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Lufthansa Group expects strong travel season – Operating loss cut by more than two-thirds in 2021

- Summer capacity on short and medium haul routes almost back to 2019 level
- Bookings for Easter and summer partially above pre-crisis levels
- Adjusted EBIT before restructuring expenses at -1.8 billion euros (previous year: -5.2 billion euros)
- Lufthansa Cargo again posts record result. Adjusted EBIT doubled to 1.5 billion euros
- Structural cost reductions – more than 75 percent of planned annual savings already secured
- Positive result development expected over course of 2022

Carsten Spohr, CEO of Deutsche Lufthansa AG:

"2021, was a challenging year for the Lufthansa Group and its employees. And 2022 also begins with developments that worry us as citizens of this continent. Our Airlines connect people, cultures and economies. We stand for international understanding and peace in Europe and around the world. Our thoughts are with the people of Ukraine and with our colleagues on the ground, to whom we are providing every possible support.

The Lufthansa Group used the past financial year to further renew itself. We have decisively and consistently advanced and implemented the transformation and restructuring of the company. Today, the Lufthansa Group is more efficient and more sustainable than before the pandemic.

Even in the financially most difficult two years in our history, in which painful cuts were unavoidable, we acted in a socially responsible manner and sustainably secured 105,000 jobs in the Lufthansa Group.

We are very certain that air traffic will experience a strong upswing this year. Our strategy of expanding the private travel segment has proved successful and is paying off. People want to travel. They seek and need personal contact - especially after two years of pandemic and the associated social restrictions. The pent up demand for leisure and business travel was already significantly noticeable in 2021 - and this trend is set to intensify in 2022.

The Coronavirus crisis has taken its toll on all of us. The pandemic presented our customers, shareholders and our employees with extreme challenges. We are now leaving the crisis behind us, mentally and - in view of the strong booking figures this year - also commercially and face the next challenge strengthened."

Result 2021

The Lufthansa Group generated revenue of 16.8 billion euros in the fiscal year 2021, around 24 percent more than in the previous year (previous year: 13.6 billion euros).

An increase in passengers, the transformation and restructuring of the company, and the associated cost reductions contributed to a significant improvement in earnings. The company returned to profit in the third quarter due to strong summer travel months. For the full year, the operating loss was significantly reduced, despite the third and fourth pandemic wave and the

resulting travel restrictions. Adjusted EBIT in 2021 was -2.3 billion euros (previous year: -5.5 billion euros). Excluding restructuring costs of 581 million euros, Adjusted EBIT was -1.8 billion euros. The Adjusted EBIT margin improved accordingly to -14.0 percent (previous year: -40.1 percent).

Compared with the pre-crisis level, the structural decrease in personnel expenses, excluding one-off restructuring expenses, effects from short-time working and temporary measures, amounted to 10 percent. With the implementation of additional planned measures, the decrease will be 15 to 20 percent. At the end of last year, the Lufthansa Group employed around 105,000 employees, more than 30,000 fewer than before the start of the Coronavirus pandemic.

The Group net income improved by 67 percent to -2.2 billion euros (previous year: -6.7 billion euros).

Lufthansa Cargo posts record result, Lufthansa Technik and LSG generate profit

The positive earnings trend in the logistics segment continued in the financial year 2021. High demand for freight capacities combined with a limited offer due to a global lack of freight capacity on passenger aircraft and disruptions to supply chains, especially in shipping, ensured that average yields continued to rise. Lufthansa Cargo benefited from this and almost doubled its Adjusted EBIT year-on-year to 1.5 billion euros (previous year: 772 million euros). This is the best result of its history.

By contrast, Network Airlines' earnings were still heavily impacted by the Corona pandemic in the fiscal year 2021. Adjusted EBIT remained clearly negative at

-3.5 billion euros but improved by 25 percent year-on-year (previous year: -4.7 billion euros).

Eurowings benefited in particular from the return of demand in the private travel segment, especially last summer. Cost reductions as part of the restructuring program also contributed to the improvement in earnings. Adjusted EBIT increased by 67 percent to -230 million euros (previous year: -703 million euros).

Lufthansa Technik posted a clearly positive result last year. The provider of aircraft maintenance, repair and overhaul services benefited from the

recovery in air traffic. Lufthansa Technik achieved an Adjusted EBIT of 210 million euros (previous year: -383 million euros).

The LSG catering division also returned to profitability, posting an Adjusted EBIT of 27 million euros (previous year: -284 million euros), mainly thanks to the recovery of air traffic in North America.

Passenger numbers and traffic development

During the past year, significantly more passengers flew with the Lufthansa Group airlines than in 2020. In total, 47 million passengers were welcomed on board. That was an increase of 29 percent compared to the previous year. The number of flights in 2021 increased by almost 18 percent compared to 2020. As a result of the significant increase in demand, a total of 32 percent more seat kilometers were offered last year than in the previous year.

Alongside the dynamic growth in demand for air travel, the number of offered flights was significantly expanded over the course of the year. While at the beginning of 2021 the offered capacity still only amounted to 21 percent (compared to 2019), by the end of the year the airlines had reached an offered capacity of 60 percent.

In line with expectations, average offered capacity amounted to 40 percent of 2019 capacity for the year.

Free cash flow excluding special effects only slightly negative, liquidity above target value

The Lufthansa Group continued to place a particular focus on consistent cash management in 2021. At 1.3 billion euros, gross capital expenditure remained considerably below pre-pandemic levels. Through strict management of receivables and payables and the significant increase in new bookings, the Group achieved a significant improvement in Adjusted Free Cash Flow to -855 million euros (prior year: -3.7 billion euros). Excluding the payment of taxes amounting to 810 million euros that had been deferred in the previous year, Adjusted Free Cash Flow was close to breakeven at -45 million euros.

In the past year, the Lufthansa Group significantly improved its balance sheet through numerous transactions on the financial market. A successful capital increase, the issue of six bonds and the conclusion of 20 aircraft financings clearly document the confidence of the financial markets in the company. The repayable funds raised as part of the WSF stabilization measures were repaid

in full earlier than expected.

As of December 31, 2021, the Lufthansa Group's available liquidity of 9.4 billion euros was above the long-term target corridor of 6 to 8 billion euros.

Other balance sheet ratios also improved notably in the financial year. Pension liabilities decreased to around 6.7 billion euros, mainly due to an increase in the interest rate used to discount pension obligations (previous year: 9.5 billion euros). As a result of the capital increase, net debt decreased to 9.0 billion euros (previous year: 9.9 billion euros). Equity tripled to 4.5 billion euros (previous year: 1.4 billion euros).

Remco Steenbergen, CFO of Deutsche Lufthansa AG:

"We used the past year to significantly strengthen our balance sheet. Our financing measures on the equity and debt side show that we again have a very good and broad market access. Our liquidity is more than twice as high compared to the pre-crisis level. This, combined with our structural cost savings, gives us a very good financial basis to further expand our strong market position."

Transformation and restructuring lead to significant cost reductions

The successful continuation of the company's ambitious transformation and restructuring program led to a further significant reduction in costs in the Group. In the meantime measures have been implemented which will reduce costs by around 2.7 billion euros per year. Thereby more than 75 percent of the annual cost savings of 3.5 billion euros targeted by 2024 have already been secured. This has been achieved primarily by reducing personnel costs, increasing productivity, improving processes at the passenger airlines, Lufthansa Cargo and the Group functions, and the modernization of the fleet. The company continues to examine the sale of subsidiaries that are not part of the core business of the Group. AirPlus and the remaining part of LSG's catering business after the sale of the European part, are to be sold as soon as market conditions permit. A partial sale or a partial IPO are still being pursued for Lufthansa Technik. The closing of the transaction is intended for 2023.

Outlook

The Lufthansa Group expects a significant increase in demand for air travel in the current year. In February, our customers have booked more flight tickets than at any time since the beginning of the pandemic. The number of

bookings for the Easter and summer holiday periods has almost reached the level of 2019. To some destinations, the number of bookings has even tripled (compared to 2019). For the Easter vacations, Lufthansa alone will therefore offer more than 50 additional flights to meet all booking requests. Overall, in this year the Lufthansa Group airlines offer a greater variety of tourist destinations than ever before, with more than 120 classic vacation destinations. Demand is particularly strong for destinations in the USA and the Mediterranean.

In line with the growing demand, flight schedules are further expanded. For the summer, the company expects capacity to increase to around 85 percent compared to 2019. On short- and medium-haul routes, the figure is expected to be around 95 percent. Eurowings will even offer more capacity in the summer than in 2019. For the year as a whole, the Lufthansa Group expects an average capacity of more than 70 percent compared to 2019.

The entire airline industry will be confronted with increasing external costs in 2022. Air traffic control and airport charges are significantly increasing. Additional burdens also result from the rising oil price. However, the Group expects to be significantly less affected by this cost inflation than its competitors. It has for example started to hedge at an early stage against rising fuel prices and the increase in the cost of emissions certificates.

Major uncertainties regarding the dramatic developments in Ukraine and the economic and geopolitical consequences of the conflict, as well as remaining uncertainties regarding the course of the pandemic, do not allow to provide a detailed financial outlook at present.

In 2022 however, the company expects further year-on-year improvements in Adjusted EBIT and Adjusted free cash flow. After a challenging first quarter, which is still impacted by the spread of the Omicron variant, the Lufthansa Group expects a significant improvement in operating results in the following quarters.

Building on the progress we forecast for 2022, the Lufthansa Group confirms its communicated targets for 2024 (Adjusted EBIT margin of at least 8% and Adjusted ROCE of at least 10%).

Remco Steenbergen, CFO of Deutsche Lufthansa AG:

"Our ambition is clear - we want to return to positive results as quickly as

possible. We have laid the foundations for this, above all by implementing our cost reduction program. The strong recovery in demand in recent weeks also gives us cause for optimism. We cannot yet foresee how the significant increase in geopolitical uncertainties will affect demand and the economic environment. Nevertheless, we will be able to continue and accelerate our economic recovery in 2022."

Connect the world - protect its future

The Lufthansa Group has set itself ambitious climate protection goals and aims to halve its net CO₂ emissions by 2030 compared to 2019 and to achieve a neutral CO₂ balance by 2050. The company is focusing in particular on accelerated fleet modernization. Last year, the Lufthansa Group took delivery of eleven new aircraft. In 2022, the company expects to take delivery of 29 more fuel-efficient, quiet and efficient aircraft, including four Airbus A350-900s and five Boeing 787-9 long-haul aircraft. The use of sustainable aviation fuels and innovative new offers for customers to make their air travel CO₂-neutral will further reduce CO₂ emissions.

The company's clear goal is to continue to play a pioneering role in aviation for more and better climate protection in the future. The Lufthansa Group bundles its numerous sustainability initiatives and partnerships in the "CleanTech Hub", where impulses from science, industry and the global start-up scene are combined with the company's extensive airline know-how. Experts are currently collaborating on more than 80 projects - which include the production of sustainable aviation fuels using sunlight, the use of artificial intelligence for flight route optimization in real time, the development and the implementation of a fuel-saving surface technology for passenger aircraft that imitates the properties of the particularly streamlined shark skin.

Investments in new premium customer offerings

The clear goal in 2022 is to once again consistently offer the premium service that passengers rightly expect from the Lufthansa Group. Several measures are underway in order to achieve this. For example, the digital offerings and self-service options will be consistently expanded and the processes at the airports optimized for our customers. Onboard service will not only be restored to the usual premium standard as soon as the pandemic-related hygiene protection measures permit but will also be improved further. The company is also investing in renewing and expanding the infrastructure, for example in the lounges.

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Lufthansa Cargo AG

With revenue of 4.6 billion euros and a transport performance of 7.2 billion freight ton kilometers in 2022, Lufthansa Cargo is one of the world's leading companies in the transport of airfreight. The company currently employs around 4,100 people worldwide. Lufthansa Cargo's focus is on the airport-to-airport business. The route network covers around 300 destinations in more than 100 countries, using both freighter aircraft and cargo capacity from passenger aircraft operated by Lufthansa, Austrian Airlines, Brussels Airlines, Discover Airlines and SunExpress, as well as trucks. The majority of the cargo business is handled via Frankfurt Airport. Lufthansa Cargo is pursuing the goal of becoming the world's most environmentally friendly cargo airline. To achieve this, the company relies on state-of-the-art technologies and constant investments in the area of sustainability. In 2022, important milestones were reached, such as the investment in the continuous expansion of the B777F fleet, the expansion of short- and medium-haul networks with A321 freighters, and the continuation of the Sustainable Aviation Fuel program. In 2023, Lufthansa Cargo plans to successively equip its B777F fleet with Sharkskin technology, implement further digital services and contribute to reducing CO2 emissions through sustainable logistics solutions. Lufthansa Cargo is a wholly owned subsidiary of Deutsche Lufthansa AG and the specialist for the logistics business of the Lufthansa Group.

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