



Lufthansa

2nd Interim Report
January – June 2006

297m

EUR operating result

+9.3%

increase in average yields of
Lufthansa Passenger Airlines

9.6m

EUR revenue

Key data

Lufthansa Group overview*

		January – June 2006	January – June 2005	Change in %
Revenue	€m	9,648	8,451	14.2
of which traffic revenue	€m	7,437	6,531	13.9
EBITDA	€m	875	767	14.1
Operating result	€m	297	253	17.4
Net profit/loss for the period	€m	85	0***	–
Capital expenditure	€m	876	690	27.0
Cash flow from operating activities	€m	697	727	– 4.1
Total assets as at 30 June	€m	19,623	19,111	2.7
Net-indebtedness**	€m	101	25	–
Employees as at 30 June	number	93,005	90,373	2.9
Earnings/loss per share	€	0.19	0.00****	–

* 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.

*** Rounded below € 1m.

**** Below € 0.01.

The interim report at 30 June 2006 was prepared in accordance with the rules of IAS 34, taking into account the standards applicable since 1 January 2006.

Date of disclosure: 27 July 2006

Traffic figures Lufthansa Passenger Airlines and Lufthansa Cargo

		January – June 2006	January – June 2005	Change in %
Passengers carried	thousands	25,468	24,678	3.3
Passenger load factor	%	74.0	74.3	– 0.3 P.
Freight/mail	thousand tonnes	853	847	0.7
Cargo load factor	%	67.2	64.8	2.4 P.
Available tonne-kilometres	millions	12,961	12,957	0.2
Revenue tonne-kilometres	millions	9,218	9,087	1.4
Overall load factor	%	71.1	70.1	1.0 P.
Number of flights		326,715	321,974	1.4

Contents

1 To our shareholders

5 The segments

11 Interim financial statements

16 Further notes

Credits

Dear shareholders,

Lufthansa continues flying on track. Demand for our services has grown considerably, leading to a record revenue for the first half-year of EUR 9.6bn. At the same time costs were kept in check, despite further oil price increases. The operating result of the Lufthansa Group went up by 17.4 per cent to EUR 297m in the previous year (EUR 253m). The core business segment Passenger Transportation made a major contribution to this improved result.

The share

In mid-May German stock markets began a consolidation phase, which had been expected after three years of steady upward development. The DAX lost 4.8 per cent in the second quarter of 2006. Despite persistently high oil prices the Lufthansa share outperformed the market, showing lower losses. The share price shrank by 2.5 per cent to EUR 14.40. Taking the dividend payment made on 18 May of EUR 0.50 into account, the return for the quarter was even in the black by almost 1.0 per cent. One reason for the comparatively sound performance was the growing interest of international investors, who have started looking more closely at the Lufthansa shares thanks to the good operational results recently. Most ana-

lysts also raised their price target for the Lufthansa share following the last quarterly figures. Analysts' ratings are published regularly on our website.

German investors held 62.7 per cent of Lufthansa's share capital as of 30 June 2006. US investors were the second largest group, holding 14.8 per cent, followed by the UK in third place with 10.1 per cent.

On 9 June 2006 AXA S.A., Paris, made a mandatory announcement stating that several asset management companies belonging to their group held a total of 5.45 per cent of Lufthansa's share capital. As of 14 July this stake – mostly held in the USA – had risen to 10.56 per cent. The free float remains at 100 per cent.

Important events in the second quarter

Following negotiations, Deutsche Lufthansa AG and the pilots' union Vereinigung Cockpit reached agreement on 1 April 2006 on a new pay settlement for the approximately 4,000 pilots of Lufthansa and Lufthansa Cargo, to run for 18 months. The settlement provides for gradual pay increases of 2.5 per cent from 1 July 2006 and 1.5 per cent from 1 March 2007 and has a total volume of below 3.0 per cent over the term. The pilots are also to forgo part of their variable compensation in exchange for a successive reduction in the number of overtime flying hours required to qualify for overtime pay.

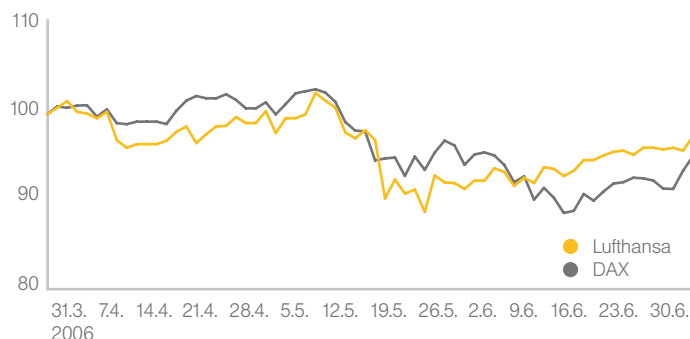
In mid-April the staff of LSG Sky Chefs in the USA agreed to an exceptional amendment to their wage agreement which will lead to annual savings in staff costs of around USD 50m from 2007. Amendments to or cancellation of long-term rental agreements led to further cost reductions of almost USD 4m per year.

On 26 April Deutsche Lufthansa AG issued a euro-benchmark bond for EUR 500m with a seven-year term and a coupon of 4.625 per cent. The bond has been listed on the Frankfurt Stock Exchange since 8 May (ISIN: DE 000A0JQA39).

At Fraport's Annual General Meeting on 31 May Wolfgang Mayrhofer, Lufthansa's Chairman of the Executive Board, was elected to the Supervisory Board of Fraport AG. We currently hold 9.99 per cent of Fraport's share capital.

Lufthansa's share price trend (indexed on 31.3.2006)

in the second quarter of 2006 compared with the German DAX



Changes in management

Stephan Gemkow, Board Member for Finance and Human Resources at Lufthansa Cargo AG since February 2004, has been appointed Chief Financial Officer at Deutsche Lufthansa AG. He replaces Dr Karl-Ludwig Kley, who resigned as of 31 May 2006 and is moving to Merck KGaA.

Dr Clemens Börsig, Chairman of the Supervisory Board of Deutsche Bank AG, has been appointed to the Supervisory Board of Deutsche Lufthansa AG as of 1 July 2006. He is taking the place of the Chief Executive Officer of Deutsche Bank AG, Dr Josef Ackermann, who resigned with effect from 30 June 2006.

Action plan

The action plan put in place in 2004 will generate sustainable cost savings of EUR 1.2bn by the end of 2006. We have already achieved slightly more than EUR 1bn, of which EUR 59m were reached in the second quarter.

Economic settings

The global economy remains on a growth track despite persistent oil price rises. Current economic data shows growth of just below 4.0 per cent for the second quarter. Consumer spending and further export growth have improved demand in the euro zone and in Germany. In the USA, however, consumer spending grew more slowly than to date. Asia, and China in particular, continued their dynamic performance and remain the drivers of growth.

The price for crude oil climbed still further in the second quarter. At the beginning of May Brent Crude reached a new high at USD 74.64 per barrel due to geopolitical events (e.g. the conflict with Iran). The average price was around USD 70 per barrel, and therefore around USD 18 per barrel higher than the same quarter last year. Compared to the first quarter the price rose by about USD 7 per barrel.

In the year to date the aviation industry has again benefited from the continued positive economic performance, despite the pressure caused by high oil prices. In comparison with the previous year, trade figures to May showed an increase in passenger travel of 6.8 per cent and in freight of 5.4 per cent. For the full year 2006 the IATA (International Air Transport Association) expects growth of 6 to 7 per cent in passenger travel and 7.0 per cent for freight transport.

Accounting standards applied and changes in the group of consolidated companies

This interim report to 30 June 2006 was drawn up in accordance with the accounting standard IAS 34. In preparing the interim

financial statements the standards and interpretations in effect from 1 January 2006 have been applied. Otherwise the accounting principles applied are the same as for the consolidated financial statements for 2005.

In comparison with the same period of the previous year, the group of consolidated companies has been extended to include the AirTrust AG, which holds 100 per cent of SWISS, and the companies belonging to the Eurowings Group, in which we acquired a majority of voting shares at the end of 2005. Four companies were newly consolidated in the business segment Catering and three in the business segment Service and Financial Companies. One company in the business segment Passenger Transport was no longer consolidated. Further details are available on page 16 of this report and in the comments to the respective business segments.

Course of business

Lufthansa Passenger Airlines and Lufthansa Cargo reported an increase in sales of passenger and freight transport by 1.4 per cent in the first half of the year. As available capacity grew only slightly (+0.2 per cent), capacity utilisation rose by 1.0 percentage points to 71.1 per cent.

25.5 million passengers flew with Lufthansa Passenger Airlines in the first six months of the year, which represents an increase of 3.3 per cent over the previous year. Revenue passenger-kilometres grew by 0.9 per cent at 52,701 million in the same period. As we had made 1.5 per cent more capacity available, the passenger load factor decreased by 0.3 percentage points to 74.0 per cent.

In the cargo segment tonnage climbed 0.7 per cent to 853,000 tonnes. As available capacity dropped by 1.6 per cent sales increased by 2.0 per cent to 3.9 billion cargo tonne-kilometres. The cargo load factor grew correspondingly by 2.4 percentage points to 67.2 per cent.

Revenue

The strong increase in revenue in the first quarter was maintained over the following months. In comparison to the same period of the previous year traffic revenue grew by a gratifying 13.9 per cent to EUR 7.4bn. The sustained recovery in average yields and changes in the scope of consolidation contributed to this positive performance. Average yields improved by 9.3 per cent at Passenger Airlines and by 6.4 per cent at Lufthansa Cargo. Other revenue also expanded strongly by 15.2 per cent to EUR 2.2bn. The MRO segment accounted for EUR 1bn (+20.2 per cent) and LSG Sky Chefs group for EUR 849m (+8.0 per cent) of the increase. Altogether revenue gained 14.2 per cent to total EUR 9.6bn (2005: EUR 8.5bn). Other operating income was reduced by 3.2 per cent to EUR 537m, partly due to lower gains from currency exchange rate effects.

Expenses

Increased revenue was accompanied with a rise in operating expenses. These went up in the first half of the year by 12.5 per cent to EUR 9.9bn. In addition to consolidation effects (+2.5 per cent) fuel costs were largely responsible for the rise, going up by 46.5 per cent to EUR 1.6bn. Higher volumes (+3 per cent), inflated prices (+34.2 per cent including hedging) and changed currency parities (+9.3 percent) added up to additional expenses of EUR 516m. Without the successful fuel price hedging expenses would have been EUR 89m higher. Fees and charges increased by 12.8 per cent to EUR 1.4bn, due mainly to changes in the group of consolidated companies, increased traffic volume and a rise in security charges as a result of the new EU directive. In total, costs of materials and services grew by 21.0 per cent to EUR 5.0bn. Staff costs rose by 7.7 per cent to EUR 2.5m. As well as provisions for one-off payments at LSG Sky Chefs and changes in the group of consolidated companies, higher additions to provisions for retirement benefit obligations as a result of a reduction in the discount rate were also

responsible for the increase. Other operating expenses were up by 4.6 per cent to EUR 1.9bn.

On 30 June 2006 the Group's workforce totalled 93,005 employees, or 2.9 per cent more than in the previous year. Adjusted for changes in the group of consolidated companies, the number of employees would have been 0.7 per cent higher than in the previous year.

Result

The Lufthansa Group recorded an operating result for the first half-year of EUR 297m (+17.4 per cent), the profit/loss from operating activities showed even stronger growth of 30.0 per cent to EUR 338m. The financial result improved from EUR –185m to EUR –85m, resulting in a profit before income taxes of EUR 253m compared with EUR 75m in the previous year. The net result climbed to EUR 85m after a balanced result in the previous year.

Group fleet

Number of commercial aircraft as at 30.6.2006

Manufacturer/Type							Change			Share
	Lufthansa	Lufthansa Cargo	CityLine	Air Dolomiti	Germanwings	Eurowings	Group	vis-à-vis 30.6.2005	vis-à-vis 31.12.2005	thereof Finance/ Operating Lease
Airbus A300	14	–	–	–	–	–	14	–	–	–
Airbus A310	5	–	–	–	–	–	5	– 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	–	1
Boeing 737	63	–	–	–	–	–	63	–	–	2
MD 11F	–	19	–	–	–	–	19	–	–	–
Canadair *	9	–	59	–	–	8**	76	+ 4	– 3	8
BAE 146	–	–	–	5	–	14**	19	+ 17	–	18
AVRO	–	–	18	–	–	–	18	–	–	13
ATR	–	–	–	14	–	15**	29	+ 13	–	21
Gesamt	254	19	77	19	20	37	426	+ 52	– 3	83

Leasing rate Lufthansa Group: 19%

* Two of the A319 owned by Lufthansa are leased to Germanwings / Nine Canadair owned by Lufthansa are leased to Eurowings.

** Newly included in the group of consolidated companies.

Assets and financial position

Total Group assets at the end of the second quarter 2006 were EUR 19.6bn, EUR 351m above the figure at year-end 2005. The increase is due to higher non-current assets, which rose by EUR 305m to EUR 12.6bn. In particular the financial assets grew by EUR 503m as a result of capital expenditure in the first half-year, whilst tangible assets declined by EUR 192m due to depreciation. Cash and cash equivalents were down by EUR 959m, but current receivables went up by EUR 885m compared to year-end due to invoicing and derivative financial instruments were up at EUR 130m. Non-current assets thereby increased from 63.9 per cent to 64.3 per cent of the balance sheet total at the end of 2005.

Shareholders' equity (including minority interests) showed a slight fall of EUR 140m compared to year-end 2005 and accounts now at EUR 4.4bn. The reasons for this decrease in equity are the dividend payment of EUR 229m made in May for the financial year 2005 and also the cutback of the premium from the issue of conversion options as part of the convertible bond 2002/2012. The pro rata discount of EUR 102m had to be booked out, as the corresponding conversion options were bought back in January 2006. The half-yearly net result of EUR 85m and growth of EUR 103m in the market value of financial instruments had a mitigating effect.

The equity ratio is currently 22.3 per cent versus 23.5 per cent at the end of the 2005 financial year.

As of 30 June 2006 the net debt added up to EUR 101m, including long-term liquidity reserves of EUR 500m, compared to net assets of EUR 143m at year-end 2005. Gearing, including pension provisions, was 91.2 per cent (year-end 2005: 85.8 per cent).

Cash flow and capital expenditure

In the first half of 2006 we generated an operating cash flow of EUR 697m (previous year: EUR 727m). Gross capital expenditure totalled EUR 876m for the first half-year, of which EUR 267m were mainly for aircraft and advanced payments on aircrafts. EUR 495m were invested in financial assets, of which EUR 350m were for non-current securities – as a long-term liquidity reserve – and EUR 92m for the purchase of further shares in Fraport AG. As the gross capital expenditure was partly financed by asset sales and

the sale of current securities included in cash and cash equivalents, only EUR 370m was used in total for capital expenditure in the first half-year of 2006 (previous year: EUR 851m). A total of EUR 751m net was required for financing activities, i.e. the scheduled repayment of financial liabilities, the redemption of the convertible bond in January 2006 for EUR 699m, the dividend payment and current interest payments, resulting in a reduction of cash and cash equivalents of EUR 424m. In the same period of the previous year cash outflows from financing activities amounted to EUR 70m. The internal financing ratio for the first half of this year was 79.6 per cent (previous year: 105.4 per cent).

Major events after the end of the reporting period

Following Lufthansa AG, LSG Deutschland, Lufthansa Cargo and their respective subsidiaries, the negotiating partners of Lufthansa Technik and Lufthansa Systems also agreed to the introduction of new, simplified remuneration systems on 12 July. They replace the uniform compensation frameworks that have been in place in the Group for over 30 years and are more closely aligned with the market and competitive environment of the individual business segments. The new agreements play an important role in setting Lufthansa up for the future and securing employment.

Outlook

Economists' forecasts for the second half-year 2006 are optimistic. In this environment we expect the companies in the Lufthansa Group to benefit from continuing growth of the world economy. High oil prices still constitute a risk, however. The current geopolitical tensions (e.g. in Iran and Lebanon) mean that this is unlikely to change in the foreseeable future.

The Lufthansa Group's market is very competitive and subject to intense pressure on prices. We will therefore continue to focus our attention on our programmes to enhance productivity and profitability. Our goal of at least matching last year's operating result has come very close. On current trends the financial year 2006 could even outstrip last year's result.

The business segments

Segment Passenger Transportation

Passenger Transportation *				
		January – June 2006	January – June 2005	Change in %
Revenue	€m	6,521	5,672	15.0
Segment result	€m	236	115	105.2
Operating result	€m	140	103	35.9
EBITDA **	€m	571	443	28.9
Employees as at 30 June	number	37,897	35,197	7.7
Passengers carried ***	thousands	25,468	24,678	3.3
Available seat-kilometres ***	millions	71,256	70,171	1.5
Revenue passenger-kilometres ***	millions	52,701	52,142	0.9
Passenger load factor ***	%	74.0	74.3	– 0.3 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 group of companies consolidated in the Passenger Transportation segment has changed compared to the second quarter 2005. The Eurowings group and AirTrust, and therefore also SWISS recorded at equity, have been included in the consolidation, two companies have been removed. A full comparison with the figures for the previous year is therefore limited. The group of consolidated companies also includes Air Dolomiti, Lufthansa CityLine and a number of aircraft financing companies.

The Lufthansa Passenger Airlines (Deutsche Lufthansa AG and the companies collaborating under the Lufthansa Regional brand – CityLine, Air Dolomiti, Eurowings, Contact Air and Augsburg Airways) transported 25.5 million passengers in the first half-year, 3.3 per cent more than in the same period last year. Capacity was expanded slightly by 1.5 per cent, but could not be fully placed in the market given an increase in demand of 0.9 percent. The passenger load factor therefore declined marginally compared to the previous year (–0.3 percentage points).

In our home market Europe we are pleased to report a 4.3 per cent growth in passenger numbers thanks to the betterFly concept, the 2006 football World Cup and additional charter flights. Demand grew faster (+7.0 percent) than our additional capacity (+6.2 per cent) and hence we improved the passenger load factor by 0.5 percentage points over the previous year to 64.0 per cent.

In the Asia/Pacific traffic region we achieved strong growth in passenger numbers (+4.6 per cent). The additional capacity of 4.2 per cent – derived from a transfer of capacity from the Americas traffic region – was fully absorbed in the market (+4.5 per cent). The passenger load factor was at 79.1 per cent slightly above last year's level (+0.2 percentage points).

In the Americas traffic region we reduced capacity (–4.2 per cent) on the South Atlantic routes. In North Atlantic traffic we actively focussed on business travel and made clear improvements to the yield structure on our flights. The total number of passengers decreased by 3.3 per cent. Sales (–4.7 per cent) and load factor (–0.5 percentage points) also dropped.

The Middle East/Africa traffic region remained difficult due to the uneasy political situation in the Middle East: passenger numbers (–1.2 per cent), sales (–2.5 per cent) and utilisation (–3.1 percentage points to 69.0 per cent) all declined.

In the first half of the year Lufthansa Passenger Airlines made distinct improvements to the yield structure on its flights. It was helped by brisk demand for our premium products such as the Private Jet service. The resulting improvement of average yields (+9.3 per cent) and the changes to the group of consolidated companies brought a 15.0 per cent rise in traffic revenue to EUR 6.1bn, of which the Lufthansa Passenger Airlines accounted for 96.0 per cent. Other operating revenue was also clearly ahead of last year's at EUR 398m (+14.0 per cent). Total revenue in the segment Passenger Transportation increased by 15.0 per cent to EUR 6.5bn. Including other segment revenue of EUR 415m (+8.1 per cent), the segment generated total segment income of EUR 6.9bn.

Segment expenses in the first six months of the year were EUR 6.7bn (+EUR 759m). Due to higher fuel costs the largest increase was in the cost of material and services, which climbed by 18.8 per cent to EUR 3.9bn. As a result of higher fuel prices and changes in the group of consolidated companies, the airlines in the segment Passenger Transportation had to spend EUR 1.4bn on fuel,

The segments

EUR 452m or 48.5 per cent more than in the previous year. Without the successful price hedging, fuel expenses would have been even higher. Fees went up by 14.5 per cent to EUR 1.2bn. Apart from changes to the group of consolidated companies this was mainly due to higher short-haul traffic and the increase in security charges resulting from the new EU directive.

Staff costs grew by 11.8 per cent to EUR 1.2bn. The number of employees rose by 2,700 or 7.7 per cent to 37,897 as of 30 June 2006. Of these, 2,027 result from the first-time consolidation of the Eurowings group. Wages and salaries increased by 10.1 per cent.

Depreciation was 6.7 per cent lower than in the previous year at EUR 361m, which is largely due to lower segment capital expenditure (– 12.7 per cent to EUR 275m). Other operating expenses increased by 3.6 per cent to EUR 1.2bn. This includes agency commissions, which were cut back by 1.7 per cent despite an upturn in sales of 0.9 per cent.

In the reporting period the segment Passenger Transportation achieved a segment result of EUR 236m (previous year: EUR 115m). This includes a positive at equity result from SWISS of EUR 49m. The operating result reached EUR 140m (previous year: EUR 103m). The change in the group of consolidated companies had a negative effect on results of EUR 3m.

Improvements in average yields and high advance bookings give us good reason to be optimistic about the second half of the year. For the full year we expect to exceed the operating result of the previous year significantly, as long as the global economy maintains its momentum in the face of commodity price increases and geopolitical events over the coming months.

The capacity available in the summer flight schedule effective from 26 March does not differ significantly from that of the previous year (+0.3 per cent). Capacity was increased in Europe (+5.3 per cent), Asia/Pacific (+1.8 per cent) and Middle East/Africa (+1.0 per cent) whereas capacity to South America was reduced in favour of Asian routes by 4.5 per cent.

In May Air China and Shanghai Airlines signed a memorandum of understanding on joining Star Alliance. At the same time, the co-operation agreement between Lufthansa and Air China was renewed for a further five years-period. Air China has been a cooperation partner of Lufthansa since 2000 and Shanghai Airlines since 2002.

SWISS is back on a growth track. The long-haul fleet is to be expanded with the addition of two Airbus A330-200 by the end of 2006. High load factors on the present long-haul network and strong demand for daily services wherever possible supported this decision.

Segment Logistics

Lufthansa Logistics Group

		January – June 2006	January – June 2005	Change in %
Revenue	€m	1,391	1,269	9.6
Segment result	€m	62	35	77.1
Operating result	€m	47	20	135.0
EBITDA	€m	128	120	6.7
Employees as at 30 June	number	4,679	4,761	– 1.7
Freight/mail	thousand tonnes	853	847	0.7
Available cargo tonne-kilometres	millions	5,818	5,914	– 1.6
Revenue cargo tonne-kilometres	millions	3,910	3,834	2.0
Cargo load factor	%	67.2	64.8	+2.4 P.

Lufthansa Cargo looks back on a successful first half-year. The economic climate had a positive effect, especially on profitability in the second quarter. From January to June Lufthansa's airfreight airline transported goods weighing 853,000 tonnes in total (+0.7 per cent). Sales went up by 1.6 per cent to 3.9 billion tonne-kilometres (+2.0 per cent) at lower capacity (– 1.6 per cent), resulting in a 2.4 percentage points higher load factor at 67.2 per cent.

The Asia/Pacific traffic region again performed particularly well. With an extension of available capacity of 3.7 per cent, the volume transported climbed by 8.7 per cent to 223,000 tonnes. The cargo load factor rose by 1.8 percentage points to 71.4 per cent.

The freight volume decreased slightly in the Europe traffic region (–0.8 per cent), as available belly capacity in passenger aircraft was reduced (–1.2 per cent). Sales sank by 0.6 per cent, but the load factor stood fractionally higher than this time last year (+0.3 percentage points) at 43.2 per cent.

Available capacity declined markedly in the Americas traffic region following the end of the cooperation with US Airways (–9.0 per cent). Nevertheless, sales only went down by 3.2 per cent, resulting in a 4.3 per cent higher load factor at 70.6 per cent.

In the Middle East/Africa traffic region both capacity (+4.0 per cent) and sales (+3.7 per cent) were expanded. The load factor of 59.2 per cent was almost at last year's level (–0.2 per cent).

Total revenue rose in the first half of the year by EUR 122m to EUR 1.4bn. Positive exchange rate differences of the euro against the US dollar (+7.0 per cent compared with the previous year) and the Indian rupee (+4.0 per cent compared with the previous year), as well as higher fuel price surcharges and improved sales resulted in an upswing in the average yield of 6.4 per cent. Traffic revenue climbed by EUR 106m or 8.8 per cent to EUR 1.3bn. Other segment revenue fell by EUR 14m to EUR 64m. Financing effects from the sale of two Boeing 747 freighters had a positive impact on last year's figures.

Segment expenses went up by 6.2 per cent to EUR 1.4bn in total. The cost of materials and services as the sum of fuel, charter and MRO expense grew by EUR 91m to EUR 951m. Fuel remains the major cost driver. The sharp price rises and changes in the euro/US dollar exchange rate resulted in EUR 65m higher fuel costs at a total of EUR 240m. Charter expense increased by EUR 17m to EUR 455m. Higher marketing expenses for the belly capacity of Lufthansa Passenger Airlines are largely responsible for the rise. MRO expense climbed by EUR 2.0m to EUR 61m. This figure is not fully comparable with the previous year due to a different billing system for aircraft maintenance – changing from flat rate to accounting effective accrued overhaul events.

Staff costs increased by EUR 6m compared with the previous year to EUR 168m. The reduction in staff numbers of 1.7 per cent to 4,679 was counterbalanced by higher additions to provisions for early retirement and retirement benefit obligations.

Depreciation declined by 1.5 per cent to EUR 66m. Capital expenditure dropped by EUR 23m to EUR 3m compared with the previous year due to the completed fleet rollover. Other segment expenses decreased by EUR 15m to EUR 208m.

The first quarter's positive results continued for the half-year. The segment result increased strongly by EUR 27m to EUR 62m (+77.1 per cent) compared with the previous year. The operating result also showed a clear improvement, up EUR 20m to EUR 47m (+135.0 per cent).

Leading economic researchers and trade associations expect the global economy to continue its positive trend into the second half of 2006. Despite the impact this will have on the airfreight market, recent months have shown that the intense competition is leading to pressure on average yields. Lufthansa Cargo intends to continue its drive for sustainable quality and utilisation improvements with the "Excellence & Growth" programme and is aiming for a 2006 operating result on a par with last year's.

As part of the pay settlement recently agreed, new compensation schemes are to be introduced on 1 September 2006 for all ground staff at Lufthansa Cargo covered by the settlement. Besides a simplified compensation structure, the new wage agreement also gives Lufthansa Cargo the opportunity to create a system for generating longer-term, sustainable and competitive cost and employment structures in freight handling.

With effect from 1 September, Lufthansa Cargo is taking over the marketing for freight capacity and freight handling for AirMadrid. This will enable Lufthansa Cargo to offer its customers even more routes from and to South America. As part of the agreement the cargo-airline will open five new handling stations in Latin America.

Swissport and Lufthansa Cargo are bundling their cargo handling activities at the airport in Hanover. The new joint venture will carry out airfreight handling for more than 40 airlines. This represents around 75 per cent of the total cargo volume handled at Hanover airport.

Segment Maintenance, Repair and Overhaul (MRO)

Lufthansa Technik Group

		January – June 2006	January – June 2005	Change in %
Revenue	€m	1,687	1,534	10.0
Segment result	€m	124	148	– 16.2
Operating result	€m	111	138	– 19.6
EBITDA	€m	161	177	– 9.0
Employees as at 30 June	number	17,874	17,673	1.1

The Lufthansa Technik group continued its revenue growth in the second quarter 2006 and benefited from the recovery in demand on the maintenance, repair and overhaul (MRO) market.

233 additional contracts with an expected revenue of EUR 325m had been signed and 40 new customers acquired up to the end of June 2006. Lufthansa Technik currently services 1,166 aircraft worldwide, an increase of 11.6 per cent over last year.

The main contributor to the increased revenue was new business, which grew by EUR 153m to EUR 1.7bn (+10.0 per cent). The share of total revenue generated with third-party customers gained 5.2 percentage points and totals now at 60.7 per cent. Revenue in this customer segment grew by 20.2 per cent (EUR 172m) to EUR 1.0bn. However, revenue from companies within the Lufthansa Group declined. These had been higher in 2005 as a result of refitting the long-haul fleet with the new business class. At the same time fewer engine events accrued in the first half of 2006. Inter-segment revenue fell by EUR 19m (–2.8 per cent) to EUR 663m. In total the MRO segment achieved segment revenue of EUR 1.8bn (+9.9 per cent).

The cost reduction and efficiency programme "Perspectives Technik" continues throughout 2006. The goal is to achieve sustainable cost savings of EUR 240m by 2007. Savings to date reached a cumulative total of EUR 176m in the second quarter.

Segment expenses climbed by EUR 183m compared with the previous year to EUR 1.6bn (+12.6 per cent). Given the higher business volume, the largest jump occurred in materials and services, which grew by EUR 149m to EUR 872m (+20.6 per cent). Staff costs went up by EUR 18m to EUR 478m. This is due both to an increase in the number of employees and higher additions to provisions for retirement benefit obligations. The number of employees increased by 201 to 17,874 as of 30 June.

Depreciation was EUR 3m higher at EUR 37m. Other operating expenses grew by EUR 13m to EUR 247m due to the greater deployment of external staff and follow-on costs for finished goods.

Segment capital expenditure amounted to EUR 45m (+EUR 2m), for the purchase of extra spare engines, new machines,

The segments

technical equipment and licences and for the construction of the A380 maintenance hangar in Frankfurt.

As expected, Lufthansa Technik was unable to repeat the previous year's excellent operating performance, which owed much to positive one-off effects. The segment result came to EUR 124m, which is EUR 24m below last year's figure. The operating result showed a similar performance and at EUR 111m was EUR 27m lower than in 2005. In view of the increasing competition and corresponding pressure on margins, Lufthansa Technik is aiming for the full year to tie up with the previous year good result.

In the first half-year Lufthansa Technik was able to acquire KrasAir, the fourth-largest airline in Russia, for a seven-year TCS (Total Component Support) contract for eleven Boeing 737-500s.

The MRO company will also service the ATA Airlines fleet, one of the leading low-cost providers in the USA, as part of a Total Component Maintenance contract running over ten years. A further exclusive ten-year Total Engine Support contract covers the full range of services for the CFM56-7 engines on the 25 Boeing 737-800 aircraft.

Lufthansa Technik has also expanded its service offering, announcing the start of its new service product Total Material Operations, the most comprehensive product for spare parts and consumables to date. As an example, the staff at Lufthansa Technik supply all the maintenance stations of their customers with the necessary spare parts and consumables, up to components for cabin interiors.

In collaboration with Bombardier, where Lufthansa Technik already installs the interior fittings for all the aircraft in the Challenger series, the company is producing a new MRO service product (Total Support Programme) for aircraft components and engines for all the aircraft in the Bombardier CRJ family.

Segment Catering

LSG Sky Chefs Group*

		January – June 2006	January – June 2005	Change in %
Revenue	€m	1,102	1,034	6.6
Segment result	€m	– 9	– 14	35.7
Operating result	€m	5	– 7	–
EBITDA	€m	39	– 27	–
Employees as at 30 June	number	28,085	28,408	– 1.1

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

The group of companies consolidated in the Catering segment has been expanded compared with the second quarter 2005, to include those companies consolidated for the first time in the second half-year 2005: LSG Sky Chefs Objekt- und Verwaltungsgesellschaft mbH, LSG South America, Siam Flight Services Ltd. and LSG Sky Chefs (Thailand) Ltd. Comparability with previous year's figures is limited.

The good performance shown in the first quarter continued into the second quarter of 2006. LSG Sky Chefs strengthened its market position with the acquisition of numerous new customer contracts and the renewal of existing ones, particularly in Europe.

In the first half-year revenue increased by 6.6 per cent to EUR 1.1bn. Revenue from companies in the Lufthansa Group climbed by 2.0 per cent to EUR 253m. Third-party revenue even grew by 8.0 per cent, reaching EUR 849m. As in the first quarter the increase in revenue in Europe is largely due to higher volumes resulting from growth in traffic and revenue from Virgin Atlantic that was not included last year. On a regional level, only North America posted a decline in revenue. This is partly a result of currency translation effects and partly due to the loss of revenue from catering operations that were closed last year.

In total, the Catering segment achieved segment revenue of EUR 1.2bn in the first half of 2006 (previous year: EUR 1.1bn).

The cost of materials and services went up by 6.8 per cent to EUR 469m. This results mainly from an increased use of materials and services due to the higher volumes.

Staff costs grew by 4.1 per cent to EUR 482m. This includes a provision of EUR 20m for one-off compensation payments to staff in the USA. Adjusted for this accruals, the higher revenue was generated with unchanged staff costs. The number of employees declined by 1.1 per cent to 28,085, which includes 369 employees from the change in the group of consolidated companies.

Depreciation rose by 20.0 per cent to EUR 30m. This increase is due to higher depreciation in the USA, particularly for fittings and equipment. Other depreciation remained roughly unchanged compared with the previous year. Other operating expenses were 8.2 per cent below the previous year's level at EUR 190m. This is due to a decline in exchange rate losses. Significant reductions were also made to rental and maintenance expenses as well as consultancy costs. In all, segment expenses for the Catering segment amounted to EUR 1.2bn.

Segment capital expenditure was 24.2 per cent below last year's level at EUR 25m. In 2005 LSG Sky Chefs had invested in a new facility in Britain. In the first half-year 2006 initial payments of EUR 3m were made for the construction of a new plant in Frankfurt.

As in the full year 2005, the Catering segment has now for the first time been able to post a positive operating result of EUR 5m (previous year: EUR – 7m) on a half-yearly basis as well. The reason for this improved performance lies in the ongoing effects of the restructuring carried out in recent years. The segment result improved to EUR – 9m (previous year: EUR – 14m).

For the full year 2006 LSG Sky Chefs still expects to outperform last year's positive operating result by a clear margin. The various cost reductions achieved to date, which will take full effect in the course of the year, are of major importance for this forecast. Increasing revenue also confirms the trend.

LSG Sky Chefs France S.A. will bundle its activities at Paris Charles de Gaulle airport with those of Gate Gourmet France S.A.S. and merge them into a new entity. The joint venture received approval by the European Commission on 19 July 2006.

The Catering segment achieved important contract renewals with United Airlines in Germany, AirMadrid in Spain, TUI Fly Nordic (formerly Britannia) in Scandinavia and American Airlines, Air New Zealand and All Nippon in the USA.

Segment Leisure Travel

Thomas Cook AG

		1.11.2005 – 30.4.2006	1.11.2004 – 30.4.2005	Change in %
Group revenue	€m	2,436	2,404	1.3
Result from operations (EBITA)	€m	– 200	– 217	7.8
Average number of employees	number	19,241	21,775	– 11.6

Thomas Cook AG continued to perform well in the first half of the year. Improved cost structures and increased market share enabled the company to outperform the market. In the German market especially, Thomas Cook AG outshone the competition in a weak trading environment. In Britain Thomas Cook UK is less affected by the clear downturn in business than the market as a whole.

In the first six months of the financial year 2005/2006 around 3.2 million leisure passengers travelled with Thomas Cook AG (– 1.3 per cent). Adjusted for the sale of Aldiana this represents a decline of 0.8 per cent. In Germany Thomas Cook outperformed the market with growth of 2.6 per cent to 1.3 million passengers (tour operators not including seat-only sales at Condor). The number of leisure travellers was down by 2.8 per cent in Britain, however, due to a general weak market. The sales market West (Netherlands, France, Belgium) showed a drop of 5.8 per cent, whilst the sales market International was able to grow by 25.7 per cent.

The airline Condor (Segment Airlines Germany) has sustained last year's excellent performance. With a major increase in capacity, passenger numbers climbed by 9.5 per cent to almost 2.9 million. Both tour operator business with growth of 10.7 per cent and seat-only sales (+ 10.0 per cent) contributed to this expansion.

Revenue at Thomas Cook climbed in the first six months of the financial year 2005/2006 by EUR 31.8m or 1.3 per cent to EUR 2.4bn. The sales markets Germany and West improved slightly on the previous year, with revenue of EUR 908m (+ 0.8 per cent) and EUR 472m (+ 0.5 per cent) respectively. In the sales market Britain revenue dropped due to negative exchange rate movements and lower guest numbers to EUR 735m (– 1.9 per cent), and in the sales market International revenue declined by 14.6 per cent to EUR 35m as a result of the disinvestments. Condor posted additional revenue of EUR 66m, taking the total to EUR 499m with significantly higher average yields.

Expenses on leisure travel services went up due to higher fuel prices (+EUR 63m) and increased charges (+EUR 13m) to EUR 1.9bn, an increase of 3.0 per cent on the previous year. Other operating expenses for flights operated by airlines outside the group

decreased to EUR 6m, however, due to reduced traffic. Altogether these factors led to 4.0 per cent lower gross yield at EUR 545m. Gross yield margin was at 22.4 per cent, slightly below last year (23.6 per cent).

Other operating income increased by EUR 27m (+32.5 per cent) to EUR 110m. This rise was largely the result of book profits on the companies that were deconsolidated in the first half of 2006, in particular the Canadian Porto Bay (+EUR 5m), the India and Mauritian companies (+EUR 23m) and Aldiana (+EUR 12m).

Other operating expenses (including staff costs and current depreciation) were reduced by 2.2 per cent to EUR 860m. Higher expenses for retirement benefits led to an increase of EUR 3m in staff costs, taking the total to EUR 410m. The average number of employees over the year dropped by 11.6 per cent compared with the second quarter 2004/2005, finishing at 19,241. This reduction is mainly due to the sale of companies and restructuring in the sales markets Germany and Britain. A group-wide human resources management team now monitors the number of employees using a new method. Numbers for prior years have been adjusted accordingly. The remaining other operating expenses at EUR 371m were below the level of the previous year (EUR 392m).

Capital expenditure in the half-year came to EUR 20m (previous year: EUR 17m). The focus was on financial assets, the capitalisation of major aircraft service inspections, so called C4 checks, and on IT investments. Operating cash flow improved by EUR 25m or 30.7 per cent to EUR 106m. Net debt was reduced by EUR 452m compared with 30 April 2005 and by EUR 219m compared with EUR 60m at the end of the financial year on 31 October 2005.

Thomas Cook generated a negative operating result (EBITA) of EUR 200m for the first six months of the 2005/2006 financial year, due to seasonal factors. This represents an improvement of EUR 17m over the previous year. The segment result for the Lufthansa Group based on the equity valuation is EUR – 71m (previous year: EUR – 77m).

The outlook for the financial year 2005/2006 is positive. Following its restructuring Thomas Cook now has a competitive cost structure and optimised processes. European bookings for the summer season 2006 are up by 4.8 per cent, posted revenue by even 5.2 per cent. The booking figures for the World Cup month of June were also very good, thanks to early price offers by all operators. The German business is a major contributor to these healthy bookings, showing growth of 9.3 per cent. Bookings in Britain and the Netherlands have dropped slightly, however, by 0.6 per cent and 1.9 per cent respectively. Despite difficult trading conditions and rising fuel prices Thomas Cook anticipates meeting its financial targets and exceeding last year's results.

Segment IT Services

Lufthansa Systems Group				
		January – June 2006	January – June 2005	Change in %
Revenue	€m	313	300	4.3
Segment result	€m	19	24	– 20.8
Operating result	€m	20	24	– 16.7
EBITDA	€m	35	39	– 10.3
Employees as at 30 June	number	3,309	3,235	2.3

The economic recovery in the airline industry has had a positive effect on business development at Lufthansa Systems. The new product Future Airline Core Environment (FACE) enjoyed its launch for example. New contracts resulted in major revenue growth. This led to revenue increase by EUR 13m or 4.3 per cent to EUR 313m for the first half-year of 2006. External revenue prospered by 15.3 per cent. In all, Lufthansa Systems generated segment revenue of EUR 325m in the first half of the year.

The cost of materials and services grew by 13.3 per cent to EUR 17m due to increased use of third-party services for outsourcing projects (e.g. the modernisation of the IT infrastructure at LSG Sky Chefs). Staff costs climbed as a result of slightly higher staff numbers and a small increase in wages in line with inflation by 5.3 per cent to EUR 120m. Depreciation remained at the same level as last year at EUR 16m. Other operating expenses went up by 8.5 per cent to EUR 153m, largely due to start-up costs for the development of new technologies and technological change-overs. Segment expenses rose by 7.4 per cent in total to EUR 306m (previous year: EUR 285m).

Capital expenditure for the segment remained at the previous year's level of EUR 22m based on further development for the FACE project.

As a result of preproduction costs for new technologies and outsourcing projects, the half-yearly operating result for Lufthansa Systems was EUR 4m below the previous year at EUR 20m. These preproduction costs will also put a strain on the operational business development in the second half-year.

In the mid to long-term Lufthansa Systems intends to develop its product portfolio for the aviation industry further as a flexible IT platform. This will mainly be realised within the FACE project, which puts the core elements Reservations, Inventory and Check-in on a new platform. To maintain competitiveness services will also increasingly be provided abroad.

Lufthansa Systems received a new order from Star Alliance for the developing of a booking system for business travel. A five-year contract was signed with the Korean airline Asiana for implementation, further development and maintenance of the yield management system Sirax, originally developed by Lufthansa Systems.

Service and Financial Companies

Service and Financial Companies				
		January – June 2006	January – June 2005	Change in %
Other segment income	€m	257	191	34.6
Segment result	€m	77	55	40.0
Capital expenditure	€m	52	146	– 64.4
Employees as at 30 June	number	1,161	1,099	5.6

The group of companies consolidated in the Service and Financial Companies includes Lufthansa Commercial Holding GmbH (LCH), Lufthansa AirPlus Servicekarten GmbH (AirPlus) and Lufthansa Flight Training GmbH (LFT) as well as various financing companies. Revenue from training services (LFT) and credit card commissions (AirPlus) are reported under other segment revenue, together with revenue from equity investments and from asset disposals.

In the first half-year 2006 segment revenue amounted to EUR 257m, EUR 66m higher than in the previous year. The segment result increased by 40.0 per cent to EUR 77m. The full year's result will still be well below last year's, however, as no capital gains on disposals are expected as in 2005 (sale of Amadeus and Loyalty Partner).

Higher billing volumes and a slow build-up of staff enabled AirPlus to report a result of EUR 10m (+39.6 per cent) for the first half-year. Cooperations with banks, travel agencies and airlines are moving ahead swiftly, as are the preparations for issuing its own credit card, the "AirPlus Corporate Card".

LFT is progressing steadily and is on the same level as last year with a result of EUR 9m. In May 2006 a new building for flight-simulation with four simulator bays was inaugurated at LFT Berlin, and a new A320 flight-simulator was put into operation.

The complete sale of the stake in Gerling Group provided a further earnings contribution in the first half of the year (+EUR 2.5m), as did a write-up of AeroExchange (+EUR 1.4m). AeroExchange is an electronic exchange operated by participating airlines and enabling joint purchases of general and aviation-specific goods and services.

Consolidated income statement

January – June 2006

	January – June 2006 €m	January – June 2005 €m	April – June 2006 €m	April – June 2005 €m
Traffic revenue	7,437	6,531	4,073	3,552
Other revenue	2,211	1,920	1,129	996
Revenue	9,648	8,451	5,202	4,548
Changes in inventories and work performed by the enterprise and capitalised	55	52	21	4
Other operating income	537	555	238	270
Cost of materials and services	– 5,005	– 4,138	– 2,613	– 2,213
Staff costs	– 2,507	– 2,327	– 1,255	– 1,163
Depreciation, amortisation and impairment	– 517	– 542	– 263	– 261
Other operating expense	– 1,873	– 1,791	– 946	– 896
Profit/loss from operating activities	338	260	384	289
Result from investments accounted for using the equity method	– 2	– 65	33	– 12
Other income from subsidiaries, joint ventures and associates	47	26	29	15
Net interest	– 95	– 146	– 24	– 77
Other financial items	– 35	0*	– 44	– 8
Financial result	– 85	– 185	– 6	– 82
Profit/loss before income taxes	253	75	378	207
Income taxes	– 140	– 74	– 170	– 89
Profit/loss after income taxes	113	1	208	118
Result attributable to minority shareholders	– 28	– 1	– 25	– 2
Result attributable to shareholders of Deutsche Lufthansa AG	85	0*	183	116
Basic earnings/loss per share in €***	0.19	0.00**	0.40	0.25
Diluted earnings/loss per share in €***	0.19	0.00**	0.19	0.00**

* Rounded below € 1m.

** Below € 0,01.

*** The basic earnings/loss per share are determined by dividing the net profit/loss for the period by the weighted average number of ordinary shares outstanding during the period under review, based on the increased number of shares following the capital increase. The comparative figures have been adjusted accordingly. The diluted earnings/loss per share are determined by attributing the ordinary shares which might maximally be issued upon exercise of the convertible bond of Deutsche Lufthansa AG issued on 4 January 2002. Group net profit/loss for the period is increased by the amounts spent on the convertible bonds.

Consolidated balance sheet as at 30 June 2006

Assets	30 June 2006 €m	31 December 2005 €m	30 June 2005 €m
Intangible assets with an indefinite useful life	591	591	712
Other intangible assets	152	162	138
Aircraft and spare engines	7,083	7,262	7,166
Repairable aircraft spare parts	513	503	462
Real property held as financial investments	20	17	18
Other tangible assets	1,432	1,448	1,413
Investments accounted for using the equity method	919	949	528
Other financial items	1,526	993	642
Receivables and other assets	118	118	128
Derivative financial instruments	98	87	85
Deferred income tax assets	171	188	187
Non-current assets	12,623	12,318	11,479
Inventories	472	439	391
Trade receivables on other assets	3,524	2,639	3,045
Derivative financial instruments	308	178	241
Actual income tax assets	4	27	24
Securities	1,896	2,425	1,053
Cash and cash equivalents	743	1,173	2,643
Assets available for sale	53	73	235
Current assets	7,000	6,954	7,632
Total assets	19,623	19,272	19,111

Shareholders' equity and liabilities	30 June 2006 €m	31 December 2005 €m	30 June 2005 €m
Issued Capital	1,172	1,172	1,172
Capital reserve	1,366	1,366	1,366
Fair value reserves	177	74	243
Retained earnings	1,366	1,267	1,269
Net profit/loss for the period	85	453	0*
Equity share of the shareholders of the Deutsche Lufthansa AG	4,166	4,332	4,050
Minority interests	216	190	37
Shareholders' equity	4,382	4,522	4,087
Retirement benefit obligations	3,897	4,022	4,018
Other provisions and accruals	388	413	399
Borrowings	2,707	2,363	2,555
Other liabilities	77	96	91
Payments received on account and deferred income	11	104	130
Derivative financial instruments	292	190	171
Deferred income tax liabilities	721	614	458
Non-current provisions and liabilities	8,093	7,802	7,822
Other provisions and accruals	1,415	1,166	1,721**
Borrowings	445	1,200	1,020
Trade payables and other liabilities	3,410	3,407	2,830**
Liabilities from unused flight documents	1,428	818	1,144
Payments received on account and deferred income	108	87	206
Derivative financial instruments	278	247	249
Actual income tax liabilities	64	23	32
Current provisions and liabilities	7,148	6,948	7,202
Total shareholders' equity and liabilities	19,623	19,272	19,111

* Rounded below € 1m.

** First half of 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	-	-	-	-	-	267	- 267	-	-	-
Dividends	-	-	-	-	-	-	- 137	- 137	-	- 137
Group/minority results	-	-	-	-	-	-	-	-	1	1
Currency translation differences	-	-	-	-	8	-	-	8	-	8
Changes in fair value of financial investments and cash flow hedges	-	-	266	- 3	-	-	-	263	-	263
Transfers to acquisition cost	-	-	24	-	-	-	-	24	-	24
Transfers to the income statement	-	-	- 93	- 1	-	-	-	- 94	-	- 94
Other neutral changes	-	-	-	-	-	12	-	12	- 4	8
Balance on 30 June 2005	1,172	1,366	47	196	- 99	1,368	0*	4,050	37	4,087
Balance on 31 December 2005	1,172	1,366	0*	74	- 90	1,357	453	4,332	190	4,522
Transfers	-	-	-	-	-	224	- 224	-	-	-
Dividends	-	-	-	-	-	-	- 229	- 229	-	- 229
Group/minority results	-	-	-	-	-	-	85	85	27	112
Currency translation differences	-	-	-	-	12	-	-	12	- 1	11
Changes in fair value of financial investments and cash flow hedges	-	-	78	78	-	-	-	156	-	156
Transfers to acquisition cost	-	-	- 3	-	-	-	-	- 3	-	- 3
Transfers to the income statement	-	-	- 49	- 1	-	-	-	- 50	-	- 50
Other neutral changes	-	-	-	-	-	- 137	-	- 137	0*	- 137
Balance on 30 June 2006	1,172	1,366	26	151	- 78	1,444	85	4,166	216	4,382

* Rounded below € 1m.

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 – June 2006 €m	January – June 2005 €m
Cash and cash equivalents on 1 January	1,173	2,836
Profit/loss before income taxes	253	75
Depreciation of fixed assets (net of reversals)	524	536
Depreciation of repairable aircraft spare parts	63	18
Result from fixed asset disposal	– 4	– 15
Result from investments accounted for using the equity method	– 45	65
Net interest	95	146
Income taxes paid	– 35	– 40
Change in working capital*	– 154	– 58
Cash flows from operating activities	697	727
Purchases of tangible assets and intangible assets	– 381	– 454
Purchase of financial assets	– 368	– 234
Disposals/additions to repairable aircraft spare parts	– 74	– 21
Proceeds from sale of non-consolidated equity investments	– 1	17
Proceeds from sale of consolidated equity investments	–	0**
Acquisition of non-consolidated equity investments	– 127	– 2
Acquisition of consolidated equity investments	–	–
Proceeds from disposals of intangible assets, tangible assets and other financial assets	103	58
Interest received	177	131
Dividends received	64	39
Net cash used in investing activities	– 607	– 466
Securities/fixed-term deposits	237	– 385
Net cash used in investing activities and cash investments	– 370	– 851
Redemption of conversion options from the Convertible Bond 2004	– 102	–
Long-term borrowings	540	281
Repayments of long-term borrowings	– 867	– 131
Other borrowings	88	83
Dividends paid	– 229	– 137
Interest paid	– 181	– 166
Net cash used in financing activities	– 751	– 70
Net decrease/increase in cash and cash equivalents	– 424	– 194
Effects of exchange rate changes	– 6	1
Cash and cash equivalents on 30 June	743	2,643
Securities	1,896	1,053
Total liquid funds	2,639	3,696

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

** Rounded below € 1m.

Further Notes to the Interim Financial Statements

Effects of the changes in the group of consolidated companies

Besides Deutsche Lufthansa AG as the Group's parent company, the consolidated financial statements include all the major domestic and foreign subsidiaries. The EW Verkehrsflugzeuge III GmbH & Co KG was merged with LeaseAir GmbH & Co Verkehrsflugzeuge V KG in January 2006 and is no longer consolidated. The companies LSG Sky Chefs Objekt- und Verwaltungsgesellschaft mbH and Lufthansa Malta Finance Ltd. were consolidated for the first time in the second quarter of 2006.

In comparison with the same period of the previous year, the group of consolidated companies was expanded to include the AirTrust AG, consolidated for the first time in the third quarter 2005 following the increase in the shareholding to 49 per cent. Also new to the group of consolidated companies are the companies of the Eurowings group, in which we took a majority stake at year-end 2005, a new bond fund set up in the fourth quarter and those companies consolidated for the first time in the second half of 2005 – LSG South America, Siam Flight Services Ltd., LSG Sky Chefs (Thailand) Ltd. and Quinto Grundstücksverwaltung GmbH & Co. KG. In the first half-year 2005 the group of consolidated companies also still included part of LSG Hygiene Institute GmbH, sold as of 1 April 2005, as well as those companies deconsolidated at the end of the second quarter 2005 – Caterair Portugal Assistencia A Bordo Lda., Cocina del Aire de Provincia S.A. de C.V., Marriott Export Services C.A., Marriott International Trade Services C.A. and Giulietta Aircraft Leasing Limited which was deconsolidated in the fourth quarter. The following table shows the main effects of changes to the group of consolidated companies in comparison with the first half-year 2005.

Income statement

	Group January – June 2006	of which from changes in the group of consoli- dated companies compared with the interim reporting in June 2005
	€m	€m
Revenue	9,648	+ 219
Operating income	10,240	242
Operating expenses	– 9,902	– 242
Profit/loss from operating activities	338	0 *
Financial result	– 85	44
Income taxes	– 140	– 3
Profit/loss after income taxes	113	41

* Rounded below € 1m.

Contingencies and events occurring after the balance sheet date

Various provisions with a total potential effect on the financial result of EUR 333m for subsequent years were not set up owing to the small likelihood of their being utilised. The corresponding figure at year-end 2005 was EUR 356m.

Of the contingent asset specified in the full-year consolidated financial statements for 2005 in connection with the sale of an equity interest amounting to EUR 13m, EUR 3m was realised in the first half of 2005. It is anticipated that another EUR 9m will be received in the coming years.

Contingent liabilities

	30.6.2006 €m	31.12.2005 €m
From guarantees, bills and cheque charges	783	812
From warranty agreements	1,028	1,386
From collateralisation of third-party liabilities	3	3

Payments of EUR 34m were received in the first half-year for four CRJ 200s, two ATR 72s and an Airbus A 310 aircraft sold by signed aircraft purchase agreements as of year-end 2005, giving rise to an accounting profit of EUR 11m. In the first half-year 2006 a sales agreement for a Canadair Regional Jet was closed, in addition to contracts for the sale of fourteen further aircraft of the same type signed as of year-end 2005. These sales agreements will generate sales proceeds of EUR 66m and accounting profits of EUR 13m in the course of 2006.

The contingent asset described in the full year's consolidated financial statements for 2005 resulting from a D & O insurance police in connection with a claim for damages in Scandinavia continues to exist in the amount of EUR 127.5m.

At the end of June 2006 procurement obligations of EUR 3.4bn existed concerning investments in tangible and intangible fixed assets. As of 31 December 2005 these obligations had amounted to EUR 3.5bn.

Assets held for sale

	January – June 2006 €m	Financial Statements 2005 €m	January – June 2005 €m
Assets			
Aircraft and spare engines	53	70	13
Financial assets	–	–	219
Other assets	–	3	3

Equity/liabilities from assets held for sale

Equity	–	–	180
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 with the approval of the Supervisory Board by issuing new registered shares to employees against a contribution in cash. Shareholders' subscription rights are excluded.

In line with the decision of the Annual General Meeting held on 17 May 2006 the distributable profit amounting to EUR 229m shown in the parent company's full-year financial statements was duly paid out to the shareholders. The dividend for the 2005 financial year amounted to EUR 0.50 per share.

The previous year dividend was EUR 0.30 per share.

Segment reporting Lufthansa Group

Business segment information January – June 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	6,256	1,383	1,024	849	–	136	–	9,648
– of which traffic revenue	6,123	1,314	–	–	–	–	–	7,437
Inter-segment revenue	265	8	663	253	–	177	–	1,366
Total revenue	6,521	1,391	1,687	1,102	–	313	–	11,014
Other segment income	415	64	71	60	– 71	12	257	808
– of which from invest- ments accounted for using the equity method	47	9	8	5	– 71	–	0**	– 2
Cost of materials	3,876	951	872	469	–	17	16	6,201
Staff costs	1,226	168	478	482	–	120	36	2,510
Amortisation and depreciation	361	66	37	30	–	16	10	520
– of which impairments	–	–	–	–	–	–	–	–
Other operating expenses	1,237	208	247	190	–	153	118	2,153
Segment results	236	62	124	– 9	– 71	19	77	438
– of which from invest- ments accounted for using the equity method	47	9	8	5	– 71	–	0**	– 2
Segment assets	8,903	1,243	2,266	1,099	247	269	2,827	16,854
– of which from invest- ments accounted for using the equity method	481	20	106	62	247	–	3	919
Segment liabilities	7,377	722	1,472	653	–	215	849	11,288
– of which from invest- ments accounted for using the equity method	–	–	–	–	–	–	–	–
Capital expenditure	275	3	45	25	–	22	52	422
– of which from invest- ments accounted for using the equity method	3	–	4	–	–	–	–	7
Other significant non-cash items	127	9	30	22	–	5	2	195
Employees at the balance sheet date	37,897	4,679	17,874	28,085	–	3,309	1,161	93,005
Average number of employees	37,704	4,689	17,822	28,186	–	3,321	1,131	92,853

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

** Rounded below € 1m.

Business segment information January – June 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	5,432	1,263	852	786	–	118	–	8,451
– of which traffic revenue	5,323	1,208	–	–	–	–	–	6,531
Inter-segment revenue	240	6	682	248	–	182	–	1,358
Total revenue	5,672	1,269	1,534	1,034	–	300	–	9,809
Other segment income	384	78	65	86	– 77	9	191	736
– of which from invest- ments accounted for using the equity method	– 5	7	7	4	– 77	–	0*	– 64
Cost of materials	3,263	860	723	439	–	15	12	5,312
Staff costs	1,097	162	460	463	–	114	34	2,330
Amortisation and depreciation	387	67	34	25	–	15	11	539
– of which impairments	–	–	–	–	–	–	–	–
Other operating expenses	1,194	223	234	207	–	141	79	2,078
Segment results	115	35	148	– 14	– 77	24	55	286
– of which from invest- ments accounted for using the equity method	– 5	7	7	4	– 77	–	0*	– 64
Segment assets	8,285	1,325	2,179	1,357	186	208	3,049	16,589
– of which from invest- ments accounted for using the equity method	176	5	89	72	186	–	3	531
Segment liabilities	6,904	710	1,603	774	–	224	1,681	11,896
– of which from invest- ments accounted for using the equity method	–	–	–	–	–	–	–	–
Capital expenditure	315	26	43	33	–	22	146	585
– of which from invest- ments accounted for using the equity method	–	–	0*	–	–	–	–	–
Other significant non-cash items	90	7	17	8	–	4	1	127
Employees at the balance sheet date	35,197	4,761	17,673	28,408	–	3,235	1,099	90,373
Average number of employees	35,045	4,810	17,713	28,298	–	3,224	1,104	90,194

* Rounded below € 1m.

Reconciliation of segment information with consolidated figures

	Segment total		Reconciliation		Group	
	January – June 2006 €m	January – June 2005 €m	January – June 2006 €m	January – June 2005 €m	January – June 2006 €m	January – June 2005 €m
External revenue	9,648	8,451	–	–	9,648	8,451
– of which traffic revenue	7,437	6,531	–	–	7,437	6,531
Inter-segment revenue	1,366	1,358	– 1,366	– 1,358	–	–
Total revenue	11,014	9,809	– 1,366	– 1,358	9,648	8,451
Other revenue	808	736	– 216	– 129	592	607
– of which from investments accounted for using the equity method	– 2	– 64	2	64	–	–
Cost of materials	6,201	5,312	– 1,196	– 1,174	5,005	4,138
Staff costs	2,510	2,330	– 3	– 3	2,507	2,327
Amortisation and depreciation	520	539	– 3	3	517	542
– of which impairments	–	–	–	–	–	–
Other operating expenses	2,153	2,078	– 280	– 287	1,873	1,791
Results	438	286	– 100	– 26	338	260
– of which from investments accounted for using the equity method	– 2	– 64	2	64	–	–
Assets	16,854	16,589	2,769	2,522	19,623	19,111
– of which from investments accounted for using the equity method	919	531	–	–	919	531
Liabilities	11,288	11,896	3,953	3,128	15,241	15,024
– of which from investments accounted for using the equity method	–	–	–	–	–	–

Geographical segment information January – June 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*	4,843	1,071	164	1,081	108	170	–	7,437
Other operating revenue	1,066	494	77	385	133	56	0**	2,211
Total revenue	5,909	1,565	241	1,466	241	226	0**	9,648

* Traffic revenue is allocated by original place of sale.

** Rounded below 1m.

Geographical segment information January – June 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*	4,513	787	132	882	87	130	–	6,531
Other operating revenue	960	429	56	319	109	47	0**	1,920
Total revenue	5,473	1,216	188	1,201	196	177	0**	8,451

* Traffic revenue is allocated by original place of sale.

** Rounded below 1m.

Financial data 2006/2007

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26 July Release of Interim Report January – June 2007

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result January – September 2007

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