Lufthansa Annual General Meeting 2019

Report of the Executive Board on agenda item 9 in accordance with Section 71(1) no. 8, sentence 5 AktG in conjunction with Section 186(4), sentence 2 AktG

In this year's Annual General Meeting, Deutsche Lufthansa AG shall be authorised to acquire treasury shares corresponding to up to 10% of share capital in accordance with Section 71 (1) no. 8 AktG. The acquisition of treasury shares may take place as a purchase via the stock exchange, by means of a public offer to purchase addressed to all the Company's shareholders or by means of a public call to shareholders for the submission of offers to sell.

If the number of shares tendered or offered exceeds the total volume intended for acquisition by the Company, i.e. more shares in total were offered to the Company for purchase than it was intended that the Company should buy, the acceptance must be made with the partial exclusion of shareholders' tender right instead of according to the ratio of shareholdings to shares tendered or offered. Provision may be made in such cases for preferential acceptance of low numbers of up to 100 tendered shares per shareholder and for rounding in line with commercial principles. These possibilities serve to avoid fractional amounts when defining the quotas to be purchased and smaller residual holdings and, hence, to facilitate technical processing and simplify the allocation process. In this respect too, any right of shareholders to tender their shares is partially excluded.

The authorisation also covers the use or disposal of treasury shares described in more detail below, particularly if it is associated with an exclusion of the subscription right of shareholders.

- Under agenda item 9 d) aa), the Executive Board proposes to exclude the subscription right of shareholders in accordance with Section 186(3), sentence 4 AktG in the event of a disposal of shares for cash for shares up to a maximum of 10% of the share capital; in such an event, the limit of 10% overall, i.e. when including any other authorisations under Section 186(3) sentence 4 AktG, may not be exceeded. The option offered by the authorisation to exclude subscription rights serves the interests of the Company in being able to sell treasury shares to institutional investors, for example. Furthermore, this makes it possible to attract new additional shareholder groups. The option to exclude subscription rights makes it possible for the management to utilise the opportunities offered by the relevant stock market situation to make a faster and more cost-effective investment without the need for the time- and cost-intensive settlement of a subscription right. In determining the final sale price, the Executive Board will make efforts to keep any discount on the stock market price as low as possible, while taking into account the current market conditions. The discount on the stock market price should amount to no more than 3%, but in any event no more than 5%, of the then current market price of the Company's no-par value share. This protects shareholders against any improper dilution of their shareholdings. Fundamentally, shareholders have the option to maintain their shareholdings by purchasing shares through the stock exchange on comparable terms.

- The authorisation to exclude subscription rights proposed under agenda item 9 d) bb) allows the Executive Board to make Company treasury shares available at short notice for the acquisition of companies, business units, interests in companies or other assets without the need for recourse to the stock markets. Deutsche Lufthansa AG is in fierce competition with other companies both nationally and internationally and must therefore be able to act quickly and flexibly at all times in the interest of its shareholders, which includes being able to acquire companies or interests in companies in order to improve the competitive situation. Companies or participations are usually acquired by means of consideration in cash. In certain cases, however, providers are also interested in a consideration entirely or partly in the form of shares in the acquiring company. Buyers that are able to offer treasury shares thus have a competitive advantage when acquiring companies, interests in companies or other assets. The authorisation proposed here is intended to give the Company the flexibility it needs to act quickly and flexibly to take advantage of opportunities to acquire companies, business units, interests in companies or other assets, particularly by granting treasury shares. A liquidity-preserving utilisation of acquisition options may also be useful in the view of an optimum financing structure.

- Furthermore, it may be useful to use treasury shares entirely or partly instead of a capital increase in order to fulfil conversion or option rights or conversion obligations, with the exclusion of subscription rights. The authorisation proposed under agenda item 9 d) cc) also provides the option to partially exclude the subscription right of shareholders in favour of creditors of bonds (including profit participation rights) with conversion or option rights or a conversion obligation in order to be able to grant holders of existing conversion or option rights or creditors of convertible bonds with conversion obligations a subscription right to shares as protection against dilution instead of reducing the option or conversion price.

- The Company shall be authorised to offer the acquired treasury shares for acquisition as staff shares to employees of the Company or associated companies and to members of the Management Boards of the Company’s associated companies. This is to enable the Company to offer shares to staff even without having to make use of the Authorised Capital B. When deciding on the type of share purchase for issuing staff shares, the Executive Board will be guided solely by the interests of the Company and the shareholders. The additional option of using available treasury shares instead of a capital increase may be commercially reasonable and, in that respect, the purpose of the authorisation is to increase flexibility. Issuing treasury shares to staff, usually subject to the specification of a reasonable lock-up period of several years, is in the interest of the Company and of the shareholders, because this enhances identification with the Company and, hence, the Company’s value. When calculating the purchase price payable by staff, a discount may be granted that is customary for staff shares and is based on the Company's success. If an issue of treasury shares to executives requires the consent of the Supervisory Board of the company concerned, treasury shares will only be offered for purchase with the prior consent of the Supervisory Boards concerned. In addition to a direct transfer of the shares by the Company, the intention is that it should also be possible for acquired shares first to be transferred to a credit institution that assumes the shares with the obligation to transfer them only to employees of the Company or of associated companies or to members of the Management Boards of associated companies. This procedure can facilitate the settlement.

- In addition, the Company shall be able to use the purchased shares in any payment of a so-called scrip dividend, in which shareholders are offered the alternative of contributing their dividend claim as an (either complete or partial) contribution in kind to the Company in return for the granting of new shares. A scrip dividend using treasury shares may be implemented, e.g. in the form of an offer made to all shareholders while safeguarding their subscription rights and safeguarding the equal-treatment principle (Section 53a AktG). In a specific case, however, it may be preferable, depending on the capital-market situation, to arrange the implementation of a scrip dividend using treasury shares in such a way that the Executive Board, though it offers all shareholders who are entitled to a dividend treasury shares for purchase in return for assigning their dividend claim, while maintaining the general equal-treatment principle (Section 53a AktG), formally excludes the subscription right of shareholders overall. Implementing a scrip dividend while formally excluding the subscription right enables the scrip dividend to be implemented under more flexible conditions. In view of the fact that all shareholders are offered the treasury shares and that excess dividend amounts are settled by paying a cash dividend, the exclusion of the subscription right appears, to the extent described under agenda item 9 d) ee), to be justified and reasonable. When deciding on the type of share purchase or a combination of different forms of share purchase to finance such measures, the Executive Board will be guided solely by the interests of the Company and the shareholders.

- Finally, pursuant to agenda item 9 g), sentence 2, if the shares are sold via an offer to sell to all shareholders, the Executive Board shall be authorised to exclude the subscription right of shareholders for fractional amounts in order to facilitate settlement.

- The sum of the shares used with subscription rights of the shareholders excluded may not during the term of the above authorisation exceed 10% of the share capital at the time of the authorisation taking effect or at the time of its exercise, whichever is the lower value. If during the term of this authorisation to acquire treasury shares until it is utilised, other authorisations to issue or sell shares of the Company or to issue rights that enable or oblige to the purchase of shares of the Company are exercised for which subscription rights are excluded, this is subject to the aforementioned 10% limit, such that the sum of the total shares issued or sold with the exclusion of the subscription right may not exceed 10% of the share capital. In this way, the shareholders are additionally protected against a dilution of their existing shareholding.

- The Company should also be able to cancel the acquired treasury shares without the need for a new decision from the Annual General Meeting. This generally leads to a reduction in the share capital. Deviating from this, however, the Executive Board is also authorised to carry out the cancellation without changing the share capital. In such a case, the cancellation leads to an increase in the percentage of the remaining shares in the share capital pursuant to Section 8(3) AktG.

The aforementioned options may also be used with regard to such shares acquired on the basis of the authorisation decisions of previous Annual General Meetings in accordance with Section 71(1) no. 8 AktG. This also applies to shares acquired by Group companies or in accordance with Section 71d, sentence 5 AktG.

The Executive Board will check carefully in each case whether it is in the interests of the Company and its shareholders to make use of the authorisation. The Executive Board will report on the use of the authorisation at the following Annual General Meeting.

Frankfurt, March 2019
The Executive Board

Carsten Spohr Vorstandsvorsitzender	Thorsten Dirks Mitglied des Vorstands Eurowings	Harry Hohmeister Mitglied des Vorstands Network Airlines
Dr. Detlef Kayser Mitglied des Vorstands Airline Resources & Operations Standards	Ulrik Svensson Mitglied des Vorstands Finanzen	Dr. Bettina Volkens Mitglied des Vorstands Personal und Recht