



LUFTHANSA GROUP



FY 2020 Results

Analyst Conference

Carsten Spohr, CEO
Remco Steenbergen, CFO

Frankfurt, 4 March 2021

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2020 – the most challenging year in Lufthansa Group’s history

36.5m
passengers
-76% vs PY



Number of flights

390,000
-67% vs PY



Revenues (€)

13.6bn
-63% vs PY

Adj. EBIT (€)

-5.5bn

Net Income (€)

-6.7bn

460 Repatriation
Flights for
91,000 passengers

Adj. Free Cash Flow (€)

-3.7bn

Available liquidity (€)

10.6bn

All Group segments except Lufthansa Cargo record significant losses



 **Lufthansa Technik**

LSGgroup

 **Lufthansa Cargo**

	Group Airlines	MRO	Catering	Logistics
Revenues (€)	7.2bn -74% vs PY	3.7bn -43% vs PY	1.3bn -61% vs PY	2.8bn +11% vs PY
Adjusted EBIT (€)	-5.4bn	-383m	-284m	+772m

The crisis offers a unique opportunity to accelerate the Group's strategic transformation

Transforming
the way we connect

**people,
cultures &
economies**

- **Resize** the organization:
Get leaner and faster
- **Focus** the Group on its **core airline business**
- Integrate **sustainability** into **everything we do**
- Create value **by restoring the Group's profitability & balance sheet**, and ensuring **efficient capital use**

“New Normal”



- Modernized Fleet
- Focused Portfolio
- Digitalization A-Z
- Lean + cost efficient
- Back to 90% ASK
in 2024



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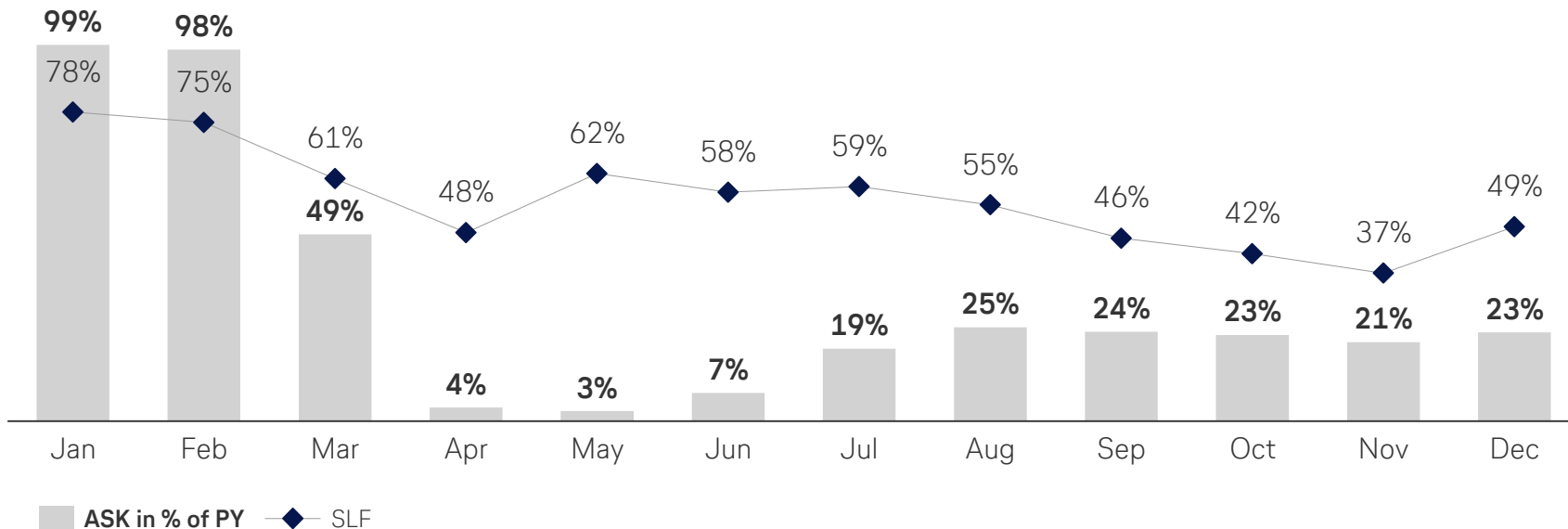
The Group's results were hit hard by the Corona pandemic



(in EUR million)	FY '20	FY '19	Change in %
Revenues	13,589	36,424	-63%
Operating expenses	20,846	37,124	-44%
Of which fuel	1,875	6,715	-72%
Of which staff	6,405	9,111	-30%
Of which depreciation	2,561	2,692	-5%
Adjusted EBIT	-5,451	2,026	
Adjusted EBIT Margin	-40.1%	5.6%	-45.7pts.
EBIT	-7,353	1,857	
Net income	-6,725	1,213	
Adjusted free cash flow	-3,669	203	

Significant capacity reduction in spring – recovery over summer came to a halt in autumn and winter


Capacity (ASK) in 2020 in % of PY, seat load factors



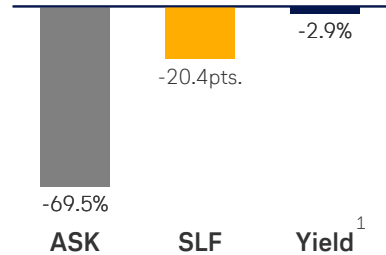
Group Airlines: results heavily impacted by the Corona pandemic

Full year 2020

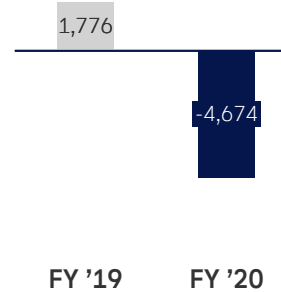
Network Airlines



Operational KPIs




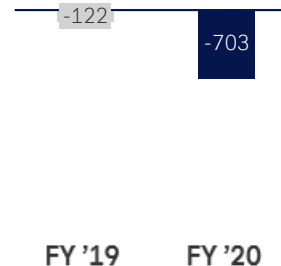
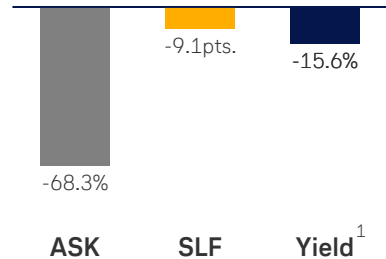
Adjusted EBIT in EUR million



Comments

- Long-haul load factors decline disproportionately
- Successful yield management and rising share of touristic short-haul limit yield decline at Network Airlines
- Eurowings load factors supported by the airline's exposure to short-haul and touristic traffic

Eurowings

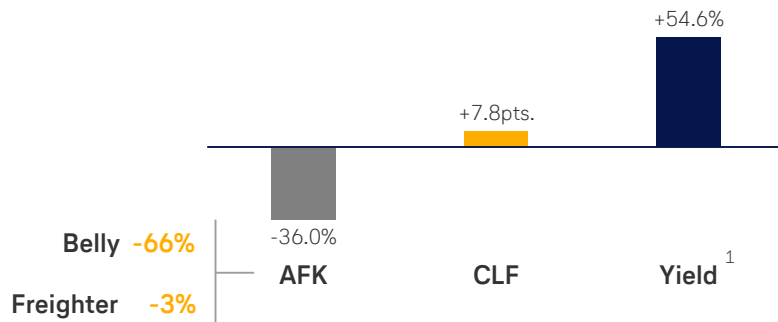
¹ Excl. currency

Logistics: record result due to ongoing yield strength

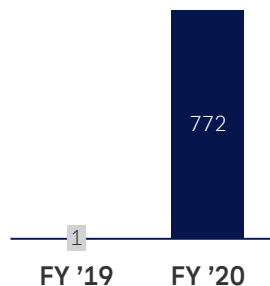


Full year 2020

Operational KPIs



Adjusted EBIT in EUR million



¹ Incl. currency

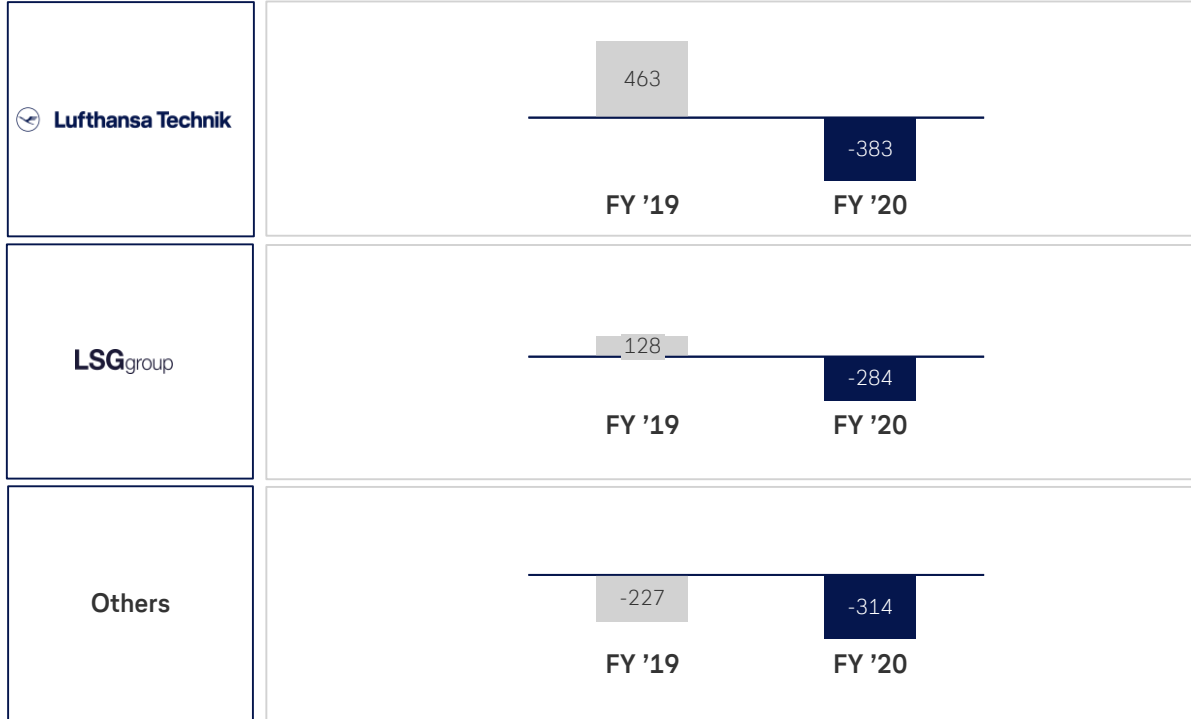
Comments

- Market-wide capacity squeeze due to sharp reduction of available belly space in passenger aircraft
- Significant yield increase driven by reduced market capacity and fast demand recovery
- Implementation of cost saving program further supports profitability

Aviation Services: MRO one-off effects – LSG restructuring largely completed

Full year 2020

Adjusted EBIT in EUR million



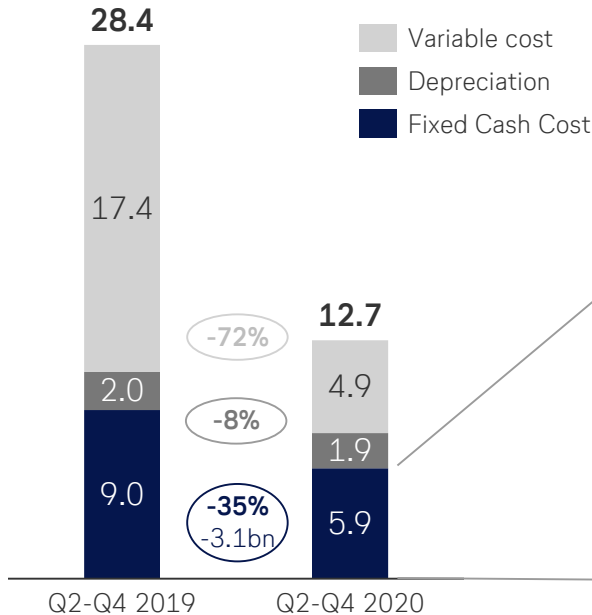
Comments

- Result at Lufthansa Technik impacted by write-downs of receivables and spare parts of EUR 292 million
- Significant restructuring and state support limit losses at LSG
- Losses at other businesses overshadow significant cost savings in central functions

Fixed cash cost reduced by EUR 3.1 billion or 35% since beginning of crisis

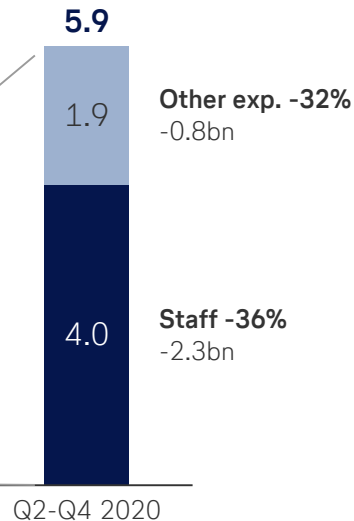
Group total operating expenses¹⁾

Q2 - Q4 2019, in EUR billion



Group fixed cash cost development¹⁾

Q2 - Q4 2020, in EUR billion



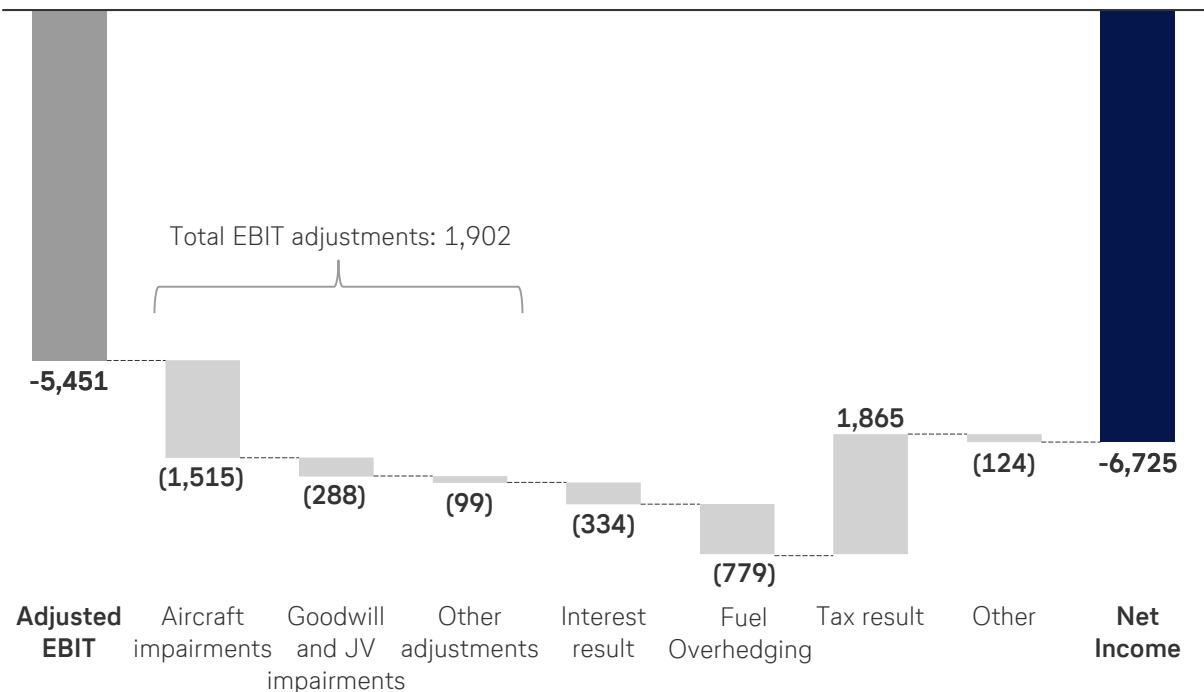
Comments

- Variable cost decline by 72%, in line with topline
- Staff fixed costs decline by 36% or EUR 2.3bn due to short-time work government subsidies (EUR 1.0 billion), resulting wage reductions (EUR 0.5 billion) and headcount reductions (EUR 0.8 billion)
- EUR 0.8 billion reduction in other fixed expenses includes amongst others reduction in agency staff cost (EUR 0.2 billion) and advertisement expenses (EUR 0.2 billion)

¹⁾ Based on Adjusted EBIT

Net income impacted by impairments and losses on fuel derivatives

Walk from Adjusted EBIT to Net Income for full year 2020 in EUR million

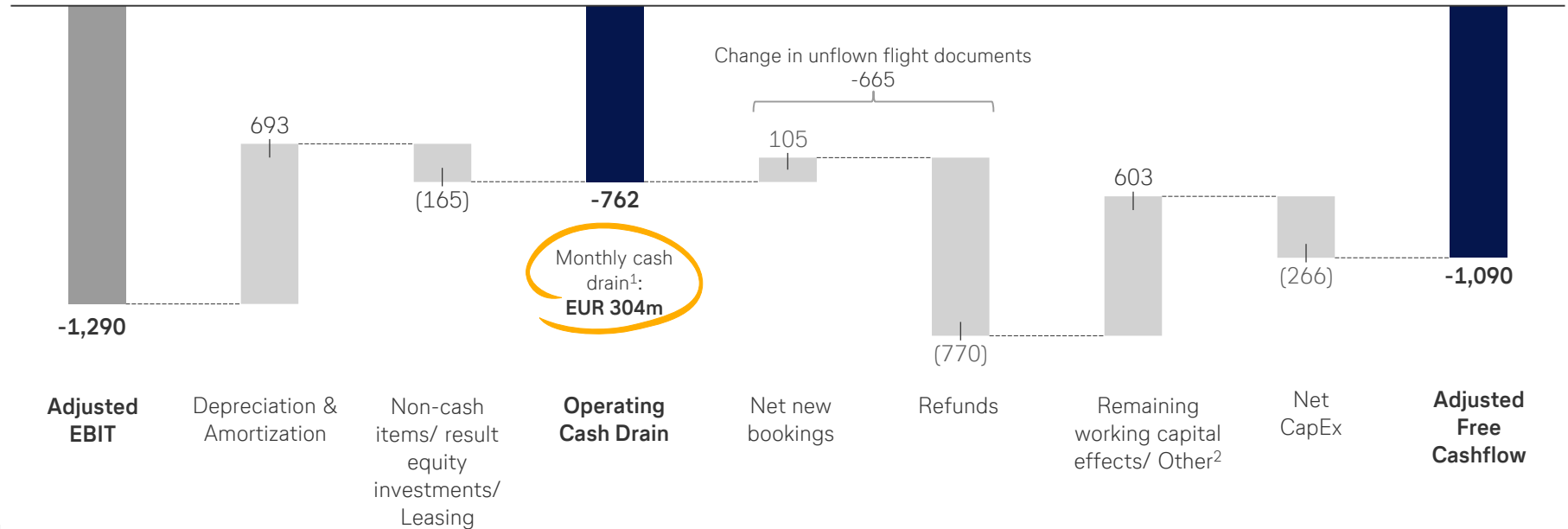


Comments

- Aircraft impairments of EUR 1.5 billion relate to 115 planes/usage rights (no cash effect)
- Goodwill and JV impairments of EUR 0.3 billion mainly affect international LSG business and Eurowings (no cash effect)
- Loss related to fuel overhedging limited by oil price increase towards year-end (cash effect: EUR 639 million)

Cash drain limited to EUR 304 million per month in Q4

Walk from Adjusted EBIT to Adjusted free cash flow for Q4 2020 in EUR million

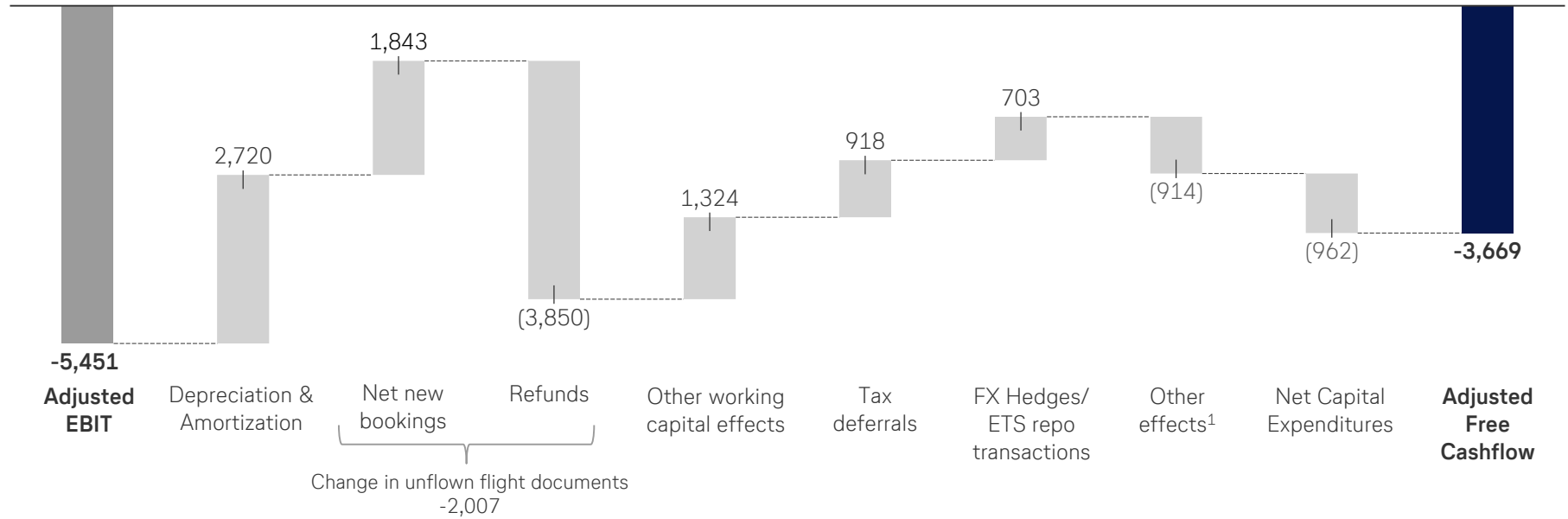


¹ Excl. effect from government grant in Austria

² Incl. EUR 257 million of LHT tax deferrals

Strict working capital management and other measures to protect liquidity limit free cash flow decline

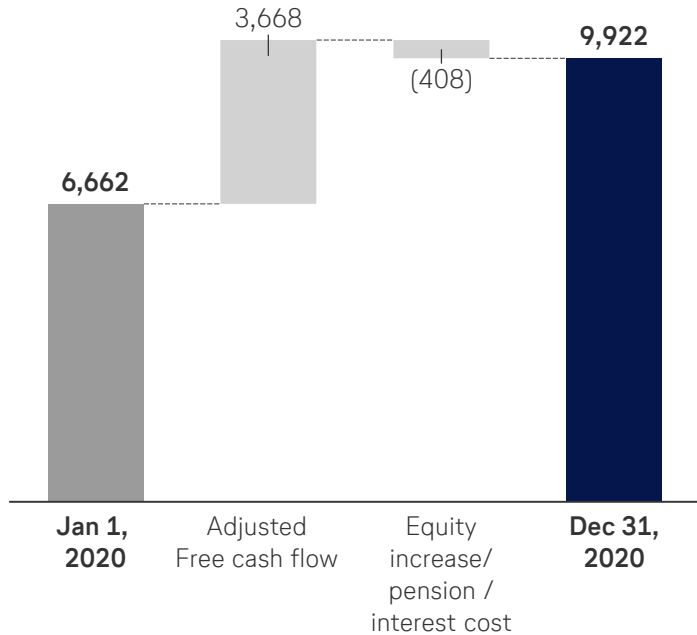
Walk from Adjusted EBIT to Adjusted free cash flow for full year 2020 in EUR million



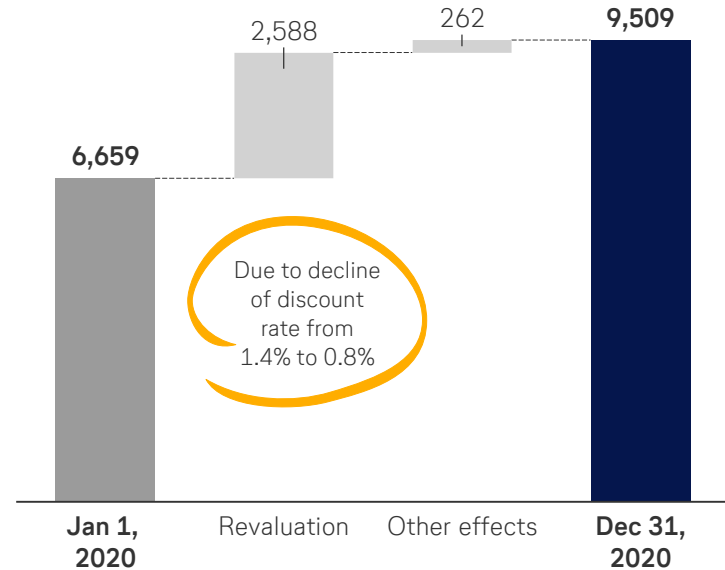
¹ Incl. cash effect overhedging (EUR -639 million), Leasing (EUR -379 million), other non-cash balance sheet adjustments (c. EUR +100 million)

Net debt increase primarily related to free cash flow decline - pension provisions up mainly due to valuation effect

Net debt in EUR million



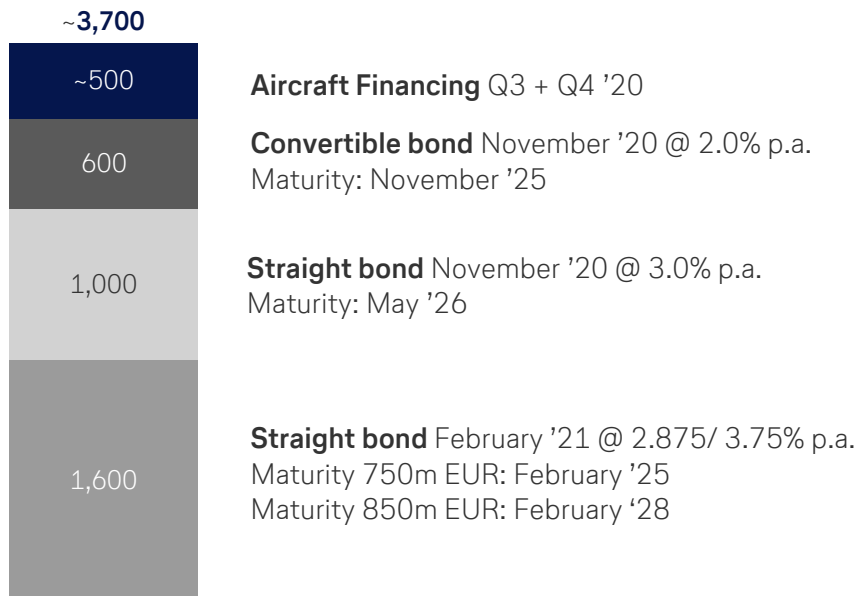
Pension provisions in EUR million



Successful return to capital markets at favorable conditions

Capital market transactions since June 2020

in EUR million



Refinancing of liabilities maturing in 2021 has been completed



EUR 1 billion KfW loan has been paid back in full in February 2021

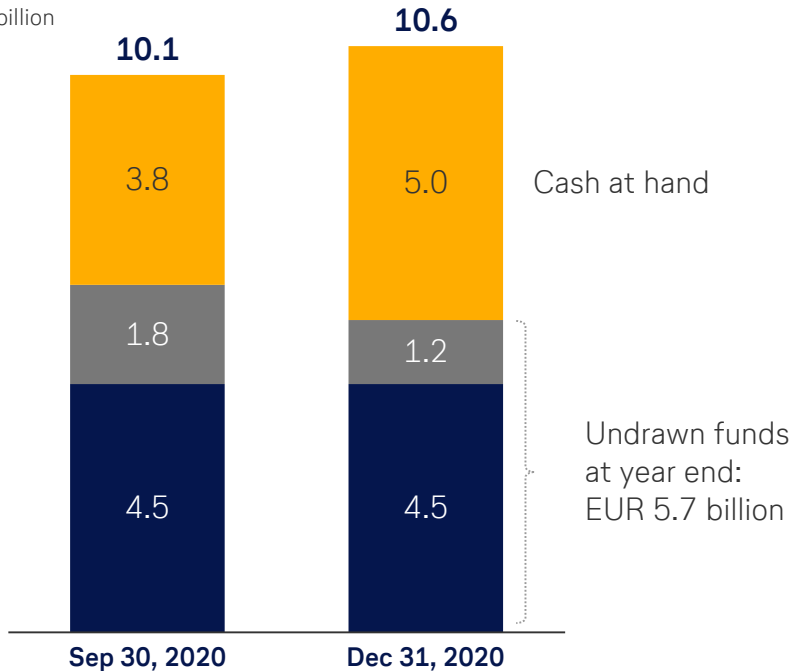


Further 2021 financing measures focused on Schuldscheindarlehen and aircraft financing

Sufficient liquidity available to protect against ongoing market challenges

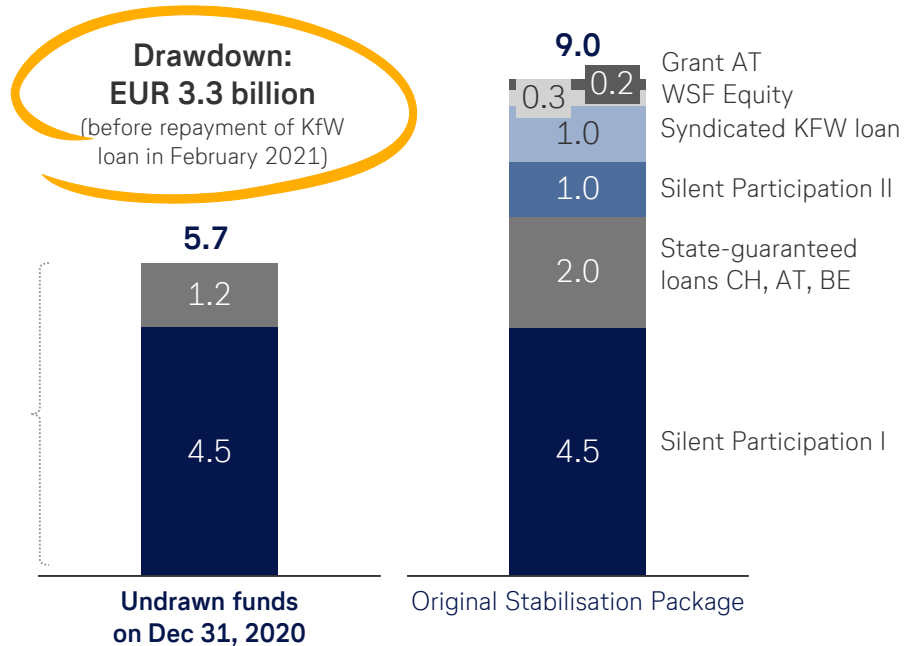
Group available liquidity

in EUR billion



Lufthansa stabilization package

in EUR billion



Demand expected to pick up materially over the course of 2021



2021 Capacity:

40 – 50%
of 2019 ASK



2021 Adj. EBIT:

**Less negative than in
2020**



Q1 oper. Cash Drain:

c. EUR 300m per month



Operating Cash Flow:

Expected to turn positive
at 50% capacity



2021 Gross CapEx:

c. EUR 1.3bn

Focus of financial management on restoring balance sheet strength

STRENGTHENING OF BALANCE SHEET

Return to profitability

Achieve cost reductions to ensure quick return to profitability and to drive strong free cash flows

Repayment stabilization measures

Replace state aid funds through long-term debt and equity refinancing measures

Divestments

Divest non-core assets in part or in full once fair value can be realized

Return to investment grade rating

Net debt incl. pensions/EBITDA < 3.5

Provision of sufficient liquidity as crisis protection



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- **Resize** the organization:
Get leaner and faster
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“New Normal”



- Modernized Fleet
- Focused Portfolio
- Digitalization A-Z
- Lean + cost efficient
- Back to 90% ASK
in 2024

Resolute and fast response to the crisis

-20%

Management positions

Crisis agreements
with all unions

Reduced CAPEX
by two thirds

Divestiture of LSG Europe completed

Reduction of global head count by **28,000 employees**

Flight operations discontinued at **Germanwings**

Closure of **SunExpress Deutschland**

Talks regarding closure of **Brussels Airlines Düsseldorf Base** initiated

Evaluation of **retirement of all aircraft >25 years**

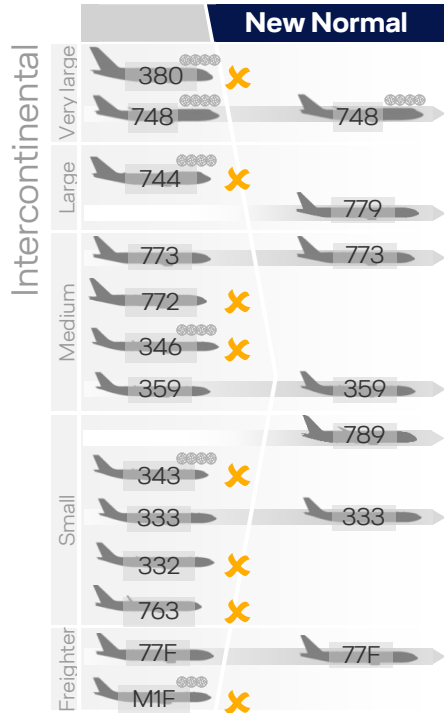


Successful **return to capital markets** after stabilization

Fixed cash costs¹ reduced by **35%**

¹ Since beginning of crisis (Q2-Q4 2020)

Accelerated fleet restructuring will reduce complexity, costs and emissions



Phase-out of
**8 intercontinental
aircraft types**

Decision in 2020 to
phase-out
115 aircraft

Reduction of CO2
emissions per ASK
by 15%
by mid 2020's

Share of 4-engine
aircraft
<15%
by mid 2020's

Significant progress achieved in the restructuring of Group airlines



Lufthansa

Crisis agreements achieved for all main unions

14 A380 & 10 A340-600 in long-term storage

Renegotiation of key supplier contracts



SWISS

8% Headcount reduction

New collective labour agreements with cabin & ground staff

-20% leadership positions

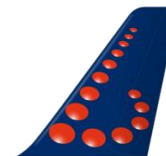


Austrian

-1,100 FTE by 2023

-20 aircraft

Closure of stations outside VIE



Brussels Airlines

-20% FTE

Fleet reduction by 30%

Reduction of supplied spend by ~10%



Eurowings

Reduction to just one AOC in Germany completed

Termination wet lease contracts

Reduction of overhead costs by >33%

Lufthansa Group committed to sustainability and CO2 reduction



CO2 Balance

- Target: **CO2-neutral** aviation until **2050, 50% reduction of net emissions** versus 2019 until 2030
- **Key levers:**
 - **Fleet renewal**
 - Targeted **implementation of SAFs**
 - Optimized **intermodal traffic**
 - **Emission compensation**



Customer & Sustainability

- Sustainable **product and service offer:**
 - **Emission compensation** (via **Compensaid**)
 - **Sustainable use of resources** (“reduce-recycle-reuse-replace”)
 - Significant **reduction of plastic**



Further ESG aspects

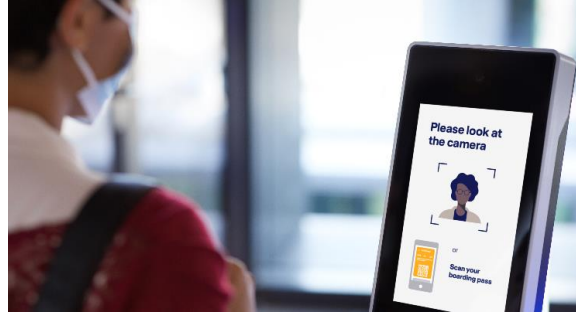
- **Active noise reduction**
- Global commitment to **equal opportunities**
- **Audited disclosure**
- Supply chain **Code of Conduct**

Ready for steep demand pick-up: leisure, digitalization and Digitalization, new services and



New Leisure Offers

- New Touristic Destinations:
+ 20 ex FRA, + 13 ex MUC
- EW Discover to start as of 1 June



Digital Customer Innovation

- Star Alliance Biometrics: contactless customer experience at airports
- One Customer ID



Product & Service Innovation

- New Business Class in 2022
- New Economy Class catering concept

LH Group Airlines prepared to bring back up to 70% of capacity on short notice

Appendix

- supplementary information-

Traffic Data

		9M	yoy	Oct	yoy	Nov	yoy	Dec	yoy	Q4	yoy	FY	yoy
Total Lufthansa Group Airlines	Passengers in 1,000	32,157	-71.2%	2,011	-84.9%	950	-90.8%	1,237	-87.4%	4,198	-87.5%	36,354	-75.0%
	Available seat-kilometers (m)	90,937	-66.8%	7,238	-77.3%	5,511	-79.2%	6,142	-76.6%	18,891	-77.7%	109,828	-69.4%
	Revenue seat-kilometers (m)	61,345	-73.0%	3,055	-88.5%	2,053	-90.4%	3,009	-85.9%	8,117	-88.2%	69,462	-76.6%
	Passenger load-factor (%)	67.5	-15.4pts.	42.2	-40.7pts.	37.3	-43.2pts.	49.0	-32.1pts.	43.0	-38.6pts.	63.2	-19.3pts.
	Available Cargo tonne-kilometers (m)	7,912	-39.6%	902	-39.4%	912	-36.3%	865	-36.8%	2,679	-37.5%	10,591	-39.1%
	Revenue Cargo tonne-kilometers (m)	5,362	-32.5%	691	-25.3%	689	-26.6%	632	-26.4%	2,011	-26.1%	7,373	-30.9%
	Cargo load-factor (%)	67.8	+7.1pts.	76.6	+14.4pts.	75.5	+10.0pts.	73.0	+10.3pts.	75.1	+11.6pts.	69.6	+8.3pts.
	Number of flights	327,755	-63.9%	29,643	-72.2%	16,690	-81.1%	16,812	-80.0%	63,145	-77.3%	390,900	-67.1%

Group P&L

Lufthansa Group (in EUR m)	Q4 '20	vs. Q4 '19	FY '20	vs. FY '19
Revenues	2,594	-70.9%	13,589	-62.7%
Total operating income	3,248	-66.5%	15,594	-60.0%
Operating expenses	4,501	-52.2%	20,846	-43.8%
Of which fees & charges	350	-67.9%	1,796	-60.3%
Of which fuel	265	-83.6%	1,875	-72.1%
Of which staff	1,379	-42.1%	6,405	-29.7%
Of which depreciation	627	-9.4%	2,561	-4.9%
Result from equity investments	-37	nmf.	-199	nmf.
Adjusted EBIT	-1,290	nmf.	-5,451	nmf.
Adjusted EBIT Margin	-49.7%	-55.3pts.	-40.1%	-45.7pts.
Adjustments	-206	-126.4%	-1,902	nmf.
EBIT	-1,496	nmf.	-7,353	nmf.
Net interest income	-95	-86.3%	-334	-6.0%
Other financial items	-128	nmf.	-944	-396.9%
EBT	-1,719	nmf.	-8,631	nmf.
Income taxes	553	nmf.	1,865	nmf.
Profit / loss attributable to minority interests	25	nmf.	41	nmf.
Net income	-1,141	nmf.	-6,725	nmf.

Operating KPIs of Network Airlines by region

Total	Q4 '20	FY '20
Number of flights	-77.5%	-67.2%
ASK	-77.7%	-69.5%
RPK	-88.6%	-77.0%
SLF	-40.0pts.	-20.4pts.

Yield	-5.6%	-2.4%
Yield ex currency	-3.1%	-2.9%
RASK	-12.1%	-8.2%
RASK ex currency	-11.1%	-9.1%
CASK ex. fuel, ex. emissions cost	+101.2%	+86.4%
CASK ex currency, ex fuel, ex emissions cost	+101.8%	+85.4%

Europe	Q4 '20	FY '20
ASK	-78.6%	-67.2%
RPK	-85.1%	-73.6%
SLF	-23.3pts.	-15.1pts.
RASK ex currency ¹⁾	-36.7%	-24.0%

Americas	Q4 '20	FY '20
ASK	-76.6%	-70.3%
RPK	-90.6%	-79.0%
SLF	-51.0pts.	-24.9pts.
RASK ex currency ¹⁾	-67.2%	-33.8%
North America	-73.4%	-37.9%
South America	-47.2%	-16.0%

Asia / Pacific	Q4 '20	FY '20
ASK	-83.8%	-73.5%
RPK	-94.2%	-80.9%
SLF	-53.8pts.	-23.6pts.
RASK ex currency ¹⁾	-54.1%	-30.1%

Middle East / Africa	Q4 '20	FY '20
ASK	-68.1%	-65.0%
RPK	-79.7%	-71.1%
SLF	-29.0pts.	-13.9pts.
RASK ex currency ¹⁾	-43.0%	-20.4%

¹ Regional RASK are based on regional traffic revenues only

Operating KPIs of Eurowings

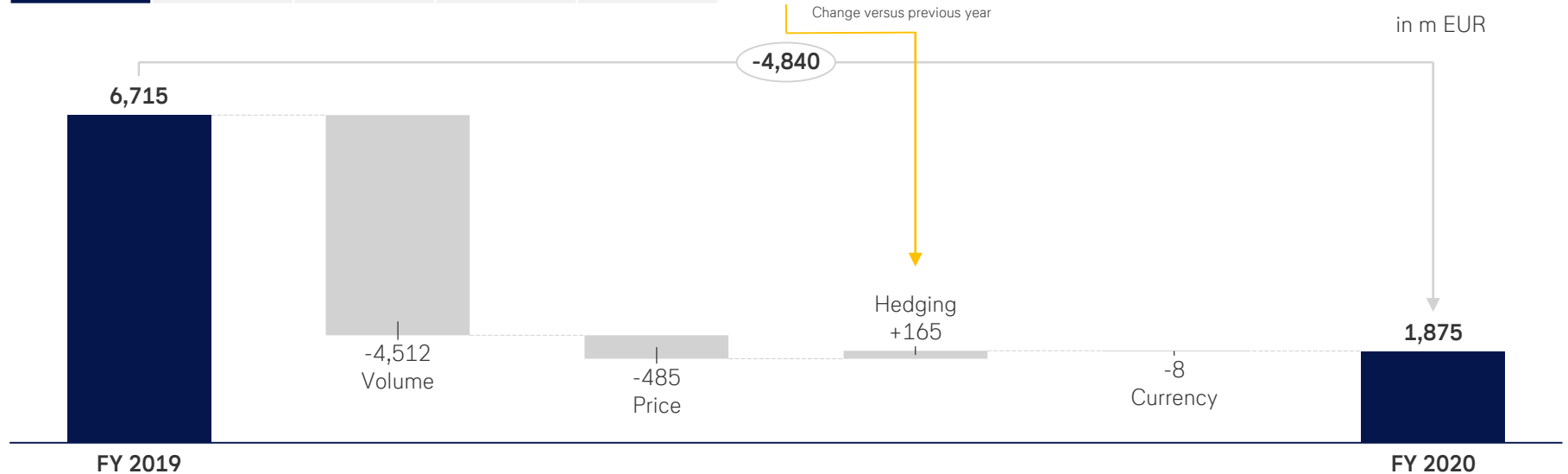
Total	Q4 '20	FY '20
Number of flights	-80.0%	-69.1%
ASK	-77.5%	-68.3%
RPK	-84.2%	-71.8%
SLF	-24.0pts.	-9.1pts.

Yield	-39.9%	-15.6%
Yield ex currency	-39.9%	-15.6%
RASK	-54.8%	-13.2%
RASK ex currency	-56.5%	-15.2%
CASK excl. fuel	+150.3%	+78.8%
CASK ex currency ex fuel	+150.9%	+76.9%

Fuel cost bridge

Hedging result by quarter (in m EUR)

	Q1	Q2	Q3	Q4	FY (YTD)
2019	17	35	-46	-45	-39
2020	-133	1	-45	-27	-204



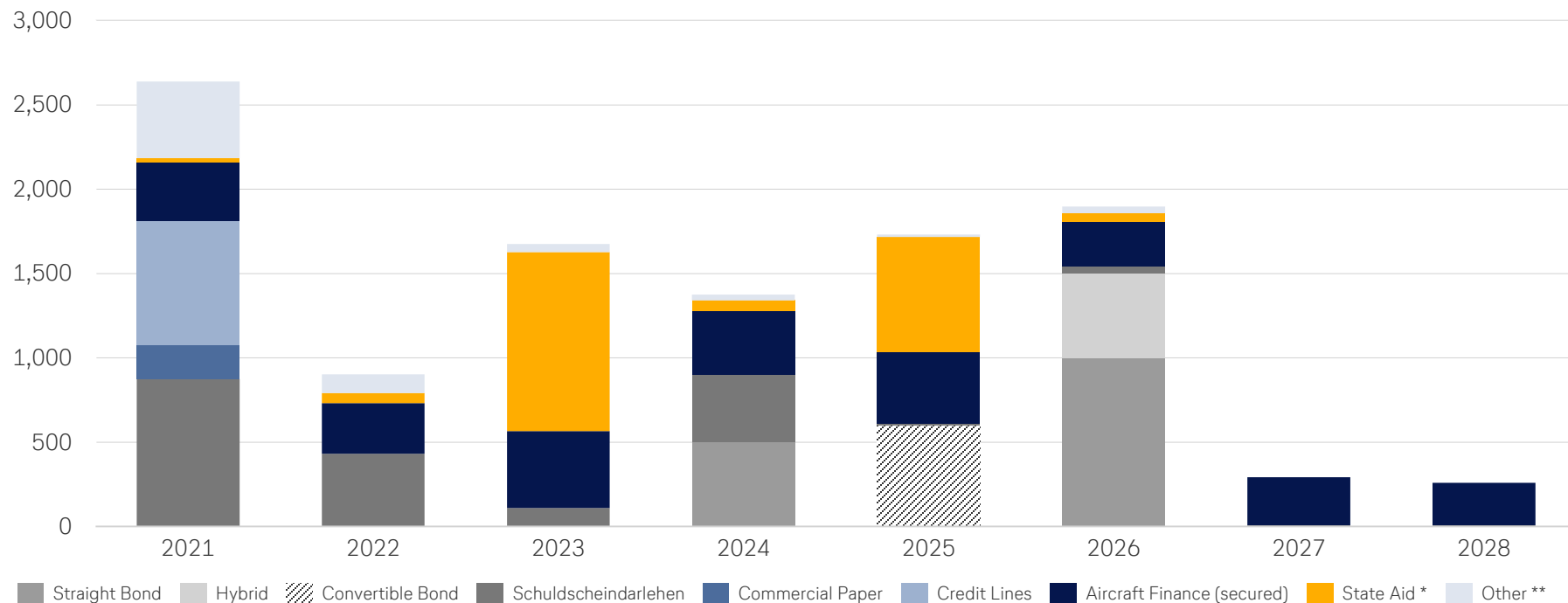
Cash flow statement

Lufthansa Group (in m EUR)	FY '20	vs. FY '19
EBT (earnings before income taxes)	-8,631	-10,491
Depreciation & amortization (incl. non-current assets)	4,552	+1,715 ^①
Net proceeds from disposal of non-current assets	9	-11
Result of equity investments	264	+432
Net interest	334	+19
Income tax payments/reimbursements	81	+1,090
Significant non-cash-relevant expenses / income	212	+346 ^②
Change in trade working capital	-683	-1,173 ^③
Change in other assets / liabilities	1,534	+1,715 ^④
Operating cash flow	-2,328	-6,358
Capital expenditure (net)	-962	+2,486 ^⑤
Free cash flow	-3,290	-3,872
Adjusted Free cash flow	-3,669	-3,872
Cash and cash equivalents as of 31.12.20 ¹ less assets held for sale	1,804	+389
Current securities	3,654	+1,684
Total Group liquidity	5,458	+2,073

¹ Excl. fixed-term deposits with terms from three to twelve months (2020: 2m EUR, 2019: 0m EUR)

- ① Includes regular depreciation and crisis-related impairments for 115 aircraft and aircraft usage rights
- ② Non-cash effect resulting from the valuation of financial derivatives
- ③ Contains reduction in unflown tickets through refunds amongst other working capital effects
- ④ Various crisis-related measures to protect liquidity (repurchase agreement, restructuring of hedges, tax deferral)
- ⑤ Significant reduction of investments into new aircraft

Maturity profile of borrowings as of December 31, 2020

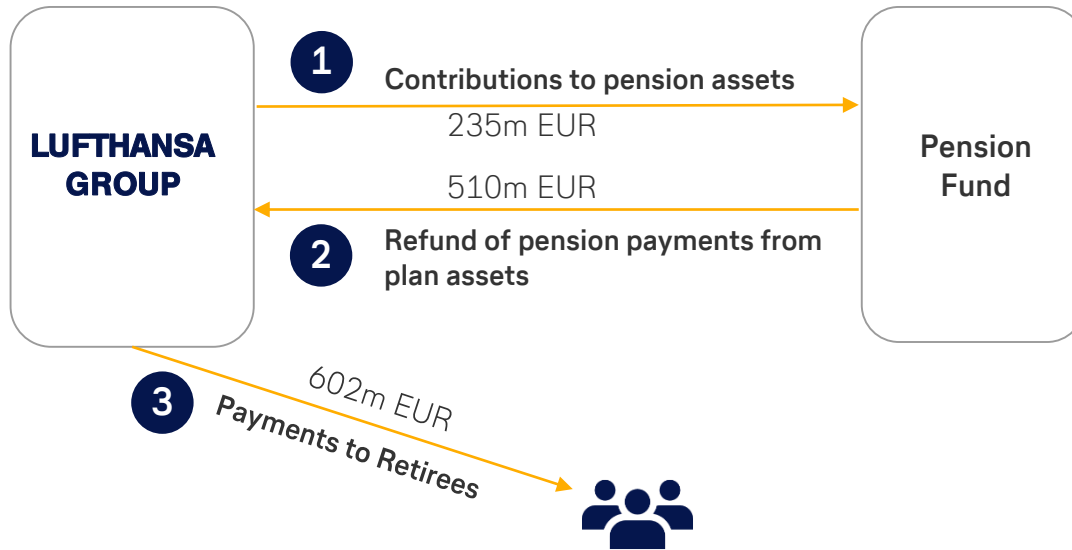


* As drawn on Dec 31 - predominantly repayment of EUR 1bn KfW in 2023 and scheduled repay EUR 300 million Austrian state aid, CHF 365 million Swiss state aid (both 2025) and EUR 130 million Belgian state aid (2026)

** Mainly bilateral loans - does not include operating leases

Lufthansa pension accounting

Schematic overview of cash flows



Valuation effects

- Revaluation of DBO position at lower IFRS discount rate
- Revaluation of plan assets for unexpected value development
- Service cost
- Net interest cost

Fleet overview

Aircraft Type	LH	LX	OS	SN	EW	LCAG	Group fleet	thereof Lease	Change since 31 Dec 2019	Scheduled for retirement ³⁾	Temporarily decommissioned
Airbus A220		29					29				
Airbus A319	69		7	19	11		106	32	-7		
Airbus A320	102	32	29	16	56		235	36	10	-40 ⁴⁾	
Airbus A321	69	11	6		5		91	2	3		
Airbus A330	26 ¹⁾	16		10			52	10	-1	-4	
Airbus A340	34	9					43			-9	-10
Airbus A350	17						17	1	2		
Airbus A380	14						14			-6	-8
Boeing 747	29						29		-3	-2	
Boeing 767			6				6			-3	
Boeing 777		12	6				18	2			
Boeing 777F						13 ²⁾	13	4	2		
Boeing MD-11F						5	5		-3	-5	
Bombardier CRJ	35						35			-7	
Bombardier Q Series			8		13		21	13	-9	-21	
Embraer	26		17				43				
Total aircraft	421	109	79	45	85	18	757	100	-6	-97	-18

1) Partially operated by Brussels Airlines

2) Partially operated by Aerologic, 2 planes included per quota

3) Excluding wet leases (-33)

4) Airbus A320 Family, dependant on negotiations with manufacturers regarding delivery schedules

Multi-Year financial overview

Lufthansa Group (in m EUR, as reported)	2015	2016	2017	2018	2019 ¹⁾	2020
Operating KPIs						
RASK ex currency	-3.0%	-5.9%	+1.9%	-0.5%	-2.5%	-26.7%
CASK ex currency, ex fuel ²⁾	+2.4%	-2.5%	-1.8%	-1.7%	-1.5%	+84.6%
Profit & Loss						
Revenues	32,056	31,660	35,579	35,542	36,424	13,589
Fuel Cost	5,784	4,885	5,232	6,087	6,715	1,875
Adjusted EBIT	1,817	1,752	2,969	2,836	2,026	-5,451
Adjusted EBIT Margin	5.7%	5.5%	8.3%	8.0%	5.6%	-40.1%
Balance Sheet						
Total Assets	32,462	34,697	35,778	38,213	42,659	39,484
Net Financial Debt and Pension Liabilities	9,973	11,065	8,000	9,354	13,321	19,453
Adjusted ROCE	8.3%	7.0%	11.9%	10.6%	6.6%	-16.7%
Cash Flow statement						
Operating Cash Flow	3,393	3,246	5,368	4,109	4,030	-2,328
Capital expenditure (net)	2,559	2,108	3,251	3,859	3,448	962
Free Cash Flow ³⁾	834	1,138	2,117	288	203	-3,669

¹⁾ 2019 reported figures including effects from IFRS 15 treatment of compensation payments, 2017 restated for better comparability

²⁾ Adjusted for pension effects in 2016 and 2017 as a result from the change from defined benefit to defined contribution

³⁾ Adjusted free cash flow from 2018 onwards