number of customers at tour operators (not including seat-only sales at Condor) increased in Germany by 2.7 per cent, while in the UK, the number of leisure travellers fell by 7.9 per cent on the year and in the "West" (France, Belgium, Netherlands) market by 13.6 per cent. However, in the international market they soared by 15.9 per cent.

The positive trend was maintained at Condor (Airlines Germany segment). The airline has extended its services significantly and carried 1.4 million passengers, or 9.8 per cent more than a year ago. Passenger numbers surged in both business with Thomas Cook tour operators (+ 14.0 per cent) and seat-only sales (+ 9.0 per cent). Seat-only sales now account for 36.0 per cent of Airlines Germany revenue.

With sales per guest higher, Thomas Cook's first-quarter revenue fell by only EUR 21m, or 1.8 per cent, to EUR 1.1bn. While revenue in Germany was almost unchanged (– 0.1 per cent) at EUR 434m, it shrank by 3.5 per cent to EUR 332m in the UK and 8.5 per cent to EUR 188m in the "West" sales market. The encouraging trend in seat-only sales enabled the Airlines Germany segment to boost first-quarter revenue by EUR 23m to EUR 241m.

In spite of the high price of oil, expenses on leisure travel services was at EUR 863m slightly down on the year (– 0.4 per cent). Higher fuel costs (EUR +27m) were counterbalanced by the lower costs

(EUR –15m) incurred by Thomas Cook tour operators for flights operated by airlines outside the Thomas Cook group (EUR –15m).

Owing to the fall in revenue in the UK and "West" sales markets and the cost of high kerosene prices incurred by the group's airlines, gross yield decreased by 6.6 per cent to EUR 245m. The gross yield margin at 22.1 per cent was accordingly also slightly down on the previous year's 23.2 per cent.

Other operating income was up EUR 27m to EUR 68m, including one-off income from the sale of Thomas Cook India and the Porto Bay holding.

Other operating expenses, including staff costs and current depreciation, were down 2.2 per cent to EUR 439m. Staff costs grew by EUR 5m to EUR 207m due to higher pension contributions and performance-related pay components in the Airlines Germany segment. The sale of Thomas Cook India and staff reductions in Germany, along with the restructuring of distribution in the UK, were the main reasons why the average number of employees in the first quarter was down 9.1 per cent on the year to 19,463. Within the field human resources controlling, a new method is now used for assessing employee numbers. The previous year's figures were adjusted accordingly. Depreciation fell slightly from EUR 41m to EUR 40m. Other operating expenses totalled EUR 191m and were down EUR 14m on the year.

Thomas Cook invested EUR 8m in the first quarter (previous year: EUR 9m), with the focus on improving tourist infrastructure and computer systems. The negative cash flow from operating activities that is typical of the winter half-year improved by EUR 71m, or 32.4 per cent, to EUR – 149 m. Net indebtedness was further reduced against 31 January 2005 by EUR 457m, or 55.4 per cent, to EUR 369m. For seasonal reasons, this figure was EUR 90m higher than at the end of the financial year on 31 October 2005.

Because of seasonal factors, the result from operations (EBITA) between 1 November 2005 and 31 January 2006 was negative at EUR – 126m, which was a EUR 19m, or 13.1 per cent, improvement on the previous year. The segment result at-equity valuation was EUR –44m (previous year: EUR –50m).

In the German travel market, early booking discounts and the wider range of all-inclusive offers met with a strong response. Targeting the Thomas Cook brand at specific groups in combination with an appropriate product portfolio was well received in the market. At the end of February 2006, bookings for the full financial year were up 3.3 per cent on the comparable figure for the previous year. In Germany, bookings increased by 11.8 per cent, while falling in the UK by 1.9 per cent and in Western Europe by 3.4 per cent. After a good start to the new financial year, Thomas Cook looks forward confidently to the months ahead and expects to improve on the previous year's result in fiscal 2005/06.

Segment IT Services

Lufthansa Systems Group				
		January – March 2006	January – March 2005	Change in %
Revenue	€m	154	145	6.2
Segment result	€m	9	10	– 10.0
Operating result	€m	9	10	– 10.0
EBITDA	€m	17	17	0.0
Employees as at 31 March	number	3,321	3,203	3.7

Lufthansa Systems is benefiting from the cyclical upturn in the aviation industry and expanded first-quarter business substantially with customers outside the Lufthansa Group. External revenue was up 18.2 per cent to EUR 65m, offsetting the 1.1 per cent decline in revenue with other Lufthansa companies. Between January and March 2006, IT Services' total revenue was EUR 154m (+6.2 per cent). Segment income totalled EUR 161m.

The cost of materials declined significantly due to the use of new technologies. It fell in the first quarter to EUR 7m from the previous year's EUR 10m. Staff costs were up 8.9 per cent to EUR 61m due to the higher number of employees (+3.7 per cent) and higher wages as a result of the 2004 pay settlement. Depreciation rose by EUR 1m to EUR 8m. Other operating expenses increased by 13.4 per cent to EUR 76m due largely to extra employment of non-company personnel for the FACE project. Segment expenses rose accordingly by 8.6 per cent to EUR 152m.

Segment capital expenditure was 10.0 per cent higher at EUR 11m due to development costs incurred mainly in connection with the FACE project.

The first-quarter result at Lufthansa Systems was on a par with the year-earlier level. The operating result fell by EUR 1m to EUR 9m. The segment result also fell to EUR 9m (previous year: EUR 10m). Pre-production costs for development work in connection with the FACE project and increased price pressures depressed the result. Over the full year, external revenue should offset the decline in inter-segment revenue. Higher development costs are expected to lead to an operating result that is slightly lower than in the previous year.

Lufthansa Systems will increasingly produce services in lower-cost countries to reduce unit costs. In addition, Lufthansa Systems is

working in the FACE project on modernising its integrated MultiHost system solution. In recent years various sub-systems have been updated successively in this area. For Star Alliance, Lufthansa Systems is developing a booking system for business travel that is intended to reduce booking costs considerably.

Since 10 April 2006, the Lufthansa Systems group has traded as Lufthansa Systems AG, standardising its legal form with that of the other top-level business segment companies in the Lufthansa Group.

Service and Financial Companies

Service and Financial Companies				
		January – March 2006	January – March 2005	Change in %
Other segment income	€m	131	90	45.6
Segment result	€m	36	24	50.0
Employees as at 31 March	number	1,099	1,107	– 0.7

The group of companies consolidated under Service and Financial Companies consists of Lufthansa Commercial Holding GmbH, Lufthansa AirPlus Servicekarten GmbH, Lufthansa Flight Training (LFT) and a number of finance companies. Revenue from training services (LFT) and credit card commission (AirPlus) is shown under other segment income along with income from holdings and asset disposals, while expenditure is booked under other segment expenses.

Segment earnings in the first quarter of 2006 totalled EUR 131m or EUR 41m more than in the previous year. The segment result improved by EUR 12m to EUR 36m. In 2006 no comparable earnings from disposals as in the previous year are anticipated, with the result that the Service and Finance Companies segment's good 2005 result will not be repeated.

AirPlus is taking cooperation with banks, travel agents and airlines further forward and has started issuing its own credit card, the AirPlus Corporate Card.

In the first quarter of 2006, LFT ordered an Airbus A380 simulator and a new-generation Boeing 737 simulator. They are due to be taken into service in Frankfurt (A380) at the beginning of 2008 and in Berlin in the summer of 2007.

Consolidated income statement

January – March 2006

	January–March 2006 €m	January–March 2005 €m
Traffic revenue	3,364	2,979
Other revenue	1,082	924
Revenue	4,446	3,903
Changes in inventories and work performed by the enterprise and capitalised	34	48
Other operating income	299	285
Cost of materials and services	– 2,392	– 1,925
Staff costs	– 1,252	– 1,164
Depreciation, amortisation and impairment	– 254	– 281
Other operating expense	– 927	– 895
Profit/loss from operating activities	– 46	– 29
Result from investments accounted for using the equity method	– 35	– 53
Other income from subsidiaries, joint ventures and associates	18	11
Net interest	– 71	– 69
Other financial items	9	8
Financial result	– 79	– 103
Profit/loss before income taxes	– 125	– 132
Income taxes	30	15
Profit/loss after income taxes	– 95	– 117
Result attributable to minority shareholders	– 3	1
Result attributable to shareholders of Deutsche Lufthansa AG	– 98	– 116
Earnings/loss per share in €	– 0.21	– 0.25

Consolidated balance sheet as at 31 March 2006

Assets	31 March 2006 €m	31 December 2005 €m	31 March 2005 €m
Intangible assets with an indefinite useful life	592	591	698
Other intangible assets	160	162	139
Aircraft and spare engines	7,156	7,262	7,303
Repairable aircraft spare parts	518	503	442
Other tangible assets	1,444	1,448	1,386
Real property held as financial investments	17	17	18
Investments accounted for using the equity method	901	949	542
Other financial items	1,537	993	534
Receivables and other assets	106	118	122
Derivative financial instruments	96	87	43
Deferred income tax assets	184	188	192
Non-current assets	12,711	12,318	11,419
Inventories	463	439	379
Trade receivables on other assets	3,214	2,639	2,580
Derivative financial instruments	249	178	244
Actual income tax assets	23	27	26
Securities	2,008	2,425	994
Cash and cash equivalents	493	1,173	2,772
Assets available for sale	66	73	233
Current assets	6,516	6,954	7,228
Total assets	19,227	19,272	18,647

Shareholders' equity and liabilities	31 March 2006 €m	31 December 2005 €m	31 March 2005 €m
Issued Capital	1,172	1,172	1,172
Capital reserve	1,366	1,366	1,366
Fair value reserves	256	74	188
Retained earnings	1,586	1,267	1,395
Net profit/loss for the period	– 98	453	– 116
Equity share of the shareholders of the Deutsche Lufthansa AG	4,282	4,332	4,005
Minority interests	190	190	43
Shareholders' equity	4,472	4,522	4,048
Retirement benefit obligations	4,102	4,022	4,223
Other provisions and accruals	407	413	396
Borrowings	2,346	2,363	2,659
Other liabilities	91	96	92
Payments received on account and deferred income	11	104	129
Derivative financial instruments	209	190	263
Deferred income tax liabilities	621	614	361
Non-current provisions and liabilities	7,787	7,802	8,123
Other provisions and accruals	1,445	1,166	1,393*
Borrowings	539	1,200	897
Trade payables and other liabilities	3,377	3,407	2,980*
Liabilities from unused flight documents	1,232	818	848
Payments received on account and deferred income	112	87	89
Derivative financial instruments	231	247	238
Actual income tax liabilities	32	23	31
Current provisions and liabilities	6,968	6,948	6,476
Total shareholders' equity and liabilities	19,227	19,272	18,647

* 1st quarter 2005 adjusted; accruals are now disclosed under trade payables and liabilities

Consolidated statement of changes in shareholders' equity

	Issued capital	Capital reserve	Fair value reserves hedging instruments	Fair value reserves other financial assets	Currency translation differences	Retained earnings	Net profit/loss for the period	Equity share of shareholders of Lufthansa AG €m	Minority interests	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Balance on 31 December 2004	1,172	1,366	- 150	200	- 107	1,089	404	3,974	40	4,014
Transfers	-	-	-	-	-	404	- 404	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Group/minority results	-	-	-	-	-	-	- 116	- 116	- 1	- 117
Currency translation differences	-	-	-	-	5	-	-	5	1	6
Changes in fair value of financial investments and cash flow hedges	-	-	170	- 12	-	-	-	158	-	158
Transfers to acquisition cost	-	-	23	-	-	-	-	23	-	23
Transfers to the income statement	-	-	- 43	-	-	-	-	- 43	-	- 43
Other neutral changes	-	-	-	-	-	4	-	4	3	7
Balance on 31 March 2005	1,172	1,366	0*	188	- 102	1,497	- 116	4,005	43	4,048
Balance on 31 December 2005	1,172	1,366	0*	74	- 90	1,357	453	4,332	190	4,522
Transfers	-	-	-	-	-	453	- 453	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Group/minority results	-	-	-	-	-	-	- 98	- 98	3	- 95
Currency translation differences	-	-	-	-	3	-	-	3	-	3
Changes in fair value of financial investments and cash flow hedges	-	-	64	136	-	-	-	200	-	200
Transfers to acquisition cost	-	-	- 3	-	-	-	-	- 3	-	- 3
Transfers to the income statement	-	-	- 14	- 1	-	-	-	- 15	-	- 15
Other neutral changes	-	-	-	-	-	- 137	-	- 137	- 3	- 140
Balance on 31 March 2006	1,172	1,366	47	209	- 87	1,673	- 98	4,282	190	4,472

* Rounded below € 0.5m.

Currency translation differences are disclosed under retained earnings in the balance sheet.

The other neutral changes in the 2005 retained earnings result with - € 102m from the repayment of the Lufthansa Convertible Bond in January 2006.

Additional major shifts in neutral changes result from valuation at equity.

Consolidated cash flow statement

	January – March 2006 €m	January – March 2005 €m
Cash and cash equivalents on 1 January	1,173	2,836
Profit/loss before income taxes	– 125	– 132
Depreciation of fixed assets (net of reversals)	260	280
Depreciation of repairable aircraft spare parts	30	1
Result from fixed asset disposal	– 5	– 4
Result from investments accounted for using the equity method	35	53
Net interest	71	69
Income taxes paid	2	– 35
Change in working capital*	22	– 99
Cash flows from operating activities	290	133
Purchases of tangible assets and intangible assets	– 198	– 348
Purchase of financial assets	– 216	– 131
Disposals/additions to repairable aircraft spare parts	– 46	18
Proceeds from sale of non-consolidated equity investments	3	9
Proceeds from sale of consolidated equity investments	–	–
Acquisition of non-consolidated equity investments	– 198	– 1
Acquisition of consolidated equity investments	–	–
Proceeds from disposals of intangible assets, tangible assets and other financial assets	23	53
Interest received	70	51
Dividends received	18	11
Net cash used in investing activities	– 544	– 338
Securities/fixed-term deposits	417	– 42
Net cash used in investing activities and cash investments	– 127	– 380
Redemption of conversion options from the Convertible Bond 2002	– 102	–
Long-term borrowings	–	236
Repayments of long-term borrowings	– 638	– 34
Other borrowings	–	50
Dividends paid	–	–
Interest paid	– 102	– 70
Net cash used in financing activities	– 842	182
Net decrease/increase in cash and cash equivalents	– 679	– 65
Effects of exchange rate changes	– 1	1
Cash and cash equivalents on 31 March	493	2,772
Securities	2,008	994
Total liquid funds	2,501	3,766

* The working capital consists of inventories, receivables, payables and provisions and accruals.

Further Notes to the Interim Financial Statements

Effects of the changes in the group of consolidated companies

The consolidated financial statements include both Deutsche Lufthansa AG as the parent company and all major associated companies in Germany and other countries. In January 2006 EW Verkehrsflugzeuge III GmbH & CoKG was merged with LeaseAir GmbH & Co Verkehrsflugzeuge V KG and withdrawn from the group of consolidated companies.

Compared with the first quarter of 2005 the group of consolidated companies has been expanded by the AirTrust AG – Lufthansa holds 49 per cent stake since July 2005 – and the Eurowings Group companies, in which a majority voting was acquired at the end of 2005, of a pension fund set up in the fourth quarter and of LSG South America, Siam Flight Services Ltd., LSG Sky Chefs (Thailand) Ltd. and Quinto Grundstücksverwaltung GmbH & Co. KG, which were first consolidated in the second half of 2005. Companies included in the first quarter of 2005 were LSG Hygiene Institute GmbH, sold on 1 April 2005, Caterair Portugal Assistencia A Bordo Lda., Cocina del Aire de Provincia S.A. de C.V., Mariott Export Services C.A. and Mariott International Trade Services C.A., deconsolidated in the second quarter of 2005, and Giulietta Aircraft Leasing Limited, deconsolidated in the fourth quarter. The following table shows the major repercussions in the income statement arising from changes in the group of consolidated companies since the first quarter of 2005.

Income statement

	Group January – March 2006	of which from changes in the group of consoli- dated companies compared with the interim reporting in March 2005
	€m	€m
Revenue	4,446	76
Operating income	4,779	86
Operating expenses	– 4,825	– 107
Profit/loss from operating activities	– 46	– 21
Financial result	– 79	2
Income taxes	30	2
Profit/loss after income taxes	– 95	– 17

Contingencies and events occurring after the balance sheet date

Various provisions with a total potential effect on the financial result of EUR 358m for subsequent years were not set up owing to the small likelihood of their being utilised. The corresponding figure at end-2005 was EUR 356m.

A total of EUR 3m was realised out of a contingent claim for EUR 13m in connection with the sale of an equity interest in the first quarter of 2005 described in the consolidated financial statements for 2005. Another EUR 9m is likely to be realised in the coming years.

EUR 16m was raised in the first quarter 2006 from the sale of two ATR 72s and one Airbus A 310 for which firm contracts were signed at the end of 2005. As a result, EUR 3m was earned in book profits.

In addition to firm contracts signed at the end of 2005 for the sale of 18 Canadair Regional Jets, a further contract of sale was signed in the first quarter for the same type of aircraft. These contracts will in the course of 2006 lead to sales revenues totalling EUR 87m and book profits of EUR 23m.

Contingent liabilities

	31.3.2006 €m	31.12.2005 €m
From guarantees, bills and cheque charges	808	812
From warranty agreements	1,061	1,386
From collateralisation of third-party liabilities	3	3

The contingent claim arising from a D & O insurance policy in connection with a damage event in Scandinavia described in the full year's consolidated financial statements for 2005 is still pending and amounts to EUR 127.5m.

At the end of March 2006 purchase commitments for investments in tangible and intangible assets amounted to EUR 3.4bn. At 31 December 2005 purchase commitments totalled EUR 3.5bn.

Assets held for sale

	January – March 2006 €m	Financial Statements 2005 €m	January – March 2005 €m
Assets			
Aircraft and spare engines	63	70	13
Financial assets	–	–	217
Other assets	3	3	3

Equity/liabilities from assets held for sale

Equity	–	–	178
Liabilities	–	–	–

Issued capital

The Annual General Meeting held on 16 June 2004 authorised the Executive Board until 15 June 2009 to increase the issued capital by EUR 25m, subject to Supervisory Board approval, by issuing new registered shares to employees against a contribution in cash. Shareholders' subscription rights are excluded.

The Executive Board and the Supervisory Board will propose to the 53rd Annual General Meeting on 17 May to pay a dividend of EUR 0.50 per share.

Segment reporting Lufthansa Group

Business segment information January – March 2006

	Passenger Transportation**	Logistics	MRO	Catering	Leisure Travel	IT Services	Service and Financial Companies	Segment total
	€m	€m	€m	€m	€m	€m	€m	€m
External revenue	2,788	675	509	409	–	65	–	4,446
– of which traffic revenue	2,726	638	–	–	–	–	–	3,364
Inter-segment revenue	129	4	350	117	–	89	–	689
Total revenue	2,917	679	859	526	–	154	–	5,135
Other segment income	216	29	35	28	– 44	7	131	402
– of which from invest- ments accounted for using the equity method	– 1	4	4	2	– 44	–	0*	– 35
Cost of materials	1,820	465	445	221	–	7	6	2,964
Staff costs	597	84	244	251	–	61	17	1,254
Amortisation and depreciation	179	31	18	15	–	8	5	256
– of which impairments	–	–	–	–	–	–	–	–
Other operating expenses	624	110	123	98	–	76	67	1,098
Segment results	– 87	18	64	– 31	– 44	9	36	– 35
– of which from invest- ments accounted for using the equity method	– 1	4	4	2	– 44	–	0*	– 35
Segment assets	8,693	1,284	2,242	1,025	285	252	3,071	16,852
– of which from invest- ments accounted for using the equity method	434	15	103	61	285	–	3	901
Segment liabilities	7,152	707	1,528	756	–	233	1,235	11,611
– of which from invest- ments accounted for using the equity method	–	–	–	–	–	–	–	–
Capital expenditure	150	2	22	11	–	11	12	208
– of which from invest- ments accounted for using the equity method	2	–	–	–	–	–	–	2
Other significant non-cash items	95	7	16	11	–	4	1	134
Average number of employees	37,502	4,695	17,759	28,240	–	3,321	1,099	92,616

* Rounded below € 0,5m.

** Due to changes in the group of consolidated companies, the comparability of prior year figures ist limited.

Business segment information January – March 2005

	Passenger Transportation	Logistics	MRO	Catering	Leisure Travel	IT Services	Service and Financial Companies	Segment total
	€m	€m	€m	€m	€m	€m	€m	€m
External revenue	2,452	609	417	370	–	55	–	3,903
– of which traffic revenue	2,400	579	–	–	–	–	–	2,979
Inter-segment revenue	114	3	361	114	–	90	–	682
Total revenue	2,566	612	778	484	–	145	–	4,585
Other segment income	198	41	37	39	– 50	5	90	360
– of which from invest- ments accounted for using the equity method	– 10	3	3	1	– 50	–	–	– 53
Cost of materials	1,510	422	360	201	–	10	4	2,507
Staff costs	548	82	233	230	–	56	16	1,165
Amortisation and depreciation	200	33	17	16	–	7	5	278
– of which impairments	–	–	–	–	–	–	–	–
Other operating expenses	589	110	128	104	–	67	41	1,039
Segment results	– 83	6	77	– 28	– 50	10	24	– 44
– of which from invest- ments accounted for using the equity method	– 10	3	3	1	– 50	–	–	– 53
Segment assets	8,051	1,372	1,991	1,272	207	202	2,776	15,871
– of which from invest- ments accounted for using the equity method	173	12	81	67	207	–	4	544
Segment liabilities	6,520	680	1,430	731	–	226	1,414	11,001
– of which from invest- ments accounted for using the equity method	–	–	–	–	–	–	–	–
Capital expenditure	245	23	22	20	–	10	23	343
– of which from invest- ments accounted for using the equity method	–	–	–	–	–	–	–	–
Other significant non-cash items	8	0*	3	4	–	0*	0*	15
Average number of employees	34,890	4,854	17,736	28,149	–	3,203	1,107	89,939

* Rounded below € 0,5m.

Reconciliation of segment information with consolidated figures

	Segment total		Reconciliation		Group	
	January – March 2006 €m	January – March 2005 €m	January – March 2006 €m	January – March 2005 €m	January – March 2006 €m	January – March 2005 €m
External revenue	4,446	3,903	–	–	4,446	3,903
– of which traffic revenue	3,364	2,979	–	–	3,364	2,979
Inter-segment revenue	689	682	– 689	– 682	–	–
Total revenue	5,135	4,585	– 689	– 682	4,446	3,903
Other revenue	402	360	– 69	– 27	333	333
– of which from investments accounted for using the equity method	– 35	– 53	35	53	–	–
Cost of materials	2,964	2,507	– 572	– 582	2,392	1,925
Staff costs	1,254	1,165	– 2	– 1	1,252	1,164
Amortisation and depreciation	256	278	– 2	3	254	281
– of which impairments	–	–	–	–	–	–
Other operating expenses	1,098	1,039	– 171	– 144	927	895
Results	– 35	– 44	– 11	15	– 46	– 29
– of which from investments accounted for using the equity method	– 35	– 53	35	53	–	–
Assets	16,852	15,871	2,375	2,776	19,227	18,647
– of which from investments accounted for using the equity method	901	544	–	–	901	544
Liabilities	11,611	11,001	3,144	3,598	14,755	14,599
– of which from investments accounted for using the equity method	–	–	–	–	–	–
Average number of employees	92,616	89,939	–	–	92,616	89,939

Geographical segment information January – March 2006

	Europe €m	North America €m	Central and South America €m	Asia/Pacific €m	Middle East €m	Africa €m	Other €m	Segment Total €m
Traffic revenue ¹⁾	2,264	417	71	484	52	76	–	3,364
Other operating revenue	449	333	87	166	24	23	0*	1,082
Total revenue	2,713	750	158	650	76	99	0*	4,446

* Rounded below 0,5m.

¹⁾ Traffic revenue is allocated by original place of sale.

Geographical segment information January – March 2005

	Europe €m	North America €m	Central and South America €m	Asia/Pacific €m	Middle East €m	Africa €m	Other €m	Segment Total €m
Traffic revenue ¹⁾	2,132	304	56	386	40	61	–	2,979
Other operating revenue	445	215	25	160	57	22	0*	924
Total revenue	2,577	519	81	546	97	83	0*	3,903

* Rounded below 0,5m.

¹⁾ Traffic revenue is allocated by original place of sale.

Financial data 2006/2007

Contact

Deutsche Lufthansa AG
Investor Relations

Frank Hülsmann

Von-Gablenz-Str. 2-6, 50679 Cologne
Phone: +49 (0) 2 21-826-24 44 or (069) 696-9 70 02
Fax: +49 (0) 2 21-826-22 86 or (069) 696-9 09 90
Email: investor.relations@dlh.de

Erika Laumer

Ralph Link

Axel Pfeilsticker

Lufthansa Basis, 60546 Frankfurt/Main
Phone: +49 (0) 69-696-2 86 89, -64 70 or -9 09 97
Fax: +49 (0) 69-696-9 09 90
Email: investor.relations@dlh.de

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You can also contact:

Deutsche Lufthansa AG, CGN IR
Von-Gablenz-Straße 2-6, 50679 Cologne
Phone: +49 (0) 2 21-826-39 92 or -26 31
Fax: +49 (0) 2 21-826-36 46 or -22 86
Email: CGNIRAW@dlh.de

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2006

- 17 May** Annual General Meeting Cologne
- 18 May** Payment of Dividend
- 27 July** Release of Interim Report January – June 2006
- 26 Oct.** Press Conference and Analysts' Conference on interim result January – September 2006

2007

- 8 March** Press Conference and Analysts' Conference on 2006 result
- 18 April** Annual General Meeting Berlin
- 26 April** Release of Interim Report January – March 2007
- 26 July** Release of Interim Report January – June 2007
- 25 Oct.** Press Conference and Analysts' Conference on interim result January – September 2007

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