



Speech

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

4 May 2021, virtual
Lufthansa Aviation Center, Frankfurt



To be checked against delivery.



Dear Shareholders,

I also welcome you to the Annual General Meeting of Deutsche Lufthansa AG. Unfortunately, for the third time only virtually, from our Group headquarters, the Lufthansa Aviation Center in Frankfurt. I speak for the entire Lufthansa Executive Board when I say that we would really have liked to welcome you in person today. But it was not yet to be.

You saw it earlier in the short video clip: behind us is a year that was historic in many respects. A year in which we had to bear a record loss of 5.5 billion euros. A year in which we lost two-thirds of our revenue and as many as three-quarters of our passengers, and a year in which we had to reduce the size of our workforce by one-fifth. But after this historic and unprecedented year, one thing is also certain: the Lufthansa Group will not only get through this crisis. We are using this crisis to become better.

Following the three most successful years in our history, we entered this crisis through no fault of our own. We were stronger than ever, as one of the top five airline groups worldwide, profitable and solidly financed, with successful brands operating out of the economically strongest home markets in Europe and not to mention the best employees in the industry. However, we had started the transformation process of the Lufthansa Group even before the crisis. Despite our good market position, we wanted to become less complex and thereby faster, further reduce our costs and even more strengthen the willingness to change within the whole company. The pandemic has now forced us to intensify the change at a quicker pace. In other words: the crisis is accelerating our transformation.

We are restructuring and modernizing the Lufthansa Group, among other things through leaner structures. We are focusing even more on our core business and disinvesting in business segments that have little or no synergy with our airlines. In doing so, we have clear goals. In the future, we want to continue being one of the top five airline groups worldwide – not only in terms of revenue, but also in terms of quality and sustainability. Secondly, we stand by our responsibility to connect our strong exporting and high-frequency travel home countries and economies with Europe and the world. And thirdly, our aim is to continue securing at least 100,000 sustainable jobs in our Group companies.

Ladies and Gentlemen,

Let us first together take a brief look back at the 2020 financial year. It was the most challenging year in our company's recent history - for our customers, for our employees and also for you, our shareholders. More than almost any other industry, aviation was affected by the consequences of the coronavirus pandemic.

Our airlines welcomed only 36 million passengers in 2020 on board - a quarter of the normal volume. The number of our flights fell by almost 70 percent to 390,000. Last year, there were days with less than 250 takeoffs and landings – a number that our cockpit crews operated hourly before the crisis! Consequently, 2020 Lufthansa Group revenue also fell to 13.6 billion euros. As adjusted EBIT, we had to report a record loss of 5.5 billion euros. The Group result amounted to minus 6.7 billion euros. The cash outflow in adjusted free cash flow was in total 3.7 billion euros.



The results of our passenger airlines suffered particularly from the impact of the pandemic: Together, Lufthansa, SWISS, Austrian Airlines, Brussels Airlines and Eurowings had revenue of only 7.2 billion euros - a decline of 74 percent compared to 2019. Adjusted EBIT for the airlines was minus 5.4 billion euros. At Lufthansa Technik, revenue fell by 43 percent. Due to the drop in demand in the crisis year 2020, adjusted EBIT fell to minus 383 million euros. The weakness in demand from airlines worldwide also impacted LSG's business, that had to absorb a drop in revenue of over 60 percent. Adjusted EBIT at our catering subsidiary was minus 284 million euros. Only Lufthansa Cargo had a record result last year. Due to sustained high demand, the adjusted EBIT of our cargo division was plus 772 million euros, and revenue increased by 11 percent compared to the prior year. This is particularly remarkable when you consider that usually about half of cargo revenue is generated by freight carried in the belly space of our passenger aircraft.

At this point, I would like to express my gratitude not only to our cargo colleagues, but also to all Lufthansa employees worldwide. Thank you for your great commitment in the past year! Wherever possible, you have all done your best to maintain the future viability of our Lufthansa Group. I understand that this phase of the crisis is emotionally challenging for all of you since in many cases there are also personal burdens. Rest assured, I see and feel your concerns. My condolences go out to those colleagues who have lost family members or friends due to this pandemic. We especially mourn the loss of 21 Lufthansa Group employees who died as a result of the coronavirus. We will not forget them.

Ladies and Gentlemen,

We started 2021 in a good position. At the end of 2020, we had a significantly larger liquidity buffer than expected of around 10.6 billion euros. Through our consequent measures, we have been able to continuously reduce our liquidity outflow. From one million euros per hour at the start of the pandemic to currently around 1 million euros every four hours – even if each one hurts.

Of the 6.8 billion euros guaranteed to us by the German government to stabilize Lufthansa, we have only had to draw down 2.3 billion euros up to now. Of this amount, we have already repaid one billion euros through the repayment of the loan by the Kreditanstalt für Wiederaufbau (KfW). At the same time, the value of the Lufthansa shareholding has increased by more than one billion euros since the German government took a stake in the company. And we still continue to have the option of accessing the Silent Participation I of the stabilization package to strengthen our equity.

However, our balance sheet ratios have suffered greatly due to the crisis. At the end of the year, for example, our equity ratio was only 3.5 percent. Therefore, we are asking you today to approve an Authorized Capital C. The resolution is intended to enable us to increase our capital flexibly so that we can strengthen our balance sheet ratios again and return to our former financial stability. The timing and amount of a possible capital increase have not yet been decided. It will depend on various factors, not least of which is the further development of the crisis and our capital requirements resulting from this. What is clear is that we will use a large part of the proceeds to repay the government stabilization measures. Because – and we have stressed this time and again – given the choice, we prefer to finance ourselves on the capital markets rather than by the taxpayer.



Ladies and Gentlemen,

It probably comes as little surprise to you that the record loss for 2020 and our agreement with the federal government leave no room for a dividend. But it is all the more reason for me to thank you today. Thank you for your trust, thank you for remaining loyal to us, and thank you for being willing to bear your share of our common burden. We appreciate your loyalty to your – to our Lufthansa. And I promise you: We will do everything in our power not to disappoint your confidence in Lufthansa. We are doing everything in our power to return to our accustomed financial stability. The Capital C to be voted on is an important step on this path.

Ladies and Gentlemen,

Along with this far-sighted financial strategy, we have also sharpened our overall corporate strategy with three overriding objectives. First, make our ReNew transformation program a success and again create value. Second, focus our organization even stronger on our customers. Third, accelerate our responsibility for greater sustainability in air transport.

On the first point: ReNew. In our comprehensive ReNew program, we have bundled all the restructuring activities of the airlines, service companies and corporate functions and already made significant progress. Thanks to our unique team and with a previously unimaginable re-dimensioning of the company, we have already been able to reduce our costs significantly more than expected in 2020.

For example, we have reduced management positions by 20 percent. One in five employees worldwide has already left the company. We have concluded crisis agreements with all major unions and operating partners worldwide. At peak times, we had more than 80,000 employees on short-time working. We have reduced capital expenditures by two thirds. We successfully completed the sale of LSG's European business. And – a particularly hard but unavoidable step: The pandemic means the cessation of service for SunExpress Germany and for Germanwings. Negotiations are also underway regarding the intention to close the German operations of Brussels Airlines.

Since April 15, we have also been offering a volunteer program for Lufthansa ground employees, which will soon be followed by other programs for our cabin and cockpit crews. Believe me, measures like these hurt. After all, as a service company, our employees are our capital. But the truth is that we will probably not approach pre-crisis capacity again until the middle of this decade. During the crisis itself, short-time working provided considerable relief for our personnel costs. However, this support will cease next year. That is why trade unions and our company's co-determination continue to have a special responsibility. We need agreements that go beyond the crisis packages in order to avoid redundancies when short-time working arrangements end at the beginning of 2022. We are aware of our major joint responsibility with the social partners: We must secure the future viability of our entire company so that we can also secure the future viability of our remaining 100,000 jobs.

On the second point: our customers. They are at the center of every decision we make. It is and remains our aspiration to meet the needs and wishes of our customers every day, and to offer them



an unforgettable travel experience, typical for Lufthansa. Anyone who books a flight today not only wants to do so as simply and as conveniently as possible via one's smartphone. Travelers want an individual and, above all, comprehensive door-to-door offer. Our customers rightly expect us to treat the environment and natural resources responsibly. We want to offer our customers the best overall package – as sustainable as possible, digitally, and with seamless transitions along the entire travel chain. We will continue to stick to our premium claim as is.

The pandemic was also a driver of innovation for our services: Lufthansa is one of the first airlines worldwide to offer contactless boarding via facial recognition with "Star Alliance Biometrics. We are also integrating processes related to testing and, in the future, vaccination certificates into the digital travel process of our customers. For example, our passengers can upload travel documents days before their flight and have them checked by our team, as well as use the internationally recognized digital test certificate "CommonPass" or the "IATA Travel Pass".

Ladies and Gentlemen,

The pandemic taught us all many things and often brought essentials back into personal focus. And it has shown us something else: Aviation will remain indispensable in the future. At the same time, it is clear that our industry has a special responsibility. This is why the so-called ESG criteria – our commitment to environmental, social and governance issues – are an integral part of our corporate strategy.

And that brings me to my third point, sustainability. We are doing everything we can to further minimize the environmental impact of flying: not because we have to and not because others want or demand it of us but because it is completely based on our own convictions. We want to be a leader in our industry in this area as well. Our goal is to reduce our carbon emissions by 50 percent until 2030. By 2050, we even want to operate on a completely carbon-neutral basis. On the ground, we want to be carbon-neutral in our home markets as early as 2030.

New aircraft are an important lever here. We currently operate almost exclusively our most modern and newest aircraft. We are retiring less efficient aircraft and last year alone, we decided to take 115 aircraft out of service. And we are also looking into phasing out all aircraft older than 25 years. Despite the crisis, we are continuing to invest systematically in more modern, more efficient and lower-emission aircraft. We are even modernizing our long-haul fleet faster than planned due to anticyclical opportunities: Yesterday, for example, the Supervisory Board approved speeding up the purchase of five additional Airbus A350s and five Boeing 787s. This replacement of ten older aircraft alone will avoid producing around one million metric tons of carbon emissions over the next three years. Consistent fleet modernization remains a key element of our strategy. As I have already stressed, we want to further expand our global leadership. And to do so, we need the best premium products and a state-of-the-art fleet – especially because we have a responsibility to the environment.

In order to achieve our sustainability goals, the Lufthansa Group not only relies on new aircraft and the latest technologies, but also on strategic partnerships. For example, we have announced just yesterday, that as the first airline worldwide we are bringing the so-called "Sharkskin technology" into



series production. Lufthansa Technik developed the surface foil with our partner BASF; it is modeled on the skin of sharks. Starting in 2022, Lufthansa Cargo will initially equip all freighters with this technology. We expect this alone to annually save around 3,700 metric tons of kerosene and almost 11,700 metric tons of carbon emissions.

Innovations like these are part of our DNA. For even more climate-friendly "Made by Lufthansa" developments we are currently establishing a hub for "CleanTech" solutions in the aviation sector that, as a first step, will bundle all of the Group's sustainability initiatives.

We are also increasing investments in sustainably produced synthetic fuels, called Sustainable Aviation Fuels, or SAF for short. SAF are central to climate-neutral flying, which is why the Lufthansa Group has been supporting their testing and production in larger quantities for 10 years. Because part of the truth is that, we could not even operate our Lufthansa fleet for a week with the entire quantity of SAF currently available worldwide. We therefore rely on partnerships with research institutes and start-ups. We are already active in 12 SAF future projects worldwide, with the first visible successes: Lufthansa Cargo operated the world's first carbon-neutral cargo flight to Shanghai last November.

Our customers already have the option of offsetting the CO₂ emissions of their flight via the Compensaid platform. Either by using Sustainable Aviation Fuels or via high-quality climate protection projects. Recently, we have also started offering Compensaid to corporate customers, who can use the platform simply and easily for their employees' business trips.

The use of synergies between different modes of transport also makes an important contribution to improving the climate balance. We are therefore working intensively on even closer networking and cooperation with the German, Swiss and Austrian railroad companies. We still see considerable potential regarding the further expansion of intermodality.

Once again, sustainability and climate protection are a joint task that we can only master together: manufacturers, airlines, politicians, partners and customers. We are proud to be leading the way and creating enthusiasm for the issue among our customers and our workforce.

Ladies and Gentlemen,

The coronavirus pandemic does not change the outstanding importance of aviation. On the contrary, we have brought travelers home from all over the world during the pandemic, maintained supply chains with our route network, transported vaccines and urgently needed medical supplies, as we have just done to India. We have once again demonstrated how essential our industry is to a modern and open-minded society.

Aviation has always been an industry of the future, and it will remain so. It enables international understanding and economic prosperity. Without aviation, there would be no globalized world, because globalization consists of four pillars: financial transfers, data flows and the movement of goods as well as people meeting face-to-face. Two of these flows would simply not exist without our industry. Just data and dollars moving around the world? That is not the globalization we believe in and that ensures our peace. We need a return to the international exchange of people and cultures,



and so we hope - among other things - that the transatlantic partnership that is irreplaceable for our peace and prosperity, can once again be experienced and enjoyed by every individual as soon as possible.

However, it is not only in the direction of the Atlantic that we look to the future with confidence. After a first half year still heavily impacted by the pandemic, we expect the recovery in demand to globally accelerate in the second half of this year. Because people want to travel! And whenever possible, where travel restrictions are relaxed or lifted altogether, they book and fly.

Current developments give reason for optimism for the summer ahead of us. In our home markets, vaccination campaigns are noticeably picking up pace. After recent decisions in Brussels, made in record time, we expect an imminent start of the “Green Pass”, the EU health certificate for vaccinated, recovered and negatively tested people. European countries are already opening their borders to vaccinated persons, especially from the USA. The German government should now also quickly create the conditions for removing travel restrictions for vaccinated persons as well as blanket quarantine rules.

Europe should act with one voice wherever possible, with common rules. Petty national rules put us all at a disadvantage compared to other economic regions. For airlines, the crisis is exacerbating the already unequal competition between EU carriers and non-European competitors. This is because many of our competitors worldwide have received substantial financial aid - without having to pay it back. In addition, they often operate under completely different environmental and social standards. Only a few European airlines are still globally successful. To ensure that they remain successful, the EU urgently needs to level the opportunity playing field among international competitors.

Depending on these and other European and global developments, the Lufthansa Group is prepared for several scenarios as the year progresses. We are in a position to put up to 70 percent of our pre-crisis capacity in the air, given the right demand even in the short term. On an annual average, we currently expect capacity in 2021 to be around 40 percent of the pre-crisis level.

Ladies and Gentlemen,

In 2018, the crane celebrated its 100th anniversary as the symbol of our company. In these 100 years, the crane has not only mastered every crisis, but has always emerged stronger than the competition. I am convinced that we will succeed this time as well.

We will not only overcome this crisis, but use it as an opportunity to further strengthen our global position in our industry, that is so unique in many respects. In the future, the Lufthansa Group will initially be smaller - but also more focused, more digital, more efficient and more sustainable.

Our mission statement has lost none of its significance: "Connecting people, cultures and economies in a sustainable way" – this remains our aspiration and our goal, even beyond the coronavirus pandemic.

Despite the most serious crisis ever in international aviation, you see I am confident today. This confidence unites Lufthansa employees worldwide. It is our spirit, which remains unbroken all over



the world, despite the crisis. We are all looking forward to seeing our passengers on board again. Stay with us, we value your trust.

Thank you.



Contact

Media Relations

Lufthansa Group

Phone +49 69 696 2999

lufthansa-group@dlh.de

<http://newsroom.lufthansagroup.com/>

Follow us on Twitter: [@lufthansaNews](https://twitter.com/lufthansaNews)