PRESS RELEASE

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Lufthansa Group achieves best result in its history

Results for 2017

- **Adjusted EBIT increased around 70 percent to some EUR 3 billion**
- **Adjusted EBIT margin raised 2.9 percentage points to 8.4 percent**
- **Earnings growth primarily driven by the Group's airlines (including cargo)**
- **Revenues up 12.4 percent to EUR 35.6 billion**
- **Unit costs further reduced**
- **60 percent higher dividend proposed at EUR 0.80 per share**

Outlook for 2018

- **Stable unit revenue development expected**
- **Unit costs to be further reduced by 1 to 2 percent**
- **Higher fuel costs of some EUR 700 million expected to be largely compensated by improved operating performance**
- **Adjusted EBIT for the year expected to be only slightly below its record in 2017**

"Our endeavors of the past few years are paying off. Our modernization has a sustainable impact. We have achieved the best result in the history of our company. 2017 was a very good year for our customers, our employees and our shareholders," says Carsten Spohr, Chairman of the Executive Board & CEO of Deutsche Lufthansa AG. "Last year we were able to reduce costs again, while at the same time becoming the first – and the only – airline in Europe to be awarded a five-star rating. We are lowering our costs where this does not affect the customer, and are simultaneously further investing in our product and service quality."

Total revenues for the Lufthansa Group in 2017 amounted to EUR 35.6 billion, a 12.4 percent increase on the previous year. The Adjusted EBIT of EUR 2.97 billion was a significant 69.7 percent year-on-year improvement. And the 8.4 percent Adjusted EBIT margin was up 2.9 percentage points compared to previous year. EBIT for the year increased more than EUR 1 billion to EUR 3.3 billion. The strong increase of EBIT includes the positive EUR 582 million one-off effect from agreeing on the collective labor agreement with the Vereinigung Cockpit union for the pilots of Lufthansa, Lufthansa Cargo and Germanwings, which was recognized in the income statement in December.

"We are particularly pleased that we were again able to lower our passenger airlines' unit costs excluding fuel and currency factors last year. This is in particular as passenger related costs were actually up due to higher load factors, the variable remuneration was higher in light of strong result development, and additional costs because of compensation paid for the flight cancellations at Air Berlin burdened our cost as well," adds Ulrik Svensson, Chief Financial Officer of Deutsche Lufthansa AG. "Excluding these one-off effects, we reduced our unit costs by 1.8 percent."

The Lufthansa Group invested some EUR 3 billion in 2017, around a third more than in the previous year. This is partly due to investments of some EUR 900 million into aircraft from the Air Berlin flight operations. "These higher investments also reflect the increased size of our Group. But investments relative to revenue remain on one level with the world's most successful airlines'," comments Ulrik Svensson. "Important is that the return on capital continues to increase. In 2017, our Adjusted ROCE (after tax) improved by 4.6 percentage points to 11.6 percent."

Despite the higher capital expenditure, free cash flow almost doubled in 2017 to EUR 2.3 billion. Net financial debt rose 6.8 percent to EUR 2.9 billion. This figure includes an initial EUR 1.7 billion funding for the new defined contributions model of the flight attendants' pension fund. Total pension provisions decreased by EUR 3.2 billion in 2017. The year-end equity ratio stood at 26.5 percent, an increase of 5.9 percentage points.

"On the basis of these very good results, we propose a dividend of EUR 0.80 per share to the Annual General Meeting," says Ulrik Svensson. "This is a 60 percent increase of the pay-out compared to last year. This is the minimum level of dividend payment that we aim to maintain in the coming years."

Network Airlines
The Group's Network Airlines – Lufthansa, SWISS and Austrian Airlines – increased their Adjusted EBIT by nearly 50 percent to some EUR 2.3 billion. With strong demand and a positive pricing environment, the Network Airlines raised their EBIT margin 2.6 percentage points to almost ten percent.

Point-to-Point Airlines
Despite the significant expenses in the context of acquiring capacities from Air Berlin, Eurowings reduced its unit costs excluding fuel and currency factors by 6.5 percent. On the back of this and strong market demand, Adjusted EBIT increased by some EUR 200 million. Despite adverse one-off factors related to market

consolidation, the Group's Point-to-Point Airlines improved their Adjusted EBIT margin by 7.3 percentage points and achieved a positive Adjusted EBIT of around EUR 100 million. The inorganic growth after the insolvency of Air Berlin will make a positive contribution to the Point-to-Point Airlines' from 2019 onwards.

Aviation Services
The Group's Aviation Services in total achieved a very good result, though the development among the business segments was quite different. A combination of cost reductions and strong demand helped Lufthansa Cargo to improve its Adjusted EBIT by almost EUR 300 million to EUR 242 million. The EUR 415 million earnings of Lufthansa Technik were broadly in line with prior-year levels. Against the background of the continuing transformation of its European operations, the LSG Group sustained a EUR 38 million decline in its earnings for the year to EUR 66 million.

Outlook
EUR 700 million higher fuel costs can be largely offset by an improved operating performance, so that for 2018 in total an Adjusted EBIT only slightly below previous year is expected. Organic capacity is expected to increase by some seven percent, as unit revenues excluding currency factors should remain broadly stable. Unit costs excluding fuel and currency factors should be further reduced by 1 to 2 percent.

“We will continue to consistently pursue our modernization,” concludes Carsten Spohr. “And in doing so, we will retain our clear focus on reducing our costs and at the same time raising our quality. This is the only way to sustainably increase our profitability. From a position of strength, we will continue to drive consolidation in Europe.”

Lufthansa Group		January to December			4th Quarter		
		2017	2016	Change	2017	2016	Change
Total revenues	EUR m	35,579	31,660	+12.4%	8,818	7,790	+13.2%
of which traffic revenue	EUR m	28,399	24,661	+15.2%	7,039	5,987	+17.6%
EBIT	EUR m	**3,310**	**2,275**	**+45.5%**	**875**	**-55**	
Adjusted EBIT	EUR m	**2,973**	**1,752**	**+69.7%**	**413**	**75**	**+450.7 %**
Adjusted EBIT margin		8.4%	5.5%	+2.9 pts	4.7%	1.0%	+3.7 pts
Adjusted ROCE (after taxes)		11.6%	7.0%	+4.6 pts			
Net income	EUR m	2,364	1,776	+33.1%	511	-75	
Capital expenditure	EUR m	3,005	2,236	+34.4%	1,203	602	+99.8%
Operating cash flow	EUR m	**5,035**	**3,246**	**+55.1%**	**576**	**192**	**+200.0 %**
Employees as of 31.12		129,424	124,306	+5,118			
Earnings per share	EUR	5.03	3.81	+32.0%	1.09	-0.16	

The 2017 Annual Report of Deutsche Lufthansa AG will be published simultaneously with this press release at www.lufthansagroup.com/investor-relations at 07:30 CET on Thursday 15 March. Our Annual Results Media Conference will be held at 11:00 CET, and will be broadcast live online at www.lufthansagroup.com.

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