

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

**Report for 2017
on 8 May 2018
Jahrhunderthalle, Frankfurt**

Embargo: beginning of speech
To be checked against delivery.

I. Welcome / Review of 2017

Dear Shareholders,

I would like to start by wishing you all a good morning and bidding you a warm welcome to the 65th Annual General Meeting of Deutsche Lufthansa.

We have a lot of good news to report: About the past financial year. About the development of the Lufthansa Group's three strategic pillars. About the progress of the modernization of your company. I will be speaking about topics that affect us, and that we ourselves can have an effect on. I will conclude my report with an outlook for the development of our business and a forecast for 2018.

Let us start with a look back at the past financial year.

The year 2017 was the most successful year in the history of Lufthansa and the third record year in a row. It was our best result ever, by far. Our modernization process is heading in the right direction and that can also be seen in the company's figures, however, not only there.

We today present you a Lufthansa Group that is more modern in every respect, much more efficient – and more profitable. Your company and the Lufthansa share have reached new heights and we have worked very hard to accomplish this. We have spent the past few years addressing the most important issues and restructuring Lufthansa. Years that were testing times for our customers, staff and shareholders. However, our efforts have paid off. People are finally talking about the successes of Lufthansa again, and not only about the problems, as in previous years. That of course strengthens our belief in the course that we have set.

II. Balance Sheet 2017

It is particularly pleasing that all have benefited from the modernization of the company: Our customers. Our staff. And you, our shareholders. The triangle is in balance again.

We have continued to improve our products and services for our customers – with success. That can also be seen in the passenger figures, with 130 million passengers flying with the airlines of the Lufthansa Group in 2017 – more than ever before.

It can also be seen in the many awards, with Lufthansa, SWISS and Austrian Airlines being voted the three best European airlines. Lufthansa, in fact, reached even greater heights in December, as our airline with the crane became Europe's first and only five-star airline. It was the crowning achievement among all the awards. In time for the 100th anniversary year of our crane symbol we have been proving that tradition and sustainability are no contradiction. On the contrary, they represent a unique Lufthansa combination and a competitive advantage that cannot be copied.

Our staff has also profited. We have modernized our collective wage agreements and succeeded in reaching a sustainable peace with all the professional groups. We have entered a new social partnership together – one that deserves the name. We are developing a “culture of constructive togetherness” in our company – that can be felt and measured. I experience it every day in talks and discussions, and the results of our staff and customer surveys confirm this positive trend.

And last but not least, you, our shareholders, are also benefiting from the modernization of your company. On the one hand, through the development of the share price: The Lufthansa share was the winner at the DAX last year, with a 150% share price increase – more than ever before in a single year and more than any other share at the DAX. Even taking into account the share price development this year until yesterday – it still leaves us with a share price that has more than doubled.

On the other hand, by benefiting from the development of the dividend: The outstanding result of 2017 gives us room for a higher dividend. You, dear shareholders, have remained loyal to us in difficult times. We would now like to give you something in return by letting you share in our success with a 60% higher dividend. We will therefore be proposing a dividend of 80 eurocents per share at the Annual General Meeting – the second highest dividend since Lufthansa became a listed company.

Ladies and Gentlemen,

All the other key figures are also pointing in the right direction.

- Revenue increased by 12.4 % to almost 36 billion euros.
- We increased our result by almost 70%: The adjusted EBIT, our key performance

indicator for economic success, stands at three billion euros.

That marks an increase of over 1.2 billion euros compared to the record levels in 2015 and 2016.

- We invested three billion euros. One third more than the year before.
- Despite these higher investments, our free cash flow doubled to 2.3 billion euros.
- At the same time, our unit costs, adjusted after one-time effects, have gone down by 1.8%.

In a nutshell: We can look back on an outstanding 2017 business year.

A year in which the Lufthansa Group grew even stronger. We are well-equipped. We are even more financially strong, we are more innovative. And we are strategically well-positioned.

III. 3-Pillar Strategy

Our company stands stronger today on our three strategic pillars. All of our business segments are important when it comes to ensuring a sound structure: Network Airlines, Eurowings and Service Companies. All have made their contributions to our success.

The first pillar is and remains the strongest pillar – the network airlines.

Lufthansa, SWISS and Austrian Airlines have increased their results by almost 50%. They have earned 2.3 billion euros and again improved their profit margin by 2.6 percentage points to almost 10%. What is particularly pleasing: Lufthansa, the heart of the Group, is back in top form. Our core brand is leading the way and giving the entire group orientation and strength.

The successes motivate us to not diminish our efforts. We will continue to improve quality, for example, through cabin equipment and services: Lufthansa will take the next step towards further improving its Business Class this year. The fleet modernization at SWISS will set new standards in terms of comfort, economic efficiency and environmental friendliness. The airline will very soon have one of the youngest fleets in Europe. Austrian Airlines introduced the new Premium Economy Class on all long-haul flights in March 2018. We are therefore all the more pleased with the collective wage agreement concluded last week that brings Austrian Airlines back into the fold of reliable providers.

As of 2020, we will start receiving our first Boeing 777-9X and present an entirely new Business Class.

We will also improve quality with new digital services that will make travelling more convenient for our customers. On-board Internet, in particular, significantly enhances the digital possibilities for our passengers – and not only on the long-haul flights. The retrofitting of our A320 fleet will be completed in summer 2018. There too, we are the first among the European airlines and remain the industry leaders when it comes to digitalization. This was also acknowledged last year by the International Air Transport Association (IATA) with the award for the “Most Digital Airline” in the world.

The most important thing: Both sides benefit from the high level of digitalization: The customers save time and travel in greater comfort. Customer loyalty is enhanced and we generate additional revenue.

Despite all the successes, apart from quality the issue of costs remains the ongoing topic and we will carry on continuously reducing them: At all of the airlines, but never at the expense of quality – on the contrary.

Let me give you a couple of examples. The modernization of our fleet:

In 2017, we incorporated a new aircraft into our fleet on an almost weekly basis. These new aircraft cost about 20 percent less to operate than the aircraft that they are replacing. The modernization of our fleet will continue in 2018: We will be receiving a new aircraft every two weeks, but the current delivery problems at the aircraft manufacturers limit us. We will also continue to harmonize our fleet. The Group overlapping standardized A320 family is the latest example here and will make us more flexible in the deployment of aircraft, as well as save us money.

We have agreed on the reduction of costs with Fraport for 2018, but that is not yet enough. Our hub here is still the most expensive airport in our system and currently does not fulfil our expectations with regard to premium quality. That must change, and as long as it does not happen, we will shift our growth to Zurich, Munich or Vienna.

And now to our second pillar. Our point-to-point traffic – Eurowings: Eurowings has established itself.

It is already the fourth largest airline in inner-European traffic and the fastest-growing airline in Europe.

The development of the key business figures was also pleasing, with the Eurowings team doubling revenue to 4 billion euros. Eurowings improved its result by 200 million euros last year, which marks a strong performance, especially given that the airline had to bear significant burdens. The Eurowings fleet grew by 77 aircraft, alone as a result of the Air Berlin bankruptcy. That is over half of the former Air Berlin fleet and came with the corresponding high start-up costs. At the same time, Eurowings last year reduced its unit costs by over 6%. The aim remains to reduce unit costs by 20% until 2020 in comparison to 2016.

About 210 aircraft mean that the largest growth will continue to occur at Eurowings. Eurowings is today already the second largest airline of the Lufthansa Group. It remains our platform for consolidation in Europe. At the moment, the integration of parts of Air Berlin and Brussels Airlines is the highest item on the agenda. That has led to the corresponding burdens on the result in the first quarter of 2018 and will also lead to further such effects during the coming months. However, these are one-time project and integration costs, and the money is well invested. The investments will allow us to secure our position as the No. 1 in our home markets: in Germany and Austria; in Switzerland and Belgium; and last but not least, also allow us to expand our leading position in Europe.

And now to the third pillar – our service companies, the Aviation Services. They too have recorded very good results.

Lufthansa Cargo in particular managed an impressive turnaround: Our freight airline earned 242 million euros, an improvement in earnings of almost 300 million euros and a strong performance. In terms of revenue, we are again the largest freight airline in the world. Nevertheless, the logistics business remains a volatile one. Our cargo team is aware of this and prepared. They will carry on reducing the costs and working on even more efficient processes, while at the same time continuing to improve quality. For example, by investing in the digitalization of the entire freight chain.

Lufthansa Technik posted an excellent result of 415 million euros on the same level as the previous year. Our global market leader continues to grow through new partnerships and will also be modernizing its existing locations in the process. That will lead to a further improvement in the competitiveness of the company that already services and maintains every fifth commercial aircraft worldwide. At the same time this will also secure the entry into the MRO business for the next generation of aircraft and engines. Lufthansa Technik is one of the innovation leaders in the industry with its digital maintenance systems. Our engineers were the first to develop a “digital aircraft twin” called “Aviatar”. This optimizes forward-looking MRO services.

The LSG also posted a positive result. The company contributed 66 million euros to the Group result, however, 38 million euros less than the year before. The reason for this was the transformation of the company’s European business, which was necessary in order to increase the results during the coming years.

That concludes the look at the individual business segments of the Lufthansa Group.

IV. Topics That Affect Us

Let us now look at a couple of other topics that affect us and that we can have an effect on.

The aviation industry shall continue to grow in the foreseeable future. Last year passenger figures worldwide rose by about 8%, with over four billion people taking to the skies. If the experts are right, these figures will double during the next 20 years. The Lufthansa Group will share in this growth with its companies. This development will also see the number of jobs continue to increase and we are very pleased that we will be employing 8,000 new staff this year alone. Every year we receive far in excess of 100,000 job applications. We are very pleased about the great interest in our company and glad to have the opportunity to choose from the best.

As you can see, the Lufthansa Group is maintaining its modernization course – consistently and continuously.

However, with all this joy about our successes, there is also always gratitude and humility:

Gratitude for what we have accomplished; after all, we have had to fight hard to achieve it. But, above all, gratitude for an accident-free year. That is and will always remain the most important thing in any annual report, also in remembrance of the victims of 24 March 2015.

We also feel humility as we look back on the history of this tradition-steeped company – an eventful history with ups and downs. On the whole, however, it is a major success story that has been written by many generations. The history of a powerful brand that goes from strength to strength, and a story that we would like to continue writing.

(100 years of the crane)

This year we will celebrate a special anniversary. Our trademark, the crane designed by the graphic artist and architect Otto Firlé, will celebrate its 100th anniversary.

The crane has stood for our identity ever since the founding of the old Lufthansa. It is our trademark and part of our history. The world has changed fundamentally since the early days of the crane. Technologies have made quantum leaps; globalization and digitalization have completely changed our company and working environment; and yet the crane has remained throughout. It has always been part of the societal, technological and economic developments that Lufthansa shaped. From the very outset. We were pioneers. We were explorers. We crossed frontiers and already set standards very early on.

In the founding year of the old Luft Hansa, our forefathers sent two Junker aircraft on the first East Asia expedition. Our pilots flew 10,000 kilometres and travelled for over five weeks before landing in Peking. Today the airlines of our Group fly this route in nine hours, non-stop – four times a day.

We have time and again struck out in new directions. We were always also pioneers and remain so to this day, for example, with the introduction of new aircraft or digitalization. And the crane was and remains ever-present.

It has become the most famous trademark of our entire industry, maybe even the most valuable – definitely to us.

The crane promises the very highest level of service – it stands for premium.

It is a symbol of first class quality, excellent service, the technical and flying expertise of our pilots and engineers, and reliability and innovative spirit. And most importantly: the crane stands for trust.

It is especially in turbulent times like these that many people look to companies for orientation and opt for brands that they can trust. Lufthansa is one such brand. That was recently confirmed to us when we were voted Germany's most trustworthy brand.

To celebrate the 100th anniversary of our crane, we have now also polished up our appearance. That too is part of our modernization process, perhaps the most visible part. There was much discussion on this at the beginning of the year, inside and outside the company. That shows the power of the emotional bond to our brand and its symbol.

(Politics)

Ladies and Gentlemen,

I would now like to address another topic that is important to me. The industry has reached a turning point. Competition remains hard-fought and the consequences have not been felt by Air Berlin alone. German air traffic has lost market shares for the sixth consecutive year. Germany is our home market. Germany is an attractive market. But Germany is also a very cost-intensive location, where taxes and fees are high; and at the same time we face too many restrictions. The conditions here must improve and for that we need the support of politics.

The German airlines paid almost 600 million euros in air traffic tax alone in the last year. We also paid over 700 million euros in aviation security fees. In other countries, these costs are borne by the state. In addition, subsidies also distort competition.

The topic that affects us the most at the moment is the quality and performance of the German airports.

The problems are particularly visible at the security checks, where thousands of passengers are missing their flights because the infrastructure is no longer adequate; or, infrastructure and processes are simply outdated. Other countries in Europe are showing how things could be done better, for example, at the airports in Amsterdam

or London, where they have much more efficient processes. The flight, after all, starts on the ground. We also need the right quality here. If we do not get it, we will lose customers: to other airports and countries. There is an urgent need for all of those involved to act in concert here: airports and airlines; and politics and federal authorities.

Ladies and Gentlemen,

The German market remains extremely hard-fought. A total of 160 airlines currently fly to and from Germany, and that is too many in the long run. That too has an effect on the European airline market.

And we are again strong enough to play an active role in the European consolidation process. Our strategy of network airlines and point-to-point airlines combined with our aviation services offers us the best perspectives and opportunities for the future. We are again competitive, we are again in a position to invest, we are capable of growth and we are able to shape change. Those are the foundations for our future success.

(Globalization)

Ladies and Gentlemen, as you are aware: Air transport is today an indispensable component of globalization. It is indispensable for an open society. It is indispensable for international understanding and cultural exchange. And it is also an indispensable component of the economy in the exporting nation of Germany.

We all benefit from open markets. We benefit from more diversity and more transparency. We benefit from freedom, democracy and international cooperation. Global challenges such as climate change or increasing migration flows can only be mastered with extensive global cooperation. For this, mobility is one of the prerequisites. That is what we work for, every day, 365 days a year.

Today again – on the day of this Annual General Meeting – the 750 aircraft of the Lufthansa Group will be taking off and landing over 3,000 times and flying almost 400,000 passengers and 5,500 tons of freight safely and reliably to their destinations in other regions and cultures.

We are proud to make globalization more understandable and human and fill this abstract term with life through our work.

That is why our new brand campaign is not entirely by chance:

#SayYesToTheWorld – a sentence that shows what we stand for.

V. Outlook 2018

And we will not stop saying “YES” to the world. We will not relent in our efforts to get even better. And we must. The challenges will neither become any smaller in 2018, nor will they become any fewer. We are expecting another eventful year in the air transport industry – a year with many imponderables, geopolitical uncertainties and rising fuel prices.

We just announced the figures for the first quarter of 2018. We have had a good start into the year. Our network airlines are growing ever stronger. Above all Lufthansa and SWISS. Lufthansa Cargo remains on course for success.

Although the high start-up costs for Eurowings placed a burden on the result, they remain a vital investment in the future of the entire Group.

Looking at 2018, I can tell you two things today:

1. We remain on a clear course.
2. Our forecast remains unchanged. We expect a result that will be slightly below the record year of 2017.

Ladies and Gentlemen,

The expectations towards Lufthansa are high – from all sides, but that motivates us. We will continue to do everything to keep the interests of our customers, staff and shareholders in balance. It is our firm belief that success can only be sustainable if this balance of interests is ensured. And we will therefore continue to work on it in the future. The topics on the way there remain the same: Increasing quality, reducing costs and improving efficiency. All of this in line with tradition and innovation.

Ladies and Gentlemen,

Your company is today back where it belongs: at the top – among the best of the best in the aviation industry.

For that I would like to thank our soon 140,000 employees. You, our dear staff, are

the ones who have made all of this possible in the first place with your efforts. You have been committed. You have never given up. We are very proud of you, of the entire team. You are simply the best in our industry. Together, we will also be successful in the future, of that I have no doubt.

A big thank you also goes to you, my dear customers. You have been loyal to us for decades, also during turbulent times. You value us, challenge us and help us to improve and to continue growing. We will do all that we can to continue inspiring you in the future.

And last but not least, allow me to thank you, my dear shareholders. I thank you for your loyalty and patience. You have stood by us and believed in us. I thank you for your confidence.

Stay with us, we merit your trust!