Lufthansa

2nd Interim Report
January – June 2008

2

12.1bn

EUR revenue

705m

EUR operating result

402m

EUR net profit for the period

Lufthansa Group overview

Key data [1)]

		January–June 2008	January–June 2007	Change in %
Revenue and result				
Revenue	€m	12,056	10,089	19.5
- of which traffic revenue	€m	9,721	7,739	25.6
Operating result	€m	705	486	45.1
EBIT	€m	592	833	– 28.9
EBITDA	€m	1,317	1,381	– 4.6
Net profit for the period	€m	402	992	– 59.5
Key balance sheet and cash flow statement figures				
Total assets	€m	23,632	21,170	11.6
Equity ratio	%	29.1	27.1	2.0 pts.
Net liquidity [2)]	€m	916	703	30.1
Cash flow from operating activities	€m	1,753	1,074	63.2
Capital expenditure	€m	1,231	852	44.5
Key profitability and value creation figures				
Adjusted operating margin [3)]	%	6.1	5.2	0.9 pts.
EBITDA margin	%	10.9	13.7	– 2.8 pts.
The Lufthansa share				
Share price at half year end	€	13.70	20.76	– 34.0
Earnings per share	€	0.88	2.17	– 59.4
Traffic figures [4)]				
Passengers	thousands	34,840	26,949	29.3
Freight/mail	thousand tonnes	983	877	12.1
Passenger load factor	%	78.3	78.5	– 0.2 pts.
Cargo load factor	%	65.3	68.5	– 3.2 pts.
Available tonne-kilometres	millions	17,171	13,380	28.3
Revenue tonne-kilometres	millions	12,394	9,957	24.5
Overall load factor	%	72.2	74.4	– 2.2 pts.
Number of flights		413,218	337,206	22.5
Employees				
Employees as of 30.6	number	108,073	97,067	11.3

1) Due to changes in the group of consolidated companies the comparability of the figures with those of the previous year is limited.
2) Long-term securities serving as liquidity reserves and cashable at short notice have been included in the calculation of net liquidity.
3) Ratio for comparability with other airlines: (operating result + reversals of provisions)/revenue.
4) Since 1 January 2008 revenue passenger figures have been calculated in the Lufthansa Group on the basis of the ICAO standard. The figures from the previous year have been adjusted accordingly.

The interim report at 30 June 2008 was prepared in accordance with the rules of IAS 34, taking into account the standards applicable since 1 January 2008.
Date of disclosure: 30 July 2008

Contents

Dear shareholders,

Despite the current turbulences on the aviation market Lufthansa completed the first half-year 2008 successfully. In the first six months of the year the crane again demonstrated its strength. The operating result was EUR 219m above last year's figure at EUR 705m.

However, the market environment is anything but amiable. Higher kerosene prices are compelling airlines to make sharp cuts in capacity and prune back their flight plans. The high oil price is also having a harsh impact on the share prices of European airlines. Lufthansa nevertheless again managed to outperform its competitors.

In this respect Lufthansa is supported by its broad customer structure, regional diversification, flexibility and solid financial profile, which the credit markets also appreciate. Both Standard & Poor's and Moody's confirmed Lufthansa's investment grade rating in June. The guests at the Investor Day held on 25 June in Munich were also able to gain an impression of Lufthansa's solid positioning. A recording of this event is available on the internet at www.lufthansa-financials.com.

The Passenger Transportation and Logistics business segments dealt successfully with the challenges of a difficult market environment. SWISS in particular gave a very good performance. The excellent result for the first half-year in Logistics shows that the chosen course is the right one. The MRO and Catering segments were also able to report improvements in results despite unfavourable currency movements. The restructuring continues in the IT Services segment and is also making progress.

The challenging market environment also holds opportunities for Lufthansa. Continental Airline's planned accession to the Star Alliance means that we will gain another valuable partner. It will enable us to offer our customers even better connections within the USA via the hubs in New York (Newark) and Houston. The participation in JetBlue completed in the first quarter will also increase the number of connecting flights from New York (JFK) in the future.

Dear shareholders, you can be quite certain that Lufthansa's management has identified the bad weather areas on the aviation market on its radar in time and has worked out alternative routes to enable the journey to continue safely. We are able to steer around the worst thunderstorms and thanks to our financial and operating flexibility we are well equipped for the areas of light turbulence that cannot be avoided.

We intend to make up for the higher costs by increasing efficiency, reducing expenses by means of the package of measures already initiated, and if necessary adjusting fuel surcharges. With the Group initiative "Upgrade to Industry Leadership" we aim for a prime position for profitability in our industry. The airline group strategy is another important pillar for profitable growth. We are convinced that our business model based on sustainability will prevail. The current market environment will also affect the long overdue process of consolidation and will increase the profitability of the airlines that emerge stronger from this phase.

Aviation is and remains a long-term growth market, despite the volatility. Lufthansa is profitable and is continuing its course towards its declared destination of sustainable profitability and value creation.

You can count on Lufthansa!

Wolfgang Mayrhuber
Chairman and CEO

Stephan Gemkow
Member of the Executive Board
Chief Financial Officer

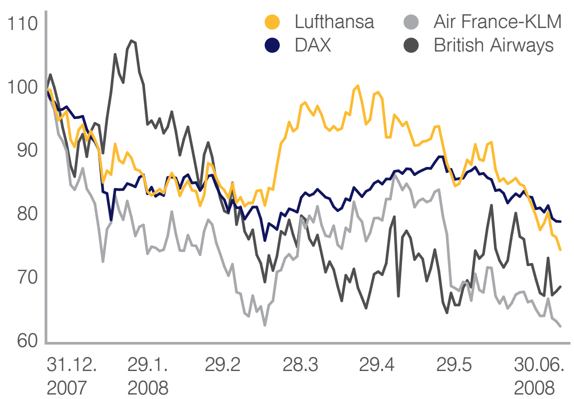
Stefan Lauer
Member of the Executive Board
Chief Officer Aviation Services and
Human Resources

Share

The negative mood from the start of the year on stock markets worldwide persisted into the second quarter. Continuously rising oil prices and recession worries continued to dominate the stock markets and made prices extremely volatile. In the first half-year the DAX lost some 20.4 per cent compared to its level at year-end 2007, closing on 30 June at 6,418 points.

Lufthansa's share price trend (indexed on 31.12.2007) compared with the DAX and competitors

in %



Airline shares in particular are suffering from record prices for crude oil and kerosene. The share price losses in the first half-year were over 30 per cent for British Airways and around 37 per cent for Air France-KLM. The Lufthansa share could not escape this trend either and had to sustain a decline of some 25 per cent compared to the beginning of the year. As of 30 June the share price was EUR 13.70. The outperformance by the Lufthansa share in comparison with its competitors is supported by the Group's positioning, which particularly benefits the share in the current conditions. The regional diversification in the customer structure, the operating flexibility on costs and the fleet, the structured hedging of fuel prices and the strong financial framework all support the Group's sustainable development.

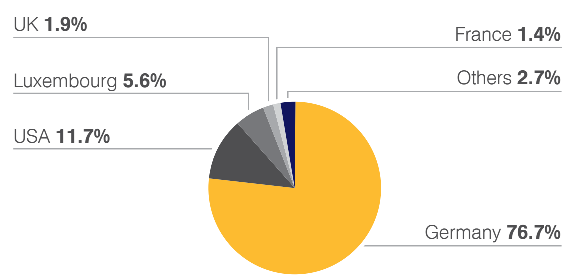
The majority of analysts share this view. Around 65 per cent of them recommend the Lufthansa share as a buy; some 30 per cent consider it a hold. Two analysts are expecting uncertain results due to the high oil price and therefore recommend selling, despite assumed Lufthansa's long-term competitive advantages. The target price is above EUR 20 on average.

A dividend of EUR 1.25 was decided at the Annual General Meeting on 29 April 2008 and paid out to shareholders on 30 April. Shareholders also appointed a new Supervisory Board for a term of five years. A list of the members of the Supervisory Board and the individual committees as well as the other resolutions passed at the Annual General Meeting are explained at www.lufthansa-financials.com.

At the annual Investor Day on 25 June 2008 in Munich Lufthansa's management gave analysts and investors comprehensive background information on the current financial and operating performance and on the Group's strategic alignment. All information is also available at www.lufthansa-financials.com.

On 30 June 2008 76.7 per cent of the capital stated in the share register was in the hands of German investors. Shareholders from the USA were in second place with 11.7 per cent, followed by Luxembourg with 5.6 per cent and the UK with 1.9 per cent. 26.0 per cent of issued capital was held by private investors and around 74.0 per cent was held or managed by institutional investors. The shareholder structure is published on the internet every quarter.

Shareholder structure by nationality (as of 30.6.2008)



The largest shareholder is still the AXA Group with 10.56 per cent, followed by Barclays Global Investors with 5.07 per cent and Dr Lutz M. Helmig with 3.11 per cent of Lufthansa shares (of which 3.09 per cent via ATON GmbH). Allianz SE, Munich, holds 3.06 per cent of voting shares via its subsidiary Süddeutsche-Industrie-Beteiligungs-GmbH, Frankfurt am Main, as notified on 18 June 2008. The number of voting shares in Deutsche Lufthansa AG held by Allianz SE has not changed; the shares were simply transferred within the group.

Interim management report

Economic environment and industry developments

The global economy looked to be in robust shape in the first few months of 2008, despite the financial market crisis and rising prices for raw materials. However, there are increasing signs that growth could have relented in the second quarter. Sharp price rises for raw materials and food also caused inflation to pick up significantly worldwide. Global economic growth will slow down in 2008 compared with last year as expected.

Economic developments varied considerably in the main regions. Growth in the USA was weak due to the property crisis and the turmoil on the international financial markets. In contrast, the emerging economies such as China and India still reported high rates of growth, albeit lower than last year. The same trend can also be observed in some South American countries. Growth in the euro zone cooled down, but with considerable regional variations. The German economy in particular started the 2008 on an even keel, which led to expectations for the full year being revised upwards.

GDP growth compared with previous year

in %	**Q1 2008**	**Q2 2008***	Q3 2008*	Q4 2008*	Full year 2008*
World	3.8	3.4	3.0	2.8	3.2
Europe	2.5	2.1	1.6	1.3	1.9
- Germany	2.6	2.1	1.6	1.5	2.0
North America	2.5	2.0	1.2	0.7	1.6
South America	4.9	4.8	4.2	4.5	4.6
Asia/Pacific	5.5	5.4	5.2	5.0	5.3
- China	10.6	10.5	10.0	9.6	10.2
Middle East	6.5	6.7	6.7	6.7	6.6
Africa	6.5	6.6	6.6	6.4	6.1

Source: Global Insight World Overview as of 14 July 2008.
* Forecast.

Following a record high of EUR 1.60/USD in April the euro settled down to an average rate of EUR 1.53/USD for the first half-year. This represents an increase of 15.2 per cent over last year. The pronounced changes in exchange rates had different effects on the business segments. Overall their impact on the Lufthansa Group's operating result is limited (EUR 61m positive exchange rate effects in the first half-year 2008). The euro is expected to stay at this high level for the remainder of the year.

The oil price also continued its upward path during the first half-year, reaching an all-time high of USD 140.31 per barrel for IPE Brent Crude on 27 June. The lowest oil price was USD 86.62 per barrel and the average was around USD 110 per barrel, almost 73 per cent higher than in the first half-year 2007. The price for Jet Fuel rose by as much as 75 per cent on average in the first half-year.

Despite this, the aviation sector continues to grow, even if the trend has flattened out over recent months. In the first five months of the year sales in the passenger business grew by 5.5 per cent year on year according to IATA. Freight volumes also increased, by 2.8 per cent in the first five months.

Lower demand affected both China and the USA. Nearly all American airlines therefore reduced capacities in domestic traffic. Older aircraft models were decommissioned and staff were laid off. At the same time the international traffic to and from North America grew in the first five months of the year, both in passenger traffic (+6.4 per cent) and in freight (+4.9 per cent).

In the Asia/Pacific area sales in passenger business rose by 4.6 per cent, although business in China was down due to the earthquake in May and the stricter visa policy in the run-up to the Olympic Games in Beijing. The freight business with Asia/Pacific is at roughly the same level as last year, up by just 1 per cent.

In Europe the passenger business increased by 3.6 per cent and the freight business by 3.5 per cent. Nevertheless, many airlines are still reviewing their growth plans for the current year and for 2009. At the same time the consolidation process is progressing in small steps. A merger between the Iberia no-frills subsidiary Clickair and its competitor Vueling was announced in the Spanish market. British Airways bought L'Avion, a French business travel operator, in order to shore up its own new "OpenSkies" subsidiary for flights between continental Europe and North America. Together with Iberia and American Airlines British Airways is also examining wide-ranging cooperation on North Atlantic flight segments. In contrast, the planned acquisition of Condor by Air Berlin faced increasing economic challenges. The acquisition was cancelled in July.

Course of business

After a particularly successful first quarter Lufthansa was able to complete the first half-year with a good performance as well, achieving an operating result of EUR 705m. The negative effect of sharp oil price rises was noticeable despite this good result. Thanks to a range of cost-cutting programmes in all segments and the initiative Upgrade to Industry Leadership aimed at achieving lasting profitability, Lufthansa nevertheless considers itself well positioned for the future. The ongoing reports of the financial market crisis have hardly had an economic impact on the Group overall due to its flexible structure.

The business segments have pursued their chosen course with success and were able to improve the group's operating result even further. Especially in consideration of the increasingly darkening market environment, the course of business to date can be considered highly satisfactory.

Significant events On 22 January 2008 Lufthansa acquired 19 per cent of the shares in JetBlue Airways Corporation. A price of USD 310m (EUR 214m) was paid for around 42 million new shares. The share price of JetBlue Airways has dropped by 48.7 per cent since the acquisition, and an impairment loss has been recognised accordingly.

On 29 January 2008 Deutsche Lufthansa AG and Lufthansa Cargo AG agreed on a new wage settlement for cockpit staff with the collective bargaining partners. Salaries were raised by 2.5 per cent, backdated to 1 October 2007, and by a further 3 per cent from 1 January 2008. The wage agreement runs until 31 March 2009. At the same time Lufthansa is currently in negotiations with the collective bargaining partners on new agreements for the ground and cabin staff at Lufthansa and for cockpit staff at its subsidiaries Cityline and Eurowings. A settlement was reached for the cockpit staff of Germanwings.

As part of the strategic partnership between SWISS and Kuoni Reisen, SWISS will take over the holiday airline Edelweiss Air and with it three Airbus A320s and one Airbus A330 as of 31 October 2008. The relevant authorities gave their approval on 16 April 2008.

After having signed a letter of intent on 28 January 2008, Lufthansa, TUI Travel PLC and Albrecht Knauf Industriebeteiligung GmbH are reviewing the possibilities of merging their subsidiaries Hapag-Lloyd Fluggesellschaft mbH, Hapag-Lloyd Express GmbH, Germanwings GmbH and Eurowings Luftverkehrs AG under a common holding company.

The earn-out for former major shareholders of SWISS in exchange for their SWISS shares was paid on 20 March 2008. This brings total payments to SWISS shareholders to CHF 339m (some EUR 217m). SWISS has been fully consolidated since 1 July 2007.

On 11 April 2008 Deutsche Lufthansa AG sold its stake in the ground handling company GlobeGround Berlin GmbH, which had been held indirectly via a holding company, to WISAG Group, Frankfurt am Main. This represents a further step in Lufthansa's strategy of focussing its portfolio.

The rating agencies Standard & Poor's and Moody's reviewed their ratings of a number of airlines in June and confirmed Lufthansa's investment grade rating. Both rating agencies underlined the strong competitive position and positioning, as well as the solid financial and liquidity situation. The agencies' detailed assessments are available at www.lufthansa-financials.com.

Changes in the group of consolidated companies There have been significant changes in the group of consolidated companies compared with the same period last year. Swiss International Air Lines and its subsidiaries were included in the consolidated financial statements of Deutsche Lufthansa AG for the first time as of 1 July 2007. They were therefore not included in the first half-year 2007. The table on page 26 shows the other additions to and departures from the group of consolidated companies compared with year-end 2007 and 30 June 2007. These changes had significant effects on the consolidated balance sheet and income statement compared with the same period last year. These effects are described in the following comments and in the Notes starting on page 26.

Earnings position

For the first half of 2008 Lufthansa can report successful **traffic figures**; passenger numbers and sales both went up. In total Lufthansa and SWISS welcomed nearly 35 million passengers on board their planes in the first six months of the year – an increase of 29.3 per cent year on year. Lufthansa Passenger Airlines extended their capacity by 5.8 per cent and were able to sell it almost completely in the market (+5.5 per cent). SWISS was able to sell 12.5 per cent greater capacity in full. Due to the first-time consolidation of SWISS total sales were 28.3 per cent above last year's level, and were matched by capacity growth of 28.6 per cent. The passenger load factor remained roughly stable at 78.3 per cent (–0.2 percentage points). Lufthansa Cargo also increased both capacity (+4.5 per cent) and sales (+4.0 per cent). The cargo load factor was 68.2 per cent (–0.3 percentage points). The overall cargo load factor for the Group was 65.3 per cent (–3.2 percentage points), which also includes SWISS WorldCargo.

This sound operating performance is reflected in the Group's traffic revenue, which at EUR 9.7bn (+25.6 per cent) clearly exceeded the figure for last year. The increase was largely (+19.4 per cent) due to changes in the group of consolidated companies. Volume growth contributed 5.0 per cent and higher prices accounted for 5.8 per cent of the higher traffic revenue, whilst currency effects subtracted 4.6 per cent.

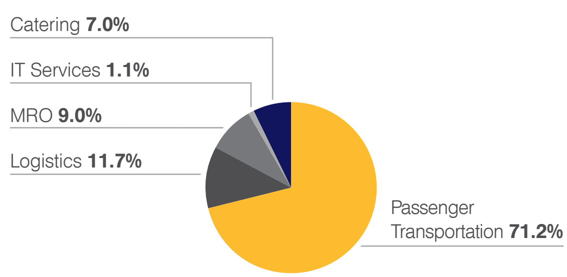
The business segment Passenger Transportation, including the fully consolidated SWISS, contributes EUR 8.2bn. This constitutes an increase of 25.9 per cent. The Logistics segment had a similarly successfully first half-year. Its traffic revenue went up by 9.1 per cent to EUR 1.4bn.

Other revenue was slightly (–0.6 per cent) below last year's level at EUR 2.3bn. The MRO segment maintained its position with external revenue of EUR 1.1bn (+0.1 per cent) and Catering reported a decline of 6.4 per cent to EUR 840m due to exchange rate effects. External revenue in the IT Services segment was also 2.9 per cent below last year's at EUR 132m.

The Passenger Transportation and Logistics segments recorded other revenue of EUR 275m (EUR +45m).

Group revenue rose altogether to EUR 12.1bn, a leap of 19.5 per cent (without the changes in the group of consolidated companies: +4.7 per cent). Passenger transportation accounted for 71.2 per cent of total revenue, an increase of 5.1 percentage points over the same period last year. The segment reporting includes an overview of revenue by individual region (see Notes, page 31).

Revenue distribution by business segment



Other operating income went up by 10.7 per cent to EUR 753m. This is largely due to the changes in the group of consolidated companies (without these changes: +1.3 per cent). A book gain reported last year from the share buy-back by WAM Acquisition S. A. was mirrored in the first half-year 2008 by higher income from currency gains. Their effect on the result is mitigated by exchange rate losses, however, which also went up.

Total operating income rose in the first half-year 2008 by 19.1 per cent to EUR 12.9bn. Without the changes in the group of consolidated companies the increase was 4.7 per cent.

Operating expenses climbed by 18.8 per cent over the first half-year 2008, or 5.5 per cent without the effect of changes in the group of consolidated companies. The **cost of material and services** represented the largest item at EUR 6.5bn (+25.9 per cent). Fuel was responsible for by far the largest share of this increase, rising sharply to EUR 2.5bn (+49.8 per cent). Changes in the group of consolidated companies account for 23.6 per cent. The volume of fuel rose by 5.4 per cent. The fuel price including hedging in USD went up by 37.4 per cent. The increase was partly limited by the strong euro (–16.6 per cent). Fuel price hedging reduced the impact by EUR 387m. Fees rose due to the

Operating expenses

	January – June 2008 in €m	January – June 2007 in €m	Change in %	Adjusted for consolidation changes in %
Cost of materials and services	6,483	5,149	25.9	8.2
- of which fuel	2,454	1,638	49.8	26.2
- of which fees and charges	1,720	1,429	20.4	1.1
Staff costs	2,818	2,595	8.6	0.5
Depreciation, amortisation and impairment	608	542	12.2	0.4
Other operating expenses	2,215	1,923	15.2	6.5
Total operating expenses	**12,124**	**10,209**	**18.8**	**5.5**

expanded group of consolidated companies by 20.4 per cent (consolidation changes: 19.3 per cent).

Staff costs edged up by 8.6 per cent due to the consolidation of SWISS and the operating expansion in the Passenger Transportation segment. Adjusted for the changes in the group of consolidated companies staff costs were roughly stable (+0.5 per cent). As already in the first quarter, the segments Logistics, IT Services and Catering were able to reduce their staff costs thanks to their flexible structures. On average the Group employed 107,280 people in the first half-year, 11.3 per cent more than a year ago. The previous year's figure of 96,421 did not include the 7,284 employees at the SWISS group, however. Adjusted for all the changes in the group of consolidated companies the number of employees would have been 3.8 per cent higher than last year.

Depreciation, amortisation and impairment went up almost exclusively as a result of the extension of the group of consolidatied companies. They include impairment losses of EUR 3m for an aircraft which has been sold but not yet delivered and has been reclassified under the item "Assets held for sale".

Other operating expenses increased by 15.2 per cent to EUR 2.2bn (adjusted for changes in the group of consolidated companies: +6.5 per cent). This was principally due to exchange rate losses.

Performance indicators improved significantly in the first half-year 2008 compared with 2007. The profit from operating activities was EUR 771m – an increase of 24.2 per cent.

The **operating result** adjusted for non-recurring factors (see table on page 7) went up by EUR 219m to EUR 705m (+45.1 per cent). This includes EUR 157m from the full consolidation of SWISS. The adjusted operating margin was 6.1 per cent (previous year: 5.2 per cent).

The **result from equity investments** was positive at EUR 17m but well below last year's figure of EUR 240m. This is largely the result of fully consolidating SWISS from 1 July 2007, which last year contributed EUR 180m.

Net interest improved by EUR 15m and came to EUR –86m. The improvement is due to lower interest expenses, which in turn is partly the result of lower compounding the pension provisions.

Other financial items declined sharply by EUR 168m to EUR –196m. This includes the impairment charge totalling EUR 113m for the JetBlue shares as well as negative changes in the value of hedging instruments which are considered under IAS 39 as held for trading (EUR –88m).

EBIT – earnings before interest and taxes – includes profit from operating activities, the result from equity investments and other financial items. Due to the decline in financial items it amounted to EUR 592m for the first half-year 2008 (last year: EUR 833m).

Profit before income taxes therefore dropped by EUR 226m compared to the same period last year and came to EUR 506m. Income taxes amounted to EUR 100m, equivalent to a tax rate of 19.8 per cent (previous year: 19.9 per cent).

Net profit for the period was EUR 402m (previous year: EUR 992m). The same period in 2007 included the disposal gain from the Leisure Travel segment of EUR 503m. Adjusted for this effect net profit was EUR 87m lower than last year, a decline of 17.8 per cent.

Cash flow and capital expenditure

In the first half-year 2008 cash flow from operating activities of EUR 1.8bn (previous year: EUR 1.1bn) was generated. The increase over last year is mainly due to the EUR 219m higher operating result and the cash positive change of working capital.

Gross capital expenditure came to EUR 1.2bn (previous year: EUR 852m). EUR 956m were spent on property, plant and equipment, intangible assets as well as consolidated equity investments, of which EUR 765m were for final payments for three Airbus A340s, four Airbus A330s, three Airbus A321s, five Airbus A319s and one Cessna Citation, as well as for aircraft overhauls and initial payments for new aircraft. EUR 275m were invested in long-term financial assets, of which the acquisition of 19 per cent of the shares in JetBlue Airways Corporation in January 2008 accounted for EUR 214m.

In addition to this capital expenditure a further EUR 488m were invested in short-term securities and funds. Repairable spare parts for aircraft accounted for a further investment of EUR 47m. The gross cash requirement was partly covered by interest and dividend income (totalling EUR 147m) and by proceeds from the disposal of assets (EUR 71m), leaving net cash of EUR 1.5bn (previous year: EUR 610m) used for investing activities and cash investments.

Net cash of EUR 530m was used in financing activities, i.e. new borrowing, scheduled repayment of existing debt, dividend distributions to shareholders of Lufthansa AG and minority shareholders and current interest payments. Overall cash and cash equivalents declined in the first half year by EUR 309m to EUR 1.8bn (previous year: EUR 699m).

The internal financing ratio was 142.6 per cent (previous year: 126.1 per cent). Cash and cash equivalents, including securities, amounted to EUR 3.7bn (previous year: EUR 3.3bn).

Assets and financial position

Group's total assets at the end of the first half-year 2008 were EUR 1.3bn higher than at year-end 2007 at EUR 23.6bn. Non-current assets declined by EUR 149m to EUR 13.9bn while current assets rose by EUR 1.5bn to EUR 9.7bn.

On 28 January 2008 Lufthansa, TUI Travel PLC and Albrecht Knauf Industriebeteiligung GmbH signed a letter of intent on the possible merger of their subsidiaries Hapag-Lloyd Fluggesellschaft mbH, Hapag Lloyd Express GmbH, Germanwings GmbH and Eurowings Luftverkehrs AG under the umbrella of a joint and independent holding company. As this documents Lufthansa's intention to dispose of Germanwings GmbH and Eurowings Luftverkehrs AG, the assets and liabilities attributable to these companies are disclosed separately as "assets

Reconciliation of results

	January – June 2008		January – June 2007	
in €m	Income statement	Reconciliation with operating result	Income statement	Reconciliation with operating result
Revenue	**12,056**		**10,089**	
Changes in stocks	86		61	
Other operating income	753		680	
- of which book gains from financial investments		– 23		– 98
- of which income from reversal of provisions		– 36		– 34
- of which write-ups on capital assets		– 2		– 6
- of which period-end valuation of non-current financial liabilities		– 55		– 12
Total operating income	**12,895**	**– 116**	**10,830**	**– 150**
Cost of materials and services	– 6,483		– 5,149	
Staff costs	– 2,818		– 2,595	
- past service cost		–		–
Depreciation	– 608		– 542	
- of which impairment charge		3		–
Other operating expenses	– 2,215		– 1,923	
- of which expenses incurred from book losses and current financial investments		40		12
- of which period-end valuation of non-current financial liabilities		7		3
Total operating expenses	**– 12,124**	**50**	**– 10,209**	**15**
Profit from operating activities	**771**		**621**	
Total from reconciliation with operating result		– 66		– 135
Operating result		**705**		**486**
Income from subsidiaries, joint ventures and associates	17		240	
Other financial items	– 196		– 28	
EBIT	**592**		**833**	
Write-downs (on profit from operating activities)	608		542	
Write-downs on financial investments (incl. at equity)	117		6	
EBITDA	**1,317**		**1,381**	

held for sale" and "liabilities included in disposal groups held for sale" in the balance sheet as of 30 June 2008.

Within non-current assets the item "aircraft and reserve engines" in particular declined by EUR 103m to EUR 8.3bn. Although 16 additional aircraft were recognised in the first half-year 2008, the item went down overall due to the reclassification of the aircraft in the Eurowings Group as "assets held for sale".

In current assets the "assets held for sale" went up by EUR 558m to EUR 583m (year end 2007: EUR 25m). Securities and short-term derivatives (predominantly from fuel price hedges) rose by EUR 875m and receivables by EUR 341m due to seasonal and billing factors. Cash and cash equivalents went down in contrast, by EUR 309m to EUR 1.8bn. The ratio of non-current assets to total assets sank from 63.1 per cent at year-end 2007 to currently 58.9 per cent.

Under liabilities and equity, shareholders' equity (including minority interests) regained its year-end 2007 level at the end of the first half-year, despite the dividend payment of EUR 572m, and now stands at EUR 6.9bn. This primarily results from the net profit of EUR 402m and the positive effect on reserves of the market valuation of derivatives, which comes to EUR 267m in total. Together they nearly make up for the dividend payment and the other reductions in reserves without effect on profit and loss. Despite this the equity ratio dropped because total assets were higher, to 29.1 per cent from 30.9 per cent at the end of 2007.

As of 30 June 2008 total net liquidity – including long-term liquidity reserves of EUR 502m – amounted to EUR 916m, compared with EUR 768m at year-end 2007. Gearing, including pension provisions, came to 23.6 per cent (year-end 2007: 24.5 per cent).

Group fleet
Number of commercial aircraft of Lufthansa AG (LH), SWISS (LX), Lufthansa Cargo (LCAG), Lufthansa CityLine (CLH), Air Dolomiti (EN), Eurowings (EW) and Germanwings (4U) as of 30.6.2008

Manufacturer/type	Number							**Group fleet**	of which finance lease	of which operating lease	Change as of 31.12.07	Change as 30.6.07 [3]
	LH	LX	LCAG	CLH	EN	EW	4U					
Airbus A300	14	–	–	–	–	–	–	14	–	–	–	–
Airbus A310 [4]	4	–	–	–	–	–	–	4	–	–	–	–
Airbus A319	20	7	–	–	–	–	29	56	1	14	+ 5	+ 14
Airbus A320	36	19	–	–	–	–	–	55	–	10	– 3	+ 16
Airbus A321	31	6	–	–	–	–	–	37	–	4	+ 3	+ 11
Airbus A330	14	11	–	–	–	–	–	25	–	9	+ 4	+ 15
Airbus A340	48	15	–	–	–	–	–	63	1	5	+ 6	+ 18
Boeing 737	63	–	–	–	–	–	–	63	–	2	–	–
Boeing 747	30	–	–	–	–	–	–	30	–	–	–	–
Boeing MD11F	–	–	19	–	–	–	–	19	–	–	–	–
Canadair Regional Jet	9 [1]	–	–	55	–	10	–	74	–	10	–	– 1
ATR	–	–	–	–	14	12	–	26	6	12	–	– 2
Avro RJ	–	20	–	18	–	–	–	38	–	19	–	+ 20
BAe 146	5 [2]	–	–	–	–	15	–	20	–	19	–	–
Embraer [4]	–	4	–	–	–	–	–	4	–	4	–	+ 4
Cessna Citation	1	–	–	–	–	–	–	1	–	–	+ 1	+ 1
Total aircraft	**275**	**82**	**19**	**73**	**14**	**37**	**29**	**529**	**8**	**108**	**16**	**96**

[1] Leased out to Eurowings.
[2] Leased out to Air Dolomiti.
[3] Addition of SWISS in the group of consolidated companies.
[4] Leased out to companies outside the Group.

Passenger Transportation business segment

Passenger Transportation					SWISS [1]
		January–June 2008	January–June 2007	**Change** in %	**January–June 2008**
Revenue	€m	8,898	6,954	28.0	1,556
- of which with companies of the Lufthansa Group	€m	310	287	8.0	18
Operating result	€m	349	278	25.5	157
Segment result	€m	348	482	– 27.8	–
EBITDA [2]	€m	868	888	– 2.3	218
Segment capital expenditure	€m	703	564	24.6	109
Employees as of 30.6	number	48,839	39,499	23.6	7,350
Passengers [3]	thousands	34,840	26,949	29.3	6,449
Available seat-kilometres [3]	millions	95,869	74,567	28.6	16,946
Revenue passenger-kilometres [3] [4]	millions	75,086	58,527	28.3	13,349
Passenger load factor [3] [4]	%	78.3	78.5	– 0.2 pts.	78.8

[1] For informational purposes, given the first-time full consolidation.
[2] Before profit/loss assumed from other companies.
[3] Without Germanwings.
[4] Since 1 January 2008 revenue passenger figures have been calculated in the Lufthansa Group on the basis of the ICAO standard. The figures from the previous year have been adjusted accordingly.

Course of business The further rise in the oil price weighs particularly on the Passenger Transportation segment. Nevertheless, the booking situation remained stable, especially in the premium segment. Demand for leisure travel in individual regions such as to North America also stayed high. The operating performance of the segment was affected by warning strike action in the course of ongoing wage negotiations. Despite these difficult conditions the Passenger Transportation segment was able to increase both revenue and operating result in the first six months, now including SWISS, which has been fully consolidated since 1 July 2007.

In addition to Lufthansa Passenger Airlines and SWISS the Passenger Transportation segment also includes Germanwings and the equity investments in British Midland (bmi) and SunExpress. On 22 January 2008 Lufthansa also acquired 19 per cent of the shares in JetBlue Airways Corporation, New York, N.Y., for total consideration of USD 310m.

In the first half-year the segment improved its product offering, making it even more customer oriented, and continued to drive the expansion of the route network by organic growth and partnerships.

The ground product was enhanced both in the terminal area in Frankfurt and by the modernisation of several lounges worldwide. The mobile internet portal “mobile.lufthansa.com” enables customers to book tickets, check in and choose their seat whilst on the road via their mobil phones, as well as to download up-to-date arrival and departure times and check their Miles & More account. Medienforum NRW awarded the internet portal its “made for mobile” prize, giving special mention to the well-designed user menu. This service also facilitates billing and check-in procedures, as from 1 June 2008 IATA airlines are supposed to issue electronic tickets only. Lufthansa has a forecast rate of over 98 per cent, putting it well above the industry average of 96.5 per cent.

SWISS also continued its quality and product offensive in the first half-year. The last of all 52 planes in the short-haul fleet was recently fitted with new seats. SWISS passengers can now enjoy high-quality seating with greater comfort and leg room. Thanks to the lightweight construction of the seats this also means that the total weight could be reduced significantly, thereby cutting fuel consumption further. In May this year SWISS introduced its innovative and unique seating concept for the business class in the long-haul fleet. Installation of the new seats will begin in spring 2009 and a third of the total SWISS long-haul fleet will already be equipped by the end of 2009.

The route network of Lufthansa Passenger Airlines was extended for the summer flight timetable in line with demand. In addition to extra European connections five new long-haul routes were included in the flight schedule, including two new connections to North America (Seattle and Calgary), two connections to the African cities Malabo and Luanda and the connection to Nanjing in China. Since 1 May Lufthansa has also deployed wide-bodied aircraft on flights to New York, Chicago and Toronto from Dusseldorf. The 50,000th passenger was welcomed on board after just 48 days. Lufthansa is also strengthening its profile in the growth markets. Since the beginning of June a connection to the Chinese metropolis Shenyang is offered from Munich. It is the only flight by a European airline to this destination. Since 1 July six flights a week with a business jet have also been scheduled to Pune in western India. This means that Lufthansa remains Europe’s leading airline in India, with seven non-stop destinations and 55 connections per week. Lufthansa is also to reinforce its presence in Milan. In early 2009 six aircraft shall initially be stationed at Milan-Malpensa airport, operated by the Italian Lufthansa subsidiary Air Dolomiti and deployed on European routes.

Organic growth is being supplemented by new partnerships. A code-share agreement with Ethiopian Airlines will enable Lufthansa to improve its links to Africa. The Star Alliance network is to be strengthened by the collaboration between the US airlines United and Continental Airlines. Thanks to Continental's hubs in New York (Newark) and Houston the range of connecting flights within America will be extended. JFK in New York will also become more important as a hub in future as a result of the partnership with JetBlue.

SWISS extended its route network with the summer schedule, particularly towards Asia. SWISS now flies to 76 destinations in 42 countries, with twelve additional destinations served by code-share partners. One of these is US Airways, which SWISS recently recruited as a new partner.

The endeavours of Lufthansa and SWISS to improve their service and route networks continually are paying off. Customer satisfaction remains at record levels, and the customer loyalty programme Miles & More, which celebrated its 15th birthday at the start of the year, is becoming ever more popular and now has over 15 million participants. The bonus programme once again won several awards at the Oscars for frequent flyer programmes, the Freddie Awards. In the category Industry Impact Award especially, Miles & More won recognition for what according to the jury sets a new industry standard for customer loyalty programmes.

The Group's airlines also collected various plaudits. Lufthansa and SWISS were voted number 1 on European routes in the classic scheduled airline segment in the recent "Airline of the Year 2008" reader survey by the magazine Capital. And Lufthansa came first out of eleven airlines tested in a study by the German Institute for Service Quality in Hamburg, with the best terms for prices and availability.

Germanwings was recognised for its internet portal www.germanwings.com and won the famous German Multimedia Award 2008 in the E-Commerce category.

Operating performance In the first six months of the year Lufthansa and SWISS increased both the number of passengers and sales. A total of 35 million passengers flew with Lufthansa or SWISS, an increase of 29.3 per cent compared with last year. SWISS accounted for nearly 6.5 million of the total. Both companies expanded their capacities, Lufthansa by 5.8 per cent, which it sold almost completely in the market (+5.5 per cent). The passenger load factor was 78.2 per cent (–0.3 percentage points). SWISS sold its entire double-digit capacity growth of 12.5 per cent, meaning that the load factor remained at a high 78.8 per cent. The consolidated overall load factor came to 78.3 per cent (–0.2 percentage points). Traffic revenues climbed again at both airlines and were accompanied by stable average yields (–1.0 per cent, adjusted for currency effects +2.5 per cent).

The individual traffic regions exhibited different tendencies. In their European home market both Lufthansa and SWISS successfully sold their additional capacity and improved the overall load factor by 1.3 percentage points to 69.1 per cent. This volume development was due partly to continued successful sales of the "betterFly" rates and partly to the home advantage for SWISS during the European Football Championships. Average yields remained stable adjusted for currency effects (–0.5 per cent; –2.6 per cent including currency effects). Overall, however, traffic revenue developed very well due to greater volumes.

In the Americas traffic region both airlines stepped up sales considerably. The overall load factor remained high at 83.7 per cent but dropped slightly (–1.0 percentage point) as was expected in view of double-digit capacity growth. Despite the rapid growth and the weak dollar average yields remained almost stable (–0.9 per cent) and even improved by 5.0 per cent adjusted for currency effects. Traffic revenue went up substantially as a result.

In the Asia/Pacific traffic region both airlines extended capacity, particularly in China. Overall the passenger load factor declined marginally (–0.7 percentage points) to 83.0 per cent. As tourist demand in particular was still restrained on the new routes, this hardly affected average yields (–0.2 per cent). Adjusted for currency effects they went up by 3.1 per cent. Traffic revenues improved accordingly.

Capacity went up in the smallest traffic region, Middle East/Africa, due to Lufthansa's new connections to Luanda and Malabo. SWISS also expanded its capacity in the region. Overall the load factor still improved slightly to 76.4 per cent (+0.2 percent). Traffic revenue developed well due to the higher volumes, but currency effects drove down average yields (–4.1 per cent, adjusted for currency effects +0.8 per cent).

In the first half-year Germanwings carried some 3.6 million passengers, 2.9 per cent fewer than last year. The load factor came to around 80 per cent. Germanwings will adjust its capacity in line with demand and take out of service four Airbus A319s.

In response to the price increases for crude oil and kerosene – fuel costs went up by nearly 50 per cent in the first half-year – Lufthansa and SWISS adjusted their fuel surcharges in three steps to 30 June. Lufthansa raised the surcharge for flights within Germany and Europe by EUR 10 to EUR 24 and for long-haul routes by EUR 15 to EUR 92 per flight segment. SWISS increased the surcharge for European flights by CHF 5 to CHF 39 and for long-haul flights by CHF 21 to CHF 155 per flight segment. Germanwings is also adding surcharges for the higher kerosene price. EUR 8.10 is charged for flights within Germany, EUR 12.75 for European flights of less than two hours and EUR 15.75 for flights of more than two hours.

Revenue and earnings development Traffic revenue grew in line with traffic volumes by 25.9 per cent to EUR 8.2bn in the first half-year. SWISS contributed EUR 1.3bn and Germanwings EUR 268m to the total. The full consolidation of SWISS accounted for 20.4 per cent of the increase in traffic revenue, but volumes sold (+5.2 per cent) and prices (+4.7 per cent) also had positive effects. In contrast the currency effect reduced traffic revenue by 4.3 per cent.

Other operating income went up by 11.9 per cent to EUR 432m. The increase is partly a result of the first-time full consolidation of SWISS and partly due to much higher exchange rate gains. **Total operating income** improved by 27.1 per cent to EUR 9.3bn. Adjusted for consolidation effects the increase would have been 5.9 per cent.

Operating expenses went up similarly by 27.2 per cent to EUR 9.0bn. The full consolidation of SWISS accounts for 19.9 per cent of this increase, which is also visible in the individual expense items.

The largest item is **cost of materials and services** at EUR 5.4bn, which represents a rise of 33.9 per cent. Fuel alone accounts for EUR 2.2bn (+54.0 per cent). SWISS makes up +27.2 per cent. Fees and charges also went up by 23.3 per cent to EUR 1.6bn due both to volumes and changes in the group of consolidated companies. SWISS accounted for 21.6 per cent of these.

Staff costs went up by 20.5 per cent to EUR 1.6bn, after the inclusion of SWISS. This corresponds to an increase of 3.9 per cent adjusted for changes in the group of consolidated companies. The average number of staff in the segment rose by 9,240 to 48,491, of which 7,284 work at SWISS. In recent months Lufthansa has recruited almost 2,000 new staff in operating areas for the planned expansion of capacity.

Depreciation, amortisation and impairment increased by 17.9 per cent to EUR 442m, almost exclusively as a result of consolidation changes (+16.9 per cent).

Trends in traffic regions*
Lufthansa Passage Airlines and Swiss International Air Lines**

	Number of passengers in thousands		Available seat-kilometres in millions		Revenue passenger-kilometres in millions		Passenger load factor in %	
	January–June 2008	Change in %	**January–June 2008**	Change in %	**January–June 2008**	Change in %	**January–June 2008**	Change in pts.
Europe	26,985	29.2	29,684	27.2	20,498	29.7	69.1	1.3
America	3,879	28.9	34,295	30.8	28,693	29.2	83.7	– 1.0
Asia/Pacific	2,496	20.2	23,296	20.3	19,336	19.2	83.0	– 0.7
Middle East/Africa	1,466	51.9	8,554	52.9	6,532	53.2	76.4	0.2
Total scheduled services	**34,825**	**29.3**	**95,830**	**28.6**	**75,058**	**28.3**	**78.3**	**– 0.2**
Charter	15	29.3	39	– 27.0	28	– 24.2	70.7	2.6
Total	**34,840**	**29.3**	**95,869**	**28.6**	**75,086**	**28.3**	**78.3**	**– 0.2**

* Since 1 January 2008 revenue passenger figures have been calculated in the Lufthansa Group on the basis of the ICAO standard. The figures from the previous year have been adjusted accordingly.
** SWISS included since 1 July 2007.

The **operating result** including SWISS improved in the first half-year by 25.5 per cent to EUR 349m. Without the effects of changes in the consolidation group this corresponds to a drop of 31.3 per cent.

Other segment income remained roughly unchanged at EUR 30m (EUR –2m). They include both book gains and reversals of provisions. Other segment expenses of EUR 3m (previous year: EUR 2m) result from impairment losses on an aircraft held for sale. The result of investments accounted for using the equity method was negative at EUR –28m (previous year: +EUR 174m). In the same period last year it included an earnings contribution of EUR 180m from SWISS. The **segment result** declined overall by 27.8 per cent to EUR 348m.

Segment capital expenditure rose by 24.6 per cent to EUR 703m due to numerous aircraft deliveries. In the first half-year three Airbus A321s, four Airbus A330s and three Airbus A340-600s went into service at Lufthansa Passenger Airlines. At Germanwings three Airbus A320s were replaced by five Airbus A319s. One Cessna Citation was delivered to Lufthansa Private Jet.

Outlook The persistent financial crisis and dramatic increases in raw material prices have conspired to depress the prospects for the economy. Global economic growth is nevertheless expected to continue over the years ahead, albeit at a more moderate rate. The aviation industry will continue to profit.

In view of growing uncertainty concerning future economic growth it will be vital to make flexible adjustments to the growth path in response to market demand. The Passenger Transportation segment continues to note a stable bookings situation overall, but it is not excluded that economic developments may dampen demand for flight travel in the second half of the year. A range of different scenarios for the future are therefore being analysed in preparation for any necessary adjustments. Thanks to its flexible fleet and cost structure Lufthansa is in a position to take appropriate short-term action in response to fluctuations in demand.

Ever higher fuel prices have placed a tangible burden on results. Proven risk management and strict cost control are intended to combat this effect. Lufthansa Passenger Airlines have already taken cost-cutting initiatives, to reduce administration costs and restrict new recruitment for example. Nevertheless, if the oil price remains at these record levels it must be assumed that, despite revenue growth, this segment will not be able to repeat last year's result for the full year 2008.

Logistics business segment

Logistics

		January– June 2008	January– June 2007	**Change** in %
Revenue	€m	1,421	1,310	8.5
- of which with companies of the Lufthansa Group	€m	13	8	62.5
Operating result	€m	114	29	291.9
Segment result	€m	126	40	214.2
EBITDA	€m	187	104	79.8
Segment capital expenditure	€m	9	6	50.0
Employees as of 30.6	number	4,589	4,565	0.5
Freight/mail	thousand tonnes	869	877	– 0.9
Available cargo tonne-kilometres	millions	6,198	5,931	4.5
Revenue cargo tonne-kilometres	millions	4,227	4,063	4.0
Cargo load factor	%	68.2	68.5	– 0.3 pts.

Course of business In the first half-year Lufthansa Cargo nearly quadrupled its operating result and reported a sharp increase in revenue. Thereby Lufthansa Cargo consistently pursuit its targets of reinforcing its presence in Asia and its domestic homebase in Germany and develop its quality leadership.

In mid June a new airfreight terminal with the highest technological and security standards was opened in Tianjin, China. Lufthansa Cargo also took important steps towards expanding its presence in Russia. Therefore a memorandum of understanding was signed in April between Lufthansa Cargo, AiR Union and the airport at Krasnojarsk in order to meet all the operational and commercial conditions for Lufthansa Cargo to use the Siberian airport as a stop-over point for its flights to and from Asia.

The Logistics business segment also sharpened its profile at its home airbase in Frankfurt. The Frankfurt Animal Lounge, the most modern airport animal facility in the world, was opened in April. In June the foundations were laid for a new handling terminal at CargoCity Süd. It is primarily intended for handling outbound airfreight from medium-sized forwarders and partner airlines. In order to improve their proximity to the customer the Service Centre will also accommodate the German and European sales teams, which so far is based in

Kelsterbach. The new building is due to go into operation in autumn 2009.

Cargo counts signed a contract with the Italian airline AirOne to take over its entire international freight business step-by-step. The agreement, which is valid for three years, covers distribution, marketing, freight handling, billing, IT and controlling, as well as flight data, yield and capacity management.

Several awards received in the first half-year bear witness to the success of the quality offensive in the Logistics segment. The US logistics trade magazine Air Cargo World voted Lufthansa Cargo "Best Freight Airline Worldwide", and in a global survey by the US internet portal Official Airline Guide Lufthansa Cargo stood up to well-known competitors and won first place in the category "Best Freighter Operator". The category was evaluated for the first time this year and is the only one for cargo carriers.

Lufthansa Cargo intends to continue playing a leading role in environmental matters. To this end ambitious environmental goals were adopted in May, such as a 25 per cent cut of specific CO_2 emissions caused by Lufthansa Cargo's air freight transport by 2020. Employee satisfaction also went up once again, as was clearly shown by the Employee Commitment Index (ECI). In the ten years of the survey the result has never been better than this year.

Operating performance In the first six months Lufthansa Cargo expanded both capacity and sales, keeping the load factor almost stable at the same time. The cargo load factor stood at 68.2 per cent (–0.3 percentage points). The growth was due to capacity increases at Lufthansa Passenger Airlines, which resulted in much greater belly capacity for Lufthansa Cargo.

Performance varied across the individual traffic regions. In Europe capacities declined substantially due to the outsourcing of charter services to external suppliers, which caused the load factor to go up. The Americas traffic region was characterised by higher belly capacities. Lufthansa Passenger Airlines have brought additional capacity from Dusseldorf to North America, particularly since May, which has not yet been fully sold. In the Asia/Pacific region Lufthansa Cargo was able to increase the load factor and in the smallest traffic region, Middle East/Africa, the increased capacity was also fully sold, improving the load factor.

Revenue and earnings development Higher sales of traffic volumes are also reflected in revenue development. In the first half-year the Logistics segment improved **traffic revenue** by 9.1 per cent to EUR 1.4bn. Substantially higher income from fuel surcharges to make up for increased fuel costs was accompanied by ongoing pressure on average yields. Tough competition and overcapacities continue to weigh on the market.

Other operating income increased by 28.1 per cent to EUR 41m, largely as a result of currency gains. **Total operating income** went up by 8.9 per cent to EUR 1.5bn.

The measures initiated in recent years to improve efficiency and the strict cost management have already had a positive effect. **Operating expenses** went up by less than operating income did, rising by just 2.7 per cent to EUR 1.3bn, and this solely as a result of higher fuel prices.

Fuel expenses went up to EUR 267m, an increase of 22.5 per cent. Fees and charges dropped by 2.7 per cent to EUR 144m, largely due to lower volume- and currency-related landing and departure fees. MRO expenses were

Trends in traffic regions
Lufthansa Cargo

	Freight/mail in thousand tonnes		Availble cargo-tonne-kilometres in millions		Revenue cargo-tonne-kilometres in millions		Cargo load factor in %	
	January–June 2008	Change in %	**January–June 2008**	Change in %	**January–June 2008**	Change in %	**January–June 2008**	Change in pts.
Europe	331	– 7.9	515	– 13.1	235	– 8.8	45.6	2.1
America	249	5.3	2,569	13.6	1,757	8.2	68.4	– 3.5
Asia/Pacific	234	2.5	2,614	0.8	1,935	2.3	74.0	1.0
Middle East/Africa	55	3.8	500	2.9	300	3.9	60.0	0.6
Total	**869**	**– 0.9**	**6,198**	**4.5**	**4,227**	**4.0**	**68.2**	**– 0.3**

also lower than last year at EUR 62m (–11.4 per cent) thanks to fewer engine overhauls. The **cost of materials and services** rose overall by 5.1 per cent to EUR 942m. **Staff costs** were cut by 1.2 per cent compared with last year to EUR 162m. On average Lufthansa Cargo had 4,582 **employees**, 0.4 per cent more than in the same period last year. **Depreciation and amortisation** declined by EUR 3m to EUR 61m, principally due to lower depreciation on aircraft and to a lesser extent to lower amortisation of intangible assets.

Thanks to consistent cost management and the gratifying revenue development Lufthansa Cargo achieved an **operating result** of EUR 114m in the first six months of 2008, an increase of EUR 85m over the same period last year.

Other segment income and expenses remained more or less unchanged. The result of investments accounted for using the equity method improved to EUR 7m (previous year: EUR 5m). This principally includes the result of the equity investment in the Shanghai Pudong International Airport Terminal. The **segment result** went up to EUR 126m, an improvement of EUR 86m.

Segment capital expenditure rose slightly compared with last year, from EUR 6m to EUR 9m. Purchases of new operating and office equipment such as refrigerated containers and pallets were largely responsible, followed by the refurbishment of buildings.

Outlook Looking ahead to the second half-year it remains to be seen whether domestic and external demand will continue to bolster growth in the euro zone. Global economic growth is expected to slow down. IATA anticipates growth in freight traffic of 3 to 4 per cent for the full year. The situation remains uncertain, however, not least as a result of the persistently high raw materials prices and the strong euro. The ongoing tension on the financial markets and its effect on other areas of the economy bring additional risks.

In the current market environment Lufthansa Cargo has performed well to date. The business segment is well positioned on the market with strategic partnerships and an innovative product portfolio. Weighing up the risks and opportunities as they appear today, Lufthansa Cargo continues to forecast a significant increase in revenue and improvement in result for the full year compared with last year.

MRO business segment

MRO

		January–June 2008	January–June 2007	**Change in %**
Revenue	€m	1,812	1,803	0.5
- of which with companies of the Lufthansa Group	€m	724	716	1.1
Operating result	€m	158	124	27.4
Segment result	€m	164	134	22.4
EBITDA	€m	217	181	19.9
Segment capital expenditure	€m	40	96	– 58.3
Employees as of 30.6	number	18,881	18,537	1.9

Course of business Despite the weaker US dollar in the first half-year 2008 Lufthansa Technik was able to report slightly higher revenue and a significant increase in the result compared to last year due to its global positioning and its broad range of products.

Following a number of milestones in the first quarter, such as the opening of the new maintenance hangar for the A380 in Frankfurt, the inauguration of one of the largest hangars in the world in Beijing, and the laying of the foundations for the new engine hangar, Lufthansa Technik continued to expand its global network in the second quarter. A ten-year contract was signed with the Australian airline Qantas Airways Ltd. for example, under which Lufthansa Technik will take over the technical engine servicing for the Boeing 737, 767, 747 and Airbus A330 fleets at Qantas Airways. This was accompanied by the acquisition of 50 per cent of the Qantas stake in Melbourne-based Jet Turbine Services (JTS) as of 1 July 2008.

Lufthansa Technik and EADS Elbe Flugzeugwerke closed a two-year contract for the conversion of Airbus aircraft. By combining their technical services the two partners intend to move into new markets.

Existing subsidiaries are also expanding. N3, the Erfurt-based engine maintenance joint venture with Rolls Royce was certified for the Trent 700 engine model on the A330. The Trent 500 on the A340 has been serviced there since last year.

Operating performance In the first half-year Lufthansa Technik signed 280 new contracts (previous year: 267) and won 24 new clients with an expected revenue volume of EUR 405m for the full year 2008 (previous year: EUR 316m). This means that Lufthansa Technik currently services 1,646 aircraft worldwide.

Lufthansa Technik took over component support for Croatia Airline's fleet of Bombardier Dash 8 Q400s, the first time it has serviced the popular twin-engined regional aircraft.

The number of individual completions contracted for wide-bodied jets continues to rise. Contracts have already been signed for the period up to 2018 for completing VIP wide-bodied aircraft such as the Bœing 747-8 and 787 and the Airbus A340 and A330. The German Federal Office of Defence Technology and Procurement appointed Lufthansa Technik as general contractor for the supply of two Airbus 340-300s from the Lufthansa fleet, as well as for their overhaul and completion. Individual completions for private and government clients are being carried out on Airbus A318 Elite, Airbus Corporate Jets and Bœing Business Jets. Just one year after delivering the world's first Airbus A318 Elite with a VIP and business travel interior, Lufthansa Technik has signed contracts for completing a further eleven of these aircraft. Contracts were signed for an additional ten aircraft after 30 June 2008. Capacities are to be ramped up to keep up with the demand.

Revenue and earnings development Despite unfavourable exchange rate movements **revenue** went up by 0.5 per cent to EUR 1.8bn (currency adjusted +9.2 per cent). Revenue from companies in the Lufthansa Group climbed due to the larger fleet at Lufthansa Passenger Airlines, despite lower aircraft rest periods and engine upgrades compared to the same period last year, to EUR 724m (+1.1 per cent). Revenue from external clients at EUR 1.1bn (+0.1 per cent) stayed the same as last year as a result of the weak US dollar. External revenue's share of total revenue remained stable at around 60 per cent.

Other operating income rose sharply thanks to higher currency gains to EUR 94m (+36.2 per cent). This brought **total operating income** for the MRO segment to EUR 1.9bn (+1.8 per cent).

Operating expenses remained at the same level as last year at EUR 1.7bn. The **cost of materials and services** dropped by 3.8 per cent to EUR 893m. The lower US dollar aided the decline, as did reduced outsourcing of aircraft rest periods and higher material costs for aircraft conversions last year. **Staff costs** went down by 0.8 per cent to EUR 500m thanks to lower additions to pension provisions. In the first half-year an average of 18,887 **staff** were employed at Lufthansa Technik (+1.7 per cent). **Depreciation and amortisation** came to EUR 40m, as in the previous year. Other operating expenses went up by 14.1 per cent to EUR 315m, particularly as a result of currency valuations on the reporting date, increased expenses for property maintenance and write-downs on receivables.

In total the **operating result** sharply increased by 27.4 per cent to EUR 158m.

The **segment result** came to EUR 164m, an increase of 22.4 per cent, thanks to the successful performance. Other segment income and expenses remained the same as last year; the result of investments accounted for using the equity method sank from EUR 7m to EUR 3m.

Segment capital expenditure dropped by over half to EUR 40m, largely for the purchase of new machinery and technical facilities. The sharp decline follows the construction of the A380 hangar and the purchase of additional reserve engines last year.

Outlook The airlines' earnings forecasts have worsened due to high fuel prices and the gloomy economic outlook. The first airlines have declared insolvency, particularly in America, and clients of Lufthansa Technik were amongst them. The financial situation of many airlines is expected to deteriorate further. Price pressure in the MRO sector is going up significantly.

In view of these developments and the ongoing wage negotiations Lufthansa Technik is moderately optimistic for the future and reckons with only slightly higher revenue for the full year with the US dollar on present level. The cost management activities and steps taken as part of the Upgrade to Industry Leadership initiative should nevertheless result in a higher operating result than in 2007.

IT Services business segment

IT Services

		January– June 2008	January– June 2007	**Change** in %
Revenue	€m	315	326	– 3.4
- of which with companies of the Lufthansa Group	€m	183	190	– 3.7
Operating result	€m	18	14	28.6
Segment result	€m	17	14	21.4
EBITDA	€m	37	32	15.6
Segment capital expenditure	€m	26	28	– 7.1
Employees as of 30.6	number	2,987	3,225	– 7.4

Course of business In the first half-year Lufthansa Systems improved its operating result. As Lufthansa Systems Process Management GmbH (LPM) was sold to Lufthansa Commercial Holding, revenue was somewhat lower than last year.

In view of the more subdued economic outlook for the airline industry Lufthansa Systems is concentrating on products which contribute to reducing airlines' costs and increasing their revenue. These immediate benefits allow the necessary IT investments to pay for themselves rapidly. Integrated platform solutions which combine individual applications to produce an end-to-end solution play an important role. One example is the AirFinance platform which enables airlines to optimise their revenue billing and has been chosen by well-known airlines. Lufthansa Systems' flight planning system Lido OC offers airlines a solution for optimal planning of flight routes, thereby cutting fuel consumption and achieving substantial cost savings. The high oil and fuel prices are stimulating demand for this product.

As part of its earnings improvement measures the IT Services segment has outsourced service and maintenance work to Budapest. This brings down the operating costs on a long-term basis and ensures high quality at the same time.

Operating performance In addition to many other new contracts Lufthansa Systems acquired the Scandinavian airline SAS and Air France-KLM as new clients in the first half-year. In the future they will run their revenue and billing processes via the AirFinance platform. Lufthansa Systems was also able to sign a contract with easyJet for the Lido OC product, and GOL from Brazil now uses IT solutions from Lufthansa Systems for flight planning and management as well as for crew management.

Lufthansa Systems also gained well-known clients outside the aviation sector. Two cruise ships from the Meyer yard were fitted with the Mobile Infotainment solution and Schenker Deutschland appointed Lufthansa Systems to develop a new IT system for managing the core processes in the logistics company's general cargo traffic.

Revenue and earnings development In the first six months of the current financial year Lufthansa Systems reported **total revenue** of EUR 315m, which was 3.4 per cent lower than last year. The main reasons were the transfer of LPM, which represented revenue of EUR 6m, and price cuts for infrastructure services. Compared with last year intra-segment revenue declined by 3.7 per cent to EUR 183m. Revenue from clients outside the Lufthansa Group came to EUR 132m (–2.9 per cent).

Other operating income rose by 13.3 per cent, mainly due to currency gains, to EUR 17m. **Total operating income** was EUR 332m (–2.6 per cent).

Operating expenses were cut by more than the fall in revenue to EUR 314m (–4.0 per cent). The IT Services segment underwent substantial restructuring in 2007 in order to bring about sustainable productivity increases. The variable cost element was increased. The **cost of materials and services** went up by EUR 18m to EUR 37m partly due to greater deployment of external staff to cover peak loads. **Staff costs** declined by 8.1 per cent to EUR 113m. The **number of employees** dropped on average by 8.0 per cent to 2,980 as a result of fluctuation and restructuring. **Depreciation and amortisation** remained the same as last year at EUR 18m. Other operating expenses dropped to EUR 146m in total (previous year: EUR 167m).

As part of focussed cost management, contracts for purchased services in the product range were renegotiated, and unit costs were reduced by optimising operating procedures. Despite the drop in revenue this led to a much improved **operating result**, which went up by 28.6 per cent to EUR 18m. As other segment income and expenses were negligible, the **segment result** also rose by 21.4 per cent to EUR 17m.

Segment capital expenditure was slightly down at EUR 26m (–7.1 per cent) and was mainly for replacement purposes.

Outlook The need to modernise airline IT systems in Europe and North America remains strong, but the rising oil price dampens airlines' enthusiasm for investment.

Challenges result from increasing competition in a consolidating market. Lufthansa Systems has confidence in its attractive product range and is expecting moderate revenue growth, borne solely by external markets. The segment is nevertheless anticipating a substantially higher operating result than last year's.

Catering business segment

Catering

		January– June 2008	January– June 2007	Change in %
Revenue	€m	1,118	1,143	– 2.2
- of which with companies of the Lufthansa Group	€m	278	246	13.0
Operating result	€m	31	31	0.8
Segment result	€m	43	36	20.1
EBITDA	€m	32	72	– 55.6
Segment capital expenditure	€m	51	50	2.0
Employees as of 30.6	number	31,403	29,950	4.9

Course of business The different reactions of the airlines to the altered market conditions have not yet had a significant impact on demand for catering services in the first half-year. Volumes grew again slightly although revenue dropped in comparison with last year, mainly due to negative currency effects. The operating result for the first six months of 2008 was the same as last year.

As part of its active portfolio management LSG Sky Chefs sold LSG Sky Chefs España S. A. in January, and acquired several equity investments and set up new companies in the first half-year. This added a further eight subsidiaries to the group of consolidated companies. The new companies are making positive contributions to the revenue and result of the LSG Sky Chefs group.

Operating performance The client base was strengthened by new customer wins and renewals of key contracts. Particularly worth mentioning is the renewal of the catering contracts with American Airlines and Virgin Atlantic Airways at major US and South American locations. Important catering contracts were also signed or renewed with Brussels Airlines, Jet Airways, Dragonair, Northwest Airlines, Thomas Cook and Continental Airlines.

LSG Sky Chefs also achieved a number of operating milestones. In mid May the new catering production facility at Frankfurt Airport was inaugurated with 2,400 staff. An average of 77,000 meals are prepared here every day, in the largest and most modern catering facility in Europe, which covers 28,000 m^2 using the very latest technologies. In March an A380 scheduled flight was loaded on both decks in London for the first time in Europe. In India two new locations were opened in Bangalore and Hyderabad in spring. Construction work also began on a catering facility in Chennai in southern India. In order to satisfy the airline's growing cost-driven demand for frozen food the existing production site in Alzey was expanded and a new frozen food production facility opened in Pittsburgh, USA.

Revenue and earnings development In the first six months of the year **revenue** sank by 2.2 per cent year on year to EUR 1.1bn. The weakness of the US dollar, pound sterling and Korean wong were largely responsible for the decline. In local currencies almost all regions increased their revenue. External revenue of EUR 840m was down by 6.4 per cent due to the negative foreign exchange effect, while internal revenue rose by 13 per cent to EUR 278m. The revenue contribution of companies consolidated in the segment for the first time was EUR 15m.

In Europe revenue went up above all in Germany, Italy, Switzerland and the Eastern European countries. Thanks to new contracts and greater volumes revenue also went up in the USA by more than average measured in local currency. The developments in Asia/Pacific and South America regions remained positive, although here revenues in local currencies were negatively affected by the frailty of the US dollar. The Solutions division increased its revenue substantially as a result of its successful expansion.

Other operating income dropped by 24.0 per cent to EUR 19m due to lower currency gains. **Total operating income** went down by 2.7 per cent to EUR 1.1bn.

The cost-cutting programmes initiated in prior years are now paying off in full and have been continued in the Group-wide initiative Upgrade to Industry Leadership since the beginning of the year. **Operating expenses** went down by 2.7 per cent to EUR 1.1bn.

Higher food prices across the world, drastic rises in energy costs and greater volumes could mostly be made up for by positive currency effects. This meant that the **cost of materials and services** only went up slightly by 1.2 per cent to EUR 499m. Despite higher staff numbers **staff costs** declined by 7.3 per cent to EUR 406m. Currency effects were mainly responsible for the positive change. Increased productivity in the operating divisions and lower administration costs also made a positive contribution. On average the LSG Sky Chefs group had 30,986 **employees** in the first half-year (+5.0 per cent). The weak US dollar caused **depreciation and amortisation** to go down by 6.9 per cent to EUR 27m. Other operating expenses came to EUR 174m (–1.7 per cent).

The **operating result** equalled that of last year at EUR 31m. Other segment income improved to EUR 11m, mainly due to the sale of LSG Sky Chefs España S. A. (previous year: EUR 1m) Other segment expenses went up by EUR 1m to EUR 2m. Altogether the **segment result** went up by 20.1 per cent year on year, to EUR 43m.

Segment capital expenditure came to EUR 51m, or EUR 1m above last year's figure.

Outlook The performance of the airline industry is showing clear signs of faltering. The announcement by many US carriers of cuts in capacity will have a negative impact on catering revenue in North America from the fourth quarter at the latest. The influence that the oil price and emerging economy weakness in other regions will have is hard to define at present. It should be assumed, however, that volumes in existing business will decline. New business is unlikely to make up in full for these twin trends.

LSG Sky Chefs has taken additional action to cut costs and increase flexibility in order to confront the upcoming challenges on its different markets. The company will also address the rising cost of materials and services with even stricter cost management. The Upgrade to Industry Leadership initiative will be consistently pursued at the same time in order to establish the company in a sustainably successful position for the growing competition.

Revenue and earnings development remain acutely exposed to exchange rates. Slightly lower revenue and an operating result at the same level as last year are therefore expected for the full year 2008.

Service and Financial Companies

Service and Financial Companies

		January–June 2008	January–June 2007	**Change** in %
Total operating income	€m	219	192	14.1
Operating result	€m	41	27	51.9
Segment result	€m	47	161	– 70.8
EBITDA	€m	37	141	– 73.8
Segment capital expenditure	€m	82	33	148.5
Employees as of 30.6	number	1,374	1,291	6.4

The business segment Service and Financial Companies unites financial and services businesses which provide support to Lufthansa Group. They include the AirPlus group and Lufthansa Flight Training GmbH. In addition, Lufthansa Commercial Holding holds Lufthansa's financial investments.

The first half-year went well for AirPlus, as the trend seen in the first quarter continued. Growth in international markets led to an increase in billing volumes which was well received by customers. AirPlus was awarded a prize as one of the three best financial service providers in Germany in the competition "Germany's most customer-oriented service provider 2008". The newspaper Handelsblatt and the Universität Sankt Gallen are among the organisers of the competition.

For Lufthansa Flight Training the first six months of 2008 were also very satisfactory. Demand for training is on the up, so new, long-term contracts are being signed and a new simulator went into service in Berlin.

Total operating income amounted to EUR 219m (+14.1 per cent). AirPlus made a very valuable contribution of EUR 128m, an increase of 32.0 per cent. Lufthansa Training's earnings contribution was EUR 78m (+8.3 per cent). Operating expenses went up by 7.9 per cent to EUR 178m and the **operating result** rose to EUR 41m (+51.9 per cent).

Other segment income essentially includes profit transfers, income from equity investments and interest income from Lufthansa Commercial Holding. These amounted to EUR 87m for the first half-year (–45.0 per cent). Last year this item included the book gain from the share buy-back by WAM Acquisition S. A. as well as a special dividend. Other segment expenses increased by EUR 55m to EUR 81m due to exchange rate fluctuations and write-downs on securities. The **segment result** was therefore well below last year's at EUR 47m (–70.8 per cent).

Risks

Deutsche Lufthansa AG is an international aviation company which by its nature is exposed to both company- and sector-specific as well as financial risks. The focus is on market and competitive risks which effect capacity and load factors, strategic risks, political risks, operational risks, purchasing risks, collective bargaining risks, IT risks and financial and treasury risks. Lufthansa's risk policy allows the Group to exploit commercial opportunities as they arise, as long as a risk-return profile in line with market practice is maintained and the risks are appropriate and acceptable in proportion to the value generated.

Our Group-wide opportunity and risk management allows us to identify and evaluate them in advance and so ensure that they are managed efficiently and effectively for the Company's benefit. You can find information on the Group's opportunity and risk management system, the categories of risk and the risk position of the Group in the Annual Report 2007 starting on pages 101 and 166.

As far as fuel price risks are concerned, the dramatic price rises for aviation fuel have clearly altered the risk situation compared with the assessment in the Annual Report 2007, despite the successful fuel price hedging policy. Rising prices could also have an impact on the Group's course of business in the coming half-year. If fuel prices persist at such a high level a negative effect on overall demand due to necessary price adjustments or higher surcharges cannot be ruled out. This applies particularly if economic growth slows down further and inflation accelerates. Ongoing wage negotiations and related strike action may also have a negative effect on the operating result.

After all known facts and circumstances have been taken into account, however, there are currently no risks which would endanger the Group's continued existence in the foreseeable future.

Supplementary report

In the course of wage negotiations for cockpit staff at the Cityline and Eurowings subsidiaries, the Vereinigung Cockpit pilots' union called for warning strikes on 22 and 23 July which caused considerable disturbances to European traffic.

After wage negotiations for ground and cabin staff were abandoned, in a ballot Ver.di members voted in favour of strike action. Since 28 July 2008 operation therefore have been strained, accompanied by corresponding effects on earnings.

On 17 July SWISS acquired Servair Private Charter AG and will run it as a wholly owned subsidiary under the name Swiss Private Aviation AG. The company is planned to serve as an operating platform for the Lufthansa Private Jet fleet.

Outlook

General economy and industry The global economy will continue to expand; a rate of 3.2 per cent is forecast for 2008. The persistent uncertainty on financial markets, the negative effect on wealth of sinking house prices and shares, the sharp increases in the oil price and high inflation may nevertheless exercise increasingly downward pressure.

Economic development in the USA will remain weak (+1.6 per cent in 2008) despite the economic recovery package voted for households and businesses. The risk of imminent recession is not averted.

Inflationary tendencies, especially for foodstuffs and raw materials, may depress growth in Asia/Pacific, but it will remain strong (+5.3 per cent). Expansion in China will remain vigorous due to accelerating domestic demand and rising exports to other emerging markets (+10.2 per cent). The pace of growth could nevertheless decline as a result of external economic factors and a more restrictive monetary policy.

In the euro zone the economy is forecast to expand more slowly (+1.5 per cent). The reasons lie in inferior financing terms, a stronger euro and diminishing purchasing power due to higher commodities prices. The same applies to the German economy.

The US dollar's downward spiral seems to have come to a temporary halt, but in the months ahead it is expected to remain at a similarly low exchange rate to the euro. The oil price is also expected to remain high for the remainder of the year. This presents the air traffic industry with major challenges.

In view of these developments IATA has cut its 2008 growth prospects for the passenger and freight sectors to 3 to 4 per cent. Even if capacity continues to be adjusted as planned, IATA is forecasting losses of up to USD 6.1bn for the aviation industry in 2008 if oil prices do not decrease significantly. The persistently high oil price is thus becoming an ever stronger catalyst in the air transport sector which could bring about lasting changes to the industry.

Lufthansa Group To date the gloomier growth prospects in different regions of the world have not had an appreciable effect on the Lufthansa Group's overall economic performance. On the contrary, thanks to its strong profile Lufthansa has been able to build on its position in the changing aviation industry. Generally speaking, the industry continues to offer significant opportunities for growth, especially for strong market players with sustainable business models, as demand for mobility will continue to rise in the future, and air traffic – despite fluctuations – will continue to increase.

Nevertheless, the rising fuel prices are leaving their mark on Lufthansa as well. The volatility of fuel prices, which in recent weeks have experienced double-digit percentage fluctuations within a few days, also make it more difficult to calculate the cost basis for the rest of the year. Today, Lufthansa is benefiting from its structured fuel price hedging policy, which generates considerable cost advantages in the current environment, irrespective of short-term price movements. Fuel expenses are still going up, however, as are the risks of offsetting this development.

The Group and its business segments are reacting to this tangible increase in potential risk with a number of measures to secure results. These cover both the income side and even more stringent cost management. Scenarios are also being analysed and preparations made for appropriate action should it become necessary to adjust capacity to worsening economic conditions at short notice. In this context Lufthansa benefits from its high proportion of unencumbered aircraft and its depreciation policy, which offer effective alternative courses of action. Group-wide projects from the Upgrade to Industry Leadership initiative also make important contributions to securing profitability targets over the long term.

Lufthansa's Executive Board is confident that these measures will have the designated effect. In this environment the Group's broad base and diversified customer structure also act as a stabilising factor. The Executive Board therefore continues to expect that for the full year 2008 it will follow up on last year's operating result. Risks lie in a renewed and lasting increase in fuel prices and in a sustained decline in the world economy. The as yet unforeseeable effects of the current strike actions in the course of ongoing wage negotiations also represent a risk for earnings development.

Consolidated income statement January–June 2008

in €m	**January–June 2008**	January–June 2007	**April–June 2008**	April–June 2007
Traffic revenue	9,721	7,739	5,255	4,171
Other revenue	2,335	2,350	1,214	1,222
Total revenue	**12,056**	**10,089**	**6,469**	**5,393**
Changes in inventories and work performed by the enterprise and capitalised	86	61	12	12
Other operating income	753	680	208	360
Cost of materials and services	– 6,483	– 5,149	– 3,452	– 2,647
Staff costs	– 2,818	– 2,595	– 1,426	– 1,322
Depreciation, amortisation and impairment	– 608	– 542	– 311	– 273
Other operating expenses	– 2,215	– 1,923	– 970	– 958
Profit from operating activities	**771**	**621**	**530**	**565**
Result of equity investments accounted for using the equity method	– 15	191	– 3	118
Result from other equity investments	32	49	24	31
Interest income	94	95	51	58
Interest expense	– 180	– 196	– 97	– 102
Net interest	– 86	– 101	– 46	– 44
Other financial items	– 196	– 28	– 69	– 42
Financial result	**– 265**	**111**	**– 94**	**63**
Profit before income taxes	**506**	**732**	**436**	**628**
Income taxes	– 100	– 146	– 90	– 136
Profit from continuing operations	**406**	**586**	**346**	**492**
Profit from the discontinued Leisure Travel segment	**0**	**503**	**0**	**4**
Profit after income taxes	**406**	**1,089**	**346**	**496**
Minority interests	– 4	– 97	– 1	– 58
Net profit attributable to shareholders of Deutsche Lufthansa AG	**402**	**992**	**345**	**438**
Basic earnings per share in €	0.88	2.17	0.76	0.97
Diluted earnings per share in €	0.87	2.16	0.75	0.95

Consolidated balance sheet as of 30 June 2008

Assets			
in €m	**30.6.2008**	31.12.2007	30.6.2007
Intangible assets with indefinite useful life*	796	797	599
Other intangible assets	236	252	177
Aircraft and reserve engines	8,277	8,380	7,484
Repairable spare parts for aircraft	586	586	548
Property, plant and other equipment	1,824	1,773	1,599
Investment property	3	3	3
Investments accounted for using the equity method	289	323	1,023
Other equity investments	804	777	752
Non-current securities	277	298	575
Loans and receivables	322	399	350
Derivative financial instruments	413	368	71
Accrued income and advance payments	18	22	18
Effective income tax receivables	78	79	92
Deferred claims for income tax rebates	4	19	131
Non-current assets	**13,927**	**14,076**	**13,422**
Inventories	536	511	487
Trade receivables and other receivables	3,789	3,448	3,620
Derivative financial instruments	937	481	174
Accrued income and advance payments	108	110	107
Effective income tax receivables	35	62	7
Securities	1,947	1,528	2,609
Cash and cash equivalents	1,770	2,079	699
Assets held for sale	583	25	45
Current asset	**9,705**	**8,244**	**7,748**
Total assets	**23,632**	**22,320**	**21,170**

* Including goodwill.

Shareholders' equity and liabilities			
in €m	**30.6.2008**	31.12.2007	30.6.2007
Issued capital	1,172	1,172	1,172
Capital reserve	1,366	1,366	1,366
Retained earnings	3,146	2,063	2,063
Other neutral reserves	750	589	– 224
Net profit for the period	402	1,655	992
Equity attributable to shareholders of Deutsche Lufthansa AG	6,836	6,845	5,369
Minority interests	49	55	377
Shareholders' equity	**6,885**	**6,900**	**5,746**
Pension provisions	2,542	2,461	3,674
Other provisions	339	349	316
Borrowings	2,890	3,098	2,882
Other financial liabilities	35	55	48
Advance payments received, accruals and deferrals and other non-financial liabilities	63	66	69
Derivative financial instruments	563	371	194
Deferred income tax liabilities	836	749	730
Non-current provisions and liabilities	**7,268**	**7,149**	**7,913**
Other provisions	1,693	1,686	1,412
Borrowings	388	247	234
Trade payables and other financial liabilities	3,788	3,959	3,451
Liabilities from unused flight documents	2,346	1,546	1,675
Advance payments received, accruals and deferrals and other non-financial liabilities	377	289	272
Derivative financial instruments	374	481	377
Actual income tax liabilities	49	51	90
Liabilities included in disposal groups	464	12	0
Current provisions and liabilities	**9,479**	**8,271**	**7,511**
Total shareholders' equity and liabilities	**23,632**	**22,320**	**21,170**

Consolidated statement of changes in shareholders' equity

in €m	Issued capital	Capital reserve	Fair value of financial instru-ments	Currency differ-ences	Revalu-ation reserve	Other neutral reserves	Total other neutral reserves	Retained earnings	Net profit/loss for the period	Equity share of share-holders of Lufthansa AG	Minority interests	**Total equity**
As of 31.12.2006	**1,172**	**1,366**	**– 11**	**– 130**	**–**	**– 158**	**– 299**	**1,581**	**803**	**4,623**	**280**	**4,903**
Reclassifications	–	–	–	–	–	–	–	482	– 482	–	–	–
Dividends/minorities	–	–	–	–	–	–	–	–	– 321	– 321	– 8	– 329
Consolidated net profit/loss attributable to minority interest	–	–	–	–	–	–	–	–	992	992	97	1,089
Currency differences	–	–	–	– 20	–	–	– 20	–	–	– 20	– 8	– 28
Fair value of financial assets and cash flow hedges	–	–	59	–	–	–	59	–	–	59	–	59
Transfer to cost without effect on profit and loss	–	–	13	–	–	–	13	–	–	13	–	13
Reversals through profit and loss for the period	–	–	10	–	–	–	10	–	–	10	–	10
Other neutral changes	0*	0*	–	–	–	13	13	–	–	13	16	29
As of 30.6.2007	**1,172**	**1,366**	**71**	**– 150**	**–**	**– 145**	**– 224**	**2,063**	**992**	**5,369**	**377**	**5,746**
Total changes in equity with and without effect on profit and loss	–	–	82	– 20	–	13	75	482	189	746	97	843
As of 31.12.2007	**1,172**	**1,366**	**140**	**– 180**	**237**	**392**	**589**	**2,063**	**1,655**	**6,845**	**55**	**6,900**
Reclassifications	–	–	–	–	–	–	–	1,083	– 1,083	–	–	–
Dividends/minorities	–	–	–	–	–	–	–	–	– 572	– 572	– 7	– 579
Consolidated net profit/loss attributable to minority interest	–	–	–	–	–	–	–	–	402	402	5	407
Currency differences	–	–	–	3	–	–	3	–	–	3	– 4	– 1
Fair value of financial assets and cash flow hedges	–	–	305	–	–	–	305	–	–	305	–	305
Transfer to cost without effect on profit and loss	–	–	87	–	–	–	87	–	–	87	–	87
Reversals through profit and loss for the period	–	–	– 236	–	–	–	– 236	–	–	– 236	–	– 236
Other neutral changes	–	–	0*	–	–	2	2	–	–	2	0*	2
As of 30.6.2008	**1,172**	**1,366**	**296**	**– 177**	**237**	**394**	**750**	**3,146**	**402**	**6,836**	**49**	**6,885**
Total changes in equity with and without effect on profit and loss	–	–	156	3	–	2	161	1,083	– 1,253	– 9	– 6	– 15

* Rounded below EUR 1m.

Changes in the other neutral changes for 2008 result from valuation under the equity method; of these EUR 3m (previous year: EUR 21m) relate to associated companies.

Consolidated cash flow statement

in €m	January– June 2008	January– June 2007
Cash and cash equivalents 1.1	**2,079**	**455**
Net profit before income taxes	506	732
Depreciation, amortisation and impairment losses on non-current assets (net of reversals)	723	542
Depreciation, amortisation and impairment losses on current assets	28	32
Net proceeds on disposal of non-current assets	– 18	– 75
Result of equity investments	– 17	– 240
Net interest	86	101
Income tax payments	– 52	– 144
Changes in working capital [2]	497	126
Cash flow from operating activities	**1,753**	**1,074**
Capital expenditure for property, plant and equipment and intangible assets	– 953	– 687
Capital expenditure for financial assets	– 31	– 75
Additions to repairable spare parts for aircraft	– 47	– 41
Income from sales of non-consolidated equity investments	7	884
Income from sales of consolidated equity investments	17	0 [1]
Expenses from acquisitions of non-consolidated equity investments	– 244	– 81
Expenses from acquisitions of consolidated equity investments [3]	– 3	– 9
Income on disposal of intangible assets, property, plant and equipment and other financial assets	50	87
Interest income	96	98
Dividends received	51	68
Net cash used in investing activities	**– 1,057**	**244**
- of which income from the diposal of the business segment Leisure Travel discontinued on 22.12.2006	–	800
Purchase of securities/fund investments [4]	– 488	– 854
Net cash used in investing activities and cash investments	**– 1,548**	**– 610**
Capital increase [5]	–	0 [1]
Long-term borrowings	287	259
Repayment of long-term borrowings	– 129	– 87
Other financial debt	1	29
Dividends paid	– 579	– 328
Interest paid	– 110	– 92
Net cash used in financing activities	**– 530**	**– 219**
Net increase/decrease in cash and cash equivalents	**– 322**	**245**
Changes due to exchange rate differences	13	– 1
Cash and cash equivalents 30.6	**1,770**	**699**
Securities	1,947	2,609
Total liquid	**3,717**	**3,308**
Net increase/decrease in total liquidity	110	770

[1] Rounded below EUR 1m.
[2] Working Capital consists of inventories, receivables, liabilities and provisions.
[3] Less EUR 1m cash sold (previous year: EUR 3m).
[4] In 2007 including allocation to Lufthansa Pension Trust in the amount of EUR 283m and allocation to the external trust fund as hedging for claims from partial retirement agreements in the amount of EUR 39m.
[5] In 2007 from conditional capital via conversion of a nominal value of EUR 40,000 of the convertible bond from 2002/2012.

Notes to the financial statements

1) Standards used and changes in the group of consolidated companies

This interim report as of 30 June 2008 has been prepared in accordance with IAS 34; the statements are presented in condensed form. In preparing the interim financial statements the standards and interpretations applicable as of 1 January 2008 have been applied. Otherwise the same accounting principles were applied as for the 2007 consolidated financial statements. Income tax expenses have been calculated as a best estimate, based on the half-year results of the companies included and the deferred tax rates applicable in each case. The effects of consolidation have been accounted for using the applicable tax rates. Permanent differences between the consolidated carrying amount of assets and liabilities and their corresponding value for tax purposes have been taken into account. The interim financial statements and the interim management report have not been reviewed by the auditors.

Since Swiss International Air Lines and its subsidiaries were included in the consolidated financial statements of Lufthansa AG for the first time as of 1 July 2007, they are not included in the figures for the previous year's first half-year. The following table shows the companies which have joined or left the group of consolidated companies compared with year-end 2007 and 30 June 2008.

Changes in the group of consolidated companies had the following material effects on the consolidated balance sheet and the consolidated income statement in comparison with the same period last year. These changes are shown in the following tables.

Changes in the group of consolidated companies in the period 1.7.2007 – 30.6.2008

Name, Corporate domicile	Addition as of	Disposal as of	Reason
Segment Passenger Transportation			
Swiss Aviation Software AG	1.7.07		Acquisition
Swiss Aviation Training Ltd.	1.9.07		Acquisition
Swiss European Air Lines AG	1.7.07		Acquisition
Swiss International Air Lines AG	1.7.07		Acquisition
Segment Catering			
LSG Sky Chefs Taxfree AB, Sigtuna, Sweden		30.11.07	Disposal
UAB Airo Catering Services Lietuva, Wilna (Vilnius), Lithuania	1.1.08		Acquisition
Myanmar LSG Lufthansa Service Ltd., Yangon, Myanmar	1.1.08		Consolidated for the first time
Starfood S. r. l., Fiumicino, Italy	1.1.08		Established
SkylogistiX GmbH, Neu-Isenburg	1.1.08		Established
AVIAPIT-SOCHI OOO, Russia	1.1.08		Established
LSG Sky Chefs Lounge GmbH, Neu-Isenburg	13.3.08		Established
LSG Sky Chefs North America Solutions, Inc., USA	7.4.08		Established
LSG Sky Chefs Rus, Russia	19.5.08		Established
LSG Sky Chefs España S. A., Spain		31.1.08	Disposal
Service and Financial Companies			
CAMANA Grundstücks-Verwaltungsgesellschaft mbH		31.12.07	End of intra-group business relationship
Lufthansa International Finance (Netherlands) N. V.		15.5.08	End of intra-group business relationship

Income statement

in €m	**Group January–June 2008**	of which SWISS January–June 2008	of which from changes in the group of consolidated companies	**Group January–June 2007**	of which from changes in the group of consolidated companies
Revenue	12,056	1,556	3	10,089	69
Operating income	12,895	1,606	3	10,830	71
Operating expenses	– 12,124	– 1,421	– 2	– 10,209	– 58
Profit from operating activities	771	185	1	621	13
Financial result	– 265	– 64	– 1	111	0*
Income taxes	– 100	– 16	0*	– 146	– 5
Profit of discontinued operations of the Leisure Travel segment	–	–	–	503	–
Result after taxes	406	105	0*	1,089	8

* Rounded below EUR 1m.

Balance sheet

in €m	**Group 30.6.2008**	of which from changes in the group of consolidated companies of the year 2008	**Group 30.6.2007**	of which from changes in the group of consolidated companies of the year 2007
Non-current assets	13,927	3	13,422	12
Current assets	9,705	– 2	7,748	51
Total assets	23,632	1	21,170	63
Equity	6,885	0*	5,746	9
Non-current provisions and liabilities	7,268	0*	7,913	18
Current provisions and liabilities	9,479	1	7,511	36

* Rounded below EUR 1m.

2) Contingencies

Due to the low probability of their use, several separate provisions with a total potential effect on profit of EUR 171m in the following years could not be made. At the 2007 reporting date the figure was EUR 187m.

Of the contingent receivable described in the 2007 consolidated financial statements in connection with the disposal of an equity investment, a maximum of EUR 3m will presumably be received by year-end 2008. A contract for the sale of a Canadair Regional Jet 200, which was already formally signed at year-end generated total cash flow of EUR 4m in the first quarter of 2008. Additionally, a contract for the sale of shares in LSG Sky Chefs España S. A. which was already formally signed at year-end 2007 generated sales revenue of EUR 17m and book gains of EUR 11m.

Contingent liabilities		
in €m	**30.6.2008**	31.12.2007
From guarantees, bills and cheque charges	738	727
From warranty agreements	784	820
From collateralisation of third-party liabilities	3	3

Assets held for sale			
in €m	**January–June 2008**	Financial Statements 2007	January–June 2007
Assets			
Aircraft and spare engines	380	5	13
Financial assets	16	–	31
Other assets	187	20	1
Equity/liabilities from assets held for sale			
Equity*	15	–	–
Liabilities	464	12	–

*From the fair value of derivatives.

The contingent receivable from a D&O policy described in the 2007 consolidated financial statements in connection with an insurance event in Scandinavia is still being carried at EUR 130m. A civil law suit has been brought to recover the remaining EUR 23m in insurance cover and a further EUR 102m from the second layer. Corresponding claims were filed with the Regional Courts in Cologne and Frankfurt in the fourth quarter of 2005. The case has since been dismissed by the Regional Court in Cologne and an appeal has been made to the Higher Regional Court in Cologne.

At the end of June 2008 order commitments of EUR 6.7bn exist for capital expenditure on property, plant and equipment and intangible assets. As of 31 December 2007 order commitments of EUR 7.5bn were disclosed.

3) Issued capital

At the Annual General Meeting held on 16 June 2004 the Executive Board was authorised until 15 June 2009 to increase issued capital by up to EUR 25m with the approval of the Supervisory Board by issuing new registered shares to employees for payment in cash. The shareholders' subscription rights do not apply.

In line with the resolution taken at the Annual General Meeting held on 29 April 2008 the distributable profit of EUR 572m disclosed in the financial statements of Deutsche Lufthansa AG was paid out in dividends. For the financial year 2007 the dividend amounted to EUR 1.25 per ordinary share.

4) Seasonality

The Passenger Transportation segment in particular exposes the Group's business to seasonal influences. Revenue in the first and fourth quarter is generally lower due to less frequent travel, while higher revenue and operating profits can normally be earned in the second and third quarters.

5) Segment reporting Lufthansa Group

Business segment information January – June 2008

in €m	Passenger Transportation **	Logistics	MRO	IT Services	Catering**	Service and Financial Companies**	Segment total	Reconciliation	**Group**
External revenue	8,588	1,408	1,088	132	840	–	12,056	–	12,056
- of which traffic revenue	8,175	1,360	–	–	–	–	9,535	186	9,721
Inter-segment revenue	310	13	724	183	278	–	1,508	– 1,508	–
Total revenue	8,898	1,421	1,812	315	1,118	–	13,564	– 1,508	12,056
Other operating income	432	41	94	17	19	219	822	– 99	723
Total operating income	**9,330**	**1,462**	**1,906**	**332**	**1,137**	**219**	**14,386**	**– 1,607**	**12,779**
Operating expenses	8,981	1,348	1,748	314	1,106	178	13,675	– 1,601	12,074
- of which cost of materials	5,439	942	893	37	499	15	7,825	– 1,342	6,483
- of which staff costs	1,596	162	500	113	406	44	2,821	– 3	2,818
- of which amortisation and depreciation (on schedule)	442	61	40	18	27	14	602	3	605
Operating result	**349**	**114**	**158**	**18**	**31**	**41**	**711**	**– 6**	**705**
Other segment income	30	5	3	0*	11	87	136	– 20	116
Other segment expenses	3	0*	0*	1	2	81	87	– 37	50
- of which impairment charge	3	–	–	–	–	2	5	2	3
Result of investments accounted for using the equity method	– 28	7	3	–	3	0*	– 15	15	–
Segment result	**348**	**126**	**164**	**17**	**43**	**47**	**745**	**26**	**771**
Segment assets	11,088	1,096	2,476	244	1,215	3,386	19,505	4,127	23,632
- of which from investments accounted for using the equity method	103	20	104	–	59	3	289	–	289
Segment liabilities	8,658	619	1,231	201	535	1,403	12,647	4,100	16,747
Capital expenditure	703	9	40	26	51	82	911	320	1,231
- of which from investments accounted for using the equity method	–	–	1	–	–	–	1	– 1	–
Other significant non-cash items	124	9	26	5	12	1	177	–	177
Employees at the balance sheet date	48,839	4,589	18,881	2,987	31,403	1,374	108,073	–	108,073

* Rounded below EUR 1m.
** Due to changes in the group of consolidated companies the comparability of the figures with those of the previous year is limited to some extend.

Business segment information January–June 2007

in €m	Passenger Transportation**	Logistics	MRO	IT Services	Catering**	Service and Financial Companies**	Segment total	Reconciliation	**Group**
External revenue	6,667	1,302	1,087	136	897	–	10,089	–	10,089
- of which traffic revenue	6,492	1,247	–	–	–	–	7,739	–	7,739
Inter-segment revenue	287	8	716	190	246	–	1,447	– 1,447	–
Total revenue	6,954	1,310	1,803	326	1,143	–	11,536	– 1,447	10,089
Other operating income	386	32	69	15	25	192	719	– 128	591
Total operating income	**7,340**	**1,342**	**1,872**	**341**	**1,168**	**192**	**12,255**	**– 1,575**	**10,680**
Operating expenses	7,062	1,313	1,748	327	1,137	165	11,752	– 1,558	10,194
- of which cost of materials	4,061	896	928	19	493	14	6,411	– 1,262	5,149
- of which staff costs	1,325	164	504	123	438	43	2,597	– 2	2,595
- of which amortisation and depreciation (on schedule)	375	64	40	18	29	15	541	1	542
Operating result	**278**	**29**	**124**	**14**	**31**	**27**	**503**	**– 17**	**486**
Other segment income	32	6	3	0*	1	160	202	– 52	150
Other segment expenses	2	0*	0*	0*	1	26	29	– 14	15
- of which impairment charge	–	–	–	–	–	–	–	–	–
Result of investments accounted for using the equity method	174	5	7	–	5	0	191	– 191	–
Segment result	**482**	**40**	**134**	**14**	**36**	**161**	**867**	**– 246**	**621**
Segment assets	9,839	1,171	2,405	294	1,158	3,474	18,341	2,829	21,170
- of which from investments accounted for using the equity method	831	21	108	–	59	4	1,023	–	1,023
Segment liabilities	7,683	597	1,411	220	619	1,413	11,943	3,481	15,424
Capital expenditure	564	6	96	28	50	33	777	75	852
- of which from investments accounted for using the equity method	58	–	–	–	–	–	58	– 58	–
Other significant non-cash items	142	13	39	7	14	3	218	–	218
Employees at the balance sheet date	39,499	4,565	18,537	3,225	29,950	1,291	97,067	–	97,067

* Rounded below EUR 1m.
** Due to changes in the group of consolidated companies the comparability of the figures with those of the previous year is limited to some extend.

Geographical segment information January–June 2008

in €m	Europe	North America	Central and South America	Asia/Pacific	Middle East	Africa	Other	**Segment Total**
Traffic revenue**	6,681	1,323	204	1,179	161	173	–	9,721
Other operating revenue	1,224	465	58	369	137	82	0*	2,335
Total revenue	**7,905**	**1,788**	**262**	**1,548**	**298**	**255**	**0***	**12,056**

* Rounded below EUR 1 m.
** Traffic revenue ist allocated by original place of sale.

Geographical segment information January–June 2007

in €m	Europe	North America	Central and South America	Asia/Pacific	Middle East	Africa	Other	**Segment Total**
Traffic revenue**	5,090	1,158	157	1,074	108	152	–	7,739
Other operating revenue	1,219	485	39	419	141	47	0*	2,350
Total revenue	**6,309**	**1,643**	**196**	**1,493**	**249**	**199**	**0***	**10,089**

* Rounded below EUR 1 m.
** Traffic revenue ist allocated by original place of sale.

6) Related party transactions

As discussed in item 50 of the notes to the consolidated financial statements for 2007, the business segments in the Lufthansa Group provide numerous services to related parties in the course of their normal business and equally purchase services from these parties. These extensive supplier relationships for products and services continue to take place at market rates. There have been no major changes compared with that reporting date. The contractual relationships with related parties described in item 51 of the notes to the consolidated financial statements also exist unchanged, but are not of material significance for the Group.

7) Confirmation by the legal representatives

To the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

The Executive Board, 30 June 2008

Wolfgang Mayrhuber
Chairman and CEO

Stephan Gemkow
Member of the Executive Board
Chief Financial Officer

Stefan Lauer
Member of the Executive Board
Chief Officer Aviation Services and Human Resources

Credits

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Information published in the 2nd Interim Report 2008 with regard to the future development of the Lufthansa Group and its subsidiaries consists purely of forecasts and assessments and not of definitive historical facts. Its purpose is exclusively informational identified by the use of such cautionary terms as "believe", "expect", "forecast", "intend", "project", "plan", "estimate" or "intend". These forward-looking statements are based on all discernible information, facts and expectations available at the time. They can, therefore, only claim validity up to the date of their publication.

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

Financial calendar 2008/2009

2008

29 Oct.	Press Conference and Analysts' Conference on interim result January–September 2008

2009

11 March	Press Conference and Analysts' Conference on 2008 result
24 April	Annual General Meeting Cologne
30 April	Release of Interim Report January–March 2009
30 July	Release of Interim Report January–June 2009
29 Oct.	Press Conference and Analysts' Conference on interim result January–September 2009

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