LUFTHANSA GROUP

Financial Stabilization Package

September 2020

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Financial Stabilization Package - Key Points

- Stabilization package agreed with the German Economic Stabilization Fund (ESF) **ensures going concern and viability** of the Lufthansa Group
- Result of **intense negotiations** with the ESF and EU Commission
- **Secures the necessary strategic and operational flexibility** of Lufthansa Group in the current challenging environment
- **Preserves integrity** of Lufthansa Group as an **integrated airline group**
- **Balanced approach protecting all stakeholder groups** (shareholders, creditors, customers, business partners, employees, German tax payers)

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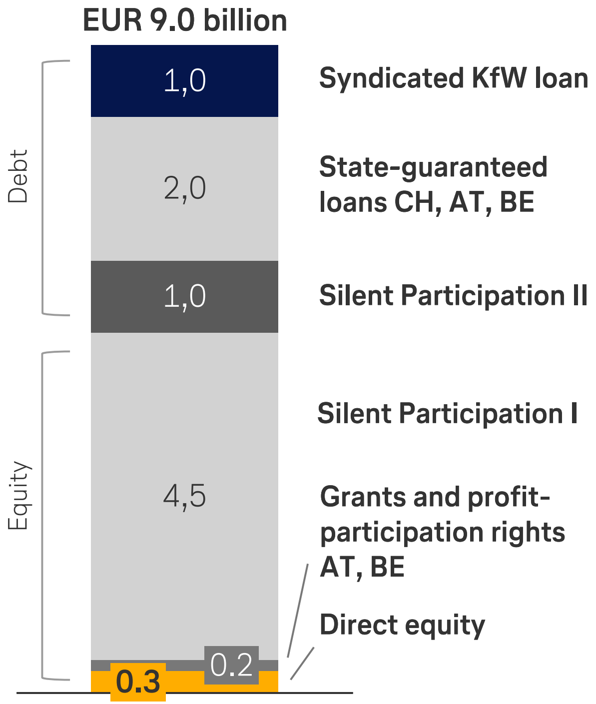
Key facts around the stabilization package

Key elements of the stabilization package	▪ **EUR 5.7 billion silent participation** ▪ EUR 4.7 billion accounted as equity[1] ("Silent Participation I" and grant in AT) ▪ EUR 1.0 billion accounted as financial debt[1], incl. conversion rights for ESF ("Silent Participation II") ▪ **EUR 2.0 billion state-guaranteed loans** in Switzerland, Austria and Belgium ▪ **EUR 1.0 billion syndicated credit facility**, 80% backed by KfW ▪ **20% direct stake** by the ESF, contributing **EUR 0.3 billion equity**
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 CO_2 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 Dec 31, 2023 ▪ **Clear take-out and refinancing plan in place to redeem instruments** of the stabilization package with clear 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

1) According to German GAAP (HGB) and IFRS

Overview of the ESF stabilization package



- **Syndicated loan**; 80% backed by KfW
- **Maturity of 3 years** with margin grid linked to rating

- **State-guaranteed loans** of EUR 1.4 billion in Switzerland, EUR 300 million in Austria and EUR 290 million in Belgium

- Linked to certain **conversion rights,** maturity of six years
- **Financial liability** under IFRS / German GAAP

- Accounted for as **equity according to IFRS / German GAAP**
- **No maturity** – repayment and coupon payments at discretion of LHG

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

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Key elements of the silent participation and equity instruments

Silent Participation I and II

- **Silent Participation I**
  - Deeply subordinated / only senior to equity
  - Key features include loss participation and coupon deferral right
  - No maturity
  - Accounted as equity acc. to IFRS / German GAAP
  - Broadly linear coupon step-up from 4% p.a. in 2020 / 2021 to 9.5% p.a. from 2027 onwards
- **Silent Participation II**
  - Two tranches with conversion features
  - 6 year maturity with extension option until full repayment of Silent Participation I
  - Broadly linear coupon step-up from 4% p.a. in 2020 / 2021 to 9.5% p.a. from 2027 onwards

Share issuance and conversion rights

Direct share issuance

EUR 306 million

- **119.5 million shares** issued at EUR 2.56
- Subject to full repayment of the silent participations and minimum price, obligation by ESF to sell all shares by Dec 31, 2023

Conversion rights of Silent Participation II

EUR 102 million

- In case of a takeover or after sale of the instrument by the ESF: right to convert into **39.8 million shares** at a price of EUR 2.56

EUR 898 million

- In case of non-payment of Silent Participation I coupons until 2024 (and/or until 2026) right to convert into **5% of share capital**, respectively, at 5.25% discount to market price
- **Dilution protection** for 20% stake in case of a non-pre-emptive capital increase or for 25% stake in case of a takeover, at a 10% discount to market price

1) Minimum sale price of EUR 2.56 per share plus an annual interest of 12%

Syndicated KfW loan with three year maturity

Key terms

EUR 1 billion

syndicated credit facility

3 year

total maturity

Secured

debt instrument backed by aircraft and other assets

Comments

- EUR 1 billion syndicated revolving credit facility with
  - **80%** held and backed by KfW, and
  - **20%** syndicated to a bank consortium
- Loan **backed by shares in Lufthansa's aircraft holding companies**
- Any **proceeds** from capital market financing (both equity or debt) or resulting from a sale of assets / shares in subsidiaries (with few exceptions) shall be used to repay the KfW facility
- Interest rate of EURIBOR plus **3.25% p.a. in 2020** (based on current BB rating by S&P), thereafter between 2.75% and 4.75% depending on credit rating of LH Group
- Support measures in Austria, Belgium and Switzerland **ring-fenced** from KfW facility

Other key terms and conditions of the stabilization package

Board representation	▪ **2x seats on the Supervisory Board** of LH Group to be filled in agreement with the German government ("Airbus model"), 1x of which is to become a member of the Audit Committee
Voting rights	▪ Except in the event of a takeover, the ESF agrees **not to exercise its voting rights** at the AGM in connection with the usual resolutions of ordinary AGMs
Dividends and share repurchases	▪ **No dividend payments** and share repurchases until full exit from the stabilization package
Fleet and emission reduction	▪ Subject to economic viability and market environment, commitment to invest in further **CO_2 emission reduction** of the fleet ▪ Investment in up to 80 new aircraft from 2021 to 2023 to modernize the fleet ▪ Expand strategic cooperation on aircraft fuels from environmentally friendly sources
Management compensation	▪ Restrictions on fixed and variable **management remuneration** until repayment of 75% of the stabilization package
Other	▪ **Ban on acquisitions of >10% of a target's share capital** until 75% of the stabilization package has been repaid

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Slot remedies agreed with the EU Commission

Overview of slot transfers

Total of 48 slots transfers

Key facts and conditions

- Lufthansa Group to transfer a total of 48 take-off and landing rights (slots) to a competitor
  - **3 take-off and 3 landing rights per aircraft per day** for the stationing of **up to 4 aircraft** at **Frankfurt International Airport** and at **Munich International Airport**
  - Resulting in **up to 24 daily slots each at both airports**
- The slots will be allocated in a bidding process and can only be taken over by a European competitor not subject to substantial government recapitalization during the COVID-19 pandemic
- Option available to a new competitor only for first 1.5 years
- If no new competitor makes use of this option, it will be extended to existing competitors at the respective airports

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