



Speech

EXTRAORDINARY GENERAL MEETING OF
DEUTSCHE LUFTHANSA AG –
SPEECH BY THE CHAIRMAN OF THE EXECUTIVE
BOARD AND CEO CARSTEN SPOHR

on 25 June 2020, virtual
Lufthansa Aviation Center, Frankfurt



To be checked against delivery.



Dear Shareholders,

I too bid you a very warm welcome to this Extraordinary General Meeting.

As Dr. Kley has already mentioned, we only have one single item on today's agenda; however, it is one of enormous impact. The proposed resolution lists three stabilization measures that we have been assured by the Federal Government and the Economic Stabilization Fund (WSF). We are today seeking your approval for this economic stabilization package and thus for nothing less than your consent to the preserve of Deutsche Lufthansa.

This is without a doubt a historic moment for our company. It is not our first crisis at Lufthansa. The history of our company has many ups and downs. The old Luft Hansa was founded in Berlin in 1926. It quickly developed into a pioneer of air transport. During the Second World War, the airline was forced to cease operations and the company was liquidated. It was not until 10 years after the war, in 1955, that the new Lufthansa was only founded. In 1997 Lufthansa was fully privatized.

Today, Lufthansa Group is Europe's leading airline group, competing with the biggest aviation groups in the world from the United States, China and the Gulf Region. The past three years have been the most successful in our company's history. However, our success story was abruptly interrupted at the beginning of the year by the outbreak of the Corona Pandemic and its consequences. Like all airlines all over the world, we too suddenly found ourselves in a severe crisis through no fault of our own and I believe I speak for all the staff at Lufthansa, as well as our customers and partners, and of course you, our shareholders and investors, when I say that this is an extremely painful situation.

It was only a few weeks ago when I last spoke to you, our shareholders, at our Annual General Meeting in May, and presented you with three phases: "Grounding", "Restart" and "New Normal". During the "Grounding" phase, almost our entire fleet was grounded. We are all very relieved to have put that phase behind us and moved onto the "Restart" phase at all of the Group's airlines. The borders are gradually opening again and our airlines once again significantly expanded their flight schedules only a few days ago, with about 2,000 connections per week now available to over 130 destinations worldwide. We will continue to expand our flight schedules during the coming months.

However, it is also a fact: We will not be able to master the restart successfully alone. As in the case of every other global airline, we will need support from the State – in our case the stabilization package from the Federal Government and the Economic Stabilization Fund. It consists of loans, silent participations and a shareholding – with a total volume of about 9 billion euros.

The competition authorities of the EU Commission have just today approved this package. But some of these measures require the approval of today's extraordinary general meeting. In concrete terms, we are talking about the Economic Stabilization Fund taking a 20 percent stake in the share capital of Deutsche Lufthansa AG and being granted conversion rights for part of the silent participations: for the "Silent Participation II-A" and the "Silent Participation II-B".

The Silent Participation II-A serves as takeover protection for the Federal Government. The Economic Stabilization Fund (WSF) can increase its shareholding to 25 percent plus one share in the event of a takeover attempt by another investor against the interests of the Federal Government. The Silent Participation II-B secures the interest payments. The conversion rights for this silent participation will



only come into effect should Lufthansa be unable to meet its financial obligations from the Silent Participation I.

In order to realize the capital increase, which is required for the shareholding, as well as for the granting of the conversion rights, the subscription rights of the shareholders will be excluded. The Executive Board and Supervisory Board of Deutsche Lufthansa AG deem the exclusion of subscription rights to be suitable, necessary and proportionate. The same applies to the agreed issue price of EUR 2.56 per share, or in the case of the conversion of silent participations, for the issue price agreed there. We have also provided detailed reasons for this assessment in the run up to the extraordinary general meeting. A detailed report can be found online on the company's website. Nevertheless, I would still like to briefly explain the reason for our decision again.

The Corona Pandemic brought our operations to an almost complete standstill. Our revenue from passenger traffic, in particular, has slumped massively. Our customers were forced to cancel most of the flights that had already been booked and there was a massive year-on-year decline in new bookings, with no sign of a rapid recovery in sight to this day. On the contrary, we know that the consequences of this crisis will continue to have a negative impact on our business for years to come. Based on everything that we can foresee and calculate today, we will need debt and equity capital of 9 billion euros in order to be able to cope with this crisis.

By the end of the 2020 financial year, our own funds will no longer suffice to cover our liquidity requirements. Despite negotiating with various banks and investors, and even securing financing instruments and credit lines of 1.6 billion euros on the capital market, this is unfortunately nowhere near what we would need for sustainable financing, as various expert opinions have confirmed to us. In other words, in spite of our rating, the capital market cannot help us when it comes to these necessary dimensions and there are also no other forms of external financing at our disposal. Without the measures of the stabilization package, we would in all probability be legally insolvent within a matter of days.

The stabilization package of the Federal Government is the result of prolonged and intensive negotiations. I would like to thank all of those involved, be it on the part of the Federal Government or Lufthansa, for the very professional talks. We made every possible effort to represent the interests of our customers, employees and shareholders, including suggesting other options and carefully examining alternatives. We discussed the structure of the package with all of the involved parties and negotiated the individual components, conditions and requirements.

We even had to address the possibility of insolvency in our considerations. In general, we are prepared for this scenario and have implemented measures to prevent grounding, among other things. However, we remain convinced that we should avoid insolvency and all of its consequences at all costs. Ladies and Gentlemen, Lufthansa's insolvency – also in the special form of protective shield proceedings – would lead to an almost complete loss of your share capital. In addition, this option would also bear significant risks for our staff, brand and the unity of the group.

Our appeal today for you to approve the shareholding and the conversion rights for Silent Participations II-A and II-B is also an appeal to your solidarity and a very personal contribution to the



stabilization of Lufthansa. After all, we are quite aware that we are also asking for your approval to dilute your share in the company.

Nevertheless, we remain convinced that the stabilization package is the best option for all stakeholders – our customers, our staff, and of course, you, my dear shareholders. It ensures our solvency in this crisis; it preserves our perspectives for the future and our alliance as airline and aviation group; and it safeguards our strategic and operational autonomy. In addition, the agreement also stipulates that the State will withdraw as a shareholder as soon as we have repaid the almost six billion euros plus interest in silent participations.

We are aware that State support measures, especially in these dimensions, are nothing to be taken for granted. The amount of 9 billion euros comes with a clear responsibility: The responsibility to return this money to the taxpayer as soon as possible. I speak for 138,000 employees worldwide when I say that we are grateful that the state gives us a perspective for the future. And we are grateful that the measures to rescue our company received widespread support from all of the parties. The politicians know the value of “their” Lufthansa for Germany as an export nation, but also understand the significance of the Lufthansa Group for Europe. Together with the Federal Government, it must be our goal to defend our leading position in global air transport. We are a European airline group and want to continue connecting the countries of Europe with each other and Europe to the world. We want to continue contributing to European export strength and a strong infrastructure in air transport.

The stabilization package is the key to our future. Based on market analyses and our business plan we will need 9 billion euros of capital. This is the amount that we require in order to continue playing our role in global competition and to proceed with the modernization of our fleets – also in the interest of protecting the environment. I am happy to repeat the formula that I gave you at our last general meeting in May: our future viability is equal to our competitiveness plus our ability to invest.

At the same time we should be clear that the stabilization package is not a gift. We will have to work hard to pay back every last cent. The interest from this package together with the repayment of the loans and the repayment of the Silent Participations will represent an enormous burden for us. This additional burden is something that we would struggle to afford from our free cash inflows even during the good times. In times of Corona and the years of after-effects that are expected to follow, this burden will call for even more decisive measures. We will require comprehensive restructuring measures in all areas of the Group. We will also have to implement painful cost-cutting measures that significantly reduce personnel costs.

This of course represents a particularly difficult task for us as a service company; after all, we as the Lufthansa Group thrive on our employees. We are proud of our unique team and the spirit that makes up this team. As a company, we sense and bear a responsibility for all these people.

Over the past few weeks we therefore met with our three unions, Verdi, Vereinigung Cockpit and UFO, for difficult, intense and inevitable negotiations on crisis agreements. We made the most progress with the flight attendants' union UFO and were last night able to announce an agreement that will cut unit personnel costs for Lufthansa flight attendants by almost 17 percent for the



duration of the crisis. We have also made good headway with Vereinigung Cockpit Association and hope to conclude a crisis agreement on a similar scale.

The talks with the Verdi union were on the other hand more disappointing and it is absolutely essential that we make some progress here if we do not want to end up reducing the surplus of personnel on the ground only through job cuts, and ultimately, compulsory redundancies.

Ladies and Gentlemen,

Allow me to say a few more words about the most important asset of any airline: its customers.

Many of our customers are currently disappointed and annoyed because the refunding of their cancelled tickets is only happening very slowly. I can only apologize for this again in every way and assure you that every customer who would like to have the price of their ticket refunded will get their money back. We have allocated significant additional resources here and hope to have processed the repayment backlog within six weeks at the latest.

However, we have also been on the receiving a lot of support and great shows of loyalty from our customers. Many are looking forward to gradually regaining their freedom to travel and finally being able to fly again. We are therefore working tirelessly to offer our customers the quality that they have grown accustomed to as quickly as possible. That applies for our route network as well as our service on board and on the ground.

We are taking the current concerns of our customers very seriously and have, among other things, enhanced hygiene measures across the entire travel chain. We are also the first and only airline group to offer passengers on European routes the innovative, new service called "Bring Me Home" for a safe and reliable return.

Ladies and Gentlemen,

I already said it in May: according to the forecasts of the International Air Transport Association (IATA), it will probably take three years after the crisis before we get to the "New Normal" – at the very best.

We will then be a smaller Lufthansa Group, with 100 aircraft less in the fleet and a leaner structure. However, we will also be a Lufthansa Group whose standards of quality and service will remain at the very highest levels. What will by then hopefully once again be a fully privatized company will emerge from this crisis as a more agile and efficient Lufthansa Group, equipped to defend its position as Europe's leading airline group.

We will however only succeed in this if you offer us a perspective by approving the stabilization measures that have been tabled in the resolution proposed today. I ask of you my dear shareholders to work together with us for the future of the company by giving us your vote. I remain absolutely



convinced that our great company and its exceptional staff will continue to be successful all over the world and not disappoint you. Together we will lead Lufthansa into a successful future.

We have major challenges to master. With your approval, we can – and will – overcome them resolutely.

Thank you and stay with us, we merit your trust.



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