

**Annual General Meeting
Speech by the Chairman of the Executive
Board and CEO
of Deutsche Lufthansa AG
Carsten Spohr**

**Report for 2016
on 5 May 2017
Hamburg**

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Welcome / Review of 2016

Dear Shareholders,
Ladies and Gentlemen,

Good morning and welcome to the 64th Annual General Meeting of Deutsche Lufthansa AG. A very warm welcome also to our shareholders following the AGM webcast on the Internet. We are very pleased to be back in Hamburg again, one of our largest locations and the home of our global market leader, Lufthansa Technik.

Allow me to begin with a brief review of the past year and the key figures.

I will then go through the Lufthansa Group's three strategic pillars and give you an update on the modernization process in our company. I will conclude my report with an outlook for the development of our business and a forecast for 2017. This will also include an assessment of the competitive environment and the current political framework conditions.

But first back to 2016.

Ladies and Gentlemen,

We kept our word and delivered:

1. The figures are good: We can again present you with one of the best results in Lufthansa's history.
2. Our strategic realignment is gaining momentum: We have taken a major step forward on the way to safeguarding our future. First and foremost, we have significantly reduced our unit costs: 2.5% Group-wide. At the same time we have invested over two billion euros in the future of your company.
3. We have resolved the major pay disputes since we met at last year's Annual General Meeting. It was an intense exchange, but one that was absolutely necessary to safeguard the future of our company. We have now found solutions for all involved; and to be honest, we – like our passengers – are very relieved that we finally succeeded in doing so.

All in all, 2016 was a successful and future-defining year.

- Lufthansa is competitive – thanks to an improved cost base and good results.
- We have achieved the goals that we set ourselves.

- Lufthansa Group is on its way forward.

As with the resolution of these major issues and challenges, our efforts in the future will continue to focus on the modernization of the company. Our aim is thereby not only to ensure that the Lufthansa Group is even more successful in competition, but to also shape the future of the airline industry and extend our industry leadership.

Ladies and Gentlemen,

All our successes aside, the most important thing in the review of 2016 is something else: it was an accident-free year. For that we are eternally grateful, especially as we were not so blessed in 2015. Two years after the tragedy with germanwings 9525, we still think about the passengers and colleagues who lost their lives every day. I would therefore, today again, like to reiterate our promise: safety will always be the highest priority at Lufthansa. And I thank all pilots, technicians and cabin crew that this is not only a promise – it is lived in our company every day.

II. Balance Sheet 2016 / Key Figures / Group Financial Ratios

Ladies and Gentlemen,

We have put together the key business figures for the Lufthansa Group for you in the summary that you can see behind me. I would like to take a closer look at two of these figures:

1. We recorded an “adjusted EBIT” of 1.75 billion euros in 2016. The adjusted EBIT is our key performance indicator for economic success. In 2016, it was on roughly the same level as the previous year, which means we were able to record one of the best results in the history of your company for the second year in a row.
2. We have increased our equity ratio by almost 3 percentage points to over 20%, despite lower interest rates than a year ago. This development was driven by two factors: the positive development of the result and the successful modernization of the pension scheme for our Lufthansa flight attendants.

We have also kept our word on the dividend. Due to the good result, the Supervisory and Executive boards will again be proposing a dividend of EUR 0.50 this year.

And my dear shareholders, last but not least, we are naturally also very pleased that the capital markets have rewarded our successes: the Lufthansa share has gone up

again after a longer “dry spell”. Within the last 12 months the price of your Lufthansa share has increased by a total of 28 percent.

I would therefore like to take this opportunity to thank the 130,000 staff of the Lufthansa Group. They all contributed to this successful year in their markets. Together we have realized our goals, seized the opportunities, maintained the course and weathered the turbulence. We have also stood together with cool heads in heated phases. And together, we will continue to modernize the Lufthansa Group and safeguard its future.

A major thank you, also on behalf of the entire Executive Board: My dear colleagues thank you very, very much – for your highly motivated efforts and your successful work over the past year.

III. Modernization of Lufthansa / Progress of the Strategic Realignment

Ladies and Gentlemen,

We have made very good progress with the modernization of the Lufthansa Group. Our aim remains unchanged: We want to be your no. 1 and the first choice for customers, employees and partners. In order to accomplish this, we have built the strategy of Lufthansa on three pillars: the Network Airlines, the Point-to-Point Airlines and the Service Companies. We will continue to consistently develop these three pillars and will also be basing our financial reporting on this strategy starting this year.

And I would already like to focus on these three pillars today in my report on what we have accomplished and the goals that still lie ahead.

Pillar 1 - our network airlines represent the largest and strongest of the three pillars. Lufthansa Airlines, Swiss and Austrian Airlines earned over 1.5 billion euros in 2016 and thus again surpassed the very good result of the previous year. Our premium airlines were again the earnings driver of the Lufthansa Group.

- ▣ Lufthansa Airlines increased its result to over 1.1 billion euros.
- ▣ SWISS earned a very good result of 414 million euros and remains our most profitable airline of the Group with a margin of 9.3%.

- ▣ Austrian Airlines improved its result by over 11% and closed the 2016 business year with a profit of 58 million euros.

Three factors contributed significantly to the good result of our network airlines:

1. Our premium positioning: the investments are paying off.

In 2016 we flew almost 110 million passengers, setting a new passenger record. This can, above all, be attributed to the fact that we can now offer our customers the very highest quality of products in all travel classes and at all of our premium network airlines. In addition, we have made use of the digital possibilities to personalize our products and services, and provide our customers with tailored offers. This has allowed us to further improve the travel experience. The new distribution strategy that was launched in 2015, in particular, has had the desired effect. The continuous increase in direct bookings has also been accompanied by increasingly high demand for better add-on services, such as better booking classes, baggage services, hotels or rental cars.

2. The significant reduction in costs: Our consistent efforts to become more efficient are having a noticeable effect.

Both our unit and overall costs dropped in 2016 – and by more than just the reduction in fuel costs. This represents a major success in comparison to the cost development in the previous years.

The effects of the largest fleet modernization programme in the history of Lufthansa can also be seen here. Every new aircraft that we put in the sky reduces our operating costs by 20%. Last year we seamlessly integrated 47 new aircraft and three new aircraft types into the Lufthansa Group fleet. It represented a truly outstanding performance by our airlines. This year we are expecting a total of 40 new aircraft, again almost one new aircraft per week.

The current highlight of our fleet modernization is the Airbus A350 – the most modern and environmentally friendly long-haul aircraft in the world. The premiere was at the beginning of the year in Munich, where our A350 fleet will also be stationed. That is incidentally also good news in terms of noise and environmental protection: The A350 is 50% quieter, and its kerosene consumption and CO₂ emissions are over 25% lower.

In addition, we are also reducing our costs through continuous savings in administration, for example, the harmonization of processes. Let me name one example: we now have a common profit management system for all network airlines, which reduces not only the administrative costs, but simultaneously optimizing our profits.

And last but not least, we have finally implemented the long overdue modernization of our collective wage agreements. Some of these dated back to the time when Lufthansa was still a state-run airline.

We are very pleased that we have now reached a fundamental decision with the pilots' union, Vereinigung Cockpit, and thus concluded agreements with new wage structures and future perspectives for all our staff.

3. Our partner strategy: the cooperation agreements also contribute to improving earnings. We are optimizing our connections and expanding the network for our customers through joint ventures and intensified cooperation. Last year we concluded a joint venture agreements with Singapore Airlines and Air China.

In the meantime we have cooperation agreements with the leading airlines in all the major markets. Today already, over 70% of our long-haul profit comes from the respective leading joint ventures – a dimension that is unique in our industry. Here too, we have set a new course and assumed a leadership role in our industry, not unlike 20 years ago, when we were among the founding members of the Star Alliance. Or, like a few weeks ago, with our cooperation agreement with Cathay Pacific, which is not part of the Star Alliance.

Ladies and Gentlemen,

The second pillar of the Lufthansa Group, the point-to-point traffic with Eurowings, has also developed well: firstly through organic growth and decreasing costs, and secondly through active consolidation. With Eurowings as our secondary brand, we are securing Lufthansa's leading position in European traffic. This applies in particular for our home markets of Germany, Austria, Switzerland and Belgium. Eurowings' long-haul flight operations have been stable for a year now. This summer the airline will have six A330 flying out of Cologne-Bonn Airport. The new offer has been well received by the customers and strengthens our market position in the

tourist destinations.

The Eurowings Group however recorded a distinctly negative result of -91 million euros for 2016 due to the start-up and one-time costs, but we are quite deliberately investing in rapid growth, as we must quickly reach a competitive size in this intensely competitive market segment. We are also very pleased that Eurowings was last year already able to reduce its unit costs by 10%. We expect further improvements of altogether 20%, with the corresponding increase in profitability by 2020. Following the complete takeover of Brussels Airlines and the leasing agreement with Air Berlin the market position of Eurowings is further strengthened. After only a few years in this segment, we have already climbed to no. 3 in Europe. By the end of the year, Eurowings will be taking off and landing at 12 bases in our home markets. The point-to-point traffic represents the “growth pillar” of the Lufthansa Group. This year the Eurowings fleet will already count about 160 aircraft.

Allow me to take this opportunity to express my personal and sincere thanks to my Executive Board Colleague Karl Garnadt, who has spent the final year of his 40-year Lufthansa career playing a major role in the stabilization of our dynamically growing Eurowings.

The picture in the Lufthansa Group’s third pillar, the Service Companies, is currently a heterogeneous one.

Lufthansa Cargo wants to further expand its position as Europe’s leading freight airline, among others, through global partnerships. It concluded a cooperation agreement with Cathay Pacific Cargo in May of last year and a corresponding agreement was signed with the US airline, United Cargo, in April of this year. Due to overcapacities and a decline in profits, Lufthansa Cargo closed the 2016 business year with a loss of 50 million euros. Our cargo airline has therefore been implementing a strict cost saving programme since last autumn. It is planned to achieve the long-term unit cost reduction through a modern fleet of aircraft, efficient infrastructure on the ground and the digitalization of all freight handling processes. We expect the result to recover for the whole of 2017, as can already be seen after the first quarter.

Lufthansa Technik successfully defended its global market leadership as the no. 1 address for aircraft maintenance, repair and overhaul services. Every 7th passenger aircraft in the world is serviced by Lufthansa Technik. The company was able to win over many new customers in 2016 and concluded contracts with a total volume of 5.7 billion euros. Lufthansa Technik earned over 400 million euros last year with a good margin of about 8%. The result was however still about 10% below the previous year's figure. It is therefore also planned to implement a result improvement programme in this business segment. Units that consistently make losses will be moved, this applies, for example, aircraft overhaul in Germany. At the same time, Lufthansa Technik is aiming for growth through partnerships and new business models, for example, the digitalization of maintenance services. Lufthansa Technik also already achieved a significant improvement in its result in the first quarter of 2017.

The Lufthansa Sky Chefs, LSG, was also successful last year. It recorded a further improvement of its result in a dynamic market, posting a profit of 104 million euros. LSG's management team is driving fundamental change as it seeks to defend its position in the global market. The company is expanding its global presence and continuously extending its product portfolio. It is thereby focussing on innovative solutions for the rapidly growing segment of on board sales. And last but not least, LSG is increasingly also winning over new customers from outside the airline industry.

Altogether, we expect a similar contribution to the 2017 result from our service companies as the year before. The focus at all companies and airlines will remain on cost discipline, improving efficiency and modernization. That is the only way that we can earn room for profitable growth.

IV. Year of Digitalization

Ladies and Gentlemen,

The development of digital innovations represents an essential component of Lufthansa's modernization. We have declared 2017 the "Year of Digitalization". Firstly, because we consider digitalization the key to the future and secondly,

because we have a lot planned in this regard at Lufthansa, this year in particular.

The topic is nothing new at Lufthansa; on the contrary, we can proudly look back on decades of internalized innovation and digitalization culture at Lufthansa. We are proud to have been the pioneer of many digital innovations in our industry. Here a couple of very impressive examples:

- ▣ 50 years ago, Lufthansa was the first airline in the world to introduce electronic seat reservation – a revolutionary step at the time.
- ▣ 20 years ago etix followed – the electronic ticket.
- ▣ SMS and online check-in – we were also among the first here.
- ▣ We were pioneers in the paperless cockpit – we already “unpacked” the bulky pilot's briefcase in 2008.
- ▣ In 2003, Lufthansa was the first airline to offer Internet via satellite long-haul flights.
- ▣ We are currently the first network airline in Europe equipping all our short and medium-haul aircraft with broadband Internet. By the end of next year, we will have retrofitted all 180 aircraft.
- ▣ Since the beginning of this year, our customers can choose between 250 digital magazines and newspapers in 18 languages on their devices.
- ▣ We are one of the first airlines worldwide to have so-called chatbots , to be seen here in the lobby.

The new technological developments allow for completely new sales and marketing opportunities. Smartphones and the Internet have led to a fundamental change in customer behaviour; however, this development has also resulted in new forms of customer loyalty. Our aim is a comprehensive mobility concept that is tailored to the respective needs of the customers. That is the future.

Many services around the flight can already be booked directly through us, for example, a higher booking class, a seat by the emergency exit with additional legroom, hotels, rentals cars and even concert tickets at the destination.

We will continuously expand these services and are investing significant sums to this end. By 2020 we will be spending 500 million euros on the development and refinement of personalized digital offers. This will open up many new opportunities to

interact with and win over customers. But of course, this is not an end in itself, we also want to earn money with it.

All of our business segments are very active when it comes to innovations and digitalization. First and foremost Lufthansa Technik, which is one of the industry's leading companies in digitalization. Its engineers and computer scientists are currently working on the fully digitalized mapping of our aircraft in our maintenance systems. Next year we plan to introduce the "digital aircraft twin" as the first company in the world.

You can see an overview of some of the things that we are currently working on the foyer of this building. Our staff are also at your service with their expertise to present you our digital innovations in the foyer.

V. Socio-Economic Environment

Ladies and Gentlemen,

The speed of change in the world, our industry and all around us is accelerating. Increasing digitalization is thereby only one aspect among many.

The entire airline industry is in a state of great upheaval. The continued increasing globalization is also a contributing factor. However, we as airlines also play an active and essential role in this development. Global markets can be opened up more easily and effectively – thanks especially to air transport.

Our airlines connect peoples and cultures. They contribute to international understanding, prosperity and freedom. And there's more: They make globalization less abstract and alien; and instead more understandable, perceptible and human. We feel privileged, because what we do helps to remove the fear of globalization for many people; after all, protectionism, isolationism and nationalism are the wrong course. They endanger our free societies, which is why it does not surprise me that those people who travel the world see globalization as a positive development. And we at Lufthansa are proud to make a contribution to this by flying 300,000 passengers around the world every day.

Ladies and Gentlemen, we live in turbulent times and even the developments in Europe are anything but foreseeable. They bring with them major uncertainties that we have to counteract, something that we do every day with our work.

We connect Europeans and Europe with 3,000 inner-European flights every day. Our Airline Group is a part of Europe. It consists of Swiss, Austrian Airlines, Brussels Airlines, Eurowings and Air Dolomiti. We may have our roots in Germany, but Europe has long since become our home and the world our market. That too, my dear shareholders, is a sign of the change in your company.

Ladies and Gentlemen,

All pride and joy for what we have achieved aside, one thing remains: we cannot, must not and will not rest on our laurels.

Our cost management is successful, but not yet where we want it. We must continue to reduce the disadvantages to other major competitors.

The market will remain volatile and we must counteract it with flexible capacity management.

Our premium strategy is functioning excellently; however, it requires a long-term development and major investments in fleets, cabin interiors, digital innovations, lounges, and much more.

However, beyond that, the German air transport industry remains under pressure. While our industry is recording growth rates of 5–6% worldwide, growth at many German airlines is stagnating. This is, to a large extent, due to the high location costs and more and more unnecessary burdens. The unilateral German air traffic tax costs the German airlines 550 million euros per year. In Austria, this tax is at least being halved; in Ireland and the Netherlands it has already been abolished.

In addition, we also have the aviation security costs. Last year the German airlines paid over 600 million euros for this and the figure is set to continue rising. The effect is like that of a second air traffic tax. In other countries, protection against general security risks is the duty of the state. We have been appealing to our politicians, not only since the 2017 election year, to correct the mistakes of the past. We are not calling for subsidies; we merely expect to be treated equally and have fair framework

conditions. Nothing more, nothing less. Then we will finally also be able to record growth in our core business in Germany again.

The greatest disappointment of the year should also be addressed within this context: Frankfurt Airport's change in strategy, which grants new airlines a discount of up to 50% to attack the home carrier of Frankfurt. The new Fraport strategy will accelerate the shift of growth to other Lufthansa Group hubs, because we can, and will, only grow where the framework conditions fit and the system partnership works.

VI. Outlook / Forecast

Ladies and Gentlemen,

The modernization of Lufthansa is in full flow and it is a success.

We will achieve it through the consistent implementation of our strategic realignment. And we are especially pleased that you, our shareholders, will also benefit from our progress in the form of rising share prices.

Our aim for 2017: We want to make the Lufthansa Group even better and even more successful. We will continue to forge ahead with the modernization of the Lufthansa Group. That includes the continuation of our fleet modernization and the expansion of our point-to-point traffic. We, as the leadership team, are thinking beyond the boundaries of today's business models and industry structures, and taking action.

We are a sought-after partner. And we are also in demand as an employer. Last year alone, we received over 170,000 job applications. We can choose from the pick of the crop and are pleased to again be taking on 3,000 new employees this year.

2017 has started well. We just announced the figures for the first quarter of 2017 and recorded an operating profit in this traditionally challenging quarter for the first time since 2008. However, we are expecting another eventful year in the air transport industry. We have to expect geopolitical developments to continue having an effect on our business. Based on these uncertainties and the rising fuel prices, we currently do not expect an improvement of our result in 2017 as of yet; however, it is naturally our goal to at least match the record results of the past two years.

We therefore cannot and will not rest on our laurels.

- ▣ We will continue to strengthen our financial profile: through good results, smart investments and further cost saving and cost reducing measures;
- ▣ We want to grow again in our core business;
- ▣ We want to be operating in the black with Eurowings in 2018;
- ▣ With our Aviation Services we want to strengthen the counterbalance to the cyclical airlines;
- ▣ And above all, we want to continue actively shaping our industry.

The changes in air transport and at Lufthansa will continue. Our promise remains: After safety, safeguarding our future is our highest corporate goal.

My Dear Shareholders,

We would be very pleased if you continue to accompany us on our journey. Thank you for your confidence. Thank you for your loyalty and thank you for your support. Stay with us, we merit your trust!