



Lufthansa Annual General Meeting 2024

Report of the Executive Board to the Annual General Meeting on agenda item 7 pursuant to Section 203 (2) sentence 2 AktG in conjunction with Section 186 (4) sentence 2 AktG

Under item 7 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 1,000,000,000.00, through the issuance, once or several times, of new no-par value registered shares against contributions in cash (Authorised Capital A). It is intended to be available for capital increases against cash as well as against contributions in kind and may also be utilised in partial amounts. The total nominal amount of EUR 1,000,000,000.00 may not be exceeded. The authorisation is to be granted for a period of five years, thus until the expiry of 6 May 2029.

Authorised Capital A is intended to enable the Company to act quickly and flexibly, without having to wait for the Annual General Meeting or an extraordinary General Meeting. In this context, the availability of financing instruments independently from the frequency of the Annual General Meetings is of particular importance, as the point in time at which corresponding funds have to be raised cannot always be determined in advance. In addition, in competition with other companies, any transactions can often only be carried out successfully if secured financing instruments are already available at the time negotiations begin. The legislator has taken the resulting need of the companies into account and grants stock corporations the possibility to authorise the management for a limited period of time and limited in amount to increase the share capital without a further resolution of the Annual General Meeting. The creation of the new Authorised Capital A is intended to maintain the Company's flexibility to use this type of financing and to be able to increase the share capital.

When the Authorised Capital A is utilised, as a general rule, shareholders are to be granted subscription rights. However, the Executive Board is to be given the opportunity to exclude the shareholders' subscription right when issuing new shares in the following cases:

Under agenda item 7 lit. c) a), the Executive Board is to be authorised to exclude shareholders' subscription rights by analogous application 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 to be observed in aggregate, i.e. also when combined cumulatively with any other authorisations leading to direct or indirect application of Section 186 (3) sentence 4 AktG. The possibility of excluding subscription rights opened up by the authorisation enables the management to take advantage of favourable stock market situations at short notice and to achieve a higher inflow of funds through the quick placement of new shares without the time-consuming and costly processing of subscription rights. The proposed exclusion of subscription rights serves the Company's interest in being able, for example, to issue shares to institutional investors. This can attract new, additional groups of shareholders. When utilising this authorisation, the Executive Board will determine the discount to be as small as possible in light of the market conditions existing at the time of the placement. The Executive Board will set the issue price for each new no-par value share in such a way that the discount on the stock market price is not expected to be more than 3 percent, but in any event not

more than 5 percent, of the then current stock market price of the no-par value share of the Company. By these requirements, the protection of the shareholders against a dilution of their shareholdings is taken into account. Since the issue price of the new shares is close to the market price and the volume of the placement without subscription rights is restricted, each shareholder has, in principle, the opportunity to acquire via the stock exchange the shares necessary to avoid dilution on substantially similar terms. This ensures that the economic and voting rights of shareholders are adequately protected when shares are issued from Authorised Capital A subject to an exclusion of subscription rights, while granting the Company more flexibility for the benefit of all of its shareholders.

In addition, the subscription right may be excluded pursuant to agenda item 7 lit. c) b), with the approval of the Supervisory Board, to grant subscription rights to new shares to holders or creditors of option or conversion rights from option or convertible bonds that were or are being granted by the Company or its Group companies to the extent to which they would be entitled after the exercise of these rights or, respectively, after the fulfilment of conversion obligations. This makes it possible to grant to the creditors of such instruments a form of dilution protection customary in the market. This puts them in the same position as if they were already shareholders. The granting of a subscription right to the holders of conversion or option rights is an alternative to the adjustment of the conversion or option price that would otherwise have to be made. In order to provide the Bonds with such protection against dilution, the shareholders' subscription rights to these shares must be excluded. The option of being able to grant shares to the creditors of option and/or convertible bonds instead of reducing the conversion or option price may be economically more favourable for the Company. By granting shares instead of reducing the conversion or option price, the Company may be able to achieve a higher issue price for the shares to be issued upon conversion or exercise of the option.

The authorisation to exclude subscription rights proposed under agenda item 7 lit. c) c) enables the Executive Board to have shares in the Company available at short notice in connection with mergers or for the purpose of acquiring (also indirectly) enterprises, parts of enterprises, interests in enterprises or other assets. The Company faces tough competition from other companies both nationally and internationally and must be able to act quickly and flexibly in the interests of its shareholders at all times. This also includes the option of 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 the form of shares (share swap). Buyers who can offer a share swap thus have a competitive advantage when acquiring enterprises or interests therein. It is also conceivable that the consideration for such an acquisition may only be partially paid in cash so as not to jeopardise the Company's liquidity. In comparable transactions, the consideration is therefore often granted in the form of shares of the acquiring company. The authorisation proposed here is intended to give the Company the necessary flexibility to be able to quickly and flexibly exploit opportunities that arise to acquire enterprises, interests therein or other assets. The Company does not suffer any detriments therefrom, as the capital increase against contributions in kind requires that such contributions in kind represent a fair value compared to the value of the shares delivered.

Furthermore, under agenda item 7 lit. c) d), the Executive Board is to be authorised to exclude shareholders' subscription rights in order to implement a so-called scrip dividend. In the case of a scrip dividend, the shareholders are offered to contribute their claim for payment of the dividend to the Company, in whole or in part, as contribution in kind, in order to receive new shares in the Company in return. The implementation of a scrip dividend will generally take the form of a genuine

subscription rights issue, safeguarding shareholders' subscription rights and complying with 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 in such manner that the Executive Board offers to all shareholders who are entitled to dividends, in observance of the general principle of equal treatment (Section 53a AktG), new shares from Authorised Capital for subscription against assignment of their dividend entitlement, but formally excludes the shareholders' subscription right in its entirety. The implementation of the scrip dividend subject to the formal exclusion of subscription rights enables the scrip dividend to be implemented on more flexible terms, in particular without being bound to the minimum subscription period and to the legally stipulated time for the announcement of the issue amount. In view of the fact that all shareholders will be offered the new 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 7 lit. c) d) appears to be justified and appropriate 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.

Furthermore, under agenda item 7 lit. c) e), the Executive Board is to be authorised to exclude shareholders' subscription rights, with the approval of the Supervisory Board, in the event of capital increases against contributions in kind for the purpose of acquiring remuneration and other claims of both Executive Board members and Supervisory Board members against the Company. This is intended to make it easier to support the liquidity of the Company by enabling Executive Board and Supervisory Board members to contribute their remuneration and other claims to the Company as a contribution in kind in return for new shares in the Company. The Company and the shareholders will not suffer any detriments therefrom, as the capital increase against contributions in kind generally requires that the contribution in kind represents a fair value compared to the value of the new shares, and the authorisation requires, in particular, that the subscription price of the new shares is not significantly lower than the stock market price.

The authorisation proposed under agenda item 7 lit. c), fourth last paragraph, for the exclusion of subscription rights for fractional amounts allows for the capital increase to be carried out with a smooth subscription ratio. This simplifies the technical processing of the shareholders' subscription right. The shares excluded as free fractions from shareholders' subscription rights are realised either by sale via the stock exchange or otherwise in the best possible manner for the Company. Since in this case any exclusion of subscription rights is limited to fractional amounts, any dilutive effect is minimal.

The Executive Board may only make use of the authorisations granted to it to exclude subscription rights to such an extent that the pro rata amount of shares issued in total subject to an exclusion of subscription rights does not exceed 10 percent of the share capital, either at the time the authorisation becomes effective or at the time it is exercised. This limits the total scope of an issue of shares from Authorised Capital A without subscription rights. In addition, a crediting will apply to the aforementioned 10 percent limit if, during the term of Authorised Capital A and until its utilisation, other authorisations to issue or sell 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 10 percent limit referred to in the preceding sentence. In this way, shareholders are additionally protected against dilution of their existing shareholding.

The Executive Board will carefully examine in each individual case whether the use of the

authorisation to issue new shares and, as the case may be, to exclude shareholders' subscription rights is in the interests of the Company and its shareholders. The Executive Board will report to the General Meeting on any use of the authorisation.

Frankfurt, March 2024
The Executive Board

Original German version signed by

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