

Annual General Meeting of Deutsche Lufthansa AG

Speech by the Chairman and CEO

Carsten Spohr

5 May 2020 (virtual)

Lufthansa Aviation Center, Frankfurt

Pre-release on the Internet on 30 April 2020

Last Updated: 30 April 5:00 pm

To be checked against delivery at the Annual General Meeting

I. Welcome Address / AGM in Times of Corona / Key Figures 2019

Dear Shareholders,

I too bid you a very warm welcome to the very first virtual Annual General Meeting of Deutsche Lufthansa AG.

We will be reporting to you from our Group headquarters at the Lufthansa Aviation Center in Frankfurt. I would of course much rather have welcomed you all personally to the Jahrhunderthalle in Frankfurt and answered your questions in person; however, the Corona Crisis still has a firm grip on us all and no one can say for sure for how much longer.

The clip that we opened the meeting with still shows the “old” Lufthansa world – and the world before Corona. It was produced at the beginning of this year and now, only a few months later, we find ourselves in the midst of the most severe global economic slump since 1930. Once again, air transport is disproportionately affected. We decided to open our Annual General Meeting with the clip anyway, because it reflects the fascination of our industry and company, and shows where we want to return one day.

It is the goal for which we are fighting tirelessly during these challenging times: the future of Lufthansa.

Global air transport is currently experiencing its worst crisis ever. Almost all countries have imposed entry bans and restrictions, and as a result, our company, your company my dear shareholders, also finds itself in a state of emergency, through no fault of its own.

After many tough years of modernization, we recorded the best results in the history of our company, for three years in a row.

Now, all of our efforts are being threatened by a single global event. No one could ever have foreseen this outcome. At Lufthansa, we are tried and tested when it comes to natural disasters, epidemics and the consequences of war and terror. Crisis management is part of our business and I would like to send out a very special thank you to our team of Lufthansa staff, who have again made this possible with their 100% professionalism over the past few weeks. We were among the first airlines

worldwide to quickly reduce our schedule and shut down our network, while at the same time offering our cargo capacities to maintain the infrastructure. Many of us are volunteering and involved in social activities during the crisis. However, that does not change the fact that none of us have ever experienced a crisis of this magnitude before.

We are currently facing the greatest challenge of our recent history.

We are fighting for the future of this company and the future of the roughly 130,000 employees of the Lufthansa Group. We are doing everything in our power to keep as many of them on board as possible.

That does not only apply for our employees, it also applies for our customers and you my dear shareholders. Your confidence and loyalty are all the more important to us during these challenging times.

Ladies and Gentlemen,

We are aware that the good results of the past financial year are now having to take a back seat, but I would still like to give a brief summary of the key figures:

- Despite strong headwinds, our adjusted EBIT stood at 2 billion euros – this is our key performance indicator for economic success.
- We increased our revenue to 36.4 billion euros, the highest figure in the history of our company.
- We invested more than ever before: 3.6 billion euros. The largest part flowed into the modernization of our fleet, and as you are aware, the acquisition of fuel-efficient aircraft is always also an investment in protection of our environment.
- At the same time, we have also continued to reduce our unit costs.
- We were also very pleased by the feedback from our customers: 145 million passengers flew with the airlines of our Group last year.

That represents yet another record: about 350,000 passengers chose to fly with our airlines every single day.

At the moment, we are only flying about 3,000 passengers a day.

In terms of flight schedule, our company has gone back in time to where it started in 1955 – a decade after the Second World War and following a 10-year ban on flights.

For 65 years – and through many a crisis – we built this company on the foundations of our forefathers, turning Lufthansa into the no. 1 in Europe and an airline that has been among the best in the world for many years.

In less than 65 days, we have returned to the levels of 65 years ago in terms of air traffic volume.

That is extremely bitter, devastating and painful.

Nevertheless, we are looking to the future with optimism at Lufthansa. The years invested in modernizing our company are paying off and we have proven that our business model is a sustainable one. We have managed our company very well and thanks to our very good results, your company was standing on solid foundations, financial and structural, when the crisis hit. That is now helping us, but we also know that we will not make it alone. We are going to need help.

The future of Lufthansa is currently being decided.

The question is whether we can avoid bankruptcy with the support of the governments of our four home countries.

It is about how quickly we will be able to recover from the crisis so that we can start to grow again independently as soon as possible.

In a nutshell: It is about the future of the Lufthansa Group.

We have defined three phases for our crisis management in this rescue operation:

1. The “Grounding Phase”: an aviation term that refers to the current phase of the crisis in which almost the entire fleet has to remain on the ground.
2. The “Restart Phase”: in which we will start slowly ramping up operations.
3. The “New Normal Phase”: our working title for the time after the crisis.

II. A Corporate State of Emergency: the three phases of crisis management

1. The Grounding Phase

Ladies and Gentlemen,

Allow me to briefly report on the current situation:

In order to protect our passengers and staff, we took action right at the very onset of the Corona Crisis. We reduced our flight schedules far more swiftly and decisively than our competitors, also in an attempt to cut our costs.

Many considered these rigorous measures exaggerated at first. No one, including us, had any idea how quickly and dramatically the situation would escalate.

The world has since become one big crisis area. There is practically no more international travel.

- About 700 aircraft in our roughly 760-aircraft fleet are currently grounded.
- We have had to cancel 3,000 flights a day.
- Air Dolomiti, Austrian Airlines and Brussels Airlines already terminated all regular flight operations in March (for the time being).
- Lufthansa CityLine is the only passenger airline still operating at our Munich hub.
- For now, we are currently operating a minimal special flight schedule until the end of May and we are going to have to “fly by eye until further notice”. The current schedule is essentially dictated by the return of Europeans from abroad.
- The current passenger figures at Lufthansa are currently at best at 1% of the previous year's level, or in other words, we have a 99% decline in passenger figures.

There is currently only high demand for air freight. In addition to using the entire cargo fleet, we have also already operated 70 cargo flights using passenger aircraft. We have removed the seats from four of our A330 in order to be able to transport more freight. Additional A330 aircraft are also being modified. We are calling them “Preighters”, a combination of passenger aircraft and freighter.

The situation is less “pleasing” at our other service companies. They have now also been hit by the crisis with some delay. Lufthansa Technik expects its workload to decrease by 60% for the full 2020 year.

The production of meals at LSG has decreased by 95%. A total of 28 facilities have been shut down until further notice.

The Interim Economic Balance:

- We have practically no earnings.

- However, the costs for staff, material, rent or fuel hedging continue.
- After three record years, we are currently losing about one million euros of our liquidity reserves per hour in operations alone.

It has therefore been our top priority since the start of the crisis to reduce costs and secure liquidity.

The Group's liquidity is currently still above 4 billion euros, which puts us in a comparatively good position. We owe that above all to our successful financing measures, cost reductions and stringent liquidity management.

We have had to make bitter decisions in order to reduce the loss of our cash in hand. One of them affects you my dear shareholders.

We will unfortunately not be able to propose a dividend to the Annual General Meeting for the successful year 2019 that lies behind us. I would like to thank all of those who have already signalled their understanding for this measure to me and my colleagues over the past few weeks.

However, this measure alone will naturally not be enough. All stakeholders and interest groups are going to have to make a contribution in this crisis that is threatening their very existence.

The Supervisory Board, Executive Board and Senior Management of your company have voluntarily agreed to waive part of their basic remuneration.

At the moment over 80,000 staff of the Lufthansa Group are on reduced working hours. Please believe me when I tell you that that does not only hurt those affected. It hits us all hard. However, it is an indispensable contribution to securing our liquidity. We are currently increasing the statutory short-time allowance in Germany up to 90%. However, we will only be able to do so for a limited time. We are already in negotiations with our labour relations partners on new modalities.

We are also asking a lot of our customers, above all, patience. Most European countries are supporting the temporary voucher solution for cancelled tickets. The EU has however not yet been able to agree on such a regulation. It could endanger the entire travel industry if we are required to immediately reimburse cash in the current phase. In addition, our customer centers and processes are simply not designed for

such a multitude of reimbursements. We therefore also ask our customers for their understanding.

We are also in negotiations with aircraft manufacturers with regard to postponing aircraft deliveries because we will not be able to return to our old fleet size for an indefinite period.

And we are also negotiating with airports, air traffic controllers and the public sector on a fair distribution of costs. Specifically, by reducing fees or deferring taxes and social security contributions.

However, we also know that all of these contributions combined will not even come close to compensating the lack of income. Our liquidity will continue to decrease over the next few weeks – significantly.

At the same time, we must at least maintain a critical infrastructure at the airports and at German air traffic control. That is the only way that we can make important contributions to society and maintaining the health and safety of the population.

That is what is expected of us, even if it makes little sense from a commercial point of view. We have always assumed responsibility and we are also doing it now – out of conviction. We are glad to be able to help. We are happy to show how valuable our work is and how important air transport is:

- Just think of the hundreds of repatriation flights: We have flown almost 100,000 people home, with 9 special flights to New Zealand and back alone.
- We have flown 3,500 harvest workers to Germany with Eurowings and 90 more flights are planned.
- We are operating cargo flights to supply hospitals and care facilities with medical personal protective equipment, including 150 million protective masks.
- We have released staff with medical training so that they can go and help in the healthcare system.

We want to provide help and support, and take action wherever possible, including through the work of our aid organization, the help alliance. It is now more important than ever with the poorest of the poor now facing bitter misery and despair as a result of Corona. Many people no longer have any income at all and cannot buy anything to eat. And how can people abide by hygiene regulations in places where even drinking

water is scarce? The Corona virus presents us with entirely new humanitarian challenges.

Thank you to all colleagues who are helping, providing support and doing such an amazing job during these challenging times.

2. Restart – Recovery Phase

Ladies and Gentlemen,

No one knows yet when we will be able to take off again.

We are preparing to spend this summer on the ground and can hope for a proper restart in the autumn at the earliest. However, it is going to be a very slow start-up phase and we expect that global demand will only find its new balance in 2023. It will be new because it will be a balance on a lower level.

That is what our current planning and strategies are based on. We do not just want to be better than others during the crisis; we also want to be better after the crisis.

We are also working on structural realignment in order to emerge from this crisis stronger. We are making use of the time to position ourselves competitively for the future.

We are planning with a significantly smaller Lufthansa Group.

We already decided on the first steps in this direction in April:

- All of the airlines in the Lufthansa Group will be downsized. Older, less environmentally friendly aircraft will be phased out of the fleet earlier than originally planned.
- The A340-600 fleet will be temporarily decommissioned.
- 10 Airbus A320 will be removed from Eurowings fleet.
- The ongoing restructuring programmes at Austrian Airlines and Brussels Airlines will be intensified. Both airlines will also reduce the size of their fleet within this context.
- Germanwings flight operations will be terminated two years earlier than planned. In the future, we will be flying with a maximum of 10 airlines of our current airlines.

- We will continue to bundle and expand our tourism segment when the restart comes. We were already doing so before the crisis and there will be a greater increase in demand here than for business travel after the crisis. Within the framework of this process, we will be merging the four airlines that have been operating our Eurowings long-haul routes into a single new tourist airline.
- Eurowings Europe will also be realigned.
- In addition, we plan to reduce unit costs at all of our companies by twice as much as originally planned: by 2–4% per year instead of the previous 1–2%.

So much for the structural measures.

In order to accomplish a successful restart, we are, above all, going to have to win back our customers and build confidence. Hygiene measures and safety precautions surrounding the flight will play a central role here. We have already developed a catalogue of measures in order to minimize the risk of infection or the introduction of Corona. We would like to protect our passengers and crews as well as possible.

3. The New Normal – Post-Crisis

Ladies and Gentlemen,

The level of complexity surrounding all of these measures is extremely high.

On the one hand, we have uncertainty as to when operations can be resumed and at the same time we have to take into account the corporate law dimensions, i.e. there could be different government support models in the respective home markets of the Lufthansa Group.

We are having intensive talks with the Federal Government and KfW on liquidity support for our company. In addition, we are also negotiating with the governments in Austria and Belgium for help for Austrian Airlines and Brussels Airlines. In the case of SWISS and Edelweiss we have already received assurances from the Swiss Government for a loan that will be guaranteed largely by the Swiss State. The package still has to be approved by parliament, but that is expected at the beginning of May.

At the moment we are not only discussing the levels of the necessary amounts, but are also negotiating the conditions and timelines as to when this help can be made available.

We must also be competitive after Corona.

We need to be able to invest. Above all, we will continue to need money to modernize our fleets, also in the interest of protecting the environment. That topic is currently in the background; however, it is not going to stay that way. As the volume of flights increases, the climate discussion will again become very topical.

We will only be fit for the future if all these conditions are fulfilled.

Or to sum it up using a short formula:

our future viability equals our ability to invest and our competitiveness

Aid from the State is not an end in itself.

We attach it to clear goals and consider ourselves responsible to the taxpayers who make this aid possible:

In order to remain competitive, we want to hold the Lufthansa Group and European airline group together, whatever the scenario. That is our overarching goal.

If we want to compete globally against the three major airline groups in the USA, China and the Gulf Region, then we will only be able to do so as a European airline group.

First and foremost, we cannot allow ourselves to become heavily indebted as that would paralyze us for years. We must already develop a plan today for how we can repay the government loans and investments as quickly as possible. Our politicians are called upon to ensure that aid does not lead to an imbalance in international competition.

Especially when competitors in the USA and China, or the so-called "low-cost carriers", are now funding themselves healthy with state support.

It is all the more important now that international competition not be distorted by differing types and scopes of state aid.

The experiences of recent years have shown that those who are not competitive, will not be able to make it in the long term, even with state aid.

Up until the Corona Pandemic, we as the Lufthansa Group were competitive and successful. We were hit by this crisis through no fault of our own. We therefore now need government support, but we do not need government management.

Lufthansa was successfully privatized in 1997. During the last three years, we have consistently generated an operating result of over two billion euros. We invested record amounts every year – on average over three billion euros. These were amounts that we would never have dared dream of when I joined the Executive Board of the Lufthansa Group 10 years ago. We have proven that we can do it and that is why it is important to us to preserve the entrepreneurial freedom of decision and action of the Lufthansa Group.

We currently expect that the global demand for air travel will no longer grow as dynamically in the long term as it did in the past years. People's travel behaviour will change, both in terms of leisure and business travel. As a result, global air transport will have to restructure itself. We expect a global transformation of air transport and we would like to continue playing a leading role with the Lufthansa Group in the future.

Lufthansa will be a different and smaller Lufthansa after the crisis.

- We will reduce the size of our fleet by about 100 aircraft.
- As a result, we will have 10,000 employees too many on board. We will no longer be able to rule out laying off staff for operational reasons. Unless we find a way to keep as many colleagues as possible on board using innovative part-time models and our unique blend of Lufthansa solidarity.

III. Outlook / Closing Remarks

We are feeling a need for our Lufthansa to continue existing in global competition from all sides, and we must and will do so. The importance of a basic supply of flights is now becoming clear for all to see. Maintaining our European infrastructure is of vital importance.

Allow me to also share a few personal thoughts at this point. ... These days we are time and again hearing how health comes first and we were also faced with a painful decision in this respect in the Executive Board.

At the beginning of April, our Executive Board colleague Ulrik Svensson was advised by his doctors to stop working immediately. It goes without saying that we accepted this decision. For me personally, it is particularly painful to have to do without one of my closest colleagues in recent years.

We have redistributed his duties among the remaining six members of the Executive Board. Dear Ulrik, I hope you are able to watch today. We wish you all the very best for your health. You never spared yourself and have achieved so much for our Lufthansa. The successes of the past few years are above all your successes.

We say THANK YOU.

Ladies and Gentlemen,

It has always been our strategy at Lufthansa to strike a fair balance between all stakeholder interests and partners: between our customers, staff and shareholders. This same balance must also be our goal in the crisis.

The development of revenue and earnings in the first quarter of 2020 shows how much we now really need these joint solutions. The preliminary figures show a loss of 1.2 billion euros for January to March and the second quarter will be even worse. I cannot provide you with an outlook for the full year in the current situation. All I can tell you is this:

The airlines were the first in the world to be hit by this crisis, they are hit the hardest and they will likely be among the last industries to emerge from the crisis.

Nevertheless, it remains our aim at Lufthansa to emerge from the crisis stronger.

It is my wish and that of our staff that the positive contribution of air transport to globalization within the framework of the Corona Crisis is not forgotten.

Connecting people and cultures across borders is our mission to society. It is with the greatest conviction that We say YES to Europe and YES to the World.

SayYesToEurope – SayYesToTheWorld has always been more than just a brand campaign to us. Both of these statements stand for our attitude. We should not lose the global zeitgeist and our openness to the world as a result of this crisis. This is about more than economic success.

A couple of weeks ago a customer wrote to me: "To me, freedom is not when the hardware stores open again in Bavaria, but when you are 10,000 km away from Munich Airport and you hear: "Welcome aboard Lufthansa"

I promise you that we will be connecting people, cultures and continents again as soon as possible.

We will stay on course and do everything to ensure that our Lufthansa takes to the skies again.

We were successful at restarting 65 years ago and we will be successful again. We are fighting for our company, our staff, our customers and for you my dear shareholders, because we are convinced that we are contributing to something that is truly important.

Thank you for your support. Stay with us, we merit your trust, and above all, stay healthy!