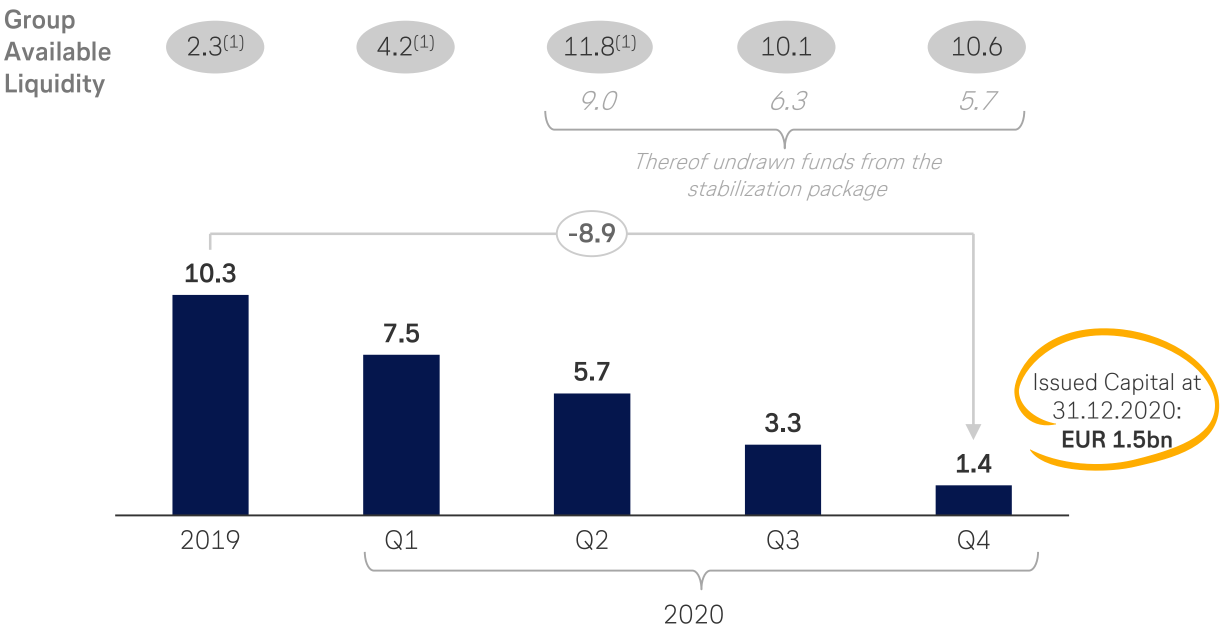
LUFTHANSA GROUP

Request for Authorized Capital C

April 1, 2021

Liquidity concerns addressed immediately but equity reduced significantly

Equity (IFRS) in €bn



(1) Includes centrally available cash and equivalents only

Comments

- Strong and well capitalized balance sheet pre COVID-19 outbreak
- EUR 9bn government stabilization measures and the subsequent successful return to capital markets secured the company's solvency and sufficient liquidity for at least the whole of 2021
- However, IFRS equity has declined and will remain under pressure based on 2021 financial outlook

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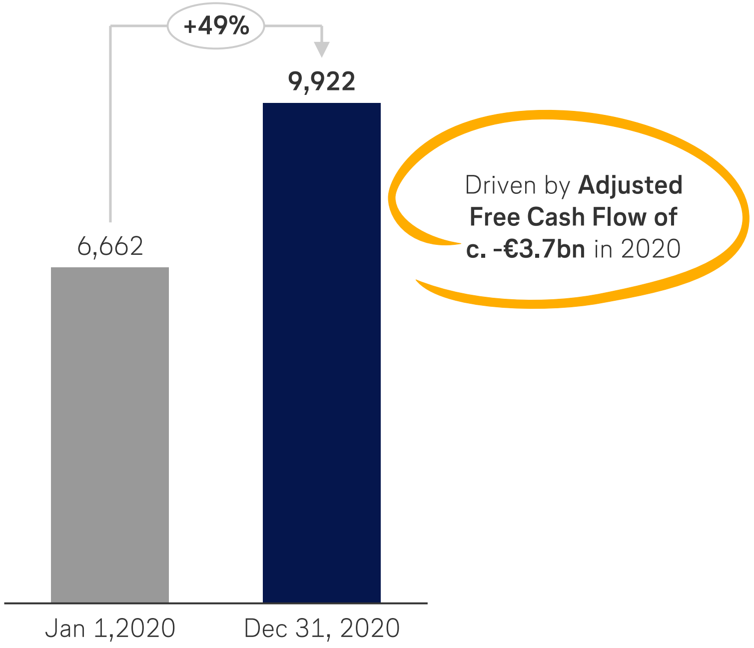
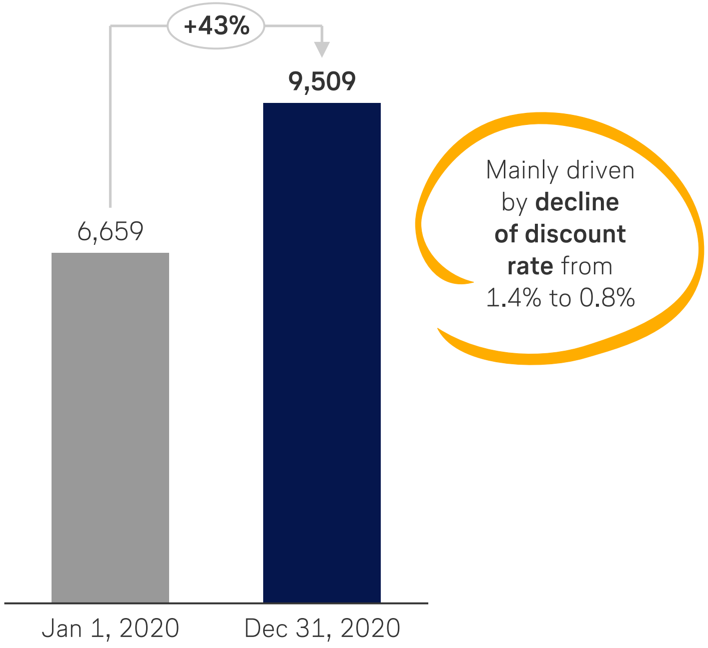
Operating loss and pension valuation effects have caused net financial debt and pension provisions to increase

Net debt in €m



Pension provisions in €m



Lufthansa has initiated an unprecedented restructuring program to return to profitability as a leaner, more efficient and more sustainable company

Key drivers...	...ensuring renewed strength after crisis
Market size	Adjust to smaller market – return to 90% capacity in 2024
Fleet	Modernize operating fleet and reduce by 150 a/c
Organization	Shrink the organization by c. 27,000 full-time positions
Portfolio	Accelerate transformation into airline group by divesting non-core assets
ESG	Reduce carbon emissions by 50% until 2030

The repayment of stabilization measures as part of the effort to strengthen the balance sheet is an important pillar that is yet to be addressed

STRENGTHENING OF BALANCE SHEET

Return to profitability

Achieve cost reductions to ensure quick return to profitability and to drive strong free cash flows

Repayment stabilization measures

Replace state aid funds through long-term debt and equity refinancing measures

Divestments

Divest non-core assets in part or in full once fair value can be realized

Return to investment grade rating

Net debt incl. pensions/EBITDA < 3.5

Provision of sufficient liquidity as crisis protection (EUR 6-8bn going forward)

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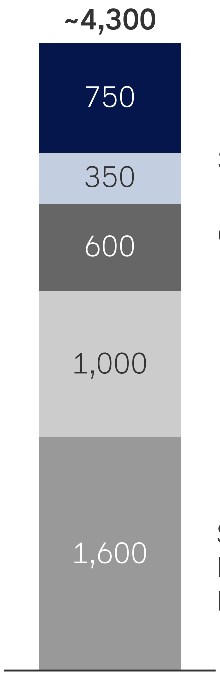
Lufthansa has already successfully raised funds in debt capital markets

Capital market transactions since June 2020 in €m



Aircraft Financing H2 2020/ Q1 2021

Schuldscheindarlehen[1] March '21
Maturity: March '24

Convertible bond November '20 @ 2.0% p.a.
Maturity: November '25

Straight bond November '20 @ 3.0% p.a.
Maturity: May '26

Straight bond February '21 @ 2.875/ 3.75% p.a.
Maturity EUR 750m: February '25
Maturity EUR 850m: February '28

- Long-term refinancing of liabilities maturing in 2021 has been completed
- EUR 1bn KfW loan has been paid back in full in February 2021
- Financing safeguards solvency even in case market recovery falls short of expectations

[1] Promissory note

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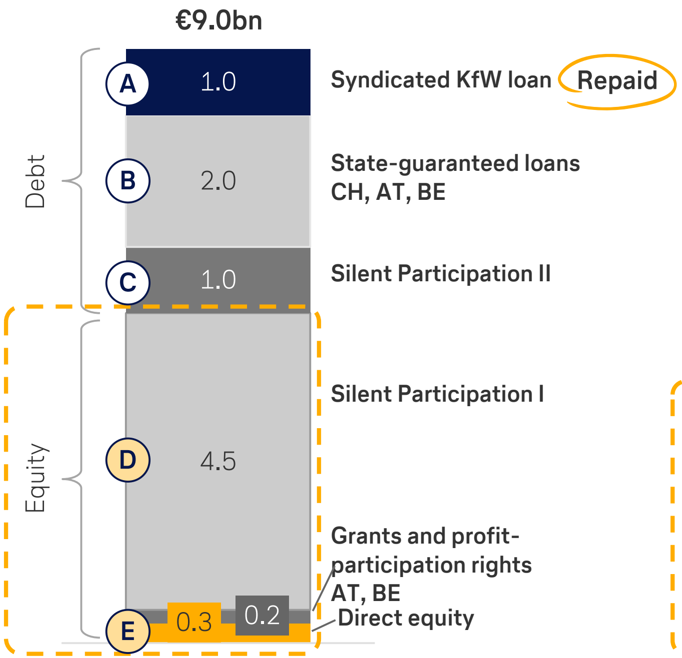
Around EUR 5.0bn of stabilization measures were designed to support equity, but become increasingly more expensive



A
- **Syndicated loan**; 80% backed by KfW
- **Maturity of 3 years** with margin grid linked to rating
- Interest rate of **EURIBOR plus 3.25% p.a. in 2020** (based on BB rating by S&P), thereafter between **2.75% and 4.75% depending on credit rating of LH Group**

B
- **State-guaranteed loans** of €1.4bn in Switzerland, €300m in Austria and €290m in Belgium

C
- Linked to certain **conversion rights,** maturity of six years
- **Financial liability** under IFRS / German GAAP
- Broadly linear coupon step-up from **4% p.a. in 2020 / 2021 to 9.5% p.a. from 2027 onwards**

D
- Accounted for as **equity according to IFRS**
- **No maturity** – repayment and coupon payments at discretion of LHG
- Broadly linear coupon step-up from **4% p.a. in 2020 / 2021 to 9.5% p.a. from 2027 onwards**

E
- **20% direct share issuance** to ESF at €2.56 per share

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“Authorized Capital C” would enable Lufthansa to have the flexibility to facilitate a capital increase, if and when market conditions are supportive

Rationale	▪ New authorization (vs. direct resolution) provides Lufthansa with flexibility to initiate a potential transaction at short notice and with minimal execution risk, thereby creating value for both the company and its stakeholders ▪ Authorization is a preparatory measure to provide Lufthansa with the necessary tool kit to refinance/replace the WSF's silent participation if and to the level required
Repayment of WSF	▪ The authorization is linked to the COVID-19 pandemic related German stabilization law (“WStBG”) and the majority of its proceed must be used in connection with repayment of the silent participation from the WSF
Authorization size	▪ Lufthansa is asking for Authorized Capital C in the amount of €5.5bn, or 2,148.4mn shares - Sizing of authorization is linked to maximum size of silent participations I and II from the WSF; it is not an indication of the level of equity to be raised at any given point in time ▪ Currently there has not been a decision taken to issue any of the Authorized Capital C in whole or in part
Subscription rights	▪ Shareholders are granted subscription rights
Majority Required	▪ Simple majority
Expiration of the authorization	▪ May 2026

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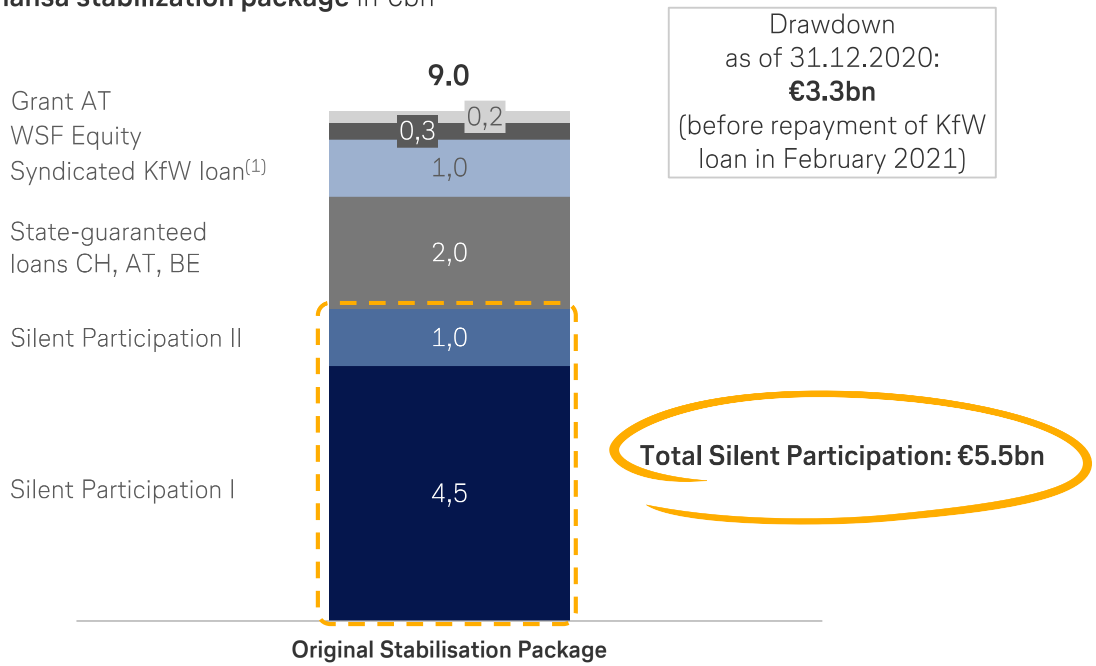
The authorization is sized with a reference to silent participations I & II

Lufthansa stabilization package in €bn



Comments

- The requested new Authorized Capital is sized with reference to the total amount of silent participations I & II
- No decision on the amount of a potential capital increase has been made – requested authorization of EUR 5.5bn is a technicality

(1) The KfW loan was repaid as of today

Capital C authorization expected to bring significant benefits for shareholders

- Authorisation provides **clear use of proceeds** as it is linked to repayment of stabilisation measures

- Ability to flexibly tap an **attractive market window with demand for Lufthansa shares**
  - Helps to minimise dilution
  - Supports efficient subscription rights trading
  - Better aftermarket trading

- **Faster execution timeline,** thereby reducing period of prolonged overhang from a contemplated capital increase

- **Higher certainty of transaction success** to address capital needs

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Appendix

Key facts around the stabilization package

Key elements of the stabilization package	▪ **€5.5bn silent participation**
	  ▪ €4.5bn accounted as equity ("Silent Participation I")
	  ▪ €1.0bn accounted as financial debt, incl. conversion rights for ESF ("Silent Participation II")
	▪ **€2.0bn state-guaranteed loans** in Switzerland, Austria and Belgium
	▪ **€1.0bn syndicated credit facility**, 80% backed by KfW
	▪ 20% direct stake by the ESF, contributing **€0.3bn equity**, and €0.2bn grant in Austria

Additional terms and conditions	▪ Conditions include, among other, no dividend payments for the time of the stabilization measure, limitations on management compensation, 2 seats on Supervisory Board to be filled in agreement with ESF, commitment to invest in further CO2 emission reduction ▪ Except in the event of a takeover, the ESF agrees not to exercise its voting rights at the AGM in connection with the ordinary resolutions of regular AGMs
Clear exit perspective	▪ Subject to full repayment of the silent participations and certain minimum price, obligation of the ESF to sell all shares by December 31, 2023 ▪ **Clear take-out and refinancing plan in place to redeem instruments** of the stabilization package with target to return to **Investment Grade** credit rating over the mid-term
Shareholder and Regulatory approval	▪ **Approved by EGM** on June 25, 2020 ▪ **Clearance by EU Commission** received on June 25, 2020

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