Lufthansa Annual General Meeting 2023

Reports of the Executive Board on agenda items 8, 9 and 10

1. **Report of the Executive Board to the Annual General Meeting on agenda item 8 pursuant to Section 203 (1) sentence 1 AktG in conjunction with Section 186 (4) sentence 2 AktG**

   Under item 8 of the agenda, it is proposed to the Annual General Meeting to authorise the Executive Board, with the approval of the Supervisory Board, to increase the share capital of the Company by up to Euro 100,000,000.00, through the issuance, once or several times, of new no-par value registered shares against contributions in cash (Authorised Capital B).

   The new Authorised Capital B is to replace the Authorised Capital B existing until 6 May 2024, of which the Executive Board has made use in the amount of Euro 7,637,831.68 by the time this Annual General Meeting is convened. The authorisation is to be granted for the legally permissible period of five years, i.e. until the expiry of 8 May 2028. The Authorised Capital B serves the exclusive purpose of enabling the employees of the Company and its affiliated companies to participate even more in the share capital of the Company within the framework of participation models and thus to align the interests of the Company and its employees. For this purpose, it is necessary to exclude the shareholders' subscription rights. The issuance of employee shares is desired by the legislator and is therefore possible with less stringent requirements. Apart from that, the volume of the authorisation to issue employee shares in relation to the share capital of the Company remains within narrow limits (around 3.3 percent), meaning that the shareholders' participation rights are only slightly affected by the exclusion of subscription rights.

   The Executive Board will carefully examine in each individual case whether the use of Authorised Capital B and the exclusion of the shareholders’ subscription rights are in the interests of the Company and its shareholders. The Executive Board will report to the Annual General Meeting on any utilisation of Authorised Capital B at the next Annual General Meeting following such utilisation.

2. **Report of the Executive Board to the Annual General Meeting on agenda item 9 pursuant to Section 71 (1) no. 8 AktG in conjunction with Section 186 (4) sentence 2 AktG**

   At this year's Annual General Meeting, the Company is to be authorised for a period of five years to acquire treasury shares amounting to up to 10 percent of the share capital in accordance with Section 71 (1) no. 8 AktG. The treasury shares may be acquired by way of purchase on the stock exchange, by means of a public purchase offer addressed to all shareholders of the Company or by means of a public invitation to the shareholders to submit offers for sale.

   If the number of shares tendered or offered for purchase exceeds the total volume intended to be purchased by the Company, i.e. more shares were offered for purchase than are to be purchased by the Company, the acceptance must be made – subject to partial exclusion of the shareholders' right to tender – instead of according to the ratio of the participation quotas in the ratio of the respective shares tendered or offered.

Preferential acceptance of small numbers of shares up to 100 shares tendered per shareholder as well as rounding according to commercial principles may be provided for in such a case. These options are intended to avoid fractional amounts when determining acquisition quotas and small remainders, which facilitates technical processing and the allocation procedure. In this respect, too, a possible right of the shareholders to tender their shares is therefore partially excluded.

The authorisation also includes the use or disposal of treasury shares, which is described in more detail below, in particular to the extent it is associated with an exclusion of shareholders' subscription rights:

- Under agenda item 9 lit. d) aa), the Executive Board requests, in case of the disposal of shares against cash payment, to be allowed to exclude the shareholders' subscription rights by application, mutatis mutandis, of Section 186 (3) sentence 4 AktG for shares in a notional amount of up to 10 percent of the share capital, with the 10 percent limit not to be exceeded in aggregate, i.e. when combined cumulatively with any other authorisations pursuant to Section 186 (3) sentence 4 AktG. The possibility granted with the authorisation of excluding subscription rights serves the Company's interest in being able, for example, to sells treasury shares to institutional investors. Furthermore, new shareholder groups can be won through this. The possibility of excluding subscription rights puts the administration in a position to take advantage of the opportunities arising from the current stock exchange situation, without the time-consuming and costly processing of a subscription right, in particular for a faster and more cost-effective placement. When determining the final selling price, the Executive Board will endeavour to keep any discount from the stock exchange price as low as possible, taking into account current market conditions. The discount on the stock exchange price is not expected to be more than 3 percent, but in any event not more than 5 percent, of the then current stock exchange price of the no-par value share of the Company. This protects the shareholders from an impermissible dilution of their shareholdings. In principle, the shareholders have the option of maintaining their shareholding quota by purchasing shares on the stock exchange at comparable conditions.

- The authorisation to exclude subscription rights proposed under agenda item 9 lit. d) bb) enables the Executive Board to have treasury shares in the Company available at short notice for the acquisition of undertakings, parts of undertakings, interests in undertakings or other assets. The Company continues to face tough competition from other companies both nationally and internationally and must therefore be able to act quickly and flexibly at all times in the interests of its shareholders, which includes being able to acquire undertakings or interests in them to improve the competitive situation. The acquisition of undertakings or interests is usually effected by means of a consideration in cash. In certain cases, however, offering parties are also interested in receiving consideration, in whole or in part, in the form of shares of the acquiring company. Buyers who can offer treasury shares thus have a competitive advantage when acquiring undertakings, interests therein or other assets. The authorisation proposed here is intended to give the Company the necessary flexibility to be able to quickly and flexibly exploit opportunities that arise for the acquisition of undertakings, parts of undertakings, interests in undertakings or other assets, in particular also by means of granting treasury shares. The use of forms of acquisitions that preserve liquidity can also be advantageous for optimising the financing structure.

- Furthermore, it may be expedient to use treasury shares, in whole or in part, with an exclusion of subscription rights instead of a capital increase in order to fulfil conversion or option rights or conversion obligations. In addition, the authorisation proposed under agenda item 9 lit. d) cc) creates the possibility to partially exclude the shareholders' subscription right in favour of the creditors of bonds (including profit participation rights) with conversion or option rights or a conversion obligation in order to be able to grant the creditors of already existing conversion or option rights or the creditors of convertible bonds with conversion obligations a sub-scription right to shares as protection against dilution instead of a reduction of the option or conversion price.

- The Company is to be authorised to offer the acquired treasury shares for purchase as employee shares to employees of the Company or its affiliated undertakings as well as to members of the management of undertakings affiliated with the Company. This is intended to give the Company the opportunity to offer shares to these employees even without having to utilise Authorised Capital B. In its decision on the method of obtaining shares for issuing employee shares, the Executive Board will solely be guided by the interests of the Company and of the shareholders. The additional option provided for of using existing treasury shares instead of a capital increase may make economic sense; in this respect, the authorisation is intended to increase flexibility. The issuance of treasury shares to employees, usually subject to an appropriate blocking period of several years, is in the interest of the Company and its shareholders, because it promotes identification with the Company and thus an increase in the Company's value. When assessing the purchase price to be paid by employees, an appropriate discount, which is customary for employee shares and is based on the Company's success, may be granted. To the extent an issue of treasury shares to executives requires the approval of the supervisory board of the company concerned, treasury shares will only be offered for acquisition with the prior approval of the supervisory board concerned. In addition to a direct transfer of the shares by the Company, it is also intended to create the possibility that acquired shares are initially transferred to a credit institution which takes over the shares with the obligation to transfer them exclusively to employees of the Company or affiliated undertakings or members of the management of affiliated undertakings. This procedure can facilitate processing.

- Further, the acquired shares are intended to be eligible for implementing a so-called scrip dividend, in which case the shareholders are offered the option to contribute their claim for payment of the dividend to the Company (in whole or in part), as contribution in kind against granting of new shares. The implementation of a scrip dividend using treasury shares may be conducted, for example, as an offer addressed to all shareholders in observance of their subscription right and in observance of the principle of equal treatment (Section 53a AktG). However, in individual cases, depending on the capital markets situation, it may be preferable to structure the implementation of a scrip dividend using treasury shares in such manner that the Executive Board offers treasury shares for subscription to all shareholders who are entitled to dividends against assignment of their dividend entitlement, in observance of the general principle of equal treatment (Section 53a AktG), but formally excludes the shareholders' subscription right in its entirety. Implementing the scrip dividend subject to a formal exclusion of the subscription right facilitates the implementation of the scrip dividend at more flexible conditions. In view of the fact that all shareholders will be offered the treasury shares and excessive partial dividend amounts will be settled by payment of the cash dividend, the exclusion of the subscription right proposed under agenda item 9 lit. d) ee) appears to be justified and appropriate also in this respect. When deciding on the way of procuring shares or a combination of different ways of procuring shares 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 lit. g) sentence 2, the Executive Board is to be authorised, in the event of a disposal of the shares by means of an offer for sale to all shareholders, to exclude the shareholders' subscription rights for fractional amounts in order to facilitate processing.

- During the term of the present authorisation, the total amount of the shares used subject to an exclusion of shareholders' subscription rights may not exceed 10 percent of the share capital based on the effective date or – if that value is lower – the exercise date of this authorisation. If, during the term of this authorisation for the acquisition of treasury shares and until it is exercised, other authorisations to issue or dispose of shares in the Company or to issue rights that enable or oblige the holder to subscribe to shares in the Company are exercised and the subscription right is excluded in this context, this is to be included in the aforementioned 10% limit, with the consequence that the total amount of the shares issued or disposed of subject to an exclusion of subscription rights may not exceed 10 percent of the share capital. In this way, shareholders are additionally protected against dilution of their existing shareholding.

- The treasury shares acquired are to be eligible for redemption by the Company also without adoption of a new resolution by the Annual General Meeting. This generally leads to a reduction of the share capital. In deviation from this, however, the Executive Board is also authorised to carry out the redemption without changing the share capital. In this case, the redemption increases the proportion of the remaining shares in the share capital pursuant to Section 8 (3) AktG.

The aforementioned options for use may also be exercised with respect to such shares that were acquired on the basis of authorisation resolutions of previous Annual General Meetings pursuant to Section 71 (1) no. 8 AktG. This also applies to shares acquired by Group companies or pursuant to Section 71d sentence 5 AktG.

In each case, the Executive Board will examine with due care whether the utilisation of the authorisation is in the interest of the Company and its shareholders. The Executive Board will report to the Annual General Meeting on any utilisation of authorisation at the next Annual General Meeting following such utilisation.

3. Report of the Executive Board to the Annual General Meeting on agenda item 10 pursuant to Section 71 (1) no. 8 sentence 5 AktG in conjunction with Section 186 (4) sentence 2 AktG

In addition to the options to acquire treasury shares provided for under agenda item 9, a limited use of Derivatives is also to be permitted – as has been the case so far. It may be advantageous for the Company to sell put options or to acquire call options instead of acquiring shares of the Company directly. In addition, it can be favourable to acquire shares by way of forward purchases. In this context, the Executive Board intends to use options as well as forward purchases (hereinafter collectively also referred to as "Derivatives") only in addition to the conventional share buyback. This does not include an extension of options for buyback. The acquisition of shares using Derivatives is to be carried out via a credit institution or another company meeting the requirements of Section 186 para. 5 sentence 1 AktG.

When disposing of put options, the Company grants to the acquirer the right to sell Lufthansa shares to the Company at a price determined in the put option (Exercise Price). As consideration, the Company receives an option premium which, taking into account the Exercise Price, the term of the option and the volatility of the Lufthansa share, corresponds to the value of the right to sell. If the put option is exercised, the option premium paid by the acquirer of the put option reduces the total consideration paid by the Company for the acquisition of the share. Exercising the put option is economically sensible for the beneficiary if the market price of the Lufthansa share is lower than the Exercise Price at time of exercise, as the beneficiary is then able to sell the shares at the higher Exercise Price. From the perspective of the Company, the share buyback using put options has the advantage that the Exercise Price is already determined upon conclusion of the option transaction, whereas the liquidity only flows out on the exercise date. In addition, the purchase price of the shares for the Company is lower than the share price at the time the option transaction was concluded, taking into account the option premium received. If the option is not exercised by the beneficiary, because the share price on the exercise date is higher than the Exercise Price, the Company is unable to acquire treasury shares in this manner, but it still has the option premium received.

When acquiring a call option, the Company receives the right, against payment of an option premium, to purchase a previously determined number of shares at a previously determined price (exercise price) from the seller of the option, the writer (Stillhalter). Exercising the call option is economically sensible for the Company if the market price of the Lufthansa shares is higher than the Exercise Price, as it is then able to purchase the shares from the writer at the lower Exercise Price.

In this way, the Company hedges against rising share prices. In addition, the Company’s liquidity is spared, since the fixed acquisition price for the shares must be paid only when the call option is exercised.

In the case of a forward purchase, the Company agrees with the forward seller to acquire the shares at a specified date in the future. The acquisition is made at a forward price stipulated at the time of conclusion of the forward purchase. Upon occurrence of this date, the Company pays the forward seller the forward price and the forward seller in return delivers the shares.

The Company may combine the use of put options, call options and forward purchases, meaning it is not limited to only one option.

The term of the Derivatives has to end no later than on 8 May 2028 and has to be designed in such manner that the acquisition of the Lufthansa shares using the options and settling the forward purchases cannot occur after 8 May 2028. Thus, the authorisation is intended, in principle, to use the legally possible framework of five years, but with the restriction that the term of the individual options and the forward purchases may not exceed 18 months in each case. This ensures that obligations from the individual Derivative transactions are appropriately limited in time. The total acquisition volume through put and call options and forward purchases is limited to 5 per cent of the share capital at the time the authorisation becomes effective (i.e. 59,774,282 shares). If the share capital is lower at the time of the exercise of the present authorisation, the lower value is to be used as reference.

The purchase price to be paid by the Company for the shares is the Exercise Price stipulated in the relevant put or call option or the forward price set out in the forward purchase. The price to be paid for a Lufthansa share when exercising put or call options (exercise price) or the price to be paid for a Lufthansa share when fulfilling the forward purchase (forward price) may be higher or lower than the market price of the Lufthansa share when the put option is sold or the call option is acquired or the forward purchase is concluded. However, the Exercise Price or the forward price (excluding incidental acquisition costs, but taking into account the option premium received or paid) may not exceed by more than 10 per cent or fall below by more than 20 per cent the price for shares in the Company determined by the opening auction in Xetra trading on the Frankfurt Stock Exchange (or a comparable successor system) on the day the Derivative transaction is concluded.

The purchase price paid by the Company for a Derivative (usually a call option) may not be significantly higher than, and the sale price received by the Company for a Derivative (usually a put option) may not be significantly lower than, the theoretical market value of the respective options determined according to recognised, in particular financial mathematical methods. When determining this so-called option premium, the agreed exercise price, among other things, must be taken into account. In the same way, the forward price agreed by the Company for forward purchases may not be significantly higher than the theoretical forward price determined in accordance with recognised financial mathematical methods, the determination of which must take into account, among other things, the current stock market price and the term of the forward purchase.

The determination of the option premium and the exercise or forward price as described above, as well as the obligation to settle options and other Derivatives only with shares acquired in compliance with the principle of equal treatment, especially through the stock exchange, prevents shareholders from being economically disadvantaged by an acquisition of treasury shares using Derivatives. Since the Company receives or pays a fair market price, the shareholders not participating in the Derivative transactions do not suffer an economic detriment. This is equivalent to the position of the shareholders in the case of a buyback of shares through the stock exchange, where not all shareholders are actually able to sell shares to the Company. The requirements for the structuring of the Derivatives and the requirements regarding the shares for delivery ensure that in the case of this form of acquisition the principle of equal treatment of the shareholders is also observed.

It is therefore justified that any claim of the shareholders to conclude such Derivative transactions with the Company is excluded in application, mutatis mutandis, of Section 186 (3) sentence 4 AktG. By the exclusion of the subscription right, the Company is enabled – in contrast to cases where an offer for the acquisition of the options or for the conclusion of forward purchases is made to all shareholders – to conclude Derivative transactions also at short notice. This gives the Company the necessary flexibility to react quickly to market situations.

In the case of an acquisition of treasury shares using Derivatives, shareholders are to have a right to tender their shares only to the extent that the Company is obligated to purchase the shares from them under the Derivative transactions. Otherwise, the use of Derivatives in the course of the buyback of treasury shares would not be possible and the benefits for the

Company associated therewith could not be achieved. After careful consideration of the interests of the shareholders and the interests of the Company, the Executive Board considers the non-granting or restriction of the right to tender to be objectively justified and appropriate due to the advantages resulting from the use of Derivative transactions for the Company.

With regard to the use of treasury shares acquired using Derivatives, there are no differences to the uses proposed in agenda item 9. With regard to the justification of the exclusion of the shareholders' subscription rights in the use of the shares, reference is therefore made to the report of the Executive Board on agenda item 9.

The Executive Board will report to the Annual General Meeting on any utilisation of authorisation at the next Annual General Meeting following such utilisation.

Frankfurt, March 2023
The Executive Board

Carsten Spohr
Chief Executive Officer

Christina Foerster
Member of the Executive Board
Chief Customer Officer

Harry Hohmeister
Member of the Executive Board
Chief Commercial Officer

Dr. Detlef Kayser
Member of the Executive Board
Chief Operations Officer

Dr. Michael Niggemann
Member of the Executive Board
Chief HR & Legal Officer

Remco Jan Steenbergen
Member of the Executive Board
Chief Financial Officer

Translation for convenience only,
In case of any discrepancy or ambiguity the German version shall prevail.