SHAREHOLDER INFORMATION ON THE ANNUAL RESULTS FOR 2017

KEY FIGURES LUFTHANSA GROUP

		2017	2016	Change in %
Revenue and result				
Total revenue	€m	35,579	31,660	12.4
of which traffic revenue	€m	28,399	24,661	15.2
EBITDA	€m	5,362	4,065	31.9
EBIT	€m	3,310	2,275	45.5
Adjusted EBIT	€m	2,973	1,752	69.7
Net profit/loss	€m	2,364	1,776	33.1
Key balance sheet and cash flow statement figures				
Total assets	€m	36,267	34,697	4.5
Equity ratio	%	26.5	20.6	5.9 P.
Net indebtedness	€m	2,884	2,701	6.8
Pension provisions	€m	5,116	8,364	–38.8
Cash flow from operating activities	€m	5,035	3,246	55.1
Capital expenditure (gross)	€m	3,005	2,236	34.4
Free cash flow	€m	2,253	1,138	98.0
Key profitability and value creation figures				
EBITDA margin	%	15.1	12.8	2.3 P.
EBIT margin	%	9.3	7.2	2.1 P.
Adjusted EBIT margin	%	8.4	5.5	2.9 P.
Adjusted ROCE	%	11.6	7.0	4.6 P.
EACC	€m	1,758	817	115.1
Lufthansa share				
Share price at year-end	€	30.72	12.27	150.4
Earnings per share	€	5.03	3.81	32.0
Total Shareholder Return	%	154.4	–12.3	166.7 P.
Proposed dividend per share	€	0.80	0.50	60.0
Traffic figures [1]				
Flights	number	1,130,008	1,021,919	10.6
Passengers	thousands	130,040	109,673	18.6
Passenger load factor	%	80.9	79.1	1.8 P.
Cargo load factor	%	69.3	66.6	2.7 P.
Employees				
Employees as of 31.12.	number	129,424	124,306	4.1
Average number of employees	number	128,856	123,287	4.5

[1] Previous year's figures have been adjusted.
Date of publication: 15 March 2018.

Course of business The Lufthansa Group performed very well in the 2017 financial year. Passenger numbers, load factors, revenue and earnings all went up significantly. The main drivers of the earnings increase were Network Airlines, Point-to-Point Airlines and Lufthansa Cargo, which all profited from reductions in unit costs and an upsurge in demand. Margin went up significantly year on year. Lower unit costs will help to maintain the higher earnings level even over the airline industry cycle.

Key strategic decisions were also taken last year and progress was made in important areas. They include the takeover of vital parts of the Air Berlin group, which advanced the consolidation of the industry, and the new wage agreements with the Vereinigung Cockpit pilots' union. In the reporting year, Lufthansa German Airlines became the first airline from Europe to be awarded the Five Star rating from Skytrax. The Lufthansa Group has again demonstrated that its broad positioning provides it with a very robust business model.

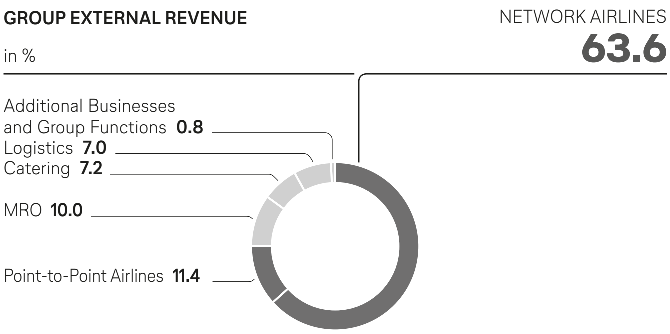
Revenue and income Operating income in the financial year 2017 came to EUR 38.0bn, a year-on-year increase of 11.9 per cent. 3.9 percentage points of the increase stemmed from the first-time consolidation of Brussels Airlines.

Traffic revenue rose by 15.2 per cent overall to EUR 28.4bn. The increase stems mainly from the higher sales volume, taking into account Brussels Airlines (+13.9 per cent). Other revenue went up by 2.6 per cent in total to EUR 7.2bn.

Revenue for the Group increased by 12.4 per cent to EUR 35.6bn, of which 4.0 percentage points were due to the first-time consolidation of Brussels Airlines.

Other operating income increased by EUR 92m to EUR 2.3bn. Exchange rate-adjusted unit revenues were up by 1.9 per cent overall.

BUSINESS SEGMENTS' SHARE OF GROUP EXTERNAL REVENUE
in %



Expenses Operating expenses rose year on year by 9.6 per cent to EUR 34.8bn, of which 4.1 percentage points were due to the first-time consolidation of Brussels Airlines.

The cost of materials and services went up by 11.1 per cent to EUR 19.0bn. Within the cost of materials and services, fuel costs rose by 7.1 per cent to EUR 5.2bn, of which 5.8 percentage points were due to the consolidation of Brussels Airlines. The average price for kerosene, including fuel hedging, was USD 578.42/tonne in 2017. Fuel prices were roughly stable (–0.1 per cent) after hedging and higher volumes (+9.8 per cent) were partly offset by the cheaper US dollar (–2.6 per cent). Fuel costs included a negative result of price hedging of EUR –67m (previous year: EUR –905m). Expenses for other raw materials, consumables and supplies were up by 6.4 per cent at EUR 3.6bn. Fees and charges went up by 10.8 per cent overall (of which 4.7 percentage points were due to consolidation) to EUR 6.4bn. Staff costs rose by 11.1 per cent to EUR 8.2bn. Depreciation and amortisation rose by 16.0 per cent to EUR 2.1bn, of which the consolidation of Brussels Airlines accounted for 4.9 percentage points. Other operating expenses rose by 1.0 per cent to EUR 5.6bn.

EXPENSES

	2017 in €m	2016 in €m	Change in %
Cost of materials and services	19,013	17,109	11.1
of which fuel	5,232	4,885	7.1
Staff costs	8,172	7,354	11.1
Depreciation	2,052	1,769	16.0
Other operating expenses	5,571	5,517	1.0
Total operating expenses	**34,808**	**31,749**	**9.6**

Earnings development The result from operating activities improved year on year by EUR 963m to EUR 3.2bn. Including the result from equity investments of EUR 157m, EBIT came to EUR 3,310m.

To calculate Adjusted EBIT, EBIT was by definition adjusted for book gains and losses from the disposal of non-current assets, impairment losses and write-ups, as well as the measurement of pension obligations totalling EUR –337m (previous year: EUR –523m). This produced an Adjusted EBIT of EUR 2,973m (previous year: EUR 1,752m). The Adjusted EBIT margin was 8.4 per cent (previous year: 5.5 per cent).

Adding depreciation and amortisation to EBIT of EUR 3,310m produced EBITDA of EUR 5,362m (previous year: EUR 4,065m). The financial result fell by EUR 24m to EUR 34m. The profit from operating activities and the financial result added up to a profit before income taxes of EUR 3,187m, compared with EUR 2,248m in the previous year. Deducting income taxes of EUR 789m (previous year: EUR 445m) and earnings attributable to minority interests of EUR 34m (previous year: EUR 27m), the net profit for the period attributable to the shareholders of Deutsche Lufthansa AG was EUR 2,364m (previous year: EUR 1,776m).

Earnings per share amount to EUR 5.03 (previous year: EUR 3.81).

EXTERNAL REVENUE AND ADJUSTED EBIT BY SEGMENT 2017

	External revenue in €m	Year on year change in %	Adjusted EBIT in €m	Year on year change in %
Network Airlines	22,644	6.8	2,263	45.5
Point-to-Point Airlines	4,045	96.4	94	–
Logistics	2,497	21.3	242	–
MRO	3,568	1.5	415	1.0
Catering	2,556	0.2	66	–36.5
Other	269	–0.7	–130	28.6

Dividend Shareholders should continuously participate in the Company's success. The long-term dividend policy plans for a regular dividend payout ratio of 10 to 25 per cent of consolidated EBIT. One condition is that a distribution of this amount is permitted by the net profit for the year as shown in the individual financial statements of Deutsche Lufthansa AG that are drawn up under German commercial law and that there are no other reasons not to pay a dividend.

A net profit for the year of EUR 2,455m was reported for 2017. Following the transfer of EUR 1,228m to retained earnings, distributable profit comes to EUR 1,227m. In line with the dividend policy, the Executive Board and Supervisory Board will table a proposal at the Annual General Meeting on 8 May 2018 to distribute a dividend of EUR 0.80 per share to shareholders for the financial year 2017.

Capital expenditure, cash flow, assets and financial position Capital expenditure in 2017 was 34.4 per cent higher than the previous year at EUR 3,005m. Primary investment in down payments and final payments for aircraft, aircraft overhauls and equipment rose by 51.9 per cent to EUR 2.6bn.

Cash flow from operating activities rose by 55.1 per cent to EUR 5,035m. Free cash flow increased to EUR 2,253m despite the higher capital expenditure (previous year: EUR 1,138m).

The Group's total assets rose by EUR 1.6bn to EUR 36.3bn as of 31 December 2017. As a result, current and non-current assets increased by EUR 0.8bn each. Within non-current assets, the item Aircraft and reserve engines rose by EUR 1.2bn to EUR 16.0bn in conjunction with increased investment activity. Within current assets, receivables rose by EUR 744m to EUR 5.3bn.

Shareholders' equity (including minority interests) went up year on year by EUR 2.4bn, or 34.3 per cent, to EUR 9.6bn. With a year-on-year increase of 4.5 per cent in total assets, the equity ratio went up from 20.6 per cent at year-end 2016 to 26.5 per cent.

Outlook for the Lufthansa Group Based on the market price for crude oil and the US dollar exchange rate as of 23 February 2018, the Lufthansa Group anticipates a year-on-year increase in fuel costs of around EUR 700m. These additional costs will probably be offset to a significant extent, though not completely, by good operating performance at the passenger airlines, with further reductions in unit costs and roughly stable unit revenues. Inorganic growth from the insolvency of the Air Berlin group and the earnings performance of the other operating segments will not have a significant effect on the overall results.

Based on these assumptions and from today's perspective, the Lufthansa Group expects revenue to be significantly above and Adjusted EBIT to be slightly below previous year in 2018.

The main influence factors on earnings remain the oil price, the euro exchange rate, especially against the US dollar and the Swiss franc, as well as unit revenues at the Network Airlines and Point-to-Point Airlines segments. Overall risks from underlying macroeconomic and from geopolitical developments, in particular, have increased in recent months and represent a key uncertainty for the development of revenue and earnings, especially for the Network Airlines.

At the time of this forecast, restructuring costs across all segments are expected to be at a similar high level to the previous year. If progress with the restructuring efforts differs from what was planned at the beginning of the year, this figure may further increase or decrease over the course of the year, increasing or decreasing earnings accordingly.

Extract from the Annual Report for 2017.
For the complete Annual Report please visit our website at
www.lufthansagroup.com/investor-relations.