



**LUFTHANSA GROUP**








ANNUAL REPORT  
**2020**

TRANSFORMING THE WAY  
WE CONNECT PEOPLE,  
CULTURES AND ECONOMIES



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## The Lufthansa Group

The Lufthansa Group is an aviation group with operations worldwide. It is composed of the segments Network Airlines, Eurowings and Aviation Services.

T001 KEY FIGURES LUFTHANSA GROUP		2020	2019	Change in %
<b>Revenue and result</b>				
Total revenue	€m	13,589	36,424	-63
of which traffic revenue	€m	9,078	28,136	-68
Operating expenses	€m	20,846	37,124	-44
Adjusted EBITDA <sup>1)</sup>	€m	-2,890	4,718	
Adjusted EBIT <sup>1)</sup>	€m	-5,451	2,026	
EBIT	€m	-7,353	1,857	
Net profit/loss	€m	-6,725	1,213	
<b>Key balance sheet and cash flow statement figures</b>				
Total assets	€m	39,484	42,659	-7
Equity ratio	%	3.5	24.0	-20.5 pts
Net indebtedness	€m	9,922	6,662	49
Pension provisions	€m	9,531	6,659	43
Cash flow from operating activities	€m	-2,328	4,030	
Capital expenditure (gross) <sup>2)</sup>	€m	1,273	3,559	-64
Adjusted free cash flow <sup>1)</sup>	€m	-3,669	203	
<b>Key profitability and value creation figures</b>				
Adjusted EBITDA margin <sup>1)</sup>	%	-21.3	13.0	-34.3 pts
Adjusted EBIT margin <sup>1)</sup>	%	-40.1	5.6	-45.7 pts
EBIT margin	%	-54.1	5.1	-59.2 pts
ROCE	%	-22.7	6.1	-28.8 pts
Adjusted ROCE <sup>1)</sup>	%	-16.7	6.6	-23.3 pts
<b>Lufthansa share</b>				
Share price at year-end	€	10.82	16.41	-34
Earnings per share	€	-12.51	2.55	
Proposed dividend per share	€	-	-	
<b>Traffic figures<sup>3)</sup></b>				
Flights	number	390,900	1,187,728	-67
Passengers	thousands	36,354	145,299	-75
Available seat-kilometres	millions	109,828	358,803	-69
Revenue seat-kilometres	millions	69,462	296,217	-77
Passenger load factor	%	63.2	82.6	-19.4 pts
Available cargo tonne-kilometres	millions	10,591	17,379	-39
Revenue cargo tonne-kilometres	millions	7,373	10,664	-31
Cargo load factor	%	69.6	61.4	8.2 pts
<b>Employees</b>				
Employees as of 31 Dec	number	110,065	138,353	-20
Average number of employees	number	125,207	137,784	-9

<sup>1)</sup> Derivation  Financial strategy and value-based management, p. 21ff., Earnings, assets and financial position, p. 38ff.

<sup>2)</sup> Without acquisition of equity investments.

<sup>3)</sup> Previous year's figures have been adjusted.

## Business segments

### Network Airlines

The Network Airlines segment comprises Lufthansa German Airlines, SWISS, Austrian Airlines and Brussels Airlines. With their multi-hub strategy, the Network Airlines offer their customers a premium, high-quality product and service, and a comprehensive route network combined with the highest level of travel flexibility.

T002 NETWORK AIRLINES		2020	Change in %
Revenue	€m	6,622	-74
of which traffic revenue	€m	5,488	-76
Adjusted EBIT	€m	-4,674	
Adjusted EBIT margin	%	-70.6	-77.7 pts
Adjusted ROCE	%	-27.9	-38.8 pts
Segment capital expenditure	€m	958	-65
Employees as of 31 Dec	number	57,363	-6

### Eurowings

The Eurowings business segment includes the flight operations of Eurowings and Eurowings Europe, as well as the equity investment in SunExpress. With Eurowings, the Lufthansa Group has an innovative offering for price-sensitive and service-oriented customers in the structurally growing European direct traffic segment.

T003 EUROWINGS		2020	Change in %
Revenue	€m	598	-74
of which traffic revenue	€m	579	-75
Adjusted EBIT	€m	-703	-476
Adjusted EBIT margin	%	-117.6	-112.3 pts
Adjusted ROCE	%	-43.4	-37.6 pts
Segment capital expenditure	€m	106	-17
Employees as of 31 Dec	number	3,088	-10

### Logistics

In addition to Lufthansa Cargo AG, the Lufthansa Group's logistics specialists, the Logistics segment includes the airfreight container management specialist Jettainer group, the time:matters subsidiary, which specialises in particularly urgent consignments, and the equity investment in the cargo airline AeroLogic.

T004 LOGISTICS		2020	Change in %
Revenue	€m	2,757	11
of which traffic revenue	€m	2,596	12
Adjusted EBIT	€m	772	
Adjusted EBIT margin	%	28.0	28.0 pts
Adjusted ROCE	%	26.2	26.2 pts
Segment capital expenditure	€m	222	-22
Employees as of 31 Dec	number	4,373	-4

### MRO

Lufthansa Technik is the world's leading independent provider of maintenance, repair and overhaul services (MRO) for civilian commercial aircraft. Lufthansa Technik AG serves more than 800 customers worldwide, including OEMs, aircraft leasing companies and operators of VIP jets, as well as airlines.

T005 MRO		2020	Change in %
Revenue	€m	3,747	-43
of which external revenue	€m	2,724	-38
Adjusted EBIT	€m	-383	
Adjusted EBIT margin	%	-10.2	-17.2 pts
Adjusted ROCE	%	-6.3	-12.7 pts
Segment capital expenditure	€m	152	-51
Employees as of 31 Dec	number	22,745	-5

### Catering

The LSG group offers a comprehensive range of products, concepts and services related to in-flight service. As the strongest revenue driver in the LSG group, LSG Sky Chefs offers classical catering for airlines, as well as lounge management. After the sale of its European business, the LSG group still works for more than 300 airlines with 139 plants in 46 countries.

T006 CATERING		2020	Change in %
Revenue	€m	1,305	-61
of which external revenue	€m	1,064	-59
Adjusted EBIT	€m	-284	
Adjusted EBIT margin	%	-21.8	-25.6 pts
Adjusted ROCE	%	-17.3	-23.7 pts
Segment capital expenditure	€m	28	-78
Employees as of 31 Dec	number	13,227	-63



## The Executive Board Deutsche Lufthansa AG



**Carsten Spohr, Chief Executive Officer**

Born in 1966, industrial engineer, Chairman of the Executive Board and CEO since 1 May 2014, Executive Board member since 2011, with the Lufthansa Group since 1994



**Christina Foerster, Chief Customer Officer**

Born in 1971, MBA, Executive Board member since 2020, with the Lufthansa Group since 2002



**Harry Hohmeister, Chief Commercial Officer**

Born in 1964, diploma in commercial air transport, Executive Board member since 2013, with the Lufthansa Group since 1985



**Detlef Kayser, Chief Operations Officer**

Born in 1965, Aerospace engineer, Executive Board member since 2019, with the Lufthansa Group since 2016



**Michael Niggemann, Chief HR & Legal Officer**

Born in 1974, lawyer, Executive Board member since 2020, with the Lufthansa Group since 2007



**Remco Steenberg, Chief Financial Officer**

Born in 1968, MBA, RegisterAccountant, Executive Board member since 2021, with the Lufthansa Group since 2021

## Ladies and gentlemen,

2020 was one of the most challenging years in the history of the Lufthansa Group. We will never forget it. The outbreak of the coronavirus pandemic dealt an unprecedented blow to the entire airline industry and this also to the Lufthansa Group.

Last year, we welcomed only 36 million passengers on board our flights – a quarter of our normal passenger numbers. Our passenger airlines had to cut their capacity significantly, and for much longer and in more areas than anticipated over the course of the year. Austrian Airlines and Brussels Airlines even had to shut down their flight operations entirely at times. At the same time, we accepted our particular responsibilities as one of Europe's leading airlines in these challenging times. In cooperation with the governments of their respective countries, our airlines carried out hundreds of repatriation flights to bring travellers home from all over the world. They also maintained Europe's supply chains and transported urgently needed medical equipment.

Right from the start of the crisis, we cut our costs across the organisation and avoided cash outflows wherever possible. Despite acting so quickly and consistently, we had to resort to government stabilisation measures in the middle of the year to ensure the Company's continued existence. We agreed a stabilisation package with the Federal Republic of Germany's Economic Stabilisation Fund in May and June, which included funding measures and loans of up to EUR 9bn. State aids negotiated with the governments of Switzerland, Austria and Belgium are included in this stabilisation package.

After a brief upswing, international air traffic declined again significantly at the end of the summer travel periods. This was also due to a new increase in infection rates and the resulting increase in travel restrictions. The situation remained difficult even after the end of the year. Overall, the Lufthansa Group's revenue fell by 63% in the reporting year due to the coronavirus crisis. Adjusted EBIT, our main performance indicator, decreased to EUR -5,451m. Only Lufthansa Cargo made a positive contribution to earnings, reporting a record result.

Global air traffic will take years to return to its pre-crisis levels. In order to survive the crisis successfully, the Lufthansa Group is adapting to the current situation, changing and becoming smaller. This is the only way we can continue our contribution to society by connecting people, cultures and economies in the future. This crisis has shown what an important contribution that is, and how severe the long-term consequences for society can be if people can no longer come together across national boundaries and cultures. That is why the mission statement for our strategic vision in the years ahead, and at the same time the title of this annual report, is TRANSFORMING THE WAY WE CONNECT PEOPLE, CULTURES AND ECONOMIES.

With the ReNew restructuring programme, we are adapting the Lufthansa Group to the new market conditions and establishing the conditions for repaying the funding from the stabilisation package quickly as well as ensuring sustainable, profitable growth. We have already made good progress with the restructuring. Last year, we signed crisis agreements with all the main trade unions of the Lufthansa Group in Germany and streamlined our organisational structure. Around the world, more than 28,000 colleagues have left the Company. We have also introduced many structural measures to reduce complexity in the Company and increase our efficiency. ReNew also provides for a reduction of the fleet by 150 aircraft across the Group. To achieve this, we are decommissioning primarily older aircraft ahead of schedule. The programme also aims to focus the Lufthansa Group even more sharply on the core airline business. In this context, we are planning to resume the sales process for the remaining non-European business of the LSG group as soon as possible.

Customers will always remain at the centre of our efforts. For this reason, we will continue to consistently build our products and services around individual customer needs. We want to use innovation and digitisation to increase customer satisfaction even further and offer our customers the best airline product in Europe.

Responsibility will continue to be the foundation of all business activity in the Lufthansa Group. Here, we aspire to lead the airline industry with our high standards. We are expanding our environmental commitment. For instance, we support the industrial production and use of alternative, sustainable fuels and the expansion of intermodal traffic.

The Executive Board and the entire management team are working hard together to realign the Lufthansa Group. And even if the impact of the crisis continues to weigh on the entire sector for a long time, we are convinced that we will emerge stronger from this crisis than our competitors. People want to fly again, and do so whenever the opportunity to travel safely opens up again.

We will be pleased if you stayed with us on our journey, and we hope to welcome you aboard our aircraft again soon.

Frankfurt, February 2021



Carsten Spohr  
Chief Executive Officer

## To our shareholders

# Report of the Supervisory Board



**Karl-Ludwig Kley,**  
Chairman of the Supervisory Board

## Ladies and gentlemen,

The 2020 financial year was a historically challenging year for the Lufthansa Group. The impacts of the coronavirus pandemic on global air traffic and therefore also on our Company dominated the work of the Executive Board and the Supervisory Board. The Supervisory Board oversaw the work of the Executive Board members and advised them. The Supervisory Board carried out the duties conferred on it by statute, the Company's Articles of Association and its internal regulations.

In 2020, the Supervisory Board held a total of ten meetings, seven of which were conducted virtually. Overall, Supervisory Board members had an attendance rate of 99%. No member of the Supervisory Board was present at only half or fewer of the meetings of the Supervisory Board or the Supervisory Board committees. An overview of individual attendance rates can be found at <https://investor-relations.lufthansa-group.com/en/corporate-governance/supervisory-board.html>.

To ensure the ability to act quickly in times of crisis, the Supervisory Board transferred key powers to the Steering Committee in the period from April to September 2020. The Steering Committee met twelve times during this period, which allowed it to keep abreast of the developments in the Group and to provide intensive advice to the Executive Board. Due to the pandemic, no professional training events were organised in the 2020 financial year.

The Executive Board regularly provided the Supervisory Board with full, timely information on the course of business, the competitive environment, planned Company policy and all significant strategic and operating decisions. In particular, they were regularly informed about the decline in business as a result of the pandemic, the status of liquidity and short-time working, and the restructuring measures planned and implemented as a result of the coronavirus crisis. On numerous occasions, the Executive Board informed the Supervisory Board about the content and status of the government stabilisation measures as well as potential insolvency scenarios. The Executive Board also informed us regularly and on an ad hoc basis of changes in the shareholder structure and the performance of the Lufthansa share. As Chairman of the Supervisory Board, I read the minutes of the Executive Board meetings and discussed the current situation and the course of business with the Chairman of the Executive Board and CEO on an ongoing basis.



### Key topics discussed by the Supervisory Board

Our meetings focused on the economic development of Deutsche Lufthansa AG and its associated companies. Against the background of the coronavirus pandemic, we regularly addressed the liquidity situation in particular. The stabilisation measures of the German Economic Stabilisation Fund (WSF) and in our other home countries as well as alternative scenarios and the planned measures for Group financing, restructuring and refinancing of the Company were discussed a number of times by the Supervisory Board or the Steering Committee.

At its meeting on 18 March 2020, the Supervisory Board approved taking out additional funding of up to EUR 5bn by the end of 2020. In addition, at its meeting on 21 September 2020, the Supervisory Board approved the issue of a convertible bond by Deutsche Lufthansa AG in the amount of up to EUR 600m with a term of up to seven years.

At its meetings on 27 May 2020 and 1 June 2020, the Supervisory Board focused in detail on the state support measures to secure the necessary liquidity of Deutsche Lufthansa AG and, at its meeting on 24 June 2020, approved the framework agreement with the WSF on stabilisation measures of up to EUR 9bn. During the height of the crisis, the Supervisory Board consulted with outside attorneys, particularly with regard to insolvency law issues. The external advisers took part in individual meetings of the Supervisory Board and the Steering Committee.

The meeting on 22 September 2020 was dedicated to the Group's ongoing strategic development, which was discussed in detail with the Executive Board. The corporate strategy was updated on this basis and then approved at the Supervisory Board meeting on 3 December 2020.

The Supervisory Board also approved the medium-term financial planning for 2021 to 2024 on 3 December 2020.

### Adjustment of Executive Board remuneration

On 18 March 2020, the Supervisory Board adopted additional changes to the remuneration system for Executive Board members, which has been in place since 2020. These changes apply to new appointments and reappointments of Executive Board members. In order to implement the corresponding recommendations of the German Corporate Governance Code (GCGC), as amended on 16 December 2019, the decision was taken to offset the severance payment against the compensation payment resulting from a post-contractual non-compete clause and to limit the severance payment in the event of a change of control to 100% of the cap on severance pay provided for in Executive Board appointment contracts.

Within the framework of the resolution on the WSF stabilisation measures, in June 2020 the Supervisory Board continued to classify the current remuneration of the Executive Board as appropriate, notwithstanding the current crisis situation. This was particularly the case against the background of the voluntary waiver by the members of the Executive Board of 20% of their basic remuneration for the period from April to September 2020, the reduction or elimination of variable remuneration components due to the crisis, and the additional restrictions on Executive Board remuneration resulting from the framework agreement.

For the implementation of the remuneration restrictions of the framework agreement between Deutsche Lufthansa AG and WSF of 29 June 2020, on 21 September 2020 the Supervisory Board adopted a resolution to make the necessary adjustments (in particular with regard to variable remuneration) to Executive Board appointment contracts for the duration of the stabilisation measures or for the duration of the contractual restrictions. This included the temporary suspension of the ramp-up phase defined in the Share Ownership Guidelines until variable remuneration is granted again. All acting members of the Executive Board have declared that they have no entitlement to the granting of variable remuneration under their appointment contracts during the period of the stabilisation measures, with the exception of entitlements which had already been acquired before 21 June 2020.

<https://investor-relations.lufthansagroup.com/en/corporate-governance/executive-board/executive-board-compensation-system.html>

### Changes in Executive Board membership

Ulrik Svensson resigned from the Executive Board as Chief Financial Officer with effect from 6 April 2020 for health reasons. By circular resolution dated 21 April 2020, the Supervisory Board acknowledged the resignation of Ulrik Svensson from the Executive Board with effect from 6 April 2020 and approved the conclusion of a rescission agreement with effect from 30 April 2020.

Thorsten Dirks resigned from the Executive Board of the Company in the course of the conclusion of the government stabilisation measures. By circular resolution dated 26 June 2020, the Supervisory Board approved the premature termination of the Executive Board appointment of Thorsten Dirks and the conclusion of a corresponding rescission agreement with immediate effect.

The Supervisory Board thanks Ulrik Svensson and Thorsten Dirks for their valuable contributions to the Lufthansa Group over the past three years.

At its meeting on 21 September 2020, the Supervisory Board reappointed Harry Hohmeister as Member of the Executive Board of Deutsche Lufthansa AG with effect from 1 July 2021 for a term of three years, ending on 30 June 2024.

Furthermore, at its meeting on 10 November 2020, the Supervisory Board appointed Remco Steenbergen as Member of the Executive Board for Finance for a term of three years from 1 January 2021 to 31 December 2023.

### Changes in the Executive Board structure

After Ulrik Svensson resigned from the Executive Board as Chief Financial Officer with effect from 6 April 2020, the Supervisory Board approved the changes to the division of responsibilities developed by the Executive Board at its meeting on 8 April 2020 with effect from 15 April 2020. As part of these measures, the Executive Board was reduced from seven members to six, and responsibility for Finance functions was assigned to the remaining Executive Board members. The previous IT, Digital & Innovation function was expanded to include significant parts of the Finance function and renamed Digital & Finance. The Corporate Human Resources and Legal Affairs function was expanded to include functional responsibility for M&A. Functional responsibility for Purchasing was transferred to the Customer & Corporate Responsibility function, where responsibility for HR Management and People Development was also assigned to relieve the pressure on the Human Resources and Legal Affairs function, which was under significant strain during the coronavirus crisis. Investor Relations was transferred to the responsibility of the Chairman of the Executive Board and CEO.

With the appointment of Remco Steenbergen, the Supervisory Board approved the allocation of responsibilities as updated by the Executive Board with effect from 1 January 2021. In particular, the Finance functions were again bundled into an independent function.

Following the resignation of Thorsten Dirks from the Executive Board in June 2020, the IT functions were not transferred to an independent function. Instead, they are now part of the Customer, IT & Corporate Responsibility function, where they had been managed on an interim basis in the second half of 2020.

### Changes in the Supervisory Board

Stephan Sturm, whose term of office ended at the close of the Annual General Meeting on 5 May 2020, was elected to the Supervisory Board as a shareholder representative for a further five years. Herbert Hainer, Martina Merz, Michael Nilles and Matthias Wissmann left the Supervisory Board at the close of the Annual General Meeting on 5 May 2020. Erich Clementi, Thomas Enders, Harald Krüger and Astrid Stange were newly elected to the Supervisory Board. All four were elected to the Supervisory Board as shareholder representatives for five years. As at the end of 31 August 2020, Martin Koehler and Monika Ribar resigned their seats on the Supervisory Board to allow for the appointment of Michael Kerkloh and Angela Titzrath, who were nominated, at my suggestion, by the German government in its new role as shareholder of Deutsche Lufthansa AG. Michael Kerkloh and Angela Titzrath were appointed to the Supervisory Board by the Cologne District Court on 2 September 2020.

With the completion of the sale of LSG group's European business to gategroup Holding AG on 2 December 2020, Christina Weber resigned from the Company's Supervisory Board in accordance with the law. In the absence of a substitute member, Jürgen Jennerke was appointed to the Supervisory Board by the Cologne District Court as an employee representative on 8 December 2020.

Christian Hirsch resigned from the Supervisory Board of Deutsche Lufthansa AG with effect from 31 December 2020. Birgit Spineux succeeded him as a substitute member of the Company's Supervisory Board as of 1 January 2021.

The Supervisory Board thanks the former members for assuming their responsibilities and for their constructive and dedicated work in this challenging financial year.

In addition, Jutta Dönges, Member of the Executive Board of the Federal Republic of Germany - Finance Agency, has been exercising rights as a visiting member on the Supervisory Board of Deutsche Lufthansa AG since September 2020, as agreed with the WSF.

### Corporate Governance

The Supervisory Board has confirmed the basic target of 30% for the proportion of women on the Executive Board and has set 31 December 2021 as a deadline for meeting this target. Until 6 April 2020, women accounted for 14% of the Executive Board, 16% from 7 April 2020 to 26 June 2020, and 20% from 27 June 2020 to 31 December 2020. Since 1 January 2021, women have again accounted for 16% of the Executive Board. [www.lufthansagroup.com/corporate\\_governance\\_declaration](https://www.lufthansagroup.com/corporate_governance_declaration).

The statutory quota requiring Supervisory Boards to consist of 30% women is met by the Supervisory Board as a whole as well as by both the shareholder and employee representative groups.

We again reviewed the efficiency of our working practices this year using a detailed questionnaire. The atmosphere of discussion in the Supervisory Board was further improved, thanks largely to the measures implemented in previous years to improve the structure of the meetings.

In September 2020, the Supervisory Board, together with the Executive Board, issued an updated declaration of compliance with the GCGC. We also updated the requirements profile for the Supervisory Board. Following the changes to the composition of the Supervisory Board in 2020, the information on the current progress regarding implementation has been adjusted accordingly. [www.lufthansagroup.com/corporate\\_governance\\_declaration](https://www.lufthansagroup.com/corporate_governance_declaration). No conflicts of interest were disclosed in the financial year 2020.

### Work of the committees

The Supervisory Board has formed four committees, whose activities were each reported on at the beginning of the following Supervisory Board meeting. Further details on the composition of the committees can be found in [Executive Board and Supervisory Board, p. 124](#).

The Steering Committee met 16 times in 2020. In the period from 18 March 2020 to 21 September 2020, the Supervisory Board delegated its responsibilities for urgent cases to the Steering Committee to the extent legally permissible in order to ensure that it was able to act quickly in times of crisis. In addition, as in previous financial years, the Steering Committee prepared the Supervisory Board meetings, occupied itself with succession planning and the remuneration system for the Executive Board and made recommendations to the full Supervisory Board on all personnel decisions concerning the Executive Board.

In 2020, the Nomination Committee met once and the Audit Committee met six times, always in the presence of the auditors. By circular resolution of the Supervisory Board on 7 May 2020, Stephan Sturm was re-elected Chairman of the Audit Committee. He is qualified as a financial expert within the meaning of Section 100 Paragraph 5 of the German Stock Corporation Act (AktG) due to his long tenure as the CFO of a DAX-listed group. The Audit Committee discussed the financial statements for 2019 and the interim reports for 2020 with the CFO and the department heads with temporary responsibility, respectively before their publication. The committee also dealt with the supervision of accounting processes and the effectiveness of the internal control system, risk management and internal auditing systems. Furthermore, the members received regular reports on the compliance management system. They also discussed in detail the Group operational planning for 2021 to 2024, the medium-term financial planning, the combined non-financial declaration and the remuneration report pursuant to Section 162 AktG, which was subject to a voluntary limited assurance engagement by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, Germany. [Combined non-financial declaration, p. 86ff.](#)

The Arbitration Committee was not convened in the reporting period.

### Audit and adoption of the annual financial statements as of 31 December 2020, approval of the consolidated financial statements

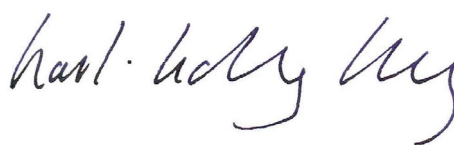
The Supervisory Board appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn, Germany, who were elected as auditors for the parent company and the Group at the Annual General Meeting 2020, to audit the financial statements and the consolidated financial statements, the combined management report and the system for the early identification of risks. The Audit Committee acknowledged the declaration of independence provided by Ernst & Young and discussed the main topics of the audit. No potential grounds for disqualifying the auditors or doubting their impartiality came to light during the course of the audit.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking account of interpretations by the IFRS Interpretations Committee as applicable in the European Union (EU). The auditors audited the annual financial statements and consolidated financial statements of Deutsche Lufthansa AG and the combined management report as of 31 December 2020 in accordance with the legal requirements, and had no reservations to make. They further confirmed that the system for the early identification of risks established by the Executive Board is suitable for the early identification of developments that could endanger the Company's continued existence. During their audit, the auditors did not come across any facts that would run contrary to the declaration of compliance.

On 26 February 2021, the Audit Committee discussed the audit reports in detail with the CFO in the presence of the two auditors who had signed the auditors' report. At the Supervisory Board accounts meeting on 3 March 2021, the auditors reported on their audit findings and answered questions. We examined the financial statements and the consolidated financial statements of Deutsche Lufthansa AG, as well as the combined management report, including the combined non-financial declaration and the remuneration report pursuant to Section 162 AktG, and had no objections to make. The financial statements and the consolidated financial statements were approved. The 2020 annual financial statements of Deutsche Lufthansa AG as prepared by the Executive Board have thereby been adopted. A resolution on the use of the distributable profit was not necessary due to the net loss for the year reported in the commercial balance sheet.

The Supervisory Board thanks the Executive Board and all employees for their work in 2020, which was such a difficult year for aviation. There is currently no indication that 2021 will be any easier. We wish everyone at Lufthansa good health, and the strength to cope with the privations, restrictions and extra work caused by the pandemic. We are all eagerly looking forward to a time when people can travel light-heartedly again and the Lufthansa Group can again connect people, cultures and economies without restraints.

Frankfurt, 3 March 2021



For the Supervisory Board  
Karl-Ludwig Kley, Chairman

## Lufthansa share

Airline shares severely affected by coronavirus crisis. | The Lufthansa share declines less than that of other European network airlines. | Number of shareholders increases significantly.

### Lufthansa share decline reflects challenging industry situation

The coronavirus pandemic put an immense strain on share price developments in the airline industry in 2020. This pressure also affected the Lufthansa share. Starting from a level of EUR 16.68 on 2 January 2020, the share price dipped to EUR 7.18 on 24 April 2020 in the wake of the global spread of the coronavirus. As a result, the share price recovered – supported by a likely upswing in demand in the summer months and the agreement of government stabilisation measures. However, rising infection figures and increasing travel restrictions then triggered renewed losses, resulting in the share price reaching its low for the year of EUR 7.05 on 25 September 2020. Towards the end of the year, the Lufthansa share price rose again, driven by progress in the development of effective vaccines.

As of 31 December 2020, the Lufthansa share traded at EUR 10.82. This means that the share recorded a total loss of 34% in the reporting year. However, the Lufthansa share performed better than the shares of the other two European network airlines, IAG and Air France-KLM, which were down 63% and 48% respectively in 2020. By contrast, the MDAX index, where the Lufthansa share has been listed since 22 June 2020, rose by 9% in the same period.

### WSF stabilisation measures exclude dividend payments for the time being

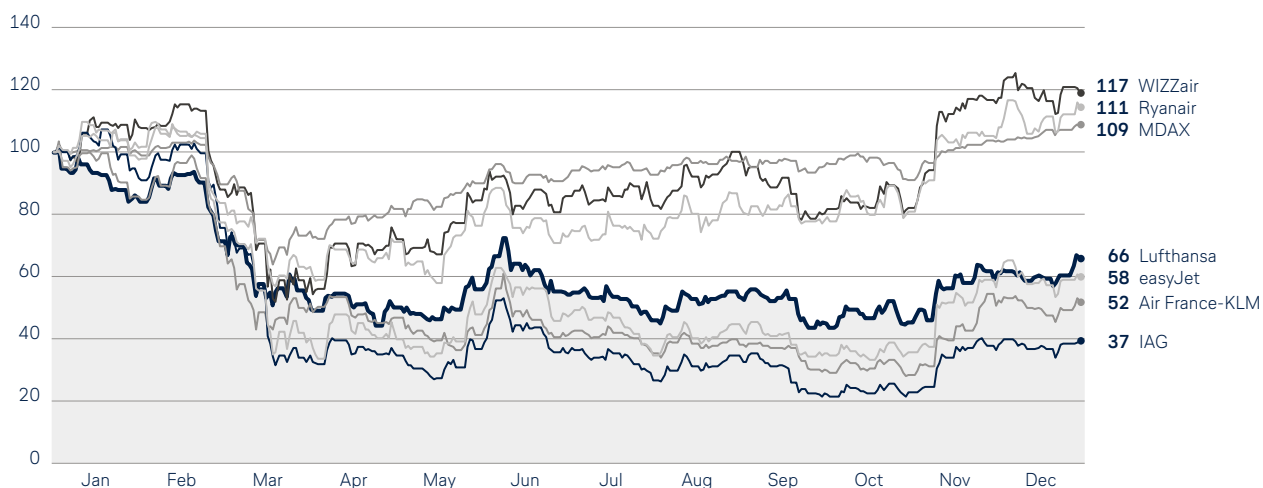
The stabilisation measures of the Economic Stabilisation Fund (WSF) preclude the payment of dividends until the loans and silent participations have been repaid in full and all the shares of the Company held by the WSF have been disposed of. In the long term, however, shareholders are expected to once again participate directly in the Company's success. ➤ **Financial strategy and value-based management, p. 21ff.**

#### C01 PERFORMANCE OF THE LUFTHANSA SHARE

LUFTHANSA'S SHARE PRICE AS OF 31 DEC 2020

indexed as of 31 Dec 2019, compared with the MDAX and competitors, in %

**10.82 €**





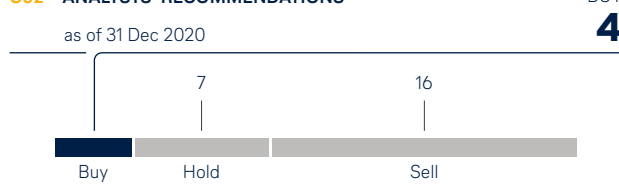
**T007 THE LUFTHANSA SHARE: KEY FIGURES**

		2020	2019	2018	2017	2016
Year-end share price	€	10.82	16.41	19.70	30.72	12.27
Highest share price	€	16.68	23.51	30.90	31.12	15.29
Lowest share price	€	7.05	12.85	17.31	11.32	9.30
Number of shares	millions	597.7	478.2	475.2	471.3	468.8
Market capitalisation (at year-end)	€bn	6.5	7.8	9.4	14.5	5.8
Earnings per share	€	-12.51	2.55	4.58	4.98	3.81
Dividend per share	€	-	-	0.80	0.80	0.50
Dividend yield (gross)	%	-	-	4.1	2.6	4.1
Dividend payout	€m	-	-	380	377	234
Total shareholder return	%	-34.1	-12.6	-33.3	154.4	-12.3

**Analyst recommendations are mixed**

At year-end, of the 27 equity analysts tracking the Company, four recommended buying the share, seven recommended holding it, and 16 selling it. Many analysts point to increased corporate debt, which reduces the company value attributable to shareholders, as the reason for their sell recommendation. The average target price was EUR 6.52 with a range of EUR 0.50 to EUR 14.10.

**C02 ANALYSTS' RECOMMENDATIONS<sup>1)</sup>**



<sup>1)</sup> Average target price: EUR 6.52, average of 27 analysts.  
Range: EUR 0.50 to EUR 14.10.

**Number of shares increases due to capital increase**

Deutsche Lufthansa AG's issued capital increased by 20% in the reporting year due to the WSF participation in the stabilisation measures and the subsequent capital increase. A total of 119,548,565 new shares were issued, which were all subscribed by the WSF. This brought the number of shares issued to 597,742,822.

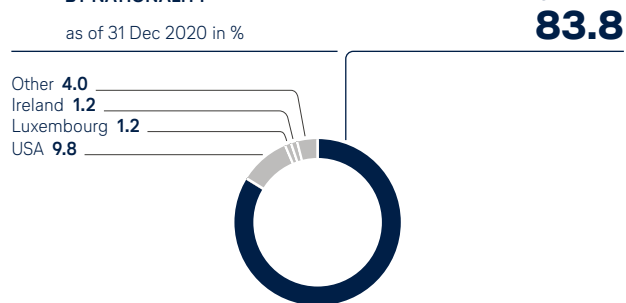
**Changes in the shareholder structure increase the share of German investors in the Company**

In order to protect international air traffic rights and its operating licence, the German Aviation Compliance Documentation Act (Luftverkehrsnachweissicherungsgesetz - LuftNaSiG) requires Lufthansa to provide evidence that a majority of its shares are held by German shareholders. For this reason, all Lufthansa shares are registered shares with transfer restrictions.

At the end of 2020, the shareholders' register showed that German investors held 83.8% of the shares (previous year: 67.3%). The main contributors to the increase were the equity investments made by the WSF and Heinz Hermann Thiele. They were the two largest shareholders in the Lufthansa Group at year-end, holding 20.05% and 12.42% of the voting shares, respectively. The second largest group, with 9.8%, was shareholders from the USA. Investors from Luxembourg and Ireland each accounted for 1.2%. This ensures compliance with the provisions of the German Aviation Compliance Documentation Act (LuftNaSiG).

According to the definition of Deutsche Börse, 72% of Lufthansa shares are in free float. As of the reporting date, 52% of the shares were held by institutional investors (previous year: 58%) and 48% were held by private individuals (previous year: 42%). The number of shareholders increased from 356,932 at year-end 2019 to 565,357 at year-end 2020, mainly due to the high number of new private shareholders. The shareholder structure is updated quarterly and published on the website [www.lufthansagroup.com/investor-relations](http://www.lufthansagroup.com/investor-relations). The notifications on voting rights received by the Company from shareholders and published during 2020 are also available there.

**C03 SHAREHOLDER STRUCTURE BY NATIONALITY**



Free float: 72%

### Executive Board members buy Company shares

Several members of the Executive Board bought shares in Deutsche Lufthansa AG over the course of 2020. Carsten Spohr bought a total of 39,937 shares for EUR 408,627.36. Harry Hohmeister purchased a total of 22,309 shares for EUR 220,502.90. These announcements can also be found on the website [www.lufthansagroup.com/investor-relations](https://www.lufthansagroup.com/investor-relations).

### Lufthansa is included in the MDAX and other important indices

Due to the share price losses resulting from the coronavirus crisis and the reduced free float, the Lufthansa share has, since 22 June 2020, not been listed on the DAX30 index and is now on the MDAX index instead. At year-end, the share had an index weighting of 1.56%. With a market capitalisation of EUR 6.5bn, the Lufthansa Group came in at number 52 (previous year: 34) in the ranking of DAX companies by market capitalisation. In terms of stock market turnover, the Lufthansa share was at number 20 (previous year: 21) with revenue of EUR 21.1bn (previous year: EUR 18.8bn). The average daily XETRA trading volume of the share in 2020 was 8,321,590 shares (previous year: 4,304,869 shares).

The Lufthansa share is also included in many classic international share indices. It is also represented in several sustainability indices, such as the EURO STOXX Sustainability Index and the MSCI EMU ESG.

#### T008 THE LUFTHANSA SHARE: DATA

ISIN International Security Identification Number	DE0008232125
Security identification number	823212
German stock exchange code	LHA
Stock market listing	Frankfurt
Prime sector	Transport & Logistics
Industry	Airlines
Indices (Selection)	MDAX, EURO STOXX, STOXX Global, Bloomberg EMEA Airlines Index, Bloomberg European Travel Index, DAX 50 ESG, MSCI EMU ESG, Vanguard ESG INTL STOCK ETF, STOXX Sustainability, EURO STOXX Sustainability

### American Depositary Receipts (ADRs) offer an alternative to equity investment

In addition to its stock market listings in Germany, investors who are only allowed to invest in securities denominated in US dollars can also gain exposure to the Lufthansa Group via the “Sponsored American Depositary Receipt Program” (ADR). The programme is managed by Deutsche Bank Trust Company Americas. Lufthansa ADRs are also registered on the standardised trading and information platform OTCQX. At year-end, 6,146,428 ADRs were outstanding (31 December 2019: 3,751,056). Based on the 1:1 ratio to the share, this corresponds to around 1% of the issued capital.

### Lufthansa Group pursues intensive dialogue with investors despite restrictions imposed by the coronavirus pandemic

As in prior years, the Lufthansa Group again provided its shareholders with timely, comprehensive information in the 2020 financial year. In addition to the quarterly meetings, the Executive Board and Investor Relations team held many roadshows and investor conferences to inform institutional investors about current developments at the Group in 2020. Due to the restrictions imposed by the coronavirus pandemic, most events of this type took place virtually. There were also intensive exchanges with debt investors, especially in the context of the issue of two bonds. [➤ Financing, p. 43ff.](#)

In May 2020, the Group hosted more than 10,000 shareholders who logged on to the first Annual General Meeting which was held exclusively online. During another virtual extraordinary general meeting in June, the government stabilisation packages were presented to the more than 30,000 shareholders who had logged on, and were put to a vote.

All the publications, financial reports, presentations, the quarterly shareholder information letter and the latest news are available at [www.lufthansagroup.com/investor-relations](https://www.lufthansagroup.com/investor-relations). The site also contains the financial calendar and the dates of all the conferences and shareholder events that the Lufthansa Group will be attending.

# COMBINED MANAGEMENT REPORT

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## Principles of the Group

# Business activities and Group structure

Lufthansa Group is a leading European airline group. | Company portfolio consists of Network Airlines, Eurowings and Aviation Services. | Organisational structure is being modified. | Executive Board restructured.

### Lufthansa Group is a leading European airline group

The Lufthansa Group is an aviation company with operations worldwide. It plays a leading role in its European home market. The Lufthansa Group is composed of the segments Network Airlines, Eurowings and Aviation Services. ↗ **Business segments, p. 51ff.**

The Network Airlines segment comprises Lufthansa German Airlines, SWISS, Austrian Airlines and Brussels Airlines. Eurowings focuses on short-haul routes in direct traffic. Aviation Services particularly includes the Logistics, MRO and Catering segments.

As part of the focus on the airline business, a contract with gategroup was signed in late 2019 for the sale of the LSG group's European business. The sale was closed on 2 December 2020 once the purchaser, gategroup, had met the conditions set by the European Commission. LSG group's international activities are to be sold as soon as the operating environment permits.

The Lufthansa Group also comprises the Additional Businesses and Group Functions, which consist of Lufthansa AirPlus, Lufthansa Aviation Training, and Lufthansa Systems.

The business segments and the airlines are each under their own management. Overall coordination is by means of the Executive Board of Deutsche Lufthansa AG or the Group Executive Committee, which essentially consists of the members of the Executive Board of Deutsche Lufthansa AG and the CEOs of the main companies.

### ReNew restructuring programme to set the Company up for the future

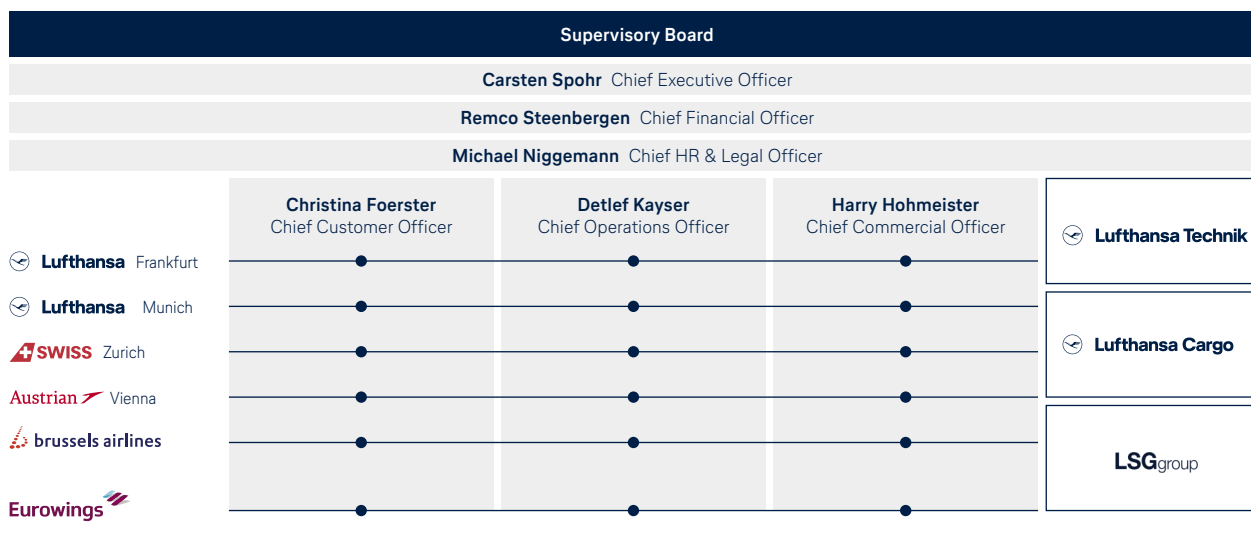
With its Group-wide restructuring and transformation programme ReNew, the Lufthansa Group is putting the company on track for a viable future. After the coronavirus crisis, the Lufthansa Group is to be smaller, leaner and more efficient.

The workforce is to be adjusted in line with the market contraction caused by the pandemic and is currently planned to be reduced by around 27,000 full-time equivalents (FTE). The number of management positions will be reduced by at least 20%.

In the new organisational structure, decisions should be taken faster, processes sped up and collaboration simplified. The functional process organisation (matrix organisation) will be focused on the core functions of the Lufthansa Group airlines. A new management model with clearly defined responsibilities (decentralised or centralised, depending on the process) is to be introduced for all other areas. A separate executive board was formed for Lufthansa German Airlines, consisting of the Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer and Chief Operations Officer.



**C04 LUFTHANSA GROUP STRUCTURE**



**New division of responsibilities for the Executive Board of Deutsche Lufthansa AG**

Responsibilities on the Executive Board of Deutsche Lufthansa AG were changed over the course of the reporting year and the number of Board members reduced from seven to six. The titles of the functions were also changed at the start of 2021.

Chief Executive Officer of Deutsche Lufthansa AG is Carsten Spohr.

Chief Financial Officer is Remco Steenbergen, who has been a member of the Executive Board since 1 January 2021. He succeeds Ulrik Svensson, who resigned from the Executive Board as of 6 April 2020 for health reasons.

Chief HR & Legal Officer is Michael Niggemann.

Chief Customer Officer is Christina Foerster. She is also responsible for IT, Corporate Responsibility and the Lufthansa Innovation Hub.

Chief Operations Officer is Detlef Kayser. In this function, he is also responsible for the central steering of the ReNew restructuring programme.

Chief Commercial Officer is Harry Hohmeister.

Thorsten Dirks resigned from the Executive Board as of 30 June 2020. No replacements were appointed in the new Executive Board structure.

# Goals and strategies

Market position as a leading European airline group to be strengthened by coping successfully with the coronavirus crisis. | Airlines form the core of the Lufthansa Group. | Focus is on restructuring, consistent attention to customer needs and long-term increases in profitability and cash flow. | Sustainability and corporate responsibility are an established part of the Group strategy.

## GROUP STRATEGY

### Position as leading European airline group

The Lufthansa Group positions itself among the largest airlines in the world and assumes the role of leading European airline group. In this role, the Lufthansa Group aims to continue to play a part in actively shaping the global airline market. It strives to follow the mission statement: the Lufthansa Group connects people, cultures and economies in a sustainable way. In doing so, it aspires to set standards in terms of sustainability and customer-friendliness. It uses the potential of innovation and digitalisation to develop customer-focused products and increase efficiency. Corporate responsibility and identity are put into practice locally and supported by overarching functional processes that enable synergies and economies of scale. A strict focus on costs, operational stability and reliability in all areas are firmly established in the DNA of the Lufthansa Group. The safety of flight operations is and will always be the top priority.

Structuring the Group along the airline value chain helps to maximise synergies between segments and makes it possible to scale business from external markets at the same time. The airlines form the core of the Lufthansa Group, with their comprehensive networks in their home markets of Germany, Austria, Switzerland, Belgium and northern Italy. In two business models – network airlines and point-to-point airlines – they serve the relevant customers and market segments with dedicated brands and differentiated quality promises, connecting Europe with the world. The airline business is supplemented by Aviation Services that have synergies with the airlines. The aim is to continue strengthening the role of the airlines in the portfolio of operating segments over the long term. ➤ **Business segments, p. 51ff.**

### Transformation of the Lufthansa Group is to secure long-term economic success

The aviation industry is defined by dynamic markets and competition, even when not facing a pandemic. The main drivers of this dynamism are exogenous uncertainty, changing customer demands and shifts in the value chain. These include new data-driven decision-making tools that have an increasing influence on airlines' distribution and increased activity from aircraft and engine manufacturers in the maintenance business. To meet these challenges, the core principles of the corporate strategy are continuous transformation and modernisation of the Lufthansa Group. The aim is to safeguard the Lufthansa Group's leading market position by making it a more agile, flexible and competitive organisation.

### Effects of the coronavirus pandemic are a significant burden for the Lufthansa Group

The coronavirus pandemic has had an impact on the aviation industry unlike any seen before. The travel restrictions imposed in reaction to the pandemic and the global economic slump pose fundamental challenges for the industry and the Group. Experts assume that demand will not regain its pre-crisis level any earlier than 2024. The pace of recovery is subject to great uncertainty, however, especially concerning the spread of the coronavirus and its mutations, the availability of vaccines, and potentially lasting changes in travel patterns.

➤ **Forecast, p. 118ff.**

The Lufthansa Group has tackled the short-term effects of the pandemic by quickly adjusting available capacity to meet reduced demand, cutting costs, taking further steps to safeguard liquidity, and ensuring the Company's solvency by raising new funds, particularly in the form of government stabilisation measures. ➤ **Course of business, p. 35ff.**

The Group is anticipating the long-term effects of the crisis by adapting to a permanently smaller market with a comprehensive restructuring programme and adjusting its strategy to make the best possible use of the market opportunities resulting from the changes wrought by the crisis. Above all, this means focussing even more closely on individual customer needs, expanding its position in the tourism segment, and differentiating the various Group airlines within the framework of the multi-airline model, while simultaneously increasing synergies and reducing complexity.

**The ReNew restructuring programme supports successful management of the crisis and implementation of the strategy**

Successfully coping with the pandemic is a prerequisite for the strategic development of the Lufthansa Group. The comprehensive restructuring programme ReNew was set up for this purpose. It combines all the restructuring programmes at the airlines and service companies in the Group. On the basis of this fundamental restructuring, the intention is to improve profitability and cash flows, refinance and repay the funding from the government support package as quickly as possible and achieve the strategic objectives.

ReNew guides and coordinates all the restructuring activities on the basis of four modules:

- ReStructure combines the decentralised restructuring programmes for the airlines and Aviation Services. Its overarching goal is to catch up with the leading competitors in the respective markets in terms of profitability. The main focus is on the implementation of a much smaller and more efficient production structure in all Group companies. This entails a reduction of the operating fleet by around 150 aircraft, as well as the currently planned reduction of the workforce by some 27,000 full-time equivalents, which cannot be maintained long-term with the lower production volumes. ➔ **Fleet, p. 25f., Employees, p. 28ff.**
- ReOrg serves to implement a more efficient organisational structure, including turning Lufthansa German Airlines into an autonomous company as well as restructuring the Group Functions and matrix process organisation. This will entail, among other things, the loss of around 1,000 administrative FTE in Group Functions and the reduction of management positions across the Group by at least 20% compared with the period before the crisis. Downsizing the Executive Board of Deutsche Lufthansa AG and the management boards of subsidiaries compared with 2019 was also part of this measure.

- ReFocus aims to focus the Lufthansa Group even more sharply on its core airline business, so that the portfolio of operating segments is made up exclusively of synergistic units. This means that the sales process for the remaining non-European business of the LSG group should be resumed as soon as possible. Disposals of other non-airline companies are also under review.
- RePay aims to plan, coordinate and implement the refinancing and prompt repayment of all the funding from the government support packages and existing financial liabilities on the best possible terms. Suitable financial instruments for this purpose are being evaluated. In addition, suitable measures are to be taken to strengthen the balance sheet of the Lufthansa Group and optimise its gearing in order to obtain an investment grade rating again. ➔ **Financial strategy and value-based management, p. 21ff.**

**Consistent focus on critical success factors**

The strategic objective of the Lufthansa Group is to continuously align its services, business models and organisational structures with the complex and dynamic market environment. This will make it possible to systematically make use of the opportunities arising from trends and changes to the market. Key success factors are a consistent focus on customer needs, close attention to costs and responsible, sustainable business practices. Flexibility and adaptability are increasingly important as the market becomes more dynamic.

**Consistent alignment of products with customer needs for greater attractiveness**

In view of changes to the structures of supply and demand, an even greater focus on the customer is a core element of the Group strategy. The aim is put customers, with their individual wishes and needs, at centre stage and further increase customer loyalty by implementing holistic measures which offer direct and tangible customer benefits. At the same time, the intention is to make the travel experience as simple, flexible and individual as possible.

A particular focus is on the seamless digital travel experience for the customer, which is linked with personal appreciation. By concentrating on products and services with direct relevance for the purchase decision and willingness to pay, the focus on the customer is reconciled with the necessary structural cost reductions. For instance, automated and contactless processes, such as the self-service baggage drop and check-in, assistance in the event of flight irregularities and general interactions with customers make travelling easier for passengers.

Customer services will continue to be automated, including goodwill gestures and improved digital information across a variety of channels. Customer-facing employees will also have greater decision-making authority in order to offer passengers an even better service. Products will continue to be made more modular, as with different Business Class seat types or the introduction of an individual, high-quality catering range for sale on short and medium-haul flights in Economy Class, because this makes it possible to align them even more closely with customer needs.

Consistent use of the potential for innovation and digitalisation is the foundation for increasing customer satisfaction and boosting efficiency in an operating environment determined by higher customer expectations and pressure to be efficient. Modular solutions will increasingly feature in product and service development to limit investment risks. The products and services of partners will also be used in areas in which the Lufthansa Group cannot provide them cost-effectively itself. Customer-related tasks have been combined with IT and digital activities in one Executive Board function for this purpose. Allocating clear responsibility for defining and developing new products, services and customer loyalty measures makes it possible for customers and their individual wishes to always take centre stage.

#### **Lufthansa Group to focus increasingly on sustainability and social responsibility**

Responsibility is the basis for commercial activity in the Group. The Lufthansa Group aspires to lead the airline industry with high standards of responsibility. It therefore builds continuously on its environmental commitment, is dedicated to many social issues and treats its employees responsibly and fairly. ➔ **Combined non-financial declaration, p. 86ff.**

In terms of environmental policy, the Lufthansa Group aims to cut its net carbon emissions in half by 2030 compared with 2019 and supports the objective of making aviation carbon neutral by 2050. To this end, the Lufthansa Group continues to invest in fuel-efficient aircraft, accompanied by steps to increase the operating efficiency of the airlines, carbon offsets, and the further expansion of intermodal traffic in cooperation with Deutsche Bahn, Austrian Railways and various bus operators. The Lufthansa Group also works with policymakers and partners in industry, technology and research to support the industrialisation and use of sustainable fuels.

In addition, the Lufthansa Group includes sustainability aspects as a vital factor in the design of its products and services. The Lufthansa Group platform Compensaid offers Group passengers and travellers with other companies attractive and personalised ways of making carbon offsets via various sales channels. In its product and service development, the Lufthansa Group systematically applies the principles “reduce – recycle – reuse – replace”. Here the aim is to replace disposable plastic products with environmentally friendly products wherever possible and to reduce plastic packaging overall.

In terms of responsibility for its employees, the Lufthansa Group attaches great importance to offering its staff an attractive working environment with transparent structures, efficient processes and a wide range of voluntary social benefits. This is vital for retaining committed employees who can tackle future challenges and for ensuring that the Company is competitive and successful. In terms of social responsibility, the Company promotes greater equality of opportunity for disadvantaged people worldwide via the financial and material support for educational establishments and training provided by helpalliance, the Group’s own aid organisation.

The central importance of sustainable business for the Lufthansa Group is reflected in the fact that it is represented by a dedicated Executive Board function. Implementation of the sustainability strategy is further supported by its embeddedness in Executive Board remuneration and the audited disclosures in the non-financial declaration.

Dialogue with the Company’s stakeholders is also a component of sustainable corporate governance. This continuous exchange gives the Lufthansa Group a better understanding of its different interest groups’ needs, expectations and wishes, which permits their inclusion in the Company’s business practices.

#### **Multi-airline business model ensures the success of the Lufthansa Group**

The airlines form the core of the Lufthansa Group. Their nationwide presence in their home markets enables them to offer an attractive range of flights and route networks. The Lufthansa Group aims to maintain the leading market position of its airlines going forward. To ensure that this is the case, the Lufthansa Group’s traffic system is being transformed into a multi-traffic system, consisting of hubs, direct traffic and intermodal offerings.



Lufthansa German Airlines and SWISS will continue to set standards for quality and cost-effectiveness in these areas in future. With their wide range of destinations and frequent flights, they offer the greatest connectivity of all the European airlines.

Austrian Airlines and Brussels Airlines connect their home markets with Europe and the world. At the same time, they combine a high-quality and attractive product with a low cost base, which can hold its own against low-cost carriers at the bases in Vienna and Brussels.

With Eurowings, the Lufthansa Group has an innovative and competitive offering in direct traffic, which addresses both price-sensitive and service-oriented customers with low-cost basic fares and additional service options that can be booked flexibly.

As a consequence of the market disruption caused by the pandemic, all the airlines in the Lufthansa Group are implementing restructuring programmes to cut costs and permanently secure sufficient profitability. In addition to reducing operating costs across the board, adapting the headcount in flight operations and administration to future demand is an important instrument for achieving this goal.

➤ **Employees, p. 28ff.**

The existing commercial integration of the airlines is being intensified to exploit potential synergies to the fullest and minimise the need for coordination. The functional organisational structure that has proven successful at Network Airlines will be extended to direct traffic in future. This will allow the Lufthansa Group to establish faster, more direct decision-making processes, particularly between Group Functions and the subsidiaries.

The total number of flight operations is being cut to reduce the complexity of the production landscape. Economies of scale will be realised consistently and flight operations with competitive structures and a good operating performance will be scaled up. At the same time, production is being made more flexible in order to better balance market volatility and seasonality. Examples include the termination of flight operations at SunExpress Germany and of passenger flight operations at Germanwings.

The ongoing optimisation of the Group fleet has been accelerated as a result of the crisis. Key targets are the systematic renewal of the fleet to cut fuel consumption, reduce carbon emissions and trim the number of aircraft models by retiring and phasing out older, less efficient aircraft, such as the Airbus A340-600 and A380. Phasing out large aircraft also increases operating flexibility. The fleet is to be scaled back by 150 aircraft compared with the size before the pandemic. ➤ **Fleet, p. 25f.**

In order to exploit opportunities in the long-distance leisure travel market, the range of long-haul connections from the hubs in Frankfurt and Munich aimed at private travellers is being expanded. Some of these routes will in future be carried out under the Eurowings Discover brand, whereby passengers benefit from the broad feeder network and the established ground processes of Lufthansa German Airlines. Lufthansa German Airlines is also making use of its global distribution strength.

In order to strengthen the market presence in the main traffic flows, successful joint ventures are being expanded and partnerships intensified in key markets such as South America and India. The range of intermodal transport solutions that are seamlessly integrated into the travel chain is also being extended. Although the pace of consolidation in the airline industry has slowed temporarily but significantly as a result of the coronavirus crisis, the Lufthansa Group still aims to drive the consolidation of the airline sector actively as soon as the conditions are right.

#### **Aviation Services to be aligned with the needs of the airline group**

With its Aviation Services, the Lufthansa Group has several companies that are global leaders in their respective sectors. In order to secure and build on their successful positioning, Aviation Services are permanently adapting their business models to changing markets and competitive environments. Lufthansa Cargo is becoming an integrated airfreight logistics company by digitalising the logistics chain and achieving growth by intensifying its worldwide joint ventures. Miles & More is the central programme for customer loyalty and is developed continuously by means of systematic alignment with customers' interests. This entails adapting the structure of the programme, for instance, and making the Miles & More partnerships broader and deeper in order to make the programme even more attractive.




The value contributed to the Lufthansa Group by every one of the Aviation Services is reviewed and refined continuously. In connection with its positioning as an airline group, the Lufthansa Group not only assesses the attractiveness of the individual market segments, it also determines whether it is the best owner for the respective company on the basis of existing or potential synergies. It may therefore make sense for certain Aviation Services companies to be developed outside the Lufthansa Group or together with partners.

Following the sale of LSG group's European business in 2020, the disposal of LSG group's international business will be taken forward as soon as conditions allow. Disposal and partnering options for all or part of Lufthansa Technik and AirPlus are also under review, taking into account the necessary capital expenditure, synergies and value creation potential.

In view of the fundamental impact of the coronavirus crisis, restructuring programmes are also being implemented at the Aviation Services companies to increase efficiency, cut costs and strengthen their competitiveness.

## FINANCIAL STRATEGY AND VALUE-BASED MANAGEMENT

### C05 FINANCIAL STRATEGY

Sustainable increase of Company value			
			
	Return to value creation	Generation of strong free cash flows	Maintain financial stability
<b>Focus</b>	<ul style="list-style-type: none"> <li>– Restructuring to adapt to changed market conditions</li> <li>– Improved return on capital</li> <li>– Continuous reduction of environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>– Increase in operating result</li> <li>– Working capital management</li> <li>– Value-adding capital expenditure</li> </ul>	<ul style="list-style-type: none"> <li>– Reduction in net indebtedness</li> <li>– Return to investment grade rating</li> <li>– Minimisation of financial risks</li> </ul>
<b>Target</b>	<ul style="list-style-type: none"> <li>– Adjusted ROCE</li> <li>– Adjusted EBIT margin<sup>1)</sup></li> <li>– Specific CO<sub>2</sub> emissions</li> </ul>	<ul style="list-style-type: none"> <li>– Adjusted free cash flow</li> </ul>	<ul style="list-style-type: none"> <li>– Adjusted net debt/Adjusted EBITDA</li> </ul>

<sup>1)</sup> Derivation → Earnings position, p.38ff., Financial position, p. 42ff.

### Financial strategy aims to increase Company value

The financial strategy of the Lufthansa Group seeks to increase its Company value in a sustainable manner. It will concentrate on three dimensions: returning to value creation, generating free cash flows and maintaining financial stability. The successful implementation of the financial strategy should make it possible to repay the stabilisation funds and loans that the Company received to overcome the coronavirus pandemic.

### Returning to value creation

#### Sustainable value creation in the Company

The Lufthansa Group applies a value-based system of management. At its centre is the return on capital. This is measured by the indicator Adjusted Return on Capital Employed (Adjusted ROCE). If Adjusted ROCE exceeds the weighted average cost of capital (WACC), the Company is creating value.

The Company's profitability is measured by Adjusted EBIT. The adjustments eliminate non-recurring, non-operating effects and thus improve the presentation of the Company's operating performance. Items that require adjustment are listed in a catalogue which has not been altered since 2015. They largely consist of the gains and losses on the disposal of assets and impairment losses and earnings attributable to other periods in connection with pension obligations. → T021 Reconciliation of results, p. 40.

The use of capital is also optimised by strict working capital management and ensuring that capital expenditure adds value.

Finally, the Lufthansa Group factors specific carbon emissions into its management system in order to enable sustainable value creation that does not come at the expense of a higher environmental impact. In fact, the aim is to reduce specific carbon emissions continuously. Information about the long-term goals for reducing carbon emissions can be found in the → Combined non-financial declaration/Climate protection, p. 90ff.

The Company's value creation was negative in 2020 due to the pandemic. The Adjusted ROCE margin after tax was -16.7% (previous year: 6.6%), whereas WACC was unchanged year-on-year at 4.2%. Adjusted EBIT came to EUR -5,451m in 2020 (previous year: EUR 2,026m). The Adjusted EBIT margin, i.e. the ratio of Adjusted EBIT to revenue, was therefore -40.1% (previous year: 5.6%). ➤ **Earnings position, p. 38ff.** Specific CO<sub>2</sub> emissions per passenger-kilometre (without wet leases) were 105.2 grammes in 2020, 14% higher than the previous year (previous year: 92.2 grammes). ➤ **Combined non-financial declaration/Climate protection, p. 90ff.**

**T009 CALCULATION OF ADJUSTED ROCE AND COST OF CAPITAL<sup>1)</sup>**

in €m	2020	2019	Change in %
Revenue	13,589	36,424	-63
Other operating income	2,072	2,574	-20
<b>Operating income</b>	<b>15,661</b>	<b>38,998</b>	<b>-60</b>
Operating expenses	22,750	37,309	-39
Result from equity investments	-264	168	
<b>EBIT</b>	<b>-7,353</b>	<b>1,857</b>	
<b>Adjusted EBIT</b>	<b>-5,451</b>	<b>2,026</b>	
Interest on liquidity	84	79	6
Taxes (assumption 25% of EBIT + Interest on liquidity)	1,817	-484	
Cost of capital <sup>1)</sup>	-1,011	-1,007	0
<b>EACC</b>	<b>-6,463</b>	<b>445</b>	
<b>ROCE<sup>2)</sup> in %</b>	<b>-22.7</b>	<b>6.1</b>	<b>-28.8 pts</b>
<b>Adjusted ROCE<sup>3)</sup> in %</b>	<b>-16.7</b>	<b>6.6</b>	<b>-23.3 pts</b>
Balance sheet total	39,484	42,659	-7
Non-interest bearing liabilities			
of which liabilities from unused flight documents	2,064	4,071	-49
of which trade payables, other financial liabilities, other provisions	3,856	5,868	-34
of which advance payments, deferred income, other non-financial liabilities	4,305	3,089	39
of which others	6,145	4,575	34
Capital employed	23,114	25,056	-8
<b>Average capital employed<sup>4)</sup></b>	<b>24,068</b>	<b>23,982</b>	<b>0</b>
WACC in %	4.2	4.2	0.0 pts

<sup>1)</sup> WACC x Average capital employed.

<sup>2)</sup> (EBIT + Interest on liquidity - 25% taxes)/Average capital employed.

<sup>3)</sup> (Adjusted EBIT + Interest on liquidity - 25% taxes)/Average capital employed.

<sup>4)</sup> Average capital employed in 2019 including IFRS 16 right-of-use assets as of 1 January 2019.

**Restructuring creates conditions for a return to profitable and sustainable growth**

The restructuring and transformation programme ReNew will set the Company up for the changes in the market environment resulting from the crisis. The modifications it will make to the cost structures reflect the lower market volumes that are expected to persist for many years and create the conditions for a return to a positive operating result. The necessary measures are primarily being identified and implemented in the business segments. ➤ **Business segments, p. 51ff.** In addition, the ReNew programme provides for central steering and coordination of the activities.

Even once the pandemic is over, the aim is to increase structural profitability by continuously reducing unit costs, simplifying processes and structures and improving productivity.

**Generation of strong free cash flows**

**Generation of strong free cash flows is a principal goal of financial management**

As a result of the coronavirus pandemic and the stabilisation measures necessary because of it, the Company's net debt has risen significantly. One prerequisite for the prompt repayment of this funding is to generate strong free cash flows. As well as increasing the operating result, the main instruments for achieving this are strict working capital management and an investment focus on projects with the highest value creation.

Adjusted free cash flow in 2020 came to EUR -3,669m (previous year: EUR 203m). ➤ **Financial position, p. 42ff.**

**Improvements in working capital management support cash flow generation**

In strengthening and intensifying working capital management even once the acute crisis is past, the aim is to improve cash flow. The focus is on optimising the capital committed to the short-term operating business. Specifically, measures may include strict receivables management, improving or extending the payment targets for suppliers and optimising inventories. In view of the crisis, options such as requiring advance payments from customers or deferring payments may be examined and used in special cases.

### **Focused investing activities to maximise return on capital employed**

As a rule, the Lufthansa Group endeavours to concentrate its capital expenditure on projects with the highest value creation. Investments planned in all segments for 2020 and 2021 have been reviewed and postponed – whenever possible and economically viable – in order to minimise short-term cash outflows. Capital expenditure was thus reduced in 2020 from the more than EUR 3bn originally planned to EUR 1.3bn.

Capital expenditure should remain lower than before the coronavirus pandemic. However, the Lufthansa Group will continue to invest in the renewal of its fleet, in-flight and ground products and infrastructure. The aircraft on order serve mainly to replace older, less efficient models. The allocation of new aircraft to the different airlines and bases is constantly optimised according to value-based criteria. This makes the investment profile more balanced and increases focus on the deployment of capital.

Gross capital expenditure (without expenditure on equity investments) fell by 64% to EUR 1,273m in 2020. This was primarily achieved by restructuring the payment plans for aircraft investments. Advance and final payments for aircraft and aircraft components along with aircraft and engine overhauls account for most of the capital expenditure.

➤ **C12 Primary, secondary and financial investments, p. 42.**

Reducing capital expenditure compared with the original budget made a major contribution to limiting the fall in free cash flow.

### **Free cash flow used to reduce debt**

Before the coronavirus pandemic, the Lufthansa Group's dividend policy was to distribute to shareholders 20% to 40% of net profit, adjusted for non-recurring gains and losses. The crisis prompted the Annual General Meeting in 2020 to suspend the dividend for 2019, however.

In the long term, shareholders are expected to once again participate directly in the Company's success. However, the stabilisation measures of the Economic Stabilisation Fund (WSF) currently rule out the payment of dividends. This applies until the stabilisation measures come to a complete end, i.e. all loans and silent participations have been repaid, and the WSF has sold all its shares in the Company. Following successful repayment of the loans and silent participations, the WSF is obliged to sell the shares it still holds in Deutsche Lufthansa AG. The sale must take place no later than year-end 2023. If the silent participations are sold after this date, the

obligation must be met directly. On condition that the net profit for the year in the individual financial statements prepared in line with German commercial law for Deutsche Lufthansa AG permits a distribution of this amount, dividend payments would again be possible in the year following the end of the stabilisation measures. Until then, the Group will use its free cash flow primarily for repaying its financial liabilities, including the state stabilisation measures.

## **Maintaining financial stability**

### **Coronavirus crisis endangers the solvency of the Lufthansa Group and many competitors**

The Company's financial strategy to date has been to protect itself against crises by holding minimum liquidity of EUR 2.3bn. Moreover, an investment grade rating and ownership of a largely unencumbered fleet were expected to allow new funds to be raised rapidly in the event of a crisis.

At the start of the coronavirus pandemic this was not possible, however, since the capital markets were no longer accessible for financing measures following the outbreak. The extent of the crisis far exceeded any other scenarios seen hitherto. The Lufthansa Group was therefore no longer able to cover its capital requirements by further borrowing on the market or with its existing liquidity.

As a result, the Group agreed stabilisation measures with the governments of its home countries to ensure it remained solvent. The refinancing and repayment of this emergency funding is a key element of the future financial strategy. The Group will also examine what additional measures can be taken to ensure financial stability in a crisis, in the knowledge that it will never be possible to achieve protection against risks with a very low probability of occurrence and a very high level of loss, such as a global pandemic. ➤ **Opportunities and risk report, p. 71ff.**

### **Lufthansa Group returns successfully to the capital markets after agreement on stabilisation measures**

Once the stabilisation measures were complete, the Lufthansa Group returned to capital markets successfully and on attractive conditions in the second half of the year. Total funds of approximately EUR 2bn were raised via a convertible bond, an unsecured euro bond and aircraft financing vehicles. Along with the bond for EUR 1.6bn issued in February 2021, the Lufthansa Group has therefore secured the refinancing of the EUR 2.6bn in financial liabilities due in 2021 and already repaid the KfW loan of EUR 1bn ahead of schedule in February 2021. ➤ **Events after the reporting period, p. 37.**



By the end of the financial year, the companies in the Lufthansa Group had utilised EUR 3.3bn of the stabilisation measures out of a total of EUR 9bn. This means that the Lufthansa Group can still draw on EUR 5.7bn of unused stabilisation measures.

As of year-end 2020, the Company therefore has around EUR 10.6bn of available liquidity. This includes the stabilisation measures that have not yet been drawn. ↗ **Financing**, p. 43ff.

### Repayment of stabilisation measures and debt reduction are the main aims of the financial strategy

The Lufthansa Group has set itself the target of using as little of the stabilisation measures as possible. Drawn-down funding should be repaid as quickly as possible and overall debt reduced. Cash inflows from the operating business and proceeds from the disposal of non-core business segments are to contribute to reducing net debt. Net borrowing came to EUR 9,922m at year-end 2020, 49% more than in the previous year. ↗ **Net assets**, p. 47f.

Funding measures to finance financial liabilities as they fall due and to repay government stabilisation measures may consist of both debt and equity.

A mix of different instruments is to be used for borrowing, above all aircraft financing, bonds and borrower's note loans. Optimising the funding mix reduces financing costs, maintains a balanced maturity profile and diversifies the Lufthansa Group's portfolio of creditors. ↗ **C15 Maturity profile of borrowings**, p. 45.

### Aim is to return to investment grade rating

Before the coronavirus crisis, the rating agencies Standard & Poor's and Moody's both rated the Lufthansa Group as investment grade (31 December 2019: Standard & Poor's: BBB, Moody's: Baa3). The spread of the coronavirus and its impact caused both agencies to downgrade their rating, however. Standard & Poor's now rates the Lufthansa Group as BB- and Moody's as Ba2. Scope Ratings gives the Lufthansa Group a rating of BBB-, which continues to be investment grade.

#### T010 DEVELOPMENT OF RATINGS

Rating/outlook	2020	2019	2018	2017	2016
Standard & Poor's	BB-/negative	BBB/stable	BBB-/positive	BBB-/stable	BBB-/negative
Moody's	Ba2/negative	Baa3/stable	Baa3/stable	Baa3/stable	Ba1/stable
Scope Ratings	BBB-/negative	BBB/stable	BBB-/positive	BBB-/positive	BBB-/stable

In the long term, the Group aims to receive an investment grade rating from all the main rating agencies. Investment grade ratings for the Company's debt ensure low funding costs and financial flexibility as a result. The conditions for an investment grade rating are a return to a positive operating result, lower net debt and a stronger equity base.

Gearing, measured by the ratio of Adjusted net debt to Adjusted EBITDA, should be reduced to a figure of less than 3.5. With Adjusted net debt, the ratio takes into account both traditional net debt (including the financial obligations arising from Group leases, primarily for property and aircraft) and pension provisions.

At year-end 2020, the ratio was not applicable since EBITDA was negative. In the previous year the figure was 2.8.

#### T011 ADJUSTED NET DEBT/ADJUSTED EBITDA

	2020 in €m	2019 in €m	Change in %
Net indebtedness <sup>1)</sup>	9,675	6,415	51
Pension provisions	9,531	6,659	43
<b>Adjusted net debt</b>	<b>19,206</b>	<b>13,074</b>	<b>47</b>
Adjusted EBIT	-5,451	2,026	
Depreciation and amortisation	2,561	2,692	-5
<b>Adjusted EBITDA</b>	<b>-2,890</b>	<b>4,718</b>	
<b>Adjusted net debt/ Adjusted EBITDA</b>	<b>not meaningful</b>	<b>2.8</b>	

<sup>1)</sup> In order to calculate net indebtedness, here 50% of the hybrid bond issued in 2015 (EUR 247m) has been discounted. Calculation of net indebtedness ↗ p. 48.

### Structured risk management minimises finance risks

The Group's financial stability is also ensured by means of integrated risk management. Hedging fuel, exchange rate and interest rate risks minimises the short-term financial risks for the Lufthansa Group. The hedges smooth price fluctuations by means of rule-based processes.

The significant fall in capacity in the reporting year meant that fuel was overhedged. A steep fall in the oil price caused hedging losses that could not be recouped by correspondingly lower fuel expenses. Since there were no hedged items, these losses were presented in the financial result. In response, the Lufthansa Group is considering adjusting its fuel hedging strategy. ↗ **Opportunities and risk report**, p. 71ff., **Notes to the consolidated financial statements**, Note 45, p. 205ff.

## Fleet and route network

Operating fleet to be reduced by 150 aircraft as a result of the coronavirus pandemic. | Retirements and new procurements drive modernisation. | Fleet strategy aims to standardise and reduce number of aircraft models. | Route network strongly influenced by coronavirus pandemic.

### FLEET

#### T012 GROUP FLEET – NUMBER OF COMMERCIAL AIRCRAFT

Lufthansa German Airlines including regional airlines and Germanwings (LH), SWISS including Edelweiss (LX), Austrian Airlines (OS), Brussels Airlines (SN), Eurowings (EW) and Lufthansa Cargo (LCAG) as of 31 Dec 2020

Manufacturer/type	LH	LX	OS	SN	EW	LCAG	Group fleet	of which lease	Change compared with 31 Dec 2019	Scheduled for retirement <sup>3)</sup>	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 <sup>4)</sup>	
Airbus A321	69	11	6		5		91	2	+3		
Airbus A330	26 <sup>1)</sup>	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 <sup>2)</sup>	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				
<b>Total aircraft</b>	<b>421</b>	<b>109</b>	<b>79</b>	<b>45</b>	<b>85</b>	<b>18</b>	<b>757</b>	<b>100</b>	<b>-6</b>	<b>-97</b>	<b>-18</b>

<sup>1)</sup> Partly operated by Brussels Airlines (SN).

<sup>2)</sup> Partly operated by AeroLogic, of which two aircraft attributed pro rata.

<sup>3)</sup> Without wet leases (-33).

<sup>4)</sup> Airbus A320 family; dependent on negotiations with aircraft manufacturers on planned deliveries.

#### Reduction of the operating fleet

At the end of 2020, the Lufthansa Group fleet comprised 757 aircraft. The average age of the aircraft in the fleet was 12.5 years (previous year: 12.1 years).

The fleet shrank year-on-year by six aircraft. A total of 22 new aircraft were added to the fleet, compared with 28 retirements. Fleet additions included 18 new aircraft (two Boeing 777Fs, two Airbus A350-900s, three A321neos and eleven A320neos) and four used A320ceos. In contrast, 19 aircraft were sold in 2020 (three Boeing MD-11Fs, three B747s, four A320s, two A319s and seven Bombardier Q Series aircraft) and leases were terminated for nine aircraft.

This means that the first steps were taken in financial year 2020 to reduce the operating fleet, including aircraft operated by non-Group airlines on behalf of the Lufthansa Group, by 150 aircraft. This measure will help adjust the number of flights and the capacity of the fleet to the market, which is expected to stay smaller in the longer term as a result of the crisis.

In addition to phasing out the Group's own aircraft, wet lease agreements with external partners were not renewed or were terminated in the 2020 financial year. Expiring dry lease contracts will not be renewed for the time being.

This reduction in the size of the fleet will be achieved primarily through the early retirement of older aircraft types. For example, the fleet reductions include three B767s at Austrian Airlines, three A330-200s at Brussels Airlines, three A319s at SWISS, five A321s at Eurowings, seven Bombardier CRJs at Lufthansa Cityline, and the entire sub-fleets of A340-600s (17 aircraft) and A380s (14 aircraft) at Lufthansa German Airlines. The A340-600 sub-fleets and the eight A380s remaining after the agreed sale of six aircraft in 2022 and 2023 have been fully decommissioned for several years. The decision was also taken to immediately sell individual aircraft, in particular seven A340-600s, five Boeing 747-400s and prospectively 40 aircraft of the Airbus A320 family.

Lufthansa Cargo's five remaining MD-11F freighters will also be sold, but depending on the development of the freight market, there may still be flexibility to operate up to three MD-11Fs in the first half-year of 2021.

In addition to the aircraft scheduled for permanent decommissioning, an additional 350 or so aircraft from all Group airlines had been temporarily decommissioned by the end of 2020. This involved parking the aircraft at various airports in Europe and abroad. The locations were selected with a view to keeping costs as low as possible while maintaining technical capacity. This will ensure the prompt reintegration of the aircraft into the operational fleet, if necessary, in order to maintain flexibility.

### Ongoing fleet modernisation drives cost efficiency and supports reduced emissions

Due to the crisis, ongoing discussions on optimising the delivery schedule are being held with all aircraft manufacturers. These discussions have resulted in extensive postponements of planned deliveries with the aircraft manufacturers to allocate planned capital expenditure over a longer period of time.

At year-end 2020, there were 177 aircraft on the Lufthansa Group's order list. There are also options to buy a further 102 aircraft. The Lufthansa Group is expecting to take delivery of up to twelve aircraft (eleven aircraft of the A320neo family and one A220) in financial year 2021.

### Fleet strategy aims to standardise and reduce number of aircraft models

Aircraft from Airbus and Boeing make up the majority of the Lufthansa Group fleet. Aircraft from Bombardier and Embraer are also deployed on short-haul routes.

As part of the fleet strategy, the number of aircraft models in operation is being scaled back continuously across the Group in order to minimise complexity. The order placed in 2019 for 20 new A350-900s and 20 new B787-9s continues to constitute the foundation for a fundamental modernisation and optimisation of the long-haul fleet. In the short term, a conscious commitment will be made to deploy the most efficient aircraft types to serve the current route network, in particular new B777-300ERs as well as A350-900s and A320neo family aircraft.

By no later than the middle of the decade, the number of long-haul aircraft operated by the Group will be reduced from 14 to 8. The complete retirement of the B747-400s, B777-200s, A340-600s, A340-300s, A330-200s, B767-300s and MD-11F will be offset by the introduction of the new B787-9s. The Group expects significant cost savings from these measures, especially in the areas of crew training, maintenance and operations.

### The Lufthansa Group continues to own a significant share of the fleet

Overall, around 87% of the total fleet is owned by the Lufthansa Group, and about 13% is leased. More than 87% of the owned fleet is unencumbered. This includes 361 aircraft in companies that were pledged as part of the state stabilisation measures. Of these, 323 aircraft were pledged as collateral for the KfW loan. These aircraft can only be pledged as collateral under financing arrangements whose proceeds are used to repay the state stabilisation measures.

The number of aircraft owned provides a high degree of operational flexibility. In order to respond flexibly to fluctuations in demand and adjust capacity at short notice, depreciated aircraft owned by the Lufthansa Group can at short notice remain in service for longer or be retired before their planned phase-out. The aircraft can also be used as collateral in financing activities.

#### T013 FLEET ORDERS LUFTHANSA GROUP

	Fixed orders	Deliveries <sup>1)</sup>	Additional options
<b>Long-haul fleet</b>			
Airbus A350	26	2023 to 2029	10
Boeing 787	20	2022 to 2025	20
Boeing 777	20	2023 to 2025	24
Boeing 777F	1	2024	1
<b>Short-haul fleet</b>			
Airbus A220	1	2021	30
Airbus A320	69	2021 to 2026	17 <sup>2)</sup>
Airbus A321	40	2021 to 2026	
<b>Total aircraft</b>	<b>177</b>	<b>2021 to 2029</b>	<b>102</b>

<sup>1)</sup> Partly subject to negotiation.

<sup>2)</sup> Airbus A320 family.

## ROUTE NETWORK

### **Route network severely affected by coronavirus crisis**

As part of their multi-hub strategy, the Network Airlines offer their customers a wide range of flights via their global hubs in Frankfurt, Munich and Zurich as well as the national hubs in Vienna and Brussels. It is complemented by the route networks of the alliance and joint venture partners, which offer extensive transfer connections. Eurowings provides a comprehensive range of direct connections, particularly from German-speaking countries.

The global spread of the coronavirus had a severe impact on the Lufthansa Group's route network during the course of financial year 2020. The resulting expansion of travel restrictions led to a drastic decrease in the number of connections offered, particularly in the months of April, May and November. During this time, the Lufthansa Group fulfilled its social responsibility and maintained a minimum flight program throughout. In order to optimize the consolidation of the greatly reduced passenger flows, traffic was primarily routed via the Frankfurt and Zurich hubs, and the number of connecting flights from the wider network was reduced to a small number of flights per day. In addition, Lufthansa Group airlines have operated hundreds of repatriation flights to fly travellers home from around the world. Passenger aircraft were also used on some routes exclusively to transport airfreight, primarily medical products.

The number of flights on offer was increased again over the summer, with a pronounced recovery in demand for European short and medium-haul tourist destinations in particular.

Flights to many long-haul destinations were also resumed; here, high demand for airfreight capacity also influenced the number of flights. With the close of the summer travel season, the resurgence of infections and the resulting increase in travel restrictions, the number of flights again declined from the end of the third quarter, although not to the same extent as at the beginning of the second quarter. To protect the liquidity of the Lufthansa Group, only flights with a positive cash contribution were operated. By the end of the reporting year, 70% of the originally planned destinations were served, despite a significant reduction in frequency of flights.

### **Rebuilding the route network from the hubs, with a focus on tourism**

The Lufthansa Group aims to provide its customers with its usual broad range of flights again as quickly as possible. What happens next in the coronavirus pandemic will remain critical to the pace of increase in available capacity. The expansion of the route network is expected to start from the hubs, with the initial focus remaining on connecting as many destinations as possible before increasing frequencies. The tourist routes are expected to have the fastest recovery. In a second stage, more point-to-point connections will resume again.

The tourism segment continues to gain in importance. With the Eurowings and Edelweiss airlines and the capacity offered under the Eurowings Discover brand, the Lufthansa Group is well positioned to expand its share in this segment and to reintegrate old and new tourist destinations into its flight timetables, even in the short term.

# Employees

Extensive measures are being implemented to reduce personnel costs as a result of the coronavirus pandemic. | Multiple crisis agreements concluded. | Structural reduction of around 27,000 full-time positions already partially implemented. | Number of employees down by 20%.

## **Lufthansa Group introduces short-time work and concludes crisis agreements with the collective bargaining partners**

The Lufthansa Group implemented short-term measures in 2020 to reduce staff costs and counteract the effects of the coronavirus pandemic. In particular, short-time work agreements were negotiated with works councils and collective bargaining partners from March 2020, while short-time work and similar instruments were extensively used in Germany and the Group's other home markets. This led to a significant reduction in staff costs in 2020. ➔ **Earnings position, p. 38ff.**

In addition, crisis agreements were concluded for almost all other groups of employees in all the main companies.

In Germany, the Lufthansa Group has concluded crisis agreements with the independent flight attendants' organisation (UFO), the Vereinigung Cockpit pilots' union and ver.di, the ground staff union.

A package of measures to deal with the economic impact of the crisis on Deutsche Lufthansa AG was agreed with UFO on 24 June 2020. This will generate cost savings of more than half a billion euros by the end of 2023.

The package of measures includes the suspension of pay increases, a reduction in flight hours with a corresponding decrease in pay, and a temporary reduction in contributions to Company pension plans. Furthermore, there was a package of voluntary measures and severance payments. These measures include unpaid leave, voluntary measures to reduce working hours further and assisted early retirement.

Because of the crisis package, the Company assumes that it can avoid terminating the contracts of the 22,000 cabin crew of Deutsche Lufthansa AG for operational reasons for the duration of the crisis.

The first short-term crisis agreement was concluded with the Vereinigung Cockpit pilots' union on 19 August 2020. It applied until the end of the reporting year, covering the pilots of Lufthansa German Airlines, Lufthansa Cargo, Lufthansa Aviation Training and a subgroup of Germanwings pilots.

The measures mainly cover a reduction in the income supplement for short-time working pay and in employer contributions to the pension fund. Redundancies for operational reasons were ruled out until 31 March 2021.

The short-term agreement was superseded by another wage agreement arranged in principle on 23 December 2020, which continues and expands the measures agreed in August. In particular, the use of short-time work was also made possible for 2021, the reduction in working hours was continued with an equivalent salary adjustment and scheduled wage increases were suspended. Redundancies for operational reasons are now ruled out for the aforementioned pilots until 31 March 2022. Savings of more than half a billion euros were achieved for the period August 2020 to March 2022.

Lufthansa agreed on an initial crisis package with the ver.di trade union on 10 November 2020.

The package of measures, with a volume of more than EUR 200m, is helping to overcome the economic effects of the crisis. The measures primarily apply to the approximately 24,000 ground staff covered by collective bargaining agreements at Deutsche Lufthansa AG, Lufthansa Technik AG and Lufthansa Cargo AG.

Cost savings have already been immediately realised through the elimination of the Christmas bonus for 2020. It was also agreed that in 2021, there will be no holiday or Christmas bonus including supplements, that the holiday entitlement will be reduced in line with the short-time working rate and that no compensation reviews will take place. In addition, short-time work will be maintained consistently and the supplement for short-time working pay will be reduced from 90% to 87% for 2021. In exchange, redundancies were ruled out until 31 March 2022 and a new wage agreement on partial retirement was signed.

SWISS and the kapers cabin crew union agreed on 6 November 2020 on a package of measures to deal with the coronavirus crisis that will run until the end of 2023. This includes measures to reduce costs as well as to reduce surplus staff and includes a variety of offers such as voluntary early retirement and new opportunities for part-time work. Thanks to these measures, the cabin crew will contribute to a reduction in personnel costs of around 10% by the end of 2023.

On 21 and 22 May 2020, Austrian Airlines reached crisis agreements with flight and ground staff. It was agreed that short-time work would be used for a longer period of time until 2022. The end of the short-time work period will be followed by a pro rata salary waiver on the side of the employees. This is expected to generate annual savings of up to EUR 80m.

On 26 June 2020, Brussels Airlines also reached an agreement with its labour union partners for flight crews and ground employees to implement structural measures. This made it possible to retain 75% of the approximately 4,000 jobs, reduce the remaining jobs in a socially responsible way and avoid redundancies. New employment contracts were also negotiated with all groups of employees.

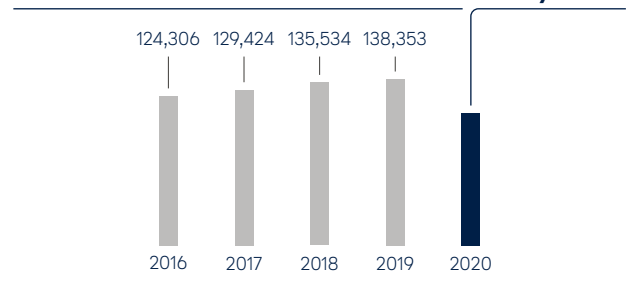
In addition, Lufthansa CityLine had concluded crisis agreements with collective bargaining partners for cockpit, cabin and ground staff by the end of 2020. These include the extension of short-time work until the end of 2021, a reduction in contributions to Company pension plans and other measures to lower payroll costs as well as protection against dismissal. The agreement for cabin staff is valid until the end of 2021, while the agreements for cockpit and ground staff will last into 2023.

Finally, on 14 December 2020, Eurowings and the ver.di trade union concluded a crisis collective bargaining agreement for ground staff which includes protection against dismissal until the end of December 2021. In exchange, employees at Eurowings Aviation and Eurowings Technik have agreed to a pro rata salary waiver and a reduction in annual leave entitlement for 2021. At the start of 2021, Eurowings and ver.di also concluded a crisis agreement for cabin crew. ➔ **Events after the reporting period, p. 37.**

**Number of employees decreases at the end of 2020**

At year-end 2020, the Lufthansa Group had 110,065 employees worldwide (previous year: 138,353). This meant that the number of employees decreased by 28,288, or 20%. Adjusted for the companies affected by the sale of the LSG group's

**C06 NUMBER OF EMPLOYEES** 2020  
as of 31 Dec **110,065**



European business, which had 8,817 employees at the end of 2019, the decline was 15%. Employment came to 92,502 full-time equivalents at the end of the year. This represents a decline of 26,427, or 22% (previous year: 118,928).

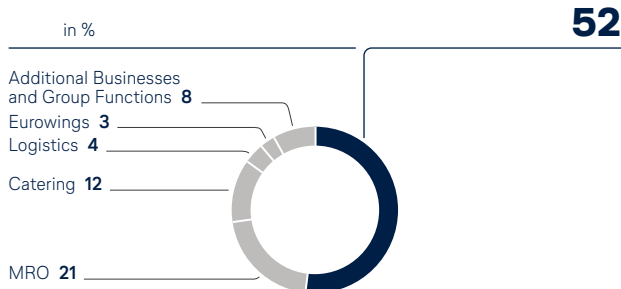
In Germany, there were 64,058 employees: this is 9,494, or 13%, fewer than in the previous year (previous year: 73,552). This represents 58% of the total workforce (previous year: 53%). Adjusted for the companies affected by the sale of the LSG group's European business, which had 6,405 employees in Germany at the end of 2019, the decline was 5%.

The number of employees outside Germany fell by 18,794 or 29% to 46,007 (previous year: 64,801).

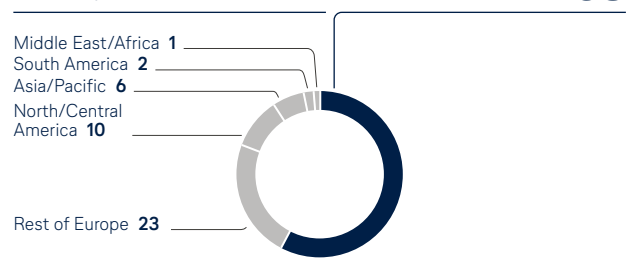
As of the reporting date, the average age of the workforce was 42.4 years (previous year: 41.6). Average seniority was 13.9 years (previous year: 12.1 years). 34% of employees worked part-time in the reporting year (previous year: 29%). Fluctuation came to 19% (previous year: 13%). The increase resulted particularly from the fluctuation at the LSG group.

At year-end, 1,320 apprentices were in training for the more than 25 occupations offered by the Lufthansa Group worldwide (previous year: 1,430).

**C07 EMPLOYEES BY BUSINESS SEGMENTS** NETWORK AIRLINES



**C08 EMPLOYEES BY REGION** GERMANY





### Reduction of around 27,000 full-time positions planned

Beyond the redundancies already carried out and the crisis agreements concluded with the various labour union partners, additional measures to restructure the Lufthansa Group and its associated companies will be necessary. As part of the ReNew restructuring programme, the Group's workforce will be structurally adjusted to the market decline caused by the crisis, with the elimination of 27,000 full-time positions according to the latest plans. The number of management positions across the Group will also be reduced by at least 20%.

The headcount reduction target for the business units abroad had already been achieved by year-end 2020. In Germany, by contrast, approximately 10,000 jobs are still to be cut or the corresponding staff costs reduced. In 2021, too, short-time work and the crisis agreements concluded with the trade unions are expected to help reduce staff costs significantly compared with the pre-crisis level. Voluntary programmes as well as part-time working and partial retirement opportunities, severance offers and staff fluctuation are also intended to reduce headcount. Dismissals for operational reasons are ruled out for the duration of the crisis agreements.

The negotiations on long-term cost-saving measures, in particular with the ver.di trade union for ground staff covered by collective bargaining agreements and with the Vereinigung Cockpit pilots' union, are continuing. In parallel, talks on the balancing of interests at the Company level are ongoing. The Lufthansa Group aims to conclude long-term, economically viable agreements with its collective bargaining partners.

These enable sustainable success, as well as predictability and security for both the Company and its employees. If no agreements are reached with the respective trade unions, redundancies are expected to be carried out on the basis of the balancing of interests at the Company level. ➔ **Group strategy, p. 17ff.**

### Human resources management provides crisis-management support for employees

Coping with the coronavirus crisis places high demands on employees and leads to enormous stress. In this respect, in the 2020 financial year, the Group's human resources management aimed to provide employees with the best possible support in coping with the crisis. An important aspect of achieving this was to create a high level of transparency about upcoming restructuring measures and to offer timely and continuous information.

The results of the Company-wide employee survey conducted once again in the reporting year served as a point of reference in overcoming the crisis. The strategic fields of action identified in previous years will be pursued further. A satisfying work-life balance, a holistic approach with respect to equal opportunities and diversity in all dimensions, and intensive talent management remain key action areas for realising the Lufthansa Group's aim of a fair partnership with its employees. ➔ **Combined non-financial declaration/ Employee concerns, p. 103ff.**

## Research and development

The Lufthansa Group and its companies work continuously – both individually and across segments – on innovative services and products. Most of these activities are run separately in the individual segments since they focus on different areas. ➔ **Business segments, p. 51ff.**

The Lufthansa Group's passenger airlines are focusing on further improvements to the customer's travel experience along the entire travel chain. In the 2020 financial year, the focus was particularly on measures to improve travel safety in connection with the outbreak of the coronavirus. In November 2020, for example, Lufthansa German Airlines and SWISS introduced Star Alliance Biometrics biometric facial recognition at check-in for selected flights. This increases the quality of service and health and safety for customers by allowing them to pass through the security checkpoints and boarding gates without having to take off their face masks.

Lufthansa Cargo is focusing on the digitalisation of customer interfaces in order to network digitally with all the players in the transport chain, from booking to delivery. Lufthansa Technik is expanding its portfolio in the field of intelligent maintenance management with data-based products and services like the AVIATAR software platform.

Innovation and digitalisation are being advanced by the Lufthansa Group as well as in close collaboration with the Lufthansa Innovation Hub. It works on new digital business models, partnerships and strategic investments along the entire travel and mobility chain.

## Legal and regulatory factors

The Lufthansa Group is subject to numerous national and European regulations. These regulations have an impact on costs and – if they do not cover non-European competitors – the competitiveness of the Company.

Legislation in the framework of the European Green Deal (EGD) is particularly relevant in this context. However, laws on data and consumer protection and on infrastructure topics, such as air traffic taxes, aviation security expenses, take-off and landing rights and night-flight bans, as well as regulations in connection with the coronavirus pandemic are having a sustained impact on the Lufthansa Group as well as on the entire aviation sector.

In connection with the coronavirus pandemic, there are many national and international regulations that impose wide-ranging restrictions on air traffic. For example, global border closures, stricter measures to contain the spread of the virus (for example, contact bans, minimum distance on board, quarantine regulations) and constantly changing administrative hurdles upon entry increase the risk of the restriction of usable traffic rights. Non-standardised coronavirus testing practices also result in restrictions on market access.

The EGD decisively regulates aviation climate policy at the European level. The European Emissions Trading Scheme (EU-ETS) is a core element of this regulation. If this scheme should continue to apply only to flights within the EU after the upcoming revision, without being adapted to the CORSIA global CO<sub>2</sub> compensation scheme, the resulting double regulation would put a burden on European aviation on an international comparison. The introduction of a quota for sustainable aviation fuel (SAF) under discussion in the framework of the EGD may also impose a financial burden and, depending on the implementation, lead to a distortion

of competition, as competitors' traffic could be diverted via non-European hubs where these requirements do not apply. The air traffic tax was recently increased at the federal level in Germany, partly in response to the debate on climate protection. There is also a draft of a national quota for power-to-liquid fuels (as a special form of SAF), for which there is still no harmonisation with a European quota.

The draft published by the European Commission in September 2020 on the revised regulation of the joint European airspace (Single European Sky) is intended to make air traffic control in Europe more efficient. This offers the potential to not only reduce carbon emissions and save fuel, but also to avoid flight delays.

European air passenger rights will also remain an important issue due to the significant financial burdens. The current regulation is subject to different interpretations by national courts and is creating ambiguity in its application for passengers and airlines alike. The EU Commission's proposed revision of the regulation in 2012 is likely to be further delayed.

The basic rule on the use of take-off and landing rights (slots) is that slots can be reallocated if they have been used less than 80% of the time in a flight period. This rule was initially suspended by authorities worldwide until March 2021 due to the slump in air traffic caused by the coronavirus. This makes it possible to maintain network structures that have been built up over decades and to promote a new start in air traffic. Slot rules in all relevant countries will again be adapted to the pandemic in summer 2021. 50% of the slot series can be returned in the EU, and airlines must use 50% of the remaining slots in order not to lose them. Theoretically, this covers the eventuality that airlines use only 25% of their existing slots.

## Economic report

# Macroeconomic situation

Economic development declines in all regions of the world as a result of the coronavirus crisis. | Decline in Germany less severe than in other European countries. | No clear trend in exchange rate developments. | Interest rates at historic lows. | Oil prices decline and remain volatile.

### World economy falls sharply in 2020 due to coronavirus pandemic

The global economy contracted by 3.9% in the reporting year due to the coronavirus pandemic (previous year: growth of 2.6%). This negative trend was observed in all global regions. In Europe, the economy shrank by 6.7% (previous year: growth of 1.5%). The output of the German economy declined by 5.3% (previous year: growth of 0.6%).

#### T014 GDP DEVELOPMENT

in %	2020 <sup>1)</sup>	2019	2018	2017	2016
World	-3.9	2.6	3.2	3.4	2.8
Europe	-6.7	1.5	2.1	2.9	2.0
Germany	-5.3	0.6	1.3	2.9	2.1
North America	-3.7	2.1	3.0	2.4	1.7
South America	-7.1	0.9	1.6	2.0	-0.3
Asia/Pacific	-1.4	4.1	4.8	5.2	5.0
China	2.1	6.1	6.7	6.9	6.8
Middle East	-6.9	0.5	0.5	0.7	5.1
Africa	-4.1	3.1	3.1	3.6	1.8

Source: Global Insight World Overview as of 15 Jan 2021.

<sup>1)</sup> Forecast.

### No clear trend in exchange rate developments

The euro turned in a mixed performance against the other major currencies in 2020. The average exchange rate against both the US dollar and the Chinese renminbi was 2% higher than the previous year. The euro also gained 1% against the pound sterling. The euro remained almost unchanged against the Japanese yen, whereas it fell by 4% year-on-year against the Swiss franc.

#### T015 CURRENCY DEVELOPMENT EUR 1 in foreign currency

	2020	2019	2018	2017	2016
USD	1.1399	1.1192	1.1800	1.1194	1.1062
JPY	121.75	122.01	130.33	125.46	120.05
CHF	1.0704	1.1122	1.1548	1.1022	1.0899
CNY	7.8683	7.7320	7.8083	7.5955	7.3491
GBP	0.8888	0.8769	0.8848	0.8745	0.8168

Source: Bloomberg, annual average daily price.

### Short and long-term interest rates continue to fall

The negative short and long-term interest rate trend continued in 2020. Interest rates again fell to a historical low.

#### T016 INTEREST RATE DEVELOPMENT in %

Instrument	2020	2019	2018	2017	2016
6-month Euribor Average rate	-0.37	-0.30	-0.27	-0.26	-0.17
6-month Euribor Year-end level	-0.53	-0.32	-0.24	-0.27	-0.22
10-year euro swap Average rate	-0.14	0.26	0.96	0.81	0.53
10-year euro swap Year-end level	-0.26	0.21	0.81	0.89	0.66

Source: Bloomberg.

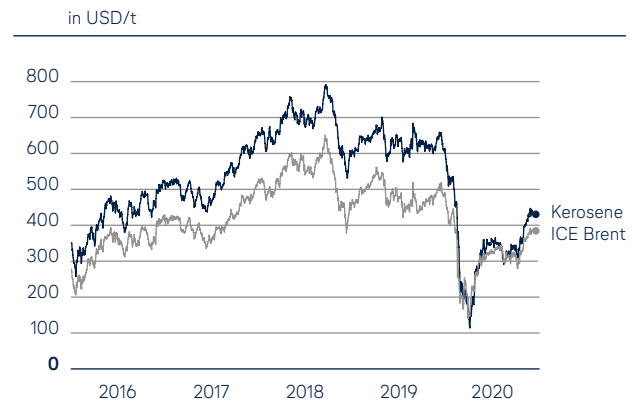
The discount rate, which is particularly important for measuring pension obligations and which is derived from the average return on a basket of investment-grade corporate bonds, came to 0.8%, which is also lower than the previous year's figure of 1.4%.

### Oil price down on previous year's average

The oil price declined and was very volatile in 2020. With prices between USD 19.33/barrel and USD 68.91/barrel, the average for 2020 was USD 43.20/barrel, which is 33% lower than the previous year. As of year-end 2020, a barrel of Brent Crude cost USD 51.80 (year-end 2019: USD 66.00/barrel).

The jet fuel crack, the price difference between crude oil and kerosene, moved between USD -8.32/barrel and USD 16.36/barrel in 2020. On average over the year, it traded at USD 2.56/barrel and thus 84% lower than in the previous year. The price at year-end 2020 was USD 3.43/barrel (year-end 2019: USD 16.49/barrel).

### C09 PRICE DEVELOPMENT OF CRUDE OIL AND KEROSENE



Source: Lufthansa, based on market data.

## Sector developments

Global passenger traffic significantly affected by the outbreak of the coronavirus crisis. | Airfreight volume also declined with strongly rising average yields. | Sector earnings suffer massively from coronavirus pandemic. | MRO and airline catering markets also decline.

### Global passenger traffic hit hard by the coronavirus pandemic

The global spread of the coronavirus and the ensuing travel restrictions had a significant negative impact on the demand for air travel. Passenger airline traffic temporarily came to an almost complete standstill worldwide. Air traffic on Asian routes was first affected in February 2020 after the outbreak of the virus in China. This trend progressed rapidly in March, with air traffic in Europe, the Middle East and North America increasingly impacted. Global passenger traffic then came to a nearly complete standstill in April and May. During this period, the connections on offer were mainly limited to return flights and domestic services, plus a few international connections. The June to August summer months saw a slight recovery as a result of the gradual lifting of travel restrictions. However, after the end of the summer travel season and with the number of infections rising significantly again, passenger numbers fell significantly again from September onwards.

This slack demand persisted for the rest of the year after widespread travel restrictions were re-established in Europe as well. The airlines reacted to this development by once again significantly reducing the capacity on offer.

The total number of revenue passenger-kilometres sold worldwide declined by 66% in the reporting year according to figures published by the International Air Transport Association (IATA) (previous year: +4%). Airlines from the Middle East reported the largest decline in revenue passenger-kilometres, at 72%. In the same period, airlines from Europe posted a 70% decline. According to the Federal Association of the German Aviation Industry (BDL), sales for airlines in Germany fell overall by 76%.

Average yields in global passenger traffic fell by 8.0% in financial year 2020 according to the IATA (previous year: decline by 3.0%).

**T017 SALES PERFORMANCE IN THE AIRLINE INDUSTRY 2020**

in % compared with previous year	Passenger-kilometres	Cargo tonne-kilometres
Europe	-70	-16
North America	-65	1
Central and South America	-62	-21
Asia/Pacific	-62	-15
Middle East	-72	-10
Africa	-69	1
<b>Global</b>	<b>-66</b>	<b>-11</b>

Source: IATA Air Passenger/Air Freight Market Analysis (12/2020).

**Airfreight traffic declines by less than passenger traffic worldwide**

The global market for airfreight declined less significantly than passenger transport in the reporting year. Following the global spread of the coronavirus, demand for airfreight initially declined and reached its low point in April 2020. This development was driven by the significant decline in world trade and the collapse of global supply chains. Countering this trend, especially at the beginning of the pandemic, was the increased need for transport of medical and protective equipment. Starting in May, market demand improved significantly again. However, the freight capacity on offer did not recover to the same degree, as a large proportion of the belly capacities of passenger aircraft were not available for airfreight due to the greatly reduced passenger flows. This imbalance between rising demand and significantly reduced capacity caused average yields in global airfreight traffic to go up by 30.0% according to IATA (previous year: decline by 5.0%).

According to IATA, global airfreight volumes in 2020 fell 11% (previous year: decline by 3%). Cargo airlines from Central and South America reported the fastest decline at 21%. European providers saw a decline of 16%.

**Massive decline in earnings expected for the global airline industry**

The global airline industry is expected to see a significant decline in earnings due to the strong negative development of demand in passenger traffic. The IATA forecasts a net loss of USD 118bn for the 2020 financial year (previous year: net profit of USD 26bn). On a regional basis, the highest net losses of USD 46bn are expected in the North America region (previous year: net profit of USD 17bn). European airlines are also forecast to generate a net loss of USD 27bn (previous year: net profit of USD 7bn).

**T018 EARNINGS DEVELOPMENT IN THE AIRLINE INDUSTRY**

in USD bn	2020	2019
Europe	-27	7
North America	-46	17
Central and South America	-5	-1
Asia/Pacific	-32	5
Middle East	-7	-2
Africa	-2	0
<b>Industry</b>	<b>-118</b>	<b>26</b>

Source: IATA Industry Statistics (11/2020).

Many airlines were dependent on government support in this unprecedented crisis situation. In addition to general support such as short-time working, the individual states also adopted specific rescue measures for airlines. Nonetheless, some airlines had to file for insolvency in the year under review. The continuing strained situation could still lead to further market consolidation.

**MRO and airline catering markets also impacted by the coronavirus pandemic**

Demand for aircraft maintenance, repair and overhaul (MRO) services also fell significantly in the 2020 financial year. The market environment suffered from a significant decline in capacity utilisation, especially in engine maintenance and in the components business. Analyses by consultancy firm ICF indicate that, according to current figures, the MRO market slumped by around 33% during the 2020 financial year. From a regional perspective, market volume fell by 36% in the EMEA region (Europe/Middle East/Africa), by 34% in Asia and by 27% in the Americas.

The economic impacts of the coronavirus pandemic have also drastically changed the airline catering industry. With the crisis-related decline in passenger numbers in air travel, particularly in the long-haul business, demand for in-flight catering services also fell. This was compounded by service restrictions related to hygiene strategies that minimise contact between crews and passengers. The pandemic has subsequently accelerated the digitalisation of pre- and post-flight and in-flight services. The pre-order and in-flight retail trend continued to increase, especially for short-haul traffic, Economy Class and leisure travel.

## Course of business

The Lufthansa Group's business performance has been severely impacted by the coronavirus pandemic. | Capacity is significantly reduced due to the impact of the crisis. | Measures to reduce costs and maintain liquidity are being implemented. | Lufthansa Group result drops significantly.

### OVERVIEW OF THE COURSE OF BUSINESS

#### **Effects of the coronavirus pandemic put significant strain on business at the Lufthansa Group**

The effects of the coronavirus pandemic have been a significant burden on the Lufthansa Group's business in 2020, in particular the introduction of travel restrictions in most traffic regions and the resulting collapse in demand. For the full year, capacity (available seat-kilometres) was 69% below the level of the previous year.

To mitigate the effects of the coronavirus pandemic, the Lufthansa Group initiated extensive measures in the course of the reporting year to reduce costs and investment spending and to maintain liquidity. Among other things, a large part of the fleet of Lufthansa Group airlines was temporarily decommissioned and short-time working was introduced for a majority of the employees. Crisis agreements reached with the trade unions further reduced staff costs. Other key cost-cutting measures included terminating wet leases, postponing maintenance and servicing work on the fleet that is not safety-relevant, renegotiating supply contracts, reducing marketing activities and deferring projects that are not crucial for business.

Cash outflows were cut by means of strict working capital management and a drastic reduction in the originally planned capital expenditure. As the crisis progressed, the Group nevertheless required external financing that could not be obtained to a sufficient degree on the market. Stabilisation measures and loans of up to EUR 9bn were therefore agreed with the Economic Stabilisation Fund (WSF) in the Federal Republic of Germany and with the governments of Switzerland, Austria and Belgium which secure the existence of the Lufthansa Group.

With the launch and the ongoing implementation of its restructuring programme ReNew, the Lufthansa Group is adapting to the new market conditions and laying the foundations for repaying the funds from the stabilisation package. As part of the programme, two bonds were successfully issued at the end of the reporting year. This strengthened the Lufthansa Group's liquidity by EUR 1.6bn.

Traffic revenue for the Lufthansa Group airlines fell by 68% year-on-year to EUR 9,078m in financial year 2020. Revenue of EUR 13,589m was 63% down compared with the previous year.

Operating expenses fell by 44% in total to EUR 20,846m, primarily due to the volume-related decline in the cost of materials and services, particularly for fuel, fees and charges, the introduction of short-time working for large parts of the workforce and other measures to reduce fixed costs.

Adjusted EBIT fell accordingly to EUR -5,451m (previous year: EUR 2,026m). The Adjusted EBIT margin amounted to -40.1% (previous year: 5.6%). All of the operating segments reported negative earnings performance, with the exception of the Logistics segment, which posted a record result in the reporting year.

Net result attributable to shareholders of Deutsche Lufthansa AG fell to EUR -6,725m (previous year: EUR 1,213m). It was burdened by impairment losses on the fleet and goodwill as well as the negative changes in the market value of fuel hedging instruments.

Cash flow from operating activities declined in financial year 2020 to EUR -2,328m (previous year: EUR 4,030m). Adjusted free cash flow fell to EUR -3,669m despite a significant decrease in capital expenditures (previous year: EUR 203m).



Its equity ratio fell by 20.5 percentage points to 3.5% (31 December 2019: 24.0%). Net indebtedness of EUR 9,922m was 49% higher than at year-end 2019 (31 December 2019: EUR 6,662m). At the end of the 2020 financial year, the Group had available liquidity of EUR 10.6bn. This includes EUR 5.7bn in state stabilisation funds and loans which have not yet been utilised.

## SIGNIFICANT EVENTS

### **Lufthansa Group receives state stabilisation aid and loans of up to EUR 9bn**

The WSF approved a stabilisation package for Deutsche Lufthansa AG on 25 May 2020. The package consists of stabilisation measures and loans of up to EUR 9bn. Additional support provided by Switzerland, Austria and Belgium will be offset against the stabilisation package for Deutsche Lufthansa AG. ➤ **Financing, p. 43ff.**

The shareholders of Deutsche Lufthansa AG approved the capital measures and the equity investment of WSF in the amount of 20% of the issued capital of Deutsche Lufthansa AG at an Extraordinary General Meeting on 25 June 2020.

### **Lufthansa Group decides on restructuring programme**

The Executive Board of Deutsche Lufthansa AG adopted the first three packages of the Group-wide restructuring programme ReNew on 7 April 2020, 7 July 2020 and 21 September 2020. ➤ **Group strategy, p. 17ff.**

The programme provides for a capacity reduction of 150 aircraft across the Group from the middle of the decade. To achieve this, older long-haul aircraft and others are being decommissioned ahead of schedule. ➤ **Fleet and route network, p. 25ff.**

Surplus staff capacity due to the planned reduction in flight capacity currently comes to approximately 27,000 FTE. Adjustments to the long-term number of employees at the airlines will be made in line with market developments. The number of management positions will be reduced by at least 20%. ➤ **Employees, p. 28ff.**

A stronger customer focus and a business model consistently based on sustainability and long-term value creation are core elements of the Company strategy for the future. The pooling of flight operations continues to make progress, including long and short-haul leisure traffic hubs in Frankfurt and Munich. ➤ **Group strategy, p. 17ff.**

### **Lufthansa Group and trade unions conclude crisis agreements**

In the course of the year, the Lufthansa Group concluded crisis agreements with the Vereinigung Cockpit pilots' union, the independent flight attendants' organisation (UFO) and ver.di, the ground staff union. ➤ **Employees, p. 28ff.**

### **Personnel changes and reallocation of responsibilities in the Executive Board**

On 4 April 2020, Ulrik Svensson resigned his post as Chief Financial Officer of Deutsche Lufthansa AG for health reasons with effect from 6 April 2020. With effect from 30 June 2020, Thorsten Dirks also resigned from the Executive Board of Deutsche Lufthansa AG as the member in charge of the Digital and Finance function. A new division of responsibilities was then approved for the Executive Board. ➤ **Business activities and Group structure, p. 15f.**

On 21 September 2020, the Supervisory Board of Deutsche Lufthansa AG decided ahead of schedule to renew the contract with Harry Hohmeister, responsible for the Commercial Passenger Airlines function, for three more years until 30 June 2024.

On 10 November 2020, the Supervisory Board of Deutsche Lufthansa AG appointed Remco Steenbergen to the Executive Board of the Company. He took responsibility for the finance function with effect from 1 January 2021. His contract is valid for three years until 31 December 2023.

### **Change in the Supervisory Board of Deutsche Lufthansa AG**

Angela Titzrath and Michael Kerkloh were appointed by the court as new members of the Supervisory Board of Deutsche Lufthansa AG on 2 September 2020. Monika Ribar and Martin Koehler resigned to make way for this change.

On the employee representative side, Christina Weber and Christian Hirsch left the Supervisory Board of the Company. They were replaced by Jürgen Jennerke (by court appointment) and Birgit Spineux. ➤ **Report of the Supervisory Board, p. 7ff.**

### **Moody's and Standard & Poor's downgrade rating for Lufthansa Group**

The rating agencies Standard & Poor's and Moody's lowered the credit rating of the Lufthansa Group to non-investment grade in several steps due to the crisis. In contrast, Scope Ratings reaffirmed the investment grade rating. ➤ **Financial strategy and value-based management, p. 21ff.**

### **Deutsche Lufthansa AG successfully issues two bonds**

On 10 November 2020, Deutsche Lufthansa AG successfully issued an unsubordinated and unsecured convertible bond with a total volume of EUR 600m and an interest rate of 2.0%. On 24 November 2020, an unsecured five-and-a-half-year euro bond with a total volume of EUR 1bn and an interest rate of 3.0% was also issued. ➤ **Financing, p. 43ff.**

### **LSG group's European business sold to gategroup**

On 2 December 2020, the sale of LSG group's European business to gategroup was finalised after the buyer fulfilled the conditions imposed by the EU Commission.

➤ **Catering business segment, p. 67ff.**

## EVENTS AFTER THE REPORTING PERIOD

### **Eurowings and ver.di reach crisis agreement**

On 12 January 2021, Eurowings and the trade union ver.di reached a crisis agreement for cabin crew. Under the agreement, employees are protected against dismissal until 31 December 2021. In exchange, reductions in Christmas and holiday bonuses were agreed, among other things.

### **Lufthansa issues another bond and repays KfW loan**

Deutsche Lufthansa AG again successfully issued a bond with a total volume of EUR 1.6bn on 4 February 2021. The first tranche has a volume of EUR 750m and pays interest of 2.875% p.a. over a term of four years. The second tranche of EUR 850m matures in seven years and pays interest at 3.75% p.a.

Together with the funds of approximately EUR 2bn raised in the second half of 2020, the Lufthansa Group has thereby secured the refinancing of the financial liability of EUR 2.6bn due in 2021 and repaid the KfW loan of EUR 1bn ahead of schedule on 11 February 2021.

### **EU Parliament adopts new slot rules**

On 10 February 2021, the European Parliament passed a resolution amending the slot rules for summer 2021 in response to the pandemic. The regulation stipulates that airlines can return up to 50% of their slot series in full before the season begins and that they only have to operate half the remaining slot series in order to secure them for the coming season.

Based on its capacity outlook (➤ **Forecast, p. 118ff.**), the Lufthansa Group expects that it will be able to obtain all of the slots for which it has rights, including beyond the 2021 summer season.

## Earnings, assets and financial position

Earnings performance severely impacted by the coronavirus crisis. | Revenue falls by 63%. | Adjusted EBIT of EUR -5,451m. | Capital expenditure reduced by 64%. | Decline in Adjusted free cash flow limited to EUR -3,669m. | Net debt up by EUR 9,922m. | EUR 10.6bn liquidity available.

### EARNINGS POSITION

#### Revenue and income

##### T019 REVENUE AND INCOME

	2020 in €m	2019 in €m	Change in %
Traffic revenue	9,078	28,136	-68
Other revenue	4,511	8,288	-46
<b>Total revenue</b>	<b>13,589</b>	<b>36,424</b>	<b>-63</b>
Changes in inventories and work performed by the entity and capitalised	175	685	-74
Other operating income <sup>1)</sup>	1,830	1,830	-
<b>Total operating income</b>	<b>15,594</b>	<b>38,939</b>	<b>-60</b>

<sup>1)</sup> Without fixed asset write-ups and book gains.

#### Traffic severely affected by coronavirus crisis; traffic revenue down by 68%

Traffic figures of Lufthansa Group Airlines declined significantly as a result of the coronavirus crisis. Passenger numbers fell by 75% in the 2020 financial year compared with the previous year. Sales (revenue passenger-kilometres) were down by 77%, capacity (available passenger-kilometres) was cut by 69%. The passenger load factor fell by 19.4 percentage points to 63.2%.

The Lufthansa Group's cargo business was particularly affected by the loss of belly capacities on passenger aircraft. Capacity (available cargo tonne-kilometres) fell by 39% cent, and sales (revenue cargo tonne-kilometres) declined by 31%. However, the cargo load factor of 69.6% was 8.2 percentage points higher than in the previous year, supported by the market-wide decline in available capacity.

Traffic revenue for Lufthansa Group airlines declined by 68% to EUR 9,078m due to the lower traffic (previous year: EUR 28,136m).

Further information on the regional breakdown of traffic revenue for the Network Airlines, Eurowings and Logistics segments can be found in the chapters [Business segments](#), p. 51ff.

#### Other revenue fell by 46% due to the crisis

Other revenue fell year-on-year by 46% to EUR 4,511m (previous year: EUR 8,288m). This was mainly due to the decline in revenue due to the crisis in the MRO (-38% to EUR 2,724m) and Catering (-59% to EUR 1,064m) segments as well as in the Additional Businesses and Group Functions, including AirPlus and Lufthansa Aviation Training. The airlines contributed EUR 411m to other revenue. This corresponds to a decline of 44% compared with the previous year, in particular due to lower revenue from customer loyalty programmes, handling services and in-flight sales.

#### Revenue down year-on-year by 63%, operating income down 60%

Revenue, which consists of traffic revenue plus other revenue, fell by 63% in financial year 2020 to EUR 13,589m (previous year: EUR 36,424m).

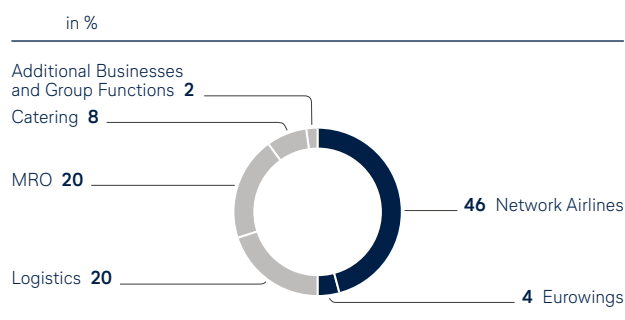
Further information on regional distribution of revenue can be found in the [Notes to the segment reporting](#), p. 198ff.

Changes in inventory and other capitalised internal expenses fell by 74% to EUR 175m due to the significant decline in business activities (previous year: EUR 685m).

Other operating income remained unchanged at EUR 1,830m (previous year: EUR 1,830m).

Total operating income declined by 60% to EUR 15,594m in 2020 (previous year: EUR 38,939m).

##### C10 BUSINESS SEGMENTS' SHARE OF GROUP EXTERNAL REVENUE



## Expenses

### T020 EXPENSES

	2020	2019	Change	Share of operating expenses in %
	in €m	in €m	in %	
Cost of materials and services	8,453	19,827	-57	41
of which fuel	1,875	6,715	-72	9
of which fees and charges	1,796	4,523	-60	9
of which external services MRO	1,139	1,911	-40	5
of which charter expenses	469	814	-42	2
Staff costs <sup>1)</sup>	6,405	9,111	-30	31
Depreciation <sup>2)</sup>	2,561	2,692	-5	12
Other operating expenses <sup>3)</sup>	3,427	5,494	-38	16
of which indirect staff costs and external staff	543	1,201	-55	3
of which rental and maintenance expenses	603	742	-19	3
<b>Total operating expenses</b>	<b>20,846</b>	<b>37,124</b>	<b>-44</b>	<b>100</b>

<sup>1)</sup> Without past service costs/settlement ↗ T021, p. 40.

<sup>2)</sup> Without impairment losses ↗ T021, p. 40.

<sup>3)</sup> Without book losses and write-downs on assets held for sale ↗ T021, p. 40.

### Cost of materials and services falls by 57% on the back of crisis-related decline in consumption volumes

The cost of materials and services for the Lufthansa Group was 57% down in financial year 2020 compared with the previous year at EUR 8,453 (previous year: EUR 19,827m).

Within the cost of materials and services, fuel expenses decreased by 72% to EUR 1,875m. The change is primarily based on the crisis-related decline in consumption volumes, which were 67% lower than in the previous year. The lower market price for kerosene only had a limited impact due to hedging. The average price for kerosene, including fuel hedging, was USD 572.61/tonne in 2020. Fuel prices fell 5% after hedging compared with the previous year. The development of the US dollar, in contrast, had no overall impact on the development of fuel costs over the course of the year. Fuel costs included a negative result of price hedging of EUR 204m (previous year: a negative earnings result of EUR 39m).

Expenses for other raw materials, consumables and supplies and purchased merchandise were down by 43% at EUR 2,330m due to lower volumes.

Expenses for fees and charges decreased at a below-average rate compared with traffic figures. At EUR 1,796m, they were 60% below the level of the previous year.

At EUR 1,139m, expenses for external MRO services were 40% below the previous year's level due to the decline in flight operations. The performance of maintenance work, which continued to be necessary even on parked aircraft, prevented an even greater decline.

The 42% decrease in charter expenses to EUR 469m partly relates to the cargo business, where some external capacity was used during the reporting year. This resulted in a lower decrease in expenses compared with the overall traffic figures.

### Operating staff costs fall by 30% due to short-time working and reduced headcount

Operating staff costs fell by 30% in financial year 2020 to EUR 6,405m (previous year: EUR 9,111m), particularly due to the effects of short-time working, the reduction in the average number of employees and the profit-share payment which was lower than last year. The decline came to 13% without the effects of short-time working.

### Depreciation and amortisation down by 5%

Depreciation and amortisation fell year-on-year by 5% to EUR 2,561m (previous year: EUR 2,692m). Depreciation of aircraft, reserve engines and engine overhauls fell by 8% to EUR 1,923m (previous year: EUR 2,084m).

### Other operating expenses down by 38%

Other operating expenses went down by 38% to EUR 3,427m (previous year: EUR 5,494m), mainly due to lower selling expenses, a decline in other costs directly linked to business activities, and reduced marketing expenses. By contrast, impairment losses on receivables went up.

### Operating expenses down by 44% overall

Overall, operating expenses for the Lufthansa Group fell by 44% year-on-year to EUR 20,846m (previous year: EUR 37,124m).

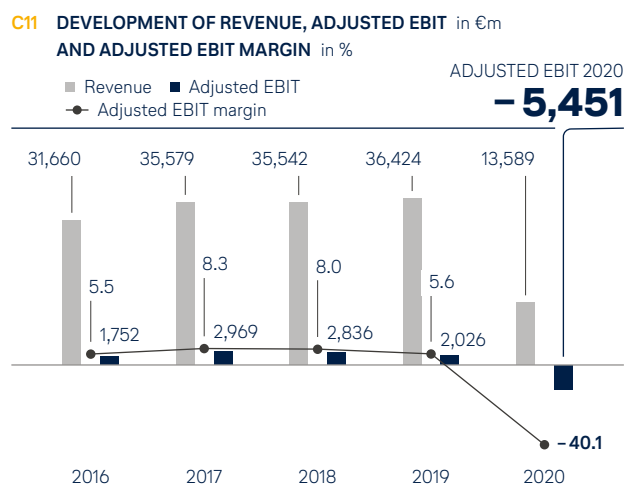
## Earnings performance

### Adjusted EBIT of EUR -5,451m

Adjusted EBIT for the Lufthansa Group fell year-on-year to EUR -5,451m (previous year: EUR 2,026m).

The Adjusted EBIT margin fell by 45.7 percentage points to -40.1% (previous year: 5.6%).

Adjusted EBIT in the Network Airlines business segment fell to EUR -4,674m (previous year: EUR 1,776m). Eurowings reported a fall in Adjusted EBIT to EUR -703m (previous year: EUR -122m). Adjusted EBIT for the Logistics segment increased to EUR 772m (previous year: EUR 1m). Adjusted EBIT in the MRO business segment fell to EUR -383m (previous year: EUR 463m). The Catering business segment recorded a fall in Adjusted EBIT to EUR -284m (previous year: EUR 128m). The other Group companies, which under IFRS 8 do not require separate reporting, and the Group functions reduced the Group's operating Adjusted EBIT by a total of EUR -314m (previous year: EUR -227m).



### T021 RECONCILIATION OF RESULTS

in €m	2020		2019	
	Income statement	Reconciliation Adjusted EBIT	Income statement	Reconciliation Adjusted EBIT
<b>Total revenue</b>	<b>13,589</b>	-	<b>36,424</b>	-
Changes in inventories and work performed by the entity and capitalised	175	-	685	-
Other operating income	1,897	-	1,889	-
of which book gains et al.	-	-38	-	-20
of which write-ups on capital assets	-	-30	-	-38
<b>Total operating income</b>	<b>15,661</b>	<b>-68</b>	<b>38,998</b>	<b>-58</b>
Cost of materials and services	-8,453	-	-19,827	-
Staff costs	-6,436	-	-9,121	-
of which past service costs/settlement	-	31	-	10
Depreciation	-4,389	-	-2,776	-
of which impairment losses	-	1,828	-	84
Other operating expenses	-3,472	-	-5,585	-
of which impairment losses on assets held for sale	-	6	-	51
of which expenses incurred from book losses	-	39	-	39
<b>Total operating expenses</b>	<b>-22,750</b>	<b>1,904</b>	<b>-37,309</b>	<b>184</b>
<b>Profit/loss from operating activities</b>	<b>-7,089</b>	-	<b>1,689</b>	-
Result from equity investments	-264	-	168	-
Impairment loss on investments accounted for using the equity method	-	66	-	43
<b>EBIT</b>	<b>-7,353</b>	-	<b>1,857</b>	-
Total amount of reconciliation Adjusted EBIT	-	1,902	-	169
<b>Adjusted EBIT</b>	-	<b>-5,451</b>	-	<b>2,026</b>
Amortisation	-	2,561	-	2,692
<b>Adjusted EBITDA</b>	-	<b>-2,890</b>	-	<b>4,718</b>

### EBIT falls to EUR –7,353m

Based on EBIT, Adjusted EBIT includes clearly defined, non-plannable earnings components as a key performance indicator for better comparability. The adjustments relate exclusively to write-downs and write-backs, earnings from the disposal of non-current assets and effects of changes in pension plans.

Year-on-year, EBIT fell in financial year 2020 to EUR –7,353m (previous year: EUR 1,857m). The difference to Adjusted EBIT was therefore EUR –1,902m (previous year: EUR –169m).

The adjustments include depreciation and amortisation of EUR 1,475m on aircraft and right-of-use assets for a total of 115 aircraft that were transferred to long-term parking mode and which are no longer planned to return to service or which are held for sale. This affected Lufthansa German Airlines (14 Airbus A380s, five Boeing 747s, 17 A340s, two leased A330s, eleven A320s and 14 A319s, some of them leased), Austrian Airlines (three B767s, 13 Dash 8-400s), Brussels Airlines (right-of-use assets for two A330s and eight A319s) and Eurowings (right-of-use assets for 15 Dash 8-400s, five A321s and one right-of-use asset A319). In Lufthansa Cargo's freight operations, a total of five MD-11s were offered for sale as planned. Depreciation of reserve engines accounted for another EUR 40m.

Impairment losses of EUR 222m related mainly to goodwill at the business entities LSG USA, LSG Korea and Eurowings. Due to the deterioration in the business outlook caused by the crisis, impairment losses of EUR 66m were recognised on investments in the MRO business segment. Property, plant and equipment of the flight training operations as well as of African catering units were also impaired in the amount of EUR 31m due to the impact of the crisis on the forecast business development.

When the share transfers took effect, the European companies of the catering business were sold to gategroup on 2 December 2020. Write-backs on assets held for sale during the reporting year and results from disposals resulted in a positive effect totalling EUR 41m.

Expenses from changes to pension plans of EUR 31m mainly relate to measurement effects from the temporary suspension offered by the Company of the clause defining the average retirement age for pilots in the context of transitional benefits at Deutsche Lufthansa AG. A corresponding agreement has not yet been reached on a change to the wage settlement as part of an overall agreement.

The result from operating activities declined year-on-year to EUR –7,089m (previous year: EUR 1,689m).

### Financial result falls to EUR –1,542m

The financial result fell year-on-year to EUR –1,542m (previous year: EUR 171m).

The result from equity investments included in this figure came to EUR –264m (previous year: EUR 168m). The decline was due to negative results from joint ventures and associated companies, particularly in the Network Airlines, Eurowings and Lufthansa Technik segments.

Net interest fell by 6% to EUR –334m (previous year: EUR –315m), essentially because of increased debt.

Other financial items declined to EUR –944m (previous year: EUR 318m), particularly as a result of the negative development of the market value of fuel hedges which are recognised in the financial result due to the need to discontinue hedging relationships (EUR 779m). In addition, ineffectiveness in exchange rate hedging to be recognised in profit or loss due to the postponement of capital expenditure on aircraft as well as the market valuation of the convertible bond issued in the reporting year had a negative impact on the financial result.

The relief from income taxes in the amount of EUR 1,865m is related to the recognition of deferred taxes for negative earnings in financial year 2020 (previous year: tax expense of EUR 615m). The tax ratio was just 22%, mainly due to deferred taxes not being recognised for companies with a history of losses and the negative result from equity investments not being subject to tax.

Including earnings attributable to minority interests of EUR 41m (previous year: EUR –32m), the net profit for the period attributable to the shareholders of Deutsche Lufthansa AG was EUR –6,725m (previous year: EUR 1,213m).

Earnings per share amounted to EUR –12.51 (previous year: EUR 2.55). ↗ **Notes to the consolidated financial statements, Note 16, p. 164.**

#### 1022 PROFIT BREAKDOWN OF THE LUFTHANSA GROUP

	2020 in €m	2019 in €m	Change in %
Operating income	15,661	38,998	-60
Operating expenses	-22,750	-37,309	-39
<b>Profit from operating activities</b>	<b>-7,089</b>	<b>1,689</b>	
Financial result	-1,542	171	
<b>Profit/loss before income taxes</b>	<b>-8,631</b>	<b>1,860</b>	
Income taxes	1,865	-615	
<b>Profit/loss after income taxes</b>	<b>-6,766</b>	<b>1,245</b>	
Profit/loss attributable to minority interests	41	-32	
<b>Net profit/loss attributable to shareholders of Deutsche Lufthansa AG</b>	<b>-6,725</b>	<b>1,213</b>	



### Dividend payments are excluded until the stabilisation measures are completed

The stabilisation measures of the Economic Stabilisation Fund (WSF) preclude the payment of dividends until the loans and silent participations have been repaid in full and all the shares of the Company held by the WSF have been disposed of. Until then, free cash flow will be used primarily to repay borrowings, including government stabilisation measures. In the long term, shareholders are expected to once again participate directly in the Company's success. ➔ **Financial strategy and value-based management, p. 21ff.**

### Long-term earnings reduced by the coronavirus crisis

The Lufthansa Group's business model is exposed to economic cycles and other external factors. Their influence varies from one segment to another.

In previous years, the airlines in the Lufthansa Group in particular were able to continuously improve their cost position and take steps to respond more flexibly to changes and challenges in the economic environment. However, this development was interrupted in the reporting year by the significant impact of the coronavirus crisis.

## FINANCIAL POSITION

### Capital expenditure

#### Investment volume reduced by 64%

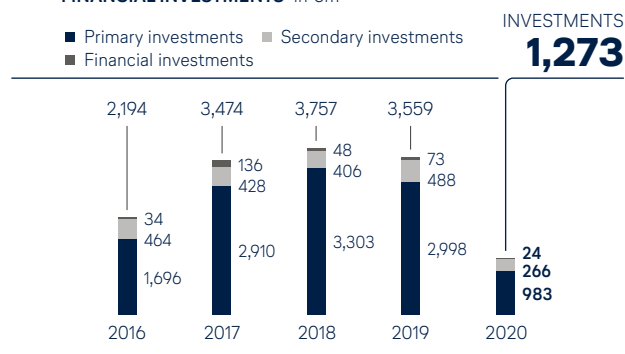
In response to the crisis, the Lufthansa Group succeeded in reducing capital expenditure at short notice, primarily by restructuring payment plans for capital expenditure on aircraft. Gross capital expenditure (not including equity investments) declined by 64% to EUR 1,273m (previous year: EUR 3,559m).

Primary investment in down payments and final payments for aircraft, aircraft components, and aircraft and engine overhauls went down by 67% to EUR 983m (previous year: EUR 2,998m). This accounts for 77% of total capital expenditure.

Capital expenditure for other items of property, plant and equipment and for intangible assets, known collectively as secondary investment, decreased by 45% to EUR 266m (previous year: EUR 488m). Of the total, EUR 186m (previous year: EUR 332m) was on property, plant and equipment, such as technical equipment and machinery, and on operating and office equipment. EUR 80m was invested in intangible assets, such as licences and software (previous year: EUR 156m).

Financial investments (not including equity investments) of EUR 24m (previous year: EUR 73m) mainly related to cash outflows for loans granted to affiliated, non-consolidated companies.

### C12 PRIMARY, SECONDARY AND FINANCIAL INVESTMENTS in €m<sup>1)</sup>



<sup>1)</sup> Excluding acquisition of shares.

Network Airlines accounted for the bulk of capital expenditure with EUR 958m (-65% year-on-year). Capital expenditure at Eurowings came to EUR 106m (-17%). ➔ **Fleet, p. 25f.**

Capital expenditure of EUR 222m (-22%) in the Logistics segment consisted mainly of down payments and final payments for cargo aircraft. Capital expenditure of EUR 152m (-51%) in the MRO business segment was mainly for the purchase of reserve engines and to finance joint ventures and other property, plant and equipment. Capital expenditure of EUR 28m (-78%) in the Catering segment consisted mainly of replacement investments in catering facilities.

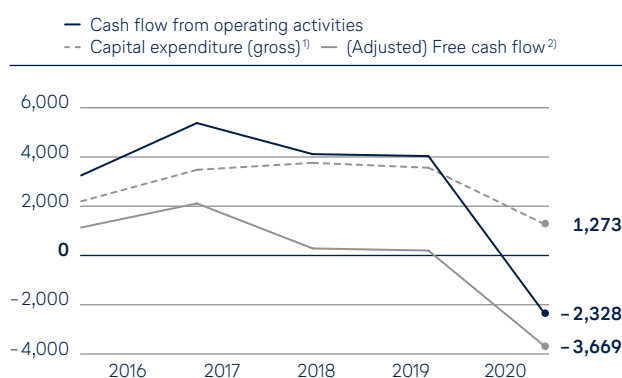
### Cash flow

#### Cash flow from operating activities down to EUR -2,328m

Due to the crisis, cash flow from operating activities fell year-on-year to EUR -2,328m due to lower pre-tax earnings (previous year: EUR 4,030m).

The decline was lower than for pre-tax earnings, however, due to the non-cash components of earnings. These included in particular impairment losses of EUR 1,828m on non-current assets (previous year: EUR 84m) and valuation effects from financial derivatives of EUR 334m. The valuation effects from financial derivatives resulted primarily from ineffectiveness due to the realisation and subsequent conclusion of investment hedging transactions in the reporting year and the postponement of planned capital expenditure, as well as from the market valuation of the convertible bond issued, which was recognised in profit or loss. The discontinuation of advance income tax payments as a result of the decline in earnings, the deferral of payments from other taxes and levies (EUR 918m), the realisation of exchange rate hedges with positive market values (EUR 428m) and repo agreements with emission certificates (EUR 275m) also supported the development.

**C13 CASH FLOW AND CAPITAL EXPENDITURE** in €m



<sup>1)</sup> Without acquisition of equity investments.

<sup>2)</sup> Since 2018: Adjusted free cash flow.

Changes in working capital caused a cash outflow of EUR 683m (previous year: cash inflow of EUR 490m). This stemmed primarily from the EUR 2,007m decrease in obligations for unused flight tickets, which was mainly due to the refund of cancelled tickets (EUR 3,851m) and the significant drop in new bookings. Liabilities to providers also fell by EUR 1,673m. The significant reduction in trade and other receivables including contract assets (EUR -2,204m), the reduction in inventories, and payments received on account of MRO service contracts partially offset the outflows.

**Adjusted free cash flow down to EUR -3,669m**

Gross capital expenditure (without acquisitions of equity interests) for the Lufthansa Group came to EUR 1,273m. This included the primary, secondary and financial investment listed above. This was offset by the reduction in repairable spare parts for aircraft of EUR 276m (previous year: increase of EUR 231m). Expenditures of EUR 39m were made for acquisitions of equity interests (previous year: EUR 107m).

The disposal of assets resulted in a cash outflow of EUR 49m (previous year: inflow of EUR 136m). The disposal of the companies of LSG group's European business resulted in a decrease in cash and cash equivalents (proceeds from the disposal less cash and cash equivalents sold) of EUR -218m. Interest and dividend income fell by 61% to EUR 123m (previous year: EUR 313m). This brought total net cash used for investing activities to EUR 962m, which was 72% down on the year (previous year: EUR 3,448m).

After deducting this net cash used for investing activities, free cash flow for the financial year 2020 was negative at EUR -3,290m (previous year: EUR 582m).

Adjusted free cash flow includes cash outflows for leases (repayment portion) as shown in cash flow for financing activities. It decreased to EUR -3,669m (previous year: EUR 203m). The lease payments included in this figure came to EUR 379m in the reporting year (previous year: EUR 379m).

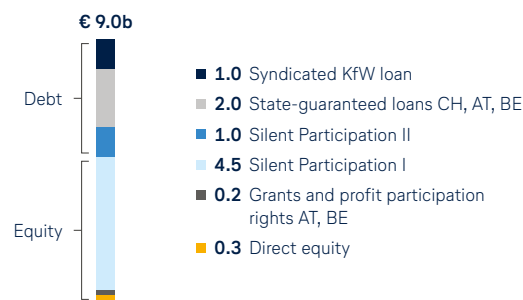
**Financing**

**Lufthansa Group receives stabilisation aid and loans of up to EUR 9bn**

The Lufthansa Group has agreed on stabilisation measures with the Economic Stabilisation Fund (WSF) of the Federal Republic of Germany and with the governments of Switzerland, Austria and Belgium to mitigate the financial consequences of the coronavirus pandemic and to maintain the solvency of the Company. The stabilisation package negotiated includes stabilisation aid and loans totalling up to EUR 9bn.

**C14 OVERVIEW STABILISATION MEASURES**

in €b



The WSF provides financing in the form of silent participations totalling up to EUR 5.7bn in the assets of Deutsche Lufthansa AG. Of this amount, approximately EUR 4.7bn (known as Silent Participation I) is classified as equity under IFRS regulations. In this amount, Silent Participation I is unlimited in time and can be terminated by the Company in whole or in part. The equity and grant-based stabilisation funds in Belgium and Austria amounting to EUR 153m reduced the maximum amount available to EUR 4.5bn. The remuneration on Silent Participation I is 4% p.a. for 2020 and 2021. In subsequent years, the remuneration will increase up to 9.5% p.a. from 2027. Silent Participation I was not utilised in the reporting year.

WSF is making a further EUR 1.0bn available to Deutsche Lufthansa AG as Silent Participation II. This participation has a term of up to six years at the same remuneration as Silent Participation I and is classified as a liability within the meaning of IFRS regulations.

The WSF subscribed to shares by way of a capital increase and built up a 20% stake in the issued capital of Deutsche Lufthansa AG. The subscription price was EUR 2.56 per share, so the cash contribution came to around EUR 306m. The WSF may also increase its share in the issued capital to 25% plus one share in the event of a takeover of the Company by converting part of Silent Participation II.

In addition, in the event of non-payment of remuneration by the Company, a further portion of Silent Participation II is to be convertible into a further shareholding of 5% of the issued capital at the earliest from 2024 and 2026, respectively. The second conversion option, however, only applies to the extent that the WSF has not previously increased its shareholding in connection with the above-mentioned takeover case. Conversion should also be possible for dilution protection.

Subject to the full repayment of the silent participations by the Company and a minimum sale price of EUR 2.56 per share plus an annual increase in value of 12%, the WSF undertakes to sell its shareholding in full at the market price by 31 December 2023. The obligation shall continue after this date in the event of full repayment of the Silent Participation, if the shareholding has not yet been disposed of in full.

Finally, the stabilisation measures are supplemented by a syndicated credit facility of EUR 1bn with the participation of KfW and private banks with a term of three years. The shares in Austrian and Maltese aircraft leasing companies, which operate a total of 323 aircraft in the Group, were pledged as collateral.

Conditions relate in particular to the waiver of future dividend payments and restrictions on management remuneration and on acquisitions. In addition, two seats on the Supervisory Board were filled in agreement with the German government, one of whom became a member of the Audit Committee. Except in the event of a takeover, the WSF undertakes not to exercise its voting rights at the Annual General Meeting in connection with the usual resolutions of ordinary Annual General Meetings.

Additional commitments made by the Federal Republic of Germany to the European Commission oblige the Group to station up to four aircraft at both its Frankfurt and Munich airports, and to transfer up to 24 take-off and landing rights (slots) to a competitor – meaning three take-off and three landing rights per aircraft per day. No slot transfers took place in this context in the reporting year.

With the governments of Switzerland, Austria and Belgium, the Lufthansa Group approved aid packages totalling EUR 2.2bn; this sum will be offset against the stabilisation measures agreed with the WSF as well as with KfW and private banks. All packages include certain site-specific agreements.

The Swiss federal government guaranteed credit lines of CHF 1.5bn (approximately EUR 1.4bn) for the two Swiss airlines in the Lufthansa Group, SWISS and Edelweiss. The shares in the Swiss companies concerned were pledged as security for the loans. Deutsche Lufthansa AG also contributed through a subordinated loan of CHF 500m.

The Austrian federal government and the Lufthansa Group reached an agreement on a coronavirus aid package worth EUR 600m for Austrian Airlines. In this context, the government is guaranteeing bank loans of up to EUR 300m. The loan is secured by rights of lien on a total of 38 aircraft. A subordinated loan of EUR 150m was also granted, which is not repayable if certain conditions are met. The conditions for corresponding recognition in profit or loss have since been met. Deutsche Lufthansa AG participated with an equity contribution of EUR 150m.

The Belgian government and the Lufthansa Group have concluded an agreement on a EUR 287m loan from the Belgian state to Brussels Airlines and a EUR 3m participation certificate, which will be supplemented by an equity contribution of EUR 170m from Deutsche Lufthansa AG. The loan is collateralised by the shares of Deutsche Lufthansa AG in Brussels Airlines.

#### **Stabilisation measures and external financing guarantee liquidity**

By the end of the reporting year, the Lufthansa Group companies had utilised a total of EUR 3.3bn from the stabilisation measures. As a result, the Lufthansa Group had further not needed stabilisation measures of EUR 5.7bn at its disposal as of 31 December 2020, which it has not yet drawn on.

In Germany, Silent Participation II was made by the WSF in the amount of EUR 1,000m and a further EUR 1,000m of the KfW syndicated loan was drawn down. The latter was repaid in February 2021. ➔ **Events after the reporting period, p. 37f.** A further EUR 306m was received from the WSF from the capital increase. In Austria, the hybrid loan from the Austrian Treasury of EUR 150m and a syndicated loan totalling EUR 300m were disbursed. The conditions for the waiver of repayment of the hybrid loan provided for in the agreement have been fulfilled in the meantime. In Switzerland, CHF 475m (EUR 438m) of the credit line guaranteed by the Swiss federal government has been drawn down so far. In Belgium, EUR 130m of the credit facility agreed with the Belgian government and the participation certificate of EUR 3m were disbursed.

In addition, the LSG group and Lufthansa Technik received payments totalling USD 244m in the USA under the Coronavirus Aid, Relief and Economic Security Act (CARES), partly as loans and partly as grants.

In addition to government stabilisation measures, the main external financial instruments included aircraft financing vehicles and unsecured funding, such as borrower's note loans and traded bonds. Furthermore, the Lufthansa Group has bilateral credit lines with a large number of banks. As of 31 December 2020, these credit lines came to EUR 763m (previous year: EUR 774m) and, in contrast to the previous year, were fully utilised.

In 2020, a total of nine aircraft financing vehicles and borrower's note loans secured by aircraft were concluded for four Airbus A350s and three aircraft from the A320 family. This enabled funds amounting to a total of EUR 425m to be raised. These financing deals are repaid continuously over the approximately five to twelve-year term of the respective contracts.

In November 2020, the Lufthansa Group issued a convertible bond with a total volume of EUR 600m. The bond issue, with a denomination of EUR 100,000, bears interest at 2.0% per annum. The issue was oversubscribed by more than six times. Unless previously converted, the bonds will be redeemed at their nominal value on 17 November 2025. Investors also have the option of converting the bond into new and/or existing registered shares of Lufthansa AG. The initial con-

version price was set at EUR 12.96, which corresponds to a conversion premium of 40.0% above the reference share price of EUR 9.2545.

The EMTN programme (Euro Medium Term Note Programme or Debt Issuance Programme) was renewed in November 2020. The programme enables the Group to issue bonds on the capital market at very short notice. It is listed on the Luxembourg stock exchange.

In November 2020, the Lufthansa Group made use of the favourable conditions on capital markets to issue a EUR 1bn bond under the EMTN programme. The bond matures on 29 May 2026 and pays interest of 3.0% per annum. The issue was oversubscribed by around four times.

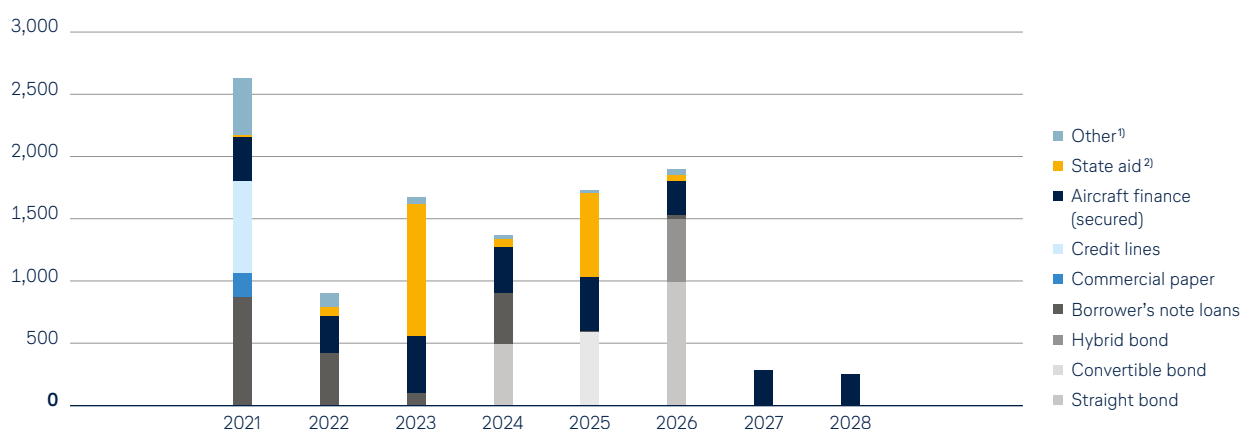
The terms of both bonds underline the great confidence enjoyed by the Lufthansa Group, also as a borrower.

In November 2020, Deutsche Lufthansa AG also decided not to exercise the first right to call its EUR 500m hybrid bond, which matures on 12 August 2075 and carries an interest rate of 5.125%. The right of termination can be exercised again as of 12 February 2026. Furthermore, the coupon will be reset on 12 February 2021.

In financial year 2020, the Lufthansa Group concluded or extended several short-term borrower's note loans for some EUR 400m, issued money market paper for EUR 350m and commercial paper for EUR 385m.

## C15 MATURITY PROFILE OF BORROWINGS

as of 31 Dec 2020 in €m



<sup>1)</sup> Mainly bilateral loans; does not include operating lease payments.

<sup>2)</sup> Predominantly repayment of EUR 1bn KfW in 2023 and scheduled repay EUR 300m Austrian state aid, CHF 475m Swiss state aid and EUR 130m Belgian state aid.

There were no significant off-balance sheet financing activities in the reporting year.

This funding is essentially offset by the scheduled repayment of five borrower's note loans and short-term funding (EUR 782m), as well as the repayment of aircraft financing and leasing (EUR 893m).

Interest and dividend payments came to EUR 244m (previous year: EUR 592).

The balance of financing activities resulted in a net cash inflow of EUR 5,076m (previous year: outflow of EUR 161m).

## Liquidity

### Available liquidity of EUR 10.6bn

Liquidity (total of cash and current securities) rose year-on-year by 61% to EUR 5,458m, especially due to payments from the stabilisation packages and measures to increase liquidity (previous year: EUR 3,385m). Of this amount, EUR 4,330m was available centrally and a further EUR 639m at the foreign Group airlines as of the reporting date. Another EUR 489m was held largely by other Group companies. As of 31 December 2020, EUR 5,657bn of the government stabilisation funding and loans had not yet been utilised from a Group perspective. As of year-end 2020, the Company therefore had around EUR 10.6bn of available liquidity, both centrally and in the foreign Group airlines.

### T023 ABBREVIATED CASH FLOW STATEMENT OF THE LUFTHANSA GROUP

	2020 in €m	2019 in €m	Change in %
Profit/loss before income taxes	-8,631	1,860	
Depreciation and amortisation/reversals	4,552	2,837	60
Net proceeds on disposal of non-current assets	9	20	-55
Net interest/result from equity investments	598	147	307
Income tax payments	81	-1,009	
Significant non-cash expenses/income	212	-134	
Change in trade working capital	-683	490	
Change in other assets and liabilities	1,534	-181	
<b>Cash flow from operating activities</b>	<b>-2,328</b>	<b>4,030</b>	
Investments and additions to repairable spare parts	-1,036	-3,897	-73
Purchase/disposal of shares/non-current assets	-49	136	
Dividends and interest received	123	313	-61
<b>Net cash from/used in investing activities</b>	<b>-962</b>	<b>-3,448</b>	<b>-72</b>
<b>Free cash flow</b>	<b>-3,290</b>	<b>582</b>	
<b>Purchase/disposal of securities/fund investments</b>	<b>-1,380</b>	<b>-419</b>	<b>229</b>
Capital increase	306	-	-
Transactions with minority interests	-	1	-100
Non-current borrowing and repayment of non-current borrowing	5,014	430	1,066
Dividends paid	-21	-414	-95
Interest paid	-223	-178	25
<b>Net cash from/used in financing activities</b>	<b>5,076</b>	<b>-161</b>	
Changes due to currency translation differences	-33	-5	560
<b>Cash and cash equivalents as of 1 Jan</b>	<b>1,431</b>	<b>1,434</b>	<b>0</b>
<b>Cash and cash equivalents as of 31 Dec</b>	<b>1,804</b>	<b>1,431</b>	<b>26</b>
Less cash and cash equivalents from companies held for sale as of 31 Dec	-	16	
<b>Cash and cash equivalents from companies not classified as held for sale as of 31 Dec</b>	<b>1,804</b>	<b>1,415</b>	<b>27</b>

## NET ASSETS

The Group's total assets as of 31 December 2020 decreased by 7% on year-end 2019 to EUR 39,484m (31 December 2019: EUR 42,659m).

Non-current assets were down by 6% at EUR 29,444m (31 December 2019: EUR 31,374m). This accounts for 75% of total assets (31 December 2019: 74%). Current assets fell by 11% to EUR 10,040m (31 December 2019: EUR 11,285m). Their share of total assets was 25% (31 December 2019: 26%).

Shareholders' equity declined by 86% to EUR 1,387m (31 December 2019: EUR 10,256m). Altogether, non-current funding accounted for 63% of total assets, unchanged from the previous year. Non-current financing covered 84% of non-current assets (31 December 2019: 85%). Current funding was unchanged at 37% of total assets.

## Assets

### Non-current assets down by 6%

Non-current assets fell by 6% year-on-year to EUR 29,444m (31 December 2019: EUR 31,374m). The change was essentially due to write-downs on non-current assets and the decline in the market values of hedging instruments, which were partly offset by the increase in deferred income tax assets.

### Current assets down 11% year-on-year

Current assets fell by 11% to EUR 10,040m (31 December 2019: EUR 11,285m). The decline in current trade and other receivables as well as inventories resulting from the effects of the crisis was partially offset by the increase in cash and

cash equivalents, including current securities, resulting from net borrowing and cash inflows recognised directly in equity.

Assets held for sale of EUR 134m mainly related to 40 aircraft held for sale. In the previous year, the assets of the disposal group of the companies of LSG group's European business represented the majority of the assets held for sale. These assets were derecognised with the completion of the disposal in December 2020.

## Shareholders' equity and liabilities

### Shareholders' equity down by 86%; equity ratio down to 3.5%

Shareholders' equity fell by 86% on year-end 2019 to EUR 1,387m (31 December 2019: EUR 10,256m), primarily because of the net loss and the negative valuation effects for pensions and derivatives recognised directly in equity, partly offset by the capital increase of EUR 306m from the WSF.

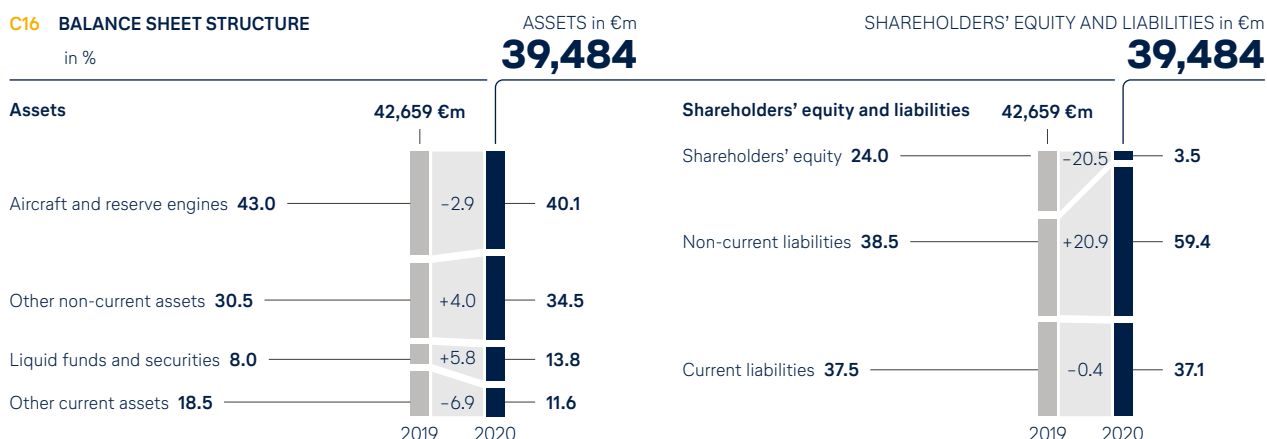
The equity ratio fell by 20.5 percentage points compared with year-end 2019 to 3.5% (31 December 2019: 24.0%).

### T024 DEVELOPMENT OF EARNINGS, EQUITY, EQUITY RATIO AND RETURN ON EQUITY

		2020	2019	2018	2017	2016
Profit/loss after income taxes <sup>1)</sup>	€m	-6,766	1,245	2,196	2,374	1,803
Equity <sup>1)</sup>	€m	1,387	10,256	9,573	9,110	7,149
Equity ratio <sup>1)</sup>	%	3.5	24.0	25.1	25.5	20.6
Return on equity <sup>1)</sup>	%	-487.8	12.1	22.9	26.1	25.2

<sup>1)</sup> Including minority interests.

### C16 BALANCE SHEET STRUCTURE





### Non-current liabilities and provisions up by 43%

Non-current provisions and liabilities were up by 43% to EUR 23,438m (31 December 2019: EUR 16,417m), due particularly to the increase in borrowings and pension liabilities.

Non-current borrowing of EUR 12,252m was 46% higher than at year-end 2019 (31 December 2019: EUR 8,396m). The increase stemmed mainly from utilising the loans from the state stabilisation packages (including fees) in the amount of EUR 2,935m as well as other central borrowings in the amount of EUR 3,773m. ↗ **Financing, p. 43ff.**

Pension liabilities rose by 43% to EUR 9,531m (31 December 2019: EUR 6,659m), largely due to the decrease in the interest rate of 0.6 percentage points to 0.8% which was used to discount pension obligations and the negative performance of plan assets.

### Current liabilities and provisions down by 8%

Current provisions and liabilities were down by 8% year-on-year to EUR 14,659m (31 December 2019: EUR 15,986m), primarily due to the decrease in liabilities from unused flight tickets and trade payables, offset by the increase in current borrowings and derivative financial instruments.

Liabilities in connection with assets held for sale in the previous year related to the disposal group for the European catering companies, which have since been disposed of.

### Net indebtedness up by 49% on the previous year

Net indebtedness of EUR 9,922m was 49% higher than at year-end 2019 (31 December 2019: EUR 6,662m).

Adjusted net debt, the sum of net indebtedness and pension provisions less 50% of the hybrid bond issued in 2015, was up by 47% on the end of 2019 to EUR 19,206m (31 December 2019: EUR 13,074m).

#### T025 CALCULATION OF NET INDEBTEDNESS

	2020 in €m	2019 in €m	Change in %
Liabilities to banks	4,938	2,110	134
Bonds	2,907	1,094	166
Lease liabilities (IFRS 16) <sup>1)</sup>	2,291	2,386	-4
Other non-current borrowing	5,232	4,440	18
	<b>15,368</b>	<b>10,030</b>	<b>53</b>
Other bank borrowing	14	17	-18
<b>Group indebtedness</b>	<b>15,382</b>	<b>10,047</b>	<b>53</b>
Cash and cash equivalents	1,806	1,415	28
Securities	3,654	1,970	85
<b>Net indebtedness</b>	<b>9,922</b>	<b>6,662</b>	<b>49</b>
Pension provisions	9,531	6,659	43
<b>Net indebtedness and pensions</b>	<b>19,453</b>	<b>13,321</b>	<b>46</b>

<sup>1)</sup> Without former financial lease liabilities in accordance with IAS 17 which are included in other non-current borrowing.

## Comparison with original forecast and overall statement by the Executive Board on the economic position

Revenue and Adjusted EBIT at the Lufthansa Group declined significantly due to the crisis, in line with the original forecast. | Lufthansa Cargo posts record result. | Main KPIs develop in line with forecasts.

### COMPARISON WITH ORIGINAL FORECAST

#### **Revenue and Adjusted EBIT at the Lufthansa Group declined significantly in line with forecast**

The Lufthansa Group prepared and announced its guidance for the 2020 financial year with the publication of the Annual Report 2019 on 19 March 2020 – at the beginning of the coronavirus crisis. The uncertainty concerning the course of the pandemic, the imposition of travel restrictions and the impact of the pandemic on customer confidence and demand for air travel meant that it was not possible to provide a detailed forecast for 2020. This did not change in the course of 2020.

In March, the Lufthansa Group forecast a significant decline in revenue and Adjusted EBIT for financial year 2020 compared with the previous year. This forecast was confirmed, with a 63% decline in revenue and a decrease in Adjusted EBIT to EUR -5,451m (previous year: EUR 2,026m).

The Lufthansa Group expected a decline in capacity, measured in available seat-kilometres, compared with the previous year. This was also confirmed, with a 69% decline in the ratio.

#### **Lufthansa Cargo achieves revised forecast for Adjusted EBIT margin**

At the time of publication of the Annual Report 2019, the Lufthansa Group did not expect developments in the individual business segments – Network Airlines, Eurowings, Logistics, MRO, Catering and Additional Businesses and Group Functions – to deviate from the forecast for the Group as a whole.

With the publication of the 1st Interim Report 2020, the Lufthansa Group adjusted its forecast for the Logistics segment. Due to significantly higher average yields compared with the previous year as a result of the elimination of belly capacities in passenger aircraft, the Lufthansa Group was now forecasting a higher Adjusted EBIT margin than in the previous year. With the publication of the 3rd Interim Report 2020, the forecast was once again refined due to the positive development of the result. Since then, the Lufthansa Group has expected a double-digit Adjusted EBIT margin for the Logistics segment. This forecast was confirmed, with an Adjusted EBIT margin of 28.0%.

#### **Main KPIs of the Lufthansa Group are developing in line with forecasts**

The Lufthansa Group forecast a significant decline in capital expenditure and Adjusted free cash flow for financial year 2020 compared with the previous year. These forecasts were confirmed by a 64% decline in gross capital expenditure and a decrease in adjusted free cash flow to EUR -3,669m (previous year: EUR 203m).

The Lufthansa Group expected an increase in debt compared with the previous year. This was also confirmed, with a 49% increase in net indebtedness. The Lufthansa Group expected the ratio of net indebtedness, including the effect of pension provisions, to Adjusted EBITDA to increase compared with the previous year. Because of the decline in EBITDA, this key figure was not meaningful at the end of the year.

The forecast of a significant decline in Adjusted ROCE was confirmed. This key figure was down 23.3 percentage points year-on-year.

**Forecast for specific carbon emissions was not achieved**

The Lufthansa Group expected a decrease in specific carbon emissions compared with the previous year. With an increase in carbon emissions per passenger-kilometre of 14%, this forecast was not achieved. This was caused by the fall in the passenger load factor due to the pandemic and the many changes to the route network, with comparatively more short-haul and fewer long-haul flights.

**T026 DEVELOPMENT OF SIGNIFICANT KPIS**

		Result 2019 <sup>1)</sup>	Forecast for 2020 <sup>1)</sup>	Result 2020
Revenue	€m	36,424	significantly below previous year	13,589
Adjusted EBIT	€m	2,026	significantly below previous year	-5,451
Available seat-kilometres	million	359,567	below previous year	109,828
Capital expenditure (gross)	€m	3,559	significantly below previous year	1,273
Adjusted free cash flow	€m	203	below previous year	-3,669
Net indebtedness	€m	6,662	above previous year	9,922
Adjusted net debt/ Adjusted EBITDA		2.8	above previous year	not meaningful
Adjusted ROCE	%	6.6	significantly below previous year	-16.7
Specific CO <sub>2</sub> emissions	grammes	92.2	below previous year	105.2

<sup>1)</sup> As stated in the Annual Report 2019.

## OVERALL STATEMENT BY THE EXECUTIVE BOARD ON THE ECONOMIC POSITION

2020 was an exceptionally demanding year for the Lufthansa Group. This year was defined by the outbreak of the coronavirus pandemic, which had a significant impact on the course of business and the economic development of the Lufthansa Group.

Decreased demand due to international travel restrictions resulted in a 63% drop in revenue and an Adjusted EBIT of EUR -5,451m in the reporting year. Lufthansa Cargo was the only carrier to achieve a positive result, ultimately the highest in the company's history, due to the significant decline in capacity in the market and the corresponding increase in average yields.

In response to the challenges posed by the coronavirus, a variety of measures were initiated in the reporting year to reduce costs and decrease cash outflows. The state stabilisation package of up to EUR 9bn was agreed to secure the Company's solvency. The Company's liquidity has developed more favourably than expected since the stabilisation measures were agreed, although the market environment became gloomier again from the autumn onwards, contrary to the original expectation.

The Group has introduced the ReNew restructuring programme in response to the changes in the airline industry caused by the crisis. Key measures have already been implemented, including the renewal and reduction in the size of the fleet by 150 aircraft and the elimination of around 27,000 full-time equivalents as things currently stand.

The Executive Board is confident that the continued implementation of the restructuring programme and the realignment will enable the Lufthansa Group to emerge from this crisis stronger than its competitors and to maintain and further expand its position as one of Europe's leading airline groups. However, the consequences of the crisis will continue to impact the entire industry for a long time. ➔ **Forecast, p. 118ff.**

## Business segments

### Network Airlines business segment

The Network Airlines segment comprises Lufthansa German Airlines, SWISS, Austrian Airlines and Brussels Airlines. | Focus on reducing costs and ensuring liquidity. | Earnings significantly affected by coronavirus pandemic.

#### T027 KEY FIGURES NETWORK AIRLINES

		2020	2019 <sup>1)</sup>	Change in %
Revenue	€m	6,622	25,078	-74
of which traffic revenue	€m	5,488	23,055	-76
Adjusted EBITDA	€m	-2,860	3,703	
Adjusted EBIT	€m	-4,674	1,776	
EBIT	€m	-6,099	1,724	
Adjusted EBIT margin	%	-70.6	7.1	-77.7 pts
Adjusted ROCE	%	-27.9	10.9	-38.8 pts
EACC	€m	-5,102	781	
Segment capital expenditure	€m	958	2,738	-65
Employees as of 31 Dec	number	57,363	60,913	-6
Average number of employees	number	59,191	60,594	-2

<sup>1)</sup> Previous year's figures have been adjusted.

### Business activities

#### Network Airlines offer their customers a high-quality product

The Network Airlines segment comprises Lufthansa German Airlines, SWISS, Austrian Airlines and Brussels Airlines. The airlines offer their customers a premium experience, with high-quality products and services. The multi-hub strategy offers passengers a comprehensive route network along with the greatest possible flexibility for their journey.

Since the beginning of the 2020 fiscal year, Germanwings (whose passenger flight operations have since been discontinued), the Eurowings long-haul business, and Brussels Airlines (which will be more highly integrated in the Network Airlines group from now on) have been managed by the Network Airlines and have therefore been allocated to this segment.

Commercial joint ventures with leading international airlines continue to make connections more attractive for customers, partly by adding new destinations to the route network. Commercial joint ventures exist with United Airlines and Air Canada on routes between Europe and North America, and with All Nippon Airways (ANA), Singapore Airlines and Air China on routes between Europe and Japan as well as Singapore and China respectively. In addition, numerous code-share agreements exist.

At the beginning of the financial year, the line maintenance business of Lufthansa Technik was transferred to Deutsche Lufthansa AG. It will now carry out the work itself and is incorporated in the Network Airlines business segment.

The previous year's figures were taken into account to reflect these changes in the composition of the segment.

### Course of business and operating performance

#### Course of business significantly affected by the coronavirus pandemic

The performance of the Network Airlines was largely determined by the effects of the coronavirus pandemic over the course of the 2020 financial year. Flight capacity was significantly reduced as soon as the crisis broke out, and a large part of the fleet was temporarily retired. At times, the Network Airlines only operated a minimum flight programme. Austrian Airlines and Brussels Airlines completely suspended flight operations between 18 and 21 March respectively and 14 June 2020.

All Network Airlines carried out numerous repatriation flights on behalf of their governments to fly travellers home from all over the world – sometimes even while their regular flight operations were suspended. Passenger aircraft were also used for cargo flights in order to transport urgently needed medical equipment.

After the flight programme had been gradually expanded again starting in June 2020, international air traffic dwindled beginning in September 2020 with the end of the summer travel period, rising infection figures and increasing travel restrictions. Available capacity was reduced again towards the end of the reporting period in line with changes in demand. At year-end, it was at around 25% of last year's level.

#### **Focus on reducing costs and ensuring liquidity**

As a result of the coronavirus crisis, restructuring programmes and methods to reduce costs, secure liquidity and increase profitability are being implemented by the Network Airlines. In addition to the consistent reduction in operating costs – partly by reducing the fleet – key levers include the introduction of short-time work as well as adjustments to the number of employees at the airlines and in administration, in line with future demand.

#### **Network Airlines fleet to be scaled back and continuously modernised**

As a result of the coronavirus outbreak, the Network Airlines fleet will be reduced. Among other things, this will entail the early retirement of long-haul aircraft that are older or less efficient than the rest of the fleet. This comprises the entire Airbus A380 and A340-600 sub-fleets, which will be transferred to long-term parking mode or definitively decommissioned.

At the same time, the fleet will continue to be modernised. Deploying modern aircraft models reduces costs, fuel consumption, and CO<sub>2</sub> and noise emissions. Furthermore, the standardisation of the fleet and the reduction in the number of aircraft types also reduces complexity, which then results in further cost savings. 🚀 **Fleet, p. 25f.**

#### **Safety and health of passengers has top priority**

The health and safety of passengers and employees has the highest priority for the Network Airlines. This means that all processes throughout the travel chain are continuously reviewed to ensure passenger safety. A key aspect of the hygiene concept is the mandatory wearing of face masks throughout the flight, from boarding to disembarking.

Lufthansa German Airlines and Austrian Airlines carried out a pilot project to use rapid antigen tests on all passengers on selected flights between Munich and Hamburg and between Vienna and Hamburg. Boarding passes were only activated and access to the gate provided once a negative result was obtained. If corresponding international agreements are reached, this could in future enable international travel without the need for mandatory quarantine periods.

#### **Customers are offered a high degree of flexibility**

In order to give their customers maximum flexibility during the coronavirus crisis, the Network Airlines are offering many rebooking options. Refunds for flights that were cancelled due to the pandemic were paid significantly faster as the year progressed.

The Network Airlines also guarantee that its passengers will have a return flight on all European routes irrespective of the fare booked, thereby providing additional security. In addition, passengers have the option of including additional coronavirus insurance services in their existing insurance packages. These include coverage of medical costs or a compensation allowance in the event that they are obliged to stay in quarantine. Potential medical emergency repatriation can also be covered.

#### **Service optimisation on the ground and in the air**

In accordance with customer needs, the Network Airlines are focusing on the "New Premium" strategic vision to optimise their products and services along the entire travel chain. In the reporting year, customer-focused activities were restricted due to the outbreak of the coronavirus. The emphasis was initially on steps to improve health and safety and make flight bookings more flexible. However, additional product developments and innovative services were also driven forward.

## T028 TRENDS IN TRAFFIC REGIONS

### Network Airlines

	Net traffic revenue external revenue		Number of passengers		Available seat-kilometres		Revenue seat-kilometres		Passenger load factor	
	2020 in €m	Change in %	2020 in thousands	Change in %	2020 in millions	Change in %	2020 in millions	Change in %	2020 in %	Change in pts
Europe	2,116	-75	22,988	-74	32,049	-67	20,117	-74	62.8	-15.1
America	1,385	-80	2,810	-79	36,172	-70	21,869	-79	60.5	-24.9
Asia/Pacific	695	-81	1,424	-81	18,696	-74	11,524	-81	61.6	-23.6
Middle East/ Africa	554	-72	1,897	-74	12,651	-65	8,451	-71	66.8	-13.9
Not assignable	738	-61	-	-	-	-	-	-	-	-
<b>Total traffics</b>	<b>5,488</b>	<b>-76</b>	<b>29,119</b>	<b>-75</b>	<b>99,568</b>	<b>-69</b>	<b>61,961</b>	<b>-77</b>	<b>62.2</b>	<b>-20.4</b>

For example, Lufthansa German Airlines and SWISS have been using the biometric face recognition Star Alliance Biometrics at check-in for selected flights since November 2020. Special infrastructure was set up at the hubs in Frankfurt and Munich, which increases service quality at both sites. Miles & More customers who agree to take part in Biometrics can enjoy contactless access to the safety checks and boarding gates without removing their face masks, which also represents an important contribution to health and safety during the coronavirus pandemic.

### Traffic severely affected by the coronavirus pandemic

Traffic at the Network Airlines declined in the 2020 financial year due to the outbreak of the coronavirus. The Network Airlines carried 29 million passengers, which is a decline of 75% year-on-year (previous year: 118 million). Capacity in the reporting year was down by 69% compared with the previous year, and the number of flights was reduced by 67%. Sales fell by 77%. The passenger load factor was 20.4 percentage points lower than the previous year's level, at 62.2% (previous year: 82.6%). After adjustment for exchange rates, yields contracted by 2.9% due to the crisis. Traffic revenue declined by 76% to EUR 5,488m due to the lower traffic (previous year: EUR 23,055m). The picture was similar in all traffic regions.

## T029 TRAFFIC FIGURES NETWORK AIRLINES

		2020	2019 <sup>1)</sup>	Change in %
Flights	number	310,023	945,621	-67
Passengers	thousands	29,119	118,328	-75
Available seat-kilometres	millions	99,568	326,420	-69
Revenue seat-kilometres	millions	61,961	269,578	-77
Passenger load factor	%	62.2	82.6	-20.4 pts

<sup>1)</sup> Previous year's figures have been adjusted.

## Revenue and earnings development

### Revenue down year-on-year by 74% due to the crisis

Revenue in the Network Airlines business segment fell by 74% year-on-year to EUR 6,622m due to lower traffic figures (previous year: EUR 25,078m). Operating income of EUR 7,616m was 71% down on the year (previous year: EUR 26,092m). Constant currency unit revenues (RASK) fell by 9.1% due to the lower load factors and lower yields.

## T030 OPERATING FIGURES NETWORK AIRLINES<sup>1)</sup>

	2020	2019 <sup>1)</sup>	Change	Exchange- rate adjusted change
	in € cent	in € cent	in %	in %
Yields	7.7	7.9	-2.4	-2.9
Unit revenue (RASK)	7.2	7.8	-8.2	-9.1
Unit cost (CASK) without fuel and emissions trading expenses	10.3	5.5	86.4	85.4

<sup>1)</sup> Previous year's figures have been adjusted.

### Expenses reduced by 50%

Operating expenses in the Network Airlines business segment fell by 50% to EUR 12,258m due to lower volumes and structural measures taken (previous year: EUR 24,362m). By contrast, constant currency unit costs (CASK) without fuel and emissions trading expenses rose by 85.4%. The significant reduction in available capacity could not be matched in full by corresponding cuts in costs.



**T031 OPERATING EXPENSES NETWORK AIRLINES**

	2020 in €m	2019 <sup>4)</sup> in €m	Change in %
Cost of materials and services	5,101	13,843	-63
of which fuel	1,570	5,847	-73
of which fees	1,316	3,613	-64
of which charter	143	346	-59
of which MRO services	1,126	1,820	-38
Staff costs <sup>1)</sup>	3,340	4,801	-30
Depreciation and amortisation <sup>2)</sup>	1,814	1,927	-6
Other operating expenses <sup>3)</sup>	2,003	3,791	-47
<b>Total operating expenses</b>	<b>12,258</b>	<b>24,362</b>	<b>-50</b>

<sup>1)</sup> Without past service costs/settlement.

<sup>2)</sup> Without impairment losses.

<sup>3)</sup> Without book losses.

<sup>4)</sup> Previous year's figures have been adjusted.

The cost of materials and services was 63% down on the previous year at EUR 5,101m (previous year: EUR 13,843m). At the same time, fuel costs sank by 73% to EUR 1,570m (previous year: EUR 5,847m). Expenses for fees and charges declined by 64% to EUR 1,316m (previous year: EUR 3,613m).

Staff costs fell by 30% to EUR 3,340m (previous year: EUR 4,801m), with a 2% reduction in the average number of employees. The introduction of short-time working and cost cuts based on crisis agreements with various trade unions played a role in this. ➔ **Employees, p. 28ff.**

Depreciation and amortisation fell by 6% to EUR 1,814m (previous year: EUR 1,927m).

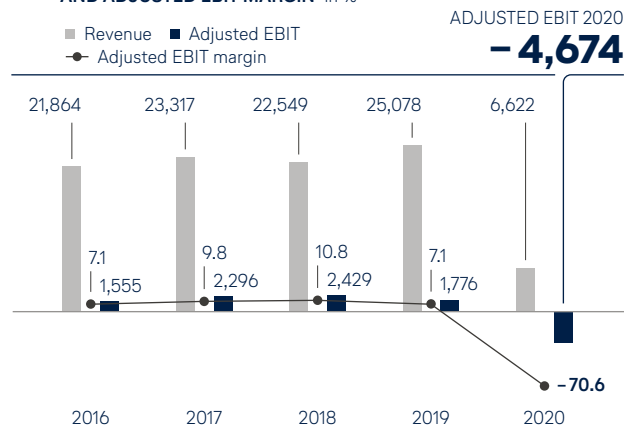
Other operating expenses went down by 47% to EUR 2,003m (previous year: EUR 3,791m).

**Adjusted EBIT down to EUR -4,674m as a result of the coronavirus pandemic**

Adjusted EBIT fell accordingly to EUR -4,674m (previous year: EUR 1,776m). The Adjusted EBIT margin fell by 77.7 percentage points to -70.6% (previous year: 7.1%).

EBIT decreased to EUR -6,099m (previous year: EUR 1,724m). The difference to Adjusted EBIT stems mainly from write-downs of EUR 1,385m on the fleet. ➔ **Earnings position, p. 38ff.**

**C17 NETWORK AIRLINES:  
DEVELOPMENT OF REVENUE, ADJUSTED EBIT  
AND ADJUSTED EBIT MARGIN in %**



**Segment investment down 65% on the year**

Segment capital expenditure fell in the reporting year by 65% to EUR 958m, mainly due to the restructuring of payment plans for capital expenditure on aircraft (previous year: EUR 2,738m).

**LUFTHANSA GERMAN AIRLINES**

**T032 KEY FIGURES LUFTHANSA GERMAN AIRLINES<sup>1)</sup>**

		2020	2019 <sup>2)</sup>	Change in %
Revenue	€m	4,104	16,634	-75
Adjusted EBITDA	€m	-2,297	2,450	
Adjusted EBIT	€m	-3,386	1,227	
EBIT	€m	-4,702	1,168	
Adjusted EBIT margin	%	-82.5	7.4	-89.9 pts
Employees as of 31 Dec	number	37,741	39,582	-5
Average number of employees	number	38,670	39,381	-2
Flights	number	192,216	565,703	-66
Passengers	thousands	17,996	72,470	-75
Available seat-kilometres	millions	64,480	212,948	-70
Revenue seat-kilometres	millions	40,064	175,762	-77
Passenger load factor	%	62.1	82.5	-20.4 pts

<sup>1)</sup> Including regional partners.

<sup>2)</sup> Previous year's figures have been adjusted.

Lufthansa German Airlines is the largest airline in Germany. It has hubs at the two biggest German airports in Frankfurt and Munich and offers its customers a premium product with transfer connections to the entire world. The regional airlines Lufthansa CityLine and Air Dolomiti are also part of Lufthansa German Airlines. Since early 2020, Germanwings, whose passenger flight operations have since been discontinued, and the Eurowings long-haul business have been managed by Lufthansa German Airlines.

### **Lufthansa German Airlines fleet to be reduced and restructured**

Lufthansa German Airlines has decided to significantly scale back its fleet as a result of the coronavirus pandemic. In particular, this entails the retirement of larger four-engine aircraft, which are less fuel-efficient.

Six Airbus A380s, five Boeing 747-400s and seven A340-600s were withdrawn from service on long-haul routes. The remaining eight A380s and ten A340-600s were transferred to long-term parking mode and decommissioned. In the short-haul network, five A319s and eleven A320s were retired, and right-of-use assets for another nine A319s and two A330s were written off. ➔ **Fleet, p. 25f.**

### **Steps to increase efficiency are being implemented**

Lufthansa German Airlines has implemented extensive measures to strengthen its cost position. In addition to reducing the fleet, further expenses were quickly trimmed to a level that is absolutely necessary for operation. Staff expenses, which are one of the largest cost items at Lufthansa German Airlines, were reduced significantly through the introduction of short-time working and crisis agreements with the trade unions. ➔ **Employees, p. 28ff.**

Passenger flight operations at Germanwings were also discontinued in the course of the year as part of the harmonisation of flight operations.

### **Successful start for the Lufthansa New Tomorrow restructuring programme**

Lufthansa German Airlines has implemented the Lufthansa New Tomorrow restructuring programme in response to the coronavirus crisis. Alongside short-term cost-cutting measures to immediately improve liquidity, long-term structural changes are being put into place. The focus is on measures to reduce staff costs (negotiation of crisis contributions, volunteer programmes) and make savings in MRO (cancellation of external services) and ground operations (expansion of

automation and flexible working time models), as well as in IT and infrastructure. In addition, the ground and in-flight products (introduction of a new in-flight sales concept) are adapted to the requirements of the current market environment and new approaches devised to generate additional income.

### **Lufthansa German Airlines honoured for safety and innovation**

Instead of handing out its prestigious World Airline Awards, Skytrax provided "Covid-19 Airline Safety Ratings" during the reporting year. Lufthansa German Airlines was one of the first airlines worldwide to receive a 4-star rating.

Lufthansa German Airlines was also voted "Europe's Leading Airline 2020" at the World Travel Awards. Lufthansa German Airlines also won the German Innovation Prize in the category Future Digital Inflight Experience.

### **Passenger numbers and load factor severely affected by the coronavirus pandemic**

As a result of the coronavirus pandemic, Lufthansa German Airlines barely carried 18 million passengers, a year-on-year decline of 75% (previous year: 72 million). Capacity was reduced by 70% year-on-year and sales fell by 77%. The passenger load factor was 20.4 percentage points lower than the previous year's level, at 62.1% (previous year: 82.5). Yields fell by 4.9% after adjusting for exchange rates. Traffic revenue developed significantly negative and declined by 77% to EUR 3,465m (previous year: EUR 15,169m).

### **Revenue and earnings weaker due to crisis**

Revenue at Lufthansa German Airlines fell year-on-year by 75% to EUR 4,104m in the reporting year (previous year: EUR 16,634). Operating income went down by 73% to EUR 4,709m (previous year: EUR 17,304m).

Operating expenses of EUR 8,063m were 50% down on the year (previous year: EUR 16,122m), primarily as a result of the volume-related decline in the cost of fuel by 74%; the fees and charges, which were lower by 65%; and the staff costs, which were down by 30%.

Adjusted EBIT fell accordingly to EUR -3,386 (previous year: EUR 1,227). The Adjusted EBIT margin therefore fell by 89.9 percentage points to -82.5% (previous year: 7.4%). EBIT decreased to EUR -4,702m (previous year: EUR 1,168m). The difference to Adjusted EBIT stems mainly from write-downs of EUR 1,293m on the fleet.

## SWISS

### T033 KEY FIGURES SWISS<sup>1)</sup>

		2020	2019	Change in %
Revenue	€m	1,732	5,144	-66
Adjusted EBITDA	€m	-242	959	
Adjusted EBIT	€m	-689	558	
EBIT	€m	-695	572	
Adjusted EBIT margin	%	-39.8	10.8	-50.6 pts
Employees as of 31 Dec	number	10,055	10,531	-5
Average number of employees	number	10,349	10,361	-
Flights	number	54,835	167,119	-67
Passengers <sup>2)</sup>	thousands	5,677	21,531	-74
Available seat-kilometres <sup>2)</sup>	millions	21,489	63,321	-66
Revenue seat-kilometres <sup>2)</sup>	millions	13,069	53,116	-75
Passenger load factor	%	60.8	83.9	-23.1 pts

<sup>1)</sup> Including Edelweiss Air.

<sup>2)</sup> Previous year's figures have been adjusted.

SWISS is the biggest airline in Switzerland. With its sister company Edelweiss Air, it offers its customers a first-class product and a global route network. The separately managed Swiss WorldCargo division uses the belly capacities of SWISS aircraft to offer comprehensive airport-to-airport services for high-value goods and sensitive freight worldwide.

### Extensive restructuring programme launched

As soon as the pandemic began, SWISS initiated a large number of cost-cutting measures and introduced short-time working throughout the company, suspending non-essential projects and investment until further notice.

In order to secure its future viability and competitiveness and to repay its government-guaranteed bank loan as quickly as possible, SWISS launched an extensive restructuring programme. SWISS is using the socially responsible instruments of a hiring freeze, attractive part-time work on reduced pay and early retirement to reduce its staff costs. In combination with natural fluctuation, this will enable around 1,000 jobs to be cut within two years. A package of measures was agreed with the labour union partners for cabin crew and ground staff. Negotiations with pilot representatives on crisis contributions were broken off in early February without initial results. ➤ **Employees, p. 28ff.**

The size of the fleet is also to be adjusted by postponing delivery of the short and medium-haul aircraft on order.

➤ **Fleet, p. 25f.**

### Securing Switzerland's connections to the world

Although the operating environment was extremely challenging, SWISS served a total of more than 150 destinations and thus fulfilled its mission of connecting Switzerland to the world. It was mainly thanks to consistently high freight demand that SWISS was able to offer a comparatively broad long-haul portfolio.

### Dieter Vranckx is the new CEO of SWISS

Dieter Vranckx has been the new Chief Executive Officer of SWISS since 1 January 2021. He succeeded Thomas Klühr, who left the company at year-end 2020 for personal reasons. Dieter Vranckx was previously Chief Executive Officer of Brussels Airlines.

### Awards demonstrate high quality standards

SWISS was again voted Best Airline for Business Travellers in Europe by the magazine Business Traveller. At the World Travel Awards, SWISS also took first place in the category "Europe's Leading Airline – First Class 2020".

### Passenger numbers and load factor down due to coronavirus crisis

The number of passengers carried decreased by 74% to 5.7 million (previous year: 21.5 million). SWISS responded to the collapse in demand by cutting capacities by 66%. Sales were down by 75%; the passenger load factor was 23.1 percentage points lower than the previous year's level, at 60.8% (previous year: 83.9%). Performance in yields was slightly negative, contracting by 0.1% on a constant-currency basis. Traffic revenue fell by 73% to EUR 1,249m (previous year: EUR 4,559m).

### Revenue and earnings development negative

Revenue at SWISS fell by 66% to EUR 1,732m in the reporting year (previous year: EUR 5,144m). Operating income of EUR 1,915m was 64% down on the year (previous year: EUR 5,356m).

Operating expenses saw a mostly volume-related decline of 46% to EUR 2,604m, (previous year: EUR 4,798m). This was primarily caused by the 68% reduction in fuel costs, the 57% reduction in fees and charges and the 29% reduction in staff costs.

Adjusted EBIT fell accordingly, to EUR -689m (previous year: EUR 558m). The Adjusted EBIT margin therefore fell by 50.6 percentage points to -39.8% (previous year: 10.8%). EBIT decreased to EUR -695m (previous year: EUR 572m).

## AUSTRIAN AIRLINES

### T034 KEY FIGURES AUSTRIAN AIRLINES

		2020	2019	Change in %
Revenue	€m	460	2,108	-78
Adjusted EBITDA	€m	-162	188	
Adjusted EBIT	€m	-321	19	
EBIT	€m	-381	15	
Adjusted EBIT margin	%	-69.8	0.9	-70.7 pts
Employees as of 31 Dec	number	6,443	6,989	-8
Average number of employees	number	6,689	7,022	-5
Flights	number	42,310	139,230	-70
Passengers <sup>1)</sup>	thousands	3,114	14,613	-79
Available seat-kilometres <sup>1)</sup>	millions	7,127	28,508	-75
Revenue seat-kilometres <sup>1)</sup>	millions	4,412	23,043	-81
Passenger load factor	%	61.9	80.8	-18.9 pts

<sup>1)</sup> Previous year's figures have been adjusted.

Austrian Airlines is Austria's largest airline. It offers its customers a global route network and a high-quality product.

### Restructuring programme aims to cut costs and safeguard liquidity

The existing restructuring programme at Austrian Airlines was tightened again as a result of the pandemic.

This will also entail reducing the Austrian Airlines fleet from 79 at present to around 60 aircraft. In this context, a decision was taken in the reporting year to retire three Boeing 767-300s and 13 Bombardier Dash 8-400s early; implementation has already begun. From summer 2021, all A319 aircraft are also to be retired and transferred to Lufthansa German Airlines.

➤ Fleet, p. 25f.

Further measures to secure liquidity and cut costs were implemented, including short-time working, the renegotiation of agreements with providers and other stakeholders, and structural measures. Austrian Airlines agreed with flight and ground staff on a crisis contribution of up to EUR 80m per year. ➤ Employees, p. 28ff.

### Executive Board of Austrian Airlines positioned for the future

The Executive Board of Austrian Airlines was restructured in the reporting year and reduced to three members.

Chief Executive Officer is Alexis von Hoensbroech, whose contract was renewed on 09 October 2020 for another five years until July 2026. Alexis von Hoensbroech also took over the position of Chief Financial Officer on 1 January 2021 from Andreas Otto, who served in that capacity until year-end 2020. The position of Chief Financial Officer was carried out by Wolfgang Jani until 31 August 2020.

Michael Trestl has been the new Chief Commercial Officer of Austrian Airlines since 1 January 2021. Michael Trestl was previously Head of Network Management at SWISS.

The position of Chief Commercial Officer was held in parallel by Andreas Otto until 31 January 2021. Andreas Otto left the company on 31 January 2021.

Chief Operating Officer Jens Ritter will leave Austrian Airlines as an extended Executive Board member as of 31 March 2021. He is followed by Francesco Sciortino, currently Managing Director and Accountable Manager of Germanwings.

### Passenger numbers and load factor far below previous year's level due to the crisis

With 3.1 million passengers, Austrian Airlines transported 79% fewer customers than the previous year (previous year: 14.6 million). Capacity had to be cut by 75% and sales were down by 81%. The passenger load factor was 18.9 percentage points lower than the previous year's level, at 61.9% (previous year: 80.8%). Yields rose by 2.9% after adjusting for exchange rates. Traffic revenue fell by 80% to EUR 390m (previous year: EUR 1,941m).

### Coronavirus crisis has a severe impact on earnings performance at Austrian Airlines

Revenue for Austrian Airlines came to EUR 460m in the 2020 financial year, a decrease of 78% on the previous year (previous year: EUR 2,108m). Operating income went down by 69% to EUR 671m (previous year: EUR 2,182m). This includes income of EUR 150m in emergency aid granted by the Austrian government.

Operating expenses saw a mostly volume-related decline of 54% to EUR 992m in 2020 (previous year: EUR 2,164m). In particular, fuel costs were down by 77% and fees and charges by 69%. Beyond this, there were positive effects from the various cost-cutting measures.

Adjusted EBIT at Austrian Airlines sank accordingly to EUR -321m in 2020 (previous year: EUR 19m). The Adjusted EBIT margin fell by 70.7 percentage points to -69.8% (previous year: 0.9%). EBIT came to EUR -381m (previous year: EUR 15m). The difference to Adjusted EBIT stems mainly from write-downs on the fleet of EUR 59m due to the coronavirus pandemic.

## BRUSSELS AIRLINES

### T035 KEY FIGURES BRUSSELS AIRLINES

		2020	2019	Change in %
Revenue	€m	414	1,473	-72
Adjusted EBITDA	€m	-171	110	
Adjusted EBIT	€m	-293	-27	-985
EBIT	€m	-332	-32	-938
Adjusted EBIT margin	%	-70.8	-1.8	-69.0 pts
Employees as of 31 Dec	number	3,124	3,811	-18
Average number of employees	number	3,483	3,830	-9
Flights	number	21,280	81,540	-74
Passengers	thousands	2,362	10,285	-77
Available seat-kilometres	millions	6,487	21,994	-71
Revenue seat-kilometres	millions	4,428	17,929	-75
Passenger load factor	%	68.3	81.5	-13.2 pts

Brussels Airlines is Belgium's national airline. From its hub in Brussels, the airline offers flights to destinations worldwide, with a focus on the African continent.

#### Brussels Airlines intensifies its restructuring programme

Brussels Airlines intensified its existing restructuring programme as a result of the coronavirus outbreak. This forms the basis for the airline's sustainable future.

As part of the Reboot Plus programme, the fleet was reduced by 30% and the number of employees by 25%. Right-of-use assets for two Airbus A330-200s and eight Airbus A319s were written off as part of the fleet restructuring. ➔ **Fleet, p. 25f.**

In addition to these structural changes, Brussels Airlines initiated further short and long-term measures to reduce variable and fixed costs in order to counteract the effects of the coronavirus crisis. Above all, these included an agreement with the labour union partners for flight and ground

staff under which 75% of the approximately 4,000 jobs were retained, remaining jobs were reduced in a socially responsible way, and redundancies were avoided wherever possible. New collective bargaining agreements were also negotiated with all groups of employees. ➔ **Employees, p. 28ff.**

#### Peter Gerber is the new CEO of Brussels Airlines

Peter Gerber has been the new Chief Executive Officer of Brussels Airlines since 1 March 2021. He was previously Chairman of the Executive Board and CEO of Lufthansa Cargo. Peter Gerber succeeds Dieter Vranckx, who became the new Chief Executive Officer of SWISS on 1 January 2021.

#### Passenger numbers and load factor severely affected by the coronavirus pandemic

With 2.4 million passengers, Brussels Airlines transported 77% fewer customers than in the previous year (previous year: 10.3 million). Capacity had to be cut by 71% and sales were down by 75%. The passenger load factor was 13.2 percentage points lower than the previous year's level, at 68.3% (previous year: 81.5%). Yields rose by 1.0% after adjusting for exchange rates. Traffic revenue fell by 72% to EUR 384m (previous year: EUR 1,386m).

#### Adjusted EBIT down significantly due to coronavirus crisis

Revenue at Brussels Airlines fell by 72% to EUR 414m in 2020 due to the coronavirus crisis (previous year: EUR 1,473m). Operating income of EUR 456m was 71% down on the year (previous year: EUR 1,555m).

Operating expenses saw a mostly volume-related decline of 53% to EUR 749m (previous year: EUR 1,582m). In particular, expenses for fuel and fees and charges were 74% and 68% down on the previous year, respectively. This more than offset the effect of the recognition of provisions and costs of EUR 47m already incurred for restructuring measures.

Adjusted EBIT at Brussels Airlines decreased to EUR -293m in 2020 (previous year: EUR -27m). The Adjusted EBIT margin fell by 69.0 percentage points to -70.8% (previous year: -1.8%). EBIT decreased to EUR -332m (previous year: EUR -32m). The difference to Adjusted EBIT stems mainly from write-downs of EUR 33m on right-of-use assets for aircraft.

## Eurowings business segment

Eurowings focuses on European direct traffic. | Coronavirus pandemic weighs heavily on business. | Restructuring programme tightened. | Earnings down significantly on previous year.

### T036 KEY FIGURES EUROWINGS

		2020	2019 <sup>1)</sup>	Change in %
Revenue	€m	598	2,311	-74
of which traffic revenue	€m	579	2,307	-75
Adjusted EBITDA	€m	-504	111	
Adjusted EBIT	€m	-703	-122	-476
EBIT	€m	-802	-126	-537
Adjusted EBIT margin	%	-117.6	-5.3	-112.3 pts
Adjusted ROCE	%	-43.4	-5.8	-37.6 pts
EACC	€m	-653	-160	-308
Segment capital expenditure	€m	106	127	-17
Employees as of 31. Dec	number	3,088	3,432	-10
Average number of employees	number	3,203	3,666	-13

<sup>1)</sup> Previous year's figures have been adjusted.

### Business activities

#### Eurowings focuses on the market for European direct traffic

The Eurowings business segment includes the flight operations of Eurowings and Eurowings Europe, as well as the equity investment in SunExpress. Germanwings, the long-haul business of Eurowings, and Brussels Airlines were allocated to the Network Airlines at the beginning of the 2020 financial year. The figures for the previous year have been adjusted accordingly. The flight operation of SunExpress Germany was closed in the course of the year due to the effects of the pandemic.

With Eurowings, the Lufthansa Group has an innovative offering for price-sensitive and service-oriented customers in the structural growth segment of European direct traffic. Eurowings is a key partner of tour operators given the number of tourist destinations in its portfolio.

### Course of business and operating performance

#### Course of business at Eurowings significantly influenced by the outbreak of coronavirus

The spread of the coronavirus temporarily caused Eurowings to significantly reduce its flight programme. Capacity was increased again from June 2020 to meet increasing demand for flights in the summer months. Eurowings focused on inner-German routes and tourist flights within Europe. When travel warnings resumed, resulting in lower demand at the end of the summer travel period, capacity was reduced once more. At the end of the reporting year, capacity was around 15% of the previous year's level.

#### Restructuring programme prepares Eurowings for the post-crisis period

The restructuring programme at Eurowings was intensified as a result of the pandemic. The programme aims to adapt the organisation to the new market conditions and to exploit the opportunities arising through the redistribution of the market in the crisis. It also aims to sustainably boost the attractiveness and popularity of the Eurowings brand. Changes to structures and processes will increase the productivity of flight operations and create competitive cost structures in all areas.

A large number of structural measures have already been successfully implemented in 2020. Flight capacity in Germany has been bundled into one flight operations centre. The fleet was reduced by retiring older aircraft and making Airbus A320 aircraft standard. ➤ **Fleet, p. 25f.**

To reduce staff costs, short-time working was introduced and a hiring freeze imposed. The number of managers is to be reduced by 25%. Adjustments to technical structures and the renegotiation of contracts with system partners also enabled savings in operating costs and project budgets. In addition, Eurowings reached a crisis agreement with the ver.di trade union for flight attendants and ground staff.

➤ **Employees, p. 28ff.**



### Focus on safe travel and flexibility for customers

Health and safety have the highest priority at Eurowings. For this reason, the airline has taken extensive measures to further improve health precautions along the entire travel chain. These include comprehensive new hygiene standards for passengers, from the airport to their arrival at their destination. Customers have the opportunity to book a free middle seat before they start their journey.

Eurowings has also introduced more flexible and customer-friendly rebooking options. Furthermore, customers can book a package for increased travel security, consisting of travel cancellation insurance, travel health insurance and travel interruption insurance.

### Eurowings under new management

Jens Bischof became the CEO of Eurowings as of 1 March 2020. He was previously the Chief Executive Officer of SunExpress. He succeeds Thorsten Dirks in this function.

Oliver Schmitt left the management of Eurowings as of 31 December 2020. His responsibilities have been assumed by Jens Bischof.

Jens Ritter, currently Chief Operating Officer and member of the executive committee of Austrian Airlines, will become the Chief Operating Officer of Eurowings as of 1 April 2021. He succeeds Michael Knitter, who is leaving Eurowings at his own request at the end of March 2021.

### Prize received for digital customer services

Eurowings Digital won the Best Digital Lab Award 2020 from the business magazine Capital. The accolade particularly reflects the development of innovative, smart services that accompany passengers throughout their journey.

### Traffic negatively affected by the coronavirus crisis

The number of passengers at Eurowings fell by 73% to 7.2m (previous year: 27.0m). Capacity was reduced by 68%. Sales fell by 72%. The passenger load factor was 9.2 percentage points lower than the previous year's level, at 73.1% (previous year: 82.3%). Yields fell by 15.6% after adjusting for exchange rates. Traffic revenue fell by 75% to EUR 579m (previous year: EUR 2,307m).

### T037 TRAFFIC FIGURES EUROWINGS

		2020	2019 <sup>1)</sup>	Change in %
Flights	number	71,829	232,461	-69
Passengers	thousands	7,235	26,971	-73
Available seat-kilometres	millions	10,260	32,383	-68
Revenue seat-kilometres	millions	7,501	26,639	-72
Passenger load factor	%	73.1	82.3	-9.2 pts

<sup>1)</sup> Previous year's figures have been adjusted.

## Revenue and earnings development

### Revenue down year-on-year by 74% due to the crisis

Revenue in the Network Airlines business segment fell by 74% to EUR 598m in 2020 due to lower traffic (previous year: EUR 2,311m). Operating income of EUR 745m was 70% down on the year (previous year: EUR 2,487m). Constant currency unit revenues (RASK) went down year-on-year by 15.2% as a result of the crisis.

### T038 OPERATING FIGURES EUROWINGS

	2020	2019 <sup>1)</sup>	Change	Exchange-rate adjusted change
	in € cent	in € cent	in %	in %
Yields	6.6	7.9	-15.6	-15.6
Unit revenue (RASK)	6.5	7.5	-13.2	-15.2
Unit cost (CASK) without fuel and emissions trading expenses	11.0	6.1	78.8	76.9

<sup>1)</sup> Previous year's figures have been adjusted.

### Expenses down 49% below previous year's level

Operating expenses in the Eurowings segment saw a mostly volume-related decline of 49% to EUR 1,346m in the reporting year, mainly due to restructuring activities such as the termination of external wet leases and reductions in fixed costs (previous year: EUR 2,633m). Constant currency unit costs (CASK) without fuel and emissions trading expenses rose by 76.9% year-on-year, driven by the significant crisis-related capacity reduction which could only be partly matched by corresponding cost savings.

**T039 OPERATING EXPENSES EUROWINGS**

	2020 in €m	2019 <sup>4)</sup> in €m	Change in %
Cost of materials and services	699	1,861	-62
of which fuel	129	532	-76
of which fees	234	625	-63
of which charter expenses	102	376	-73
of which MRO services	146	139	5
Staff costs <sup>1)</sup>	176	259	-32
Depreciation and amortisation <sup>2)</sup>	199	233	-15
Other operating expenses <sup>3)</sup>	272	280	-3
<b>Total operating expenses</b>	<b>1,346</b>	<b>2,633</b>	<b>-49</b>

<sup>1)</sup> Without past service costs/settlement.

<sup>2)</sup> Without impairment losses.

<sup>3)</sup> Without book losses.

<sup>4)</sup> Previous year's figures have been adjusted.

The cost of materials sank year-on-year by 62% to EUR 699m (previous year: EUR 1,861m). There was a 76% volume and price-related decline in fuel expenses to EUR 129m (previous year: EUR 532m). At EUR 234m, expenses for fees and charges were 63% lower than a year ago (previous year: EUR 625m). As a result of the termination of external wet leases, charter expenses were reduced substantially by 73% to EUR 102m (previous year: EUR 376m).

Staff costs declined by 13% due to the restructuring programme and the introduction of short-time working, while the average number of employees fell by 32% to EUR 176m (previous year: EUR 259m).

Depreciation and amortisation fell by 15% to EUR 199m, mainly due to lower expenses for right-of-use assets for leased aircraft (previous year: EUR 233m).

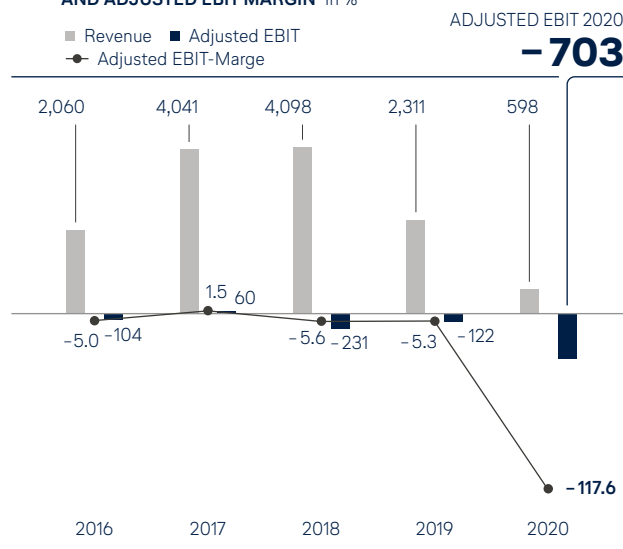
Other operating expenses fell in the 2020 financial year by 3% to EUR 272m (previous year: EUR 280m). Lower sales, marketing and distribution costs due to reduced capacity, as well as lower legal and advisory costs, offset the write-downs on receivables following the insolvency of wet lease partner Luftfahrtgesellschaft Walter (LGW) and restructuring costs for Germanwings.

**Adjusted EBIT of EUR -703m down significantly due to coronavirus pandemic and non-recurring effects**

Earnings in the reporting year were largely defined by the coronavirus pandemic. Cost improvements as part of the restructuring programme could not make up for the 74% decline in revenue. As a result, Adjusted EBIT fell in the financial year to EUR -703m (previous year: EUR -122m). The Adjusted EBIT margin fell by 112.3 percentage points to -117.6% (previous year: -5.3%).

EBIT decreased to EUR -802m (previous year: EUR -126m). The difference to Adjusted EBIT is essentially due to write-downs of EUR 57m on goodwill and of EUR 37m on right-of-use assets for 15 Dash 8-400s, five Airbus A321s and one A319 which are no longer planned to resume flight operations.

**C18 EUROWINGS: DEVELOPMENT OF REVENUE, ADJUSTED EBIT AND ADJUSTED EBIT MARGIN in €m**



**Segment capital expenditure down 17% on the year**

Segment investments fell by 17% to EUR 106m (previous year: EUR 127m). Investment was mainly in engine overhauls.

## Logistics business segment

Lufthansa Cargo is one of Europe's leading freight airlines. | Digital sales channels strengthen market position. | Focus on sustainable reductions to cost base. | Infrastructure for transport of temperature-sensitive goods to be expanded. | Lufthansa Cargo achieves record result despite lower capacity.

### T040 KEY FIGURES LOGISTICS

		2020	2019	Change in %
Revenue	€m	2,757	2,478	11
of which traffic revenue	€m	2,596	2,318	12
Adjusted EBITDA	€m	950	161	490
Adjusted EBIT	€m	772	1	
EBIT	€m	717	-33	
Adjusted EBIT margin	%	28.0	0.0	28.0 pts
Adjusted ROCE	%	26.2	0.0	26.2 pts
EACC	€m	445	-102	
Segment capital expenditure	€m	222	286	-22
Employees as of 31 Dec	number	4,373	4,539	-4
Average number of employees	number	4,436	4,543	-2

### Business activities

#### Lufthansa Cargo is one of Europe's leading freight airlines

In addition to Lufthansa Cargo AG, the Lufthansa Group's logistics specialists, the Logistics segment includes the airfreight container management specialist Jettainer group, the time:matters subsidiary, which specialises in particularly urgent consignments, the subsidiary Heyworld, which specialises in tailored solutions for the e-commerce sector, and the equity investment in cargo airline AeroLogic. Lufthansa Cargo also has equity investments in various handling companies and smaller companies involved in aspects of digitalising the sector.

The focus of Lufthansa Cargo's operations lies in the airport-to-airport airfreight business. Its product portfolio encompasses standard and express freight as well as highly specialised products. These include the transport of live animals, valuable cargo, post and dangerous goods, as well as meeting growing market demand for the carriage of temperature-sensitive goods. The company has specialised infrastructure at Frankfurt Airport to handle these goods, including the Animal Lounge and the Lufthansa Cargo Cool Centre.

The Lufthansa Cargo freighter fleet consisted of nine Boeing 777F and five Boeing MD-11F aircraft as of year-end. Due to the coronavirus pandemic, the bulk of belly capacities at Lufthansa German Airlines, Brussels Airlines, Austrian Airlines, Eurowings long-haul routes and SunExpress were not available in the 2020 financial year. Normally, around half the freight volume at Lufthansa Cargo is transported in the belly capacities of passenger aircraft that are operated by these companies.

In addition, the AeroLogic joint venture in Leipzig operates 17 B777 freighters on behalf of its two shareholders, Lufthansa Cargo and DHL Express. Lufthansa Cargo is responsible for marketing the capacities of four of these freighters.

Lufthansa Cargo also has successful international partnerships with the cargo divisions of All Nippon Airways, Cathay Pacific and United Airlines.

### Course of business and operating performance

#### Lufthansa Cargo responds to the challenges of the coronavirus pandemic with flexibility

The ongoing coronavirus pandemic posed the airfreight industry with numerous challenges in 2020. Lufthansa Cargo was able to offset the decreased capacity due to reduced belly capacities by means of flexible network planning, the temporary use of converted passenger aircraft and deferral of the retirement of the MD11-fleet. Capacity reductions across the industry also meant that significantly higher average prices and load factors were reported. Sales also fell as a result of the significantly lower capacity.

#### Leading position to be further developed through digitalisation and exploitation of new market opportunities

Additional digital services should help Lufthansa Cargo to build on its leading position in the airfreight industry. In 2020, the focus was partly on further development of digital distribution channels. The company's in-house online sales channel, eBooking, was renewed in November 2020 and simplifies the booking process significantly. The booking platform cargo.one, in which Lufthansa Cargo holds an equity stake, performed well in the reporting period.

### Cost-cutting programme results in structural improvements to the cost base

Many measures that are intended to deliver sustainable savings were developed as part of the ProFlex cost-cutting programme. A large number of these measures have already been successfully initiated. The programme aims to permanently reduce the cost base at Lufthansa Cargo by EUR 70m per year in terms of operating and staff costs.

### Fleet is being modernised and standardised

In the reporting year, two more B777F aircraft joined the Lufthansa Cargo fleet and three MD-11F freighters were retired from service. The fleet modernisation will be completed in 2021 when the remaining MD-11F freighters are retired. Lufthansa Cargo will then operate a uniform fleet of highly efficient B777F cargo aircraft. ➔ [Fleet](#), p. 25f.

### Development of ground infrastructure for the transport of temperature-sensitive pharmaceutical products

Lufthansa Cargo is expanding its infrastructure for the transport of temperature-sensitive pharmaceutical products. Pharma hubs were opened in Chicago and Munich during the reporting period. With its pharma hub in Frankfurt, the largest of its kind in Europe, and some 30 CEIV Pharma-certified stations worldwide, Lufthansa Cargo operates one of the world's largest airline pharmaceutical networks. This is supplemented by many other stations for temperature-controlled cargo. Lufthansa Cargo is therefore ideally prepared for the rapid intercontinental distribution of coronavirus vaccines and other highly sensitive pharmaceutical products.

### Restructuring of the Executive Board of Lufthansa Cargo

Dorothea von Boxberg has been the new Chief Executive Officer of Lufthansa Cargo since 1 March 2021. Previously, she was the Lufthansa Cargo Executive Board member responsible for global sales, network planning and product development. Dorothea von Boxberg was preceded by Peter Gerber, who has been the new Chief Executive Officer of Brussels Airlines since 1 March 2021.

Dorothea von Boxberg's successor as Chief Commercial Officer is Ashwin Bhat, who previously managed the freight business at SWISS.

### Traffic revenue up with lower capacity

Capacity at Lufthansa Cargo fell overall by 36% in 2020. Belly capacities declined due to the effects of the coronavirus pandemic, whereas freighter capacities were increased slightly. Sales volume was down 27% year-on-year as a result. Scarce capacities meant the cargo load factor rose by 7.8 percentage points to 69.1% (previous year: 61.3%). Yields rose by 57.1% after adjusting for exchange rates. Traffic revenue went up by 12% to EUR 2,596m for pricing reasons (previous year: EUR 2,318m).

#### T041 TRAFFIC FIGURES AND OPERATING FIGURES LOGISTICS

		2020	2019	Change in %
Available cargo tonne-kilometres	millions	9,350	14,507	-36
Revenue cargo tonne-kilometres	millions	6,461	8,899	-27
Cargo load factor	%	69.1	61.3	7.8 pts
Yields <sup>1)</sup>	€ cent	40.2	26.0	54.6 <sup>1)</sup>

<sup>1)</sup> Exchange rate-adjusted change: 57.1%.

Asia/Pacific and the Americas remain Lufthansa Cargo's main traffic regions. The two regions account for nearly 90% of capacity and sales. Capacity and sales decreased in all the traffic regions. The cargo load factor improved in all traffic regions, as did yields. Traffic revenue fell in the Europe and Middle East/Africa traffic regions, whereas it rose in the Americas and Asia/Pacific traffic regions.

#### T042 TRENDS IN TRAFFIC REGIONS

Lufthansa Cargo

	Net traffic revenue external revenue		Available cargo tonne-kilometres		Revenue cargo tonne-kilometres		Cargo load factor	
	2020 in €m	Change in %	2020 in millions	Change in %	2020 in millions	Change in %	2020 in %	Change in pts
Europe	185	-2	492	-39	254	-22	51.7	11.5
America	1,111	15	4,332	-36	2,916	-26	67.3	9.3
Asia/Pacific	1,171	23	3,998	-29	2,971	-25	74.3	4.4
Middle East/Africa	129	-40	528	-60	320	-55	60.5	6.1
<b>Total</b>	<b>2,596</b>	<b>12</b>	<b>9,350</b>	<b>-36</b>	<b>6,461</b>	<b>-27</b>	<b>69.1</b>	<b>7.8</b>

## Revenue and earnings development

### Revenue up year-on-year by 11% due to pricing

Revenue at Lufthansa Cargo rose by 11% to EUR 2,757m in 2020 (previous year: EUR 2,478m). Higher yields due to capacity reductions across the industry were responsible for the increase. Operating income went up by 9% to EUR 2,826m (previous year: EUR 2,581m).

### Expenses down by 21%

Operating expenses declined by 21% to EUR 2,082m in the reporting year (previous year: EUR 2,621m).

#### T043 OPERATING EXPENSES LOGISTICS

	2020 in €m	2019 in €m	Change in %
Cost of materials and services	1,300	1,778	-27
of which fuel	174	337	-48
of which fees	250	297	-16
of which charter expenses	660	897	-26
of which MRO services	98	119	-18
Staff costs <sup>1)</sup>	377	406	-7
Depreciation and amortisation <sup>2)</sup>	178	160	11
Other operating expenses <sup>3)</sup>	227	277	-18
<b>Total operating expenses</b>	<b>2,082</b>	<b>2,621</b>	<b>-21</b>

<sup>1)</sup> Without past service costs/settlement.

<sup>2)</sup> Without impairment losses.

<sup>3)</sup> Without book losses.

The cost of materials sank year-on-year by 27% to EUR 1,300m (previous year: EUR 1,778m). There was a 48% volume and price-related decline in fuel expenses as a result of the modernisation of the fleet, to EUR 174m (previous year: EUR 337m). Charter expenses declined by 26% to EUR 660m due to the absence of belly capacities on passenger aircraft. This also meant a reduction in belly expenses paid to Group companies (previous year: EUR 897m).

Staff costs went down by 7% to EUR 377m in 2020 (previous year: EUR 406m). This was largely due to the 2% decline in the average number of employees, the initial effects of the ProFlex cost-cutting programme, and the introduction of short-time work in Germany and similar measures in other countries.

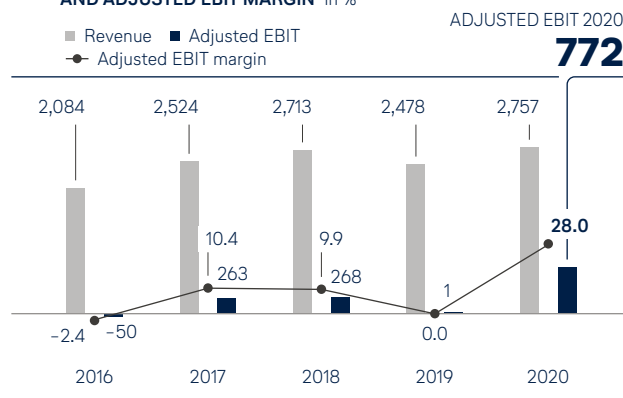
Depreciation and amortisation rose year-on-year by 11% to EUR 178m (previous year: EUR 160m).

Other operating expenses fell by 18% to EUR 227m, mainly due to lower travel, project, and consulting expenses (previous year: EUR 277m).

### Lufthansa Cargo reports record earnings of EUR 772m

Adjusted EBIT increased accordingly by EUR 771m to EUR 772m (previous year: EUR 1m). This was the best result in the company history of Lufthansa Cargo.

#### C19 LOGISTICS: DEVELOPMENT OF REVENUE, ADJUSTED EBIT AND ADJUSTED EBIT MARGIN in %



### Segment capital expenditure down 22% on the year

Investment in the Logistics segment declined in the reporting period by 22% to EUR 222m, mainly due to lower advance payments for aircraft (previous year: EUR 286m).

## MRO business segment

Lufthansa Technik is the leading global provider of maintenance, repair and overhaul services for civil commercial aircraft. | Focus on containing the effects of the pandemic. | International growth selectively pursued. | Revenue and earnings down significantly year-on-year due to the pandemic.

### T044 KEY FIGURES MRO

		2020	2019 <sup>1)</sup>	Change in %
Revenue	€m	3,747	6,572	-43
of which with companies of the Lufthansa Group	€m	1,023	2,194	-53
Adjusted EBITDA	€m	-186	654	
Adjusted EBIT	€m	-383	463	
EBIT	€m	-508	472	
Adjusted EBIT margin	%	-10.2	7.0	-17.2 pts
Adjusted ROCE	%	-6.3	6.4	-12.7 pts
EACC	€m	-572	126	
Segment capital expenditure	€m	152	313	-51
Employees as of 31 Dec	number	22,745	23,855	-5
Average number of employees	number	23,519	23,077	2
Fully consolidated companies	number	25	25	-

<sup>1)</sup> Previous year's figures have been adjusted.

## Business activities

### Lufthansa Technik is the world's leading MRO provider

Lufthansa Technik is the world's leading independent provider of maintenance, repair and overhaul services (MRO) for civilian commercial aircraft. The Lufthansa Technik group comprises 36 plants offering technical aviation services worldwide. The company also holds direct and indirect stakes in 63 companies. Lufthansa Technik AG serves more than 800 customers worldwide, including OEMs, aircraft leasing companies and operators of VIP jets, as well as airlines. About one-third of its business is with Group companies and two-thirds of its business is with external customers.

Lufthansa Technik's range of services comprises eight divisions: aircraft maintenance, aircraft overhaul, engine maintenance, component maintenance, aircraft systems, development and manufacture of cabin products, development of digital products, and initial equipment and servicing of VIP aircraft.

The portfolio covers a variety of differently structured products and product combinations, from the repair of individual components to consultancy services and the fully integrated supply of entire fleets.

## Course of business and operating performance

### Coronavirus crisis puts a significant burden on MRO business

The coronavirus crisis has had a considerable impact on the MRO business. Flight hours have declined significantly across the industry, and the economic pressure on airlines that led to the grounding and retiring of aircraft had a strong impact on Lufthansa Technik.

### Comprehensive cost-cutting measures to safeguard continued viability

Short-term, emergency measures such as the introduction of short-time working, recruitment freezes, extensive reductions in operating costs and the cancellation or postponement of investment projects have been initiated to contain the impact of the coronavirus crisis.

Significant cost reductions are required so the company can secure a strong long-term position in the independent MRO market and become more competitive. Structures are also being streamlined. Rather than the previous eight divisions, there will only be five in future: component maintenance, aircraft maintenance and overhaul, digital solutions technical flight operations, engine maintenance and production, and modification and special aircraft.

### Lufthansa Technik meets growing demand for crisis products and digital services

Lufthansa Technik is responding flexibly to the coronavirus pandemic and expanding its range in line with new demand for crisis products. Many projects are under way that will convert various types of passenger aircraft into freighters. In addition, considerably more parking and storage services have been provided to aircraft maintenance customers in the course of the coronavirus crisis.



The coronavirus pandemic has led to greater demand for digital MRO services so that physical maintenance inspections can be organised more cheaply and reliably in future. One Lufthansa Technik product is its proprietary independent AVIATAR platform. AVIATAR supports customers in real-time with the management of complex fleet operations and helps to diagnose errors in individual components, thus supporting the digital transformation of air traffic. United Airlines joined the platform with more than 600 aircraft towards the end of the reporting year.

### Lufthansa Technik is expanding its network for innovative, targeted engine servicing

Lufthansa Technik is driving its growth selectively, depending on demand. The global network for innovative, targeted engine servicing was expanded to include a fifth site in Dublin, Ireland. The high demand for best-possible cost controls in engine and engine component maintenance will be served even better in future.

### Important contracts to be renewed and signed

Lufthansa Technik serviced 4,529 aircraft under exclusive contracts in 2020. In the financial year, the company won 16 new customers and signed 515 contracts with a volume of EUR 2.3 bn.

### Restructuring of the Executive Board of Lufthansa Technik

The Executive Board of Lufthansa Technik was restructured at the end of the reporting year and reduced from four to three members. Executive Board members Constanze Hufenbecher and Antonio Schulthess left the Company as of 31 December 2020. As of 1 January 2021, Chief Executive Officer Johannes Bußmann took over the new, combined Finances and Human Resources function on an interim basis until the Supervisory Board has decided on a new appointment.

## Revenue and earnings development

### Revenue down by 43% due to the coronavirus crisis

Revenue in the MRO business segment fell year-on-year by 43% to EUR 3,747m in 2020 as a result of the effects of the coronavirus crisis (previous year: EUR 6,572m). A significant decline in Europe, Lufthansa Technik's most important sales market, played a key role.

Intra-Group revenue fell, particularly in the engine business. External revenue decreased, particularly in the areas of component and engine maintenance. Total operating income of EUR 4,184m was 39% down on the year (previous year: EUR 6,828m).

### Expenses reduced by 30%

Operating expenses declined by 30% to EUR 4,502m in the reporting period as a result of lower volumes and cost-cutting measures (previous year: EUR 6,425m).

### T045 OPERATING EXPENSES MRO

	2020 in €m	2019 <sup>4)</sup> in €m	Change in %
Cost of materials and services	2,372	3,902	-39
of which other raw materials, consumables and supplies	1,609	2,478	-35
of which external services	763	1,424	-46
Staff costs <sup>1)</sup>	1,113	1,448	-23
Depreciation and amortisation <sup>2)</sup>	197	191	3
Other operating expenses <sup>3)</sup>	820	884	-7
<b>Total operating expenses</b>	<b>4,502</b>	<b>6,425</b>	<b>-30</b>

<sup>1)</sup> Without past service costs/settlement.

<sup>2)</sup> Without impairment losses.

<sup>3)</sup> Without book losses.

<sup>4)</sup> Previous year's figures have been adjusted.

The cost of materials saw a mostly volume-related decline of 39% to EUR 2,372m (previous year: EUR 3,902m). This includes crisis-related write-downs on materials of EUR 158m.

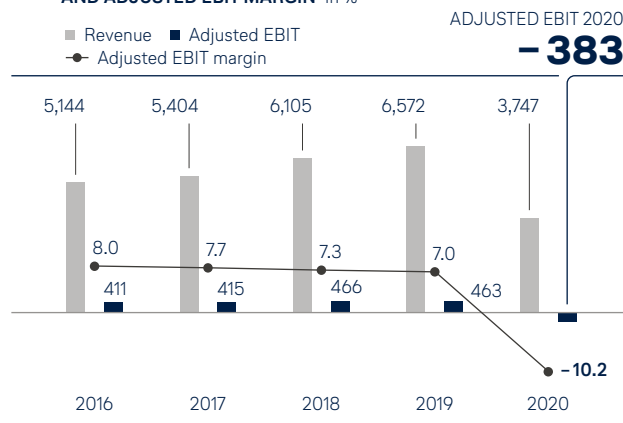
Staff costs of EUR 1,113m were 23% down on the previous year (previous year: EUR 1,448m). The introduction of short-time working was mainly responsible for the change.

Depreciation and amortisation rose by 3% to EUR 197m (previous year: EUR 191m).

### Adjusted EBIT down to EUR -383m as a result of the crisis

Adjusted EBIT fell accordingly to EUR -383m (previous year: EUR 463m). The Adjusted EBIT margin contracted by 17.2 percentage points to -10.2% (previous year: 7.0%). EBIT came to EUR -508m at the end of the reporting year (previous year: EUR 472m). The difference to Adjusted EBIT stems mainly from write-downs on the carrying amounts of joint ventures and replacement engines.

### C20 MRO: DEVELOPMENT OF REVENUE, ADJUSTED EBIT AND ADJUSTED EBIT MARGIN in €m



### Segment capital expenditure down by 51%

Segment capital expenditure in the MRO segment was reduced by 51% to EUR 152m (previous year: EUR 313m), mainly due to lower investment in reserve engines.

## Catering business segment

The LSG group offers a broad product portfolio related to in-flight service. | European business sold to gategroup. | Focus on safeguarding liquidity and strategic realignment. | Revenue and earnings development hit hard by the coronavirus crisis.

### T046 KEY FIGURES CATERING

		2020	2019	Change in %
Revenue	€m	1,305	3,360	-61
of which with companies of the Lufthansa Group	€m	241	737	-67
Adjusted EBITDA	€m	-167	247	
Adjusted EBIT	€m	-284	128	
EBIT	€m	-431	98	
Adjusted EBIT margin	%	-21.8	3.8	-25.6 pts
Adjusted ROCE	%	-17.3	6.4	-23.7 pts
EACC	€m	-375	10	
Segment capital expenditure	€m	28	127	-78
Employees as of 31 Dec <sup>1)</sup>	number	13,227	35,636	-63
Average number of employees <sup>1)</sup>	number	25,288	35,904	-30
Fully consolidated companies	number	83	119	-30

<sup>1)</sup> Previous year's figures have been adjusted.

## Business activities

### Strong brand portfolio offers extensive range of products and services

The LSG group offers a comprehensive range of products, concepts and services related to in-flight service. It operated with four independent expert brands in the reporting year: LSG Sky Chefs, Retail inMotion, SPIRIANT and Evertaste.

As the strongest revenue driver in the LSG group, LSG Sky Chefs offers classical catering for airlines, as well as lounge management. After the sale of the European companies, it still works for more than 300 airlines with 139 facilities in 46 countries.

Retail inMotion, a Dublin-based global specialist for in-flight sales concepts and technology, significantly expanded its customer base in 2020. Retail inMotion is expected to be a clear growth area for the LSG group, particularly due to its digital competences.

SPIRIANT is an expert in the development, purchasing and supply of in-flight service equipment, whereas Evertaste provides convenience food for global retailers and the travel industry.

The SCIS subsidiary provides security services in North America. Retail markets are operated under the Ringeltaube brand at airports in Germany.

### LSG group's European business sold to gategroup

The Lufthansa Group and gategroup signed a sales agreement for the companies of LSG group's European business on 6/7 December 2019. The European Commission approved the sale on 3 April 2020 subject to conditions. Once these conditions had been fulfilled by the purchaser, gategroup, the sale was closed on 2 December 2020.

In addition to the European catering facilities, the contract covers the lounge business and the European activities of the convenience food specialist Evertaste, the SPIRIANT equipment business and the Ringeltaube retail outlets.

Also part of the sales agreement is a long-term catering contract with Lufthansa German Airlines for the hubs in Frankfurt and Munich. The Lufthansa Group will retain a minority interest in the two facilities in Frankfurt and Munich, which provide the in-flight service there for Lufthansa German Airlines flights. This will ensure a seamless handover of the catering business and a successful start to the partnership.

The planned sale of the LSG group's international activities was postponed due to the coronavirus crisis. The LSG group is preparing to resume sales activities as part of its strategic and organisational realignment as soon as conditions permit.

## Course of business and operating performance

### Restructuring project for securement of liquidity and strategic realignment

The LSG group is adapting to the structural changes in the market resulting from the coronavirus pandemic.

Immediately following the outbreak of the crisis, the LSG group significantly reduced its expenses and closely monitored the collection of its receivables. Measures including project stops, hiring freezes and the introduction of short-time working were also taken to cut costs and investment spending.

In addition to the short-term cost-cutting measures, the Executive Board of the LSG group quickly launched a three-part project to safeguard its long-term liquidity and to re-evaluate the strategic position of the LSG group.

The restructuring activities aim to reduce administrative costs and other overhead by around 30%. A network analysis of all catering facilities was also initiated with the aim of adapting their organisational structure and business activities to future market volumes and customer needs. In this context, the group closed some plants, such as the one in Salt Lake City, Utah, USA, and withdrew from some markets, such as those in Turkey and South Africa. The number of employees of the LSG group outside Europe was temporarily halved at the end of the reporting year. Moreover, a reorganisation of the LSG group, which provides for the loss of more than 30% of management positions, was put into effect as of 1 November 2020.

### LSG group to focus on three product lines in future

The LSG group has changed its strategic focus in parallel with its ongoing cost-cutting and restructuring programme. In future, it will concentrate on three product lines: classical catering and convenience retail, in-flight retail sales, and IT and platform solutions. An element of these IT and platform solutions are new business models and pilot projects such as home delivery, which are intended to reduce the company's dependence on the airline business. With this new strategy, the LSG group is deliberately expanding its existing skills and combining them in new ways. It is also growing its customer portfolio and thus increasing capacity utilisation in its facilities in order to reduce existing excess capacities.

### New business models and contract renewals strengthen position as quality leader

Despite the ongoing coronavirus pandemic, the LSG group was able to renew or sign key new catering contracts in all regions in 2020, including with American Airlines, Atlas Air, Azul, British Airways, Delta Airlines, Emirates, Etihad, Hawaiian Airlines, United Airlines and Westjet. Retail inMotion also continued its positive performance, signing a contract for the development and management of an innovative in-flight sales concept for Lufthansa German Airlines, SWISS and Austrian Airlines. The pandemic opened up new business opportunities in the retail sector for some LSG Sky Chefs facilities, with new contracts signed with ArkFoods, Hello Fresh and Home Chef at various stations.

### Changes to structure of LSG group Executive Board

Jochen Müller, Chief Operating Officer of the LSG group, retired on 30 June 2020. The Executive Board of the LSG group took this opportunity to adapt the company's organisational structure to current market developments and to streamline it. As a result, from July onwards, the Executive Board of the LSG group only consisted of two members.

## Revenue and earnings development

### Revenue down year-on-year by 61% due to the pandemic

Revenue in the Catering segment fell by 61% in financial year 2020 to EUR 1,305m (previous year: EUR 3,360m). The decline stems mainly from the sharp decline in passenger numbers at the LSG group's global customers due to the coronavirus crisis. Other operating income increased by 51% to EUR 143m thanks to grants under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) (previous year: EUR 95m). Total operating income declined by 58% to EUR 1,448m (previous year: EUR 3,455m).

### Expenses reduced by 49%

Operating expenses went down by 49% to EUR 1,698m in the reporting year (previous year: EUR 3,355m).

#### T047 OPERATING EXPENSES CATERING

	2020 in €m	2019 in €m	Change in %
Cost of materials and services	545	1,441	-62
Staff costs <sup>1)</sup>	742	1,290	-42
Depreciation and amortisation <sup>2)</sup>	117	119	-2
Other operating expenses <sup>3)</sup>	294	505	-42
<b>Total operating expenses</b>	<b>1,698</b>	<b>3,355</b>	<b>-49</b>

<sup>1)</sup> Without past service costs/settlement.

<sup>2)</sup> Without impairment losses.

<sup>3)</sup> Without book losses.

The cost of materials and services was 62% down on the year at EUR 545m (previous year: EUR 1,441m).

Staff costs were reduced by 42% to EUR 742m (previous year: EUR 1,290m). The average number of employees was 30% lower.

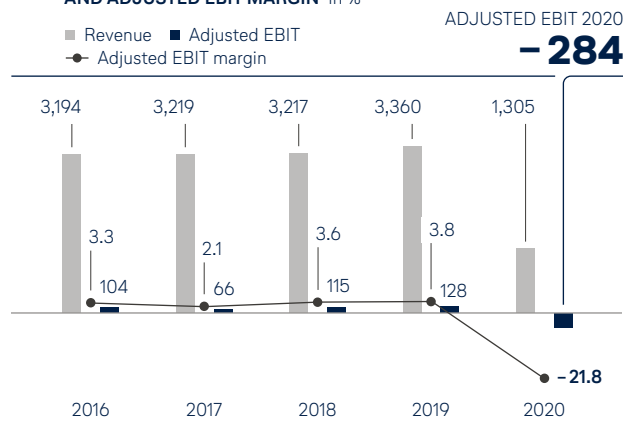
Depreciation and amortisation went down by 2% to EUR 117m (previous year: EUR 119m).

### Adjusted EBIT down to EUR -284m

Adjusted EBIT for the Catering segment declined accordingly to EUR -284m (previous year: EUR 128m). The Adjusted EBIT margin fell by 25.6 percentage points to -21.8% (previous year: 3.8%).

EBIT decreased to EUR -431m (previous year: EUR 98m). The difference to Adjusted EBIT stems mainly from the write-down of EUR 157m on goodwill for LSG North America and LSG Sky Chefs Korea Co Ltd.

**C21 CATERING: DEVELOPMENT OF REVENUE, ADJUSTED EBIT in €m AND ADJUSTED EBIT MARGIN in %**



### Segment capital expenditure reduced by 78%

Segment capital expenditure was 78% down on the year at EUR 28m (previous year: EUR 127m) and consisted mainly of essential replacement investments.

## Additional Businesses and Group Functions

AirPlus continues to expand corporate payment business. | Restructuring at Lufthansa Aviation Training. | Lufthansa Systems has success in the field of digital transformation. | Earnings of Group Functions improve.

**T048 KEY FIGURES ADDITIONAL BUSINESSES AND GROUP FUNCTIONS**

		2020	2019	Change in %
Total operating income	€m	2,041	2,732	-25
Adjusted EBITDA	€m	-190	-120	-58
Adjusted EBIT	€m	-314	-227	-38
EBIT	€m	-363	-221	-64
Segment capital expenditure	€m	48	107	-55
Employees as of 31 Dec <sup>1)</sup>	number	9,269	9,978	-7
Average number of employees <sup>1)</sup>	number	9,570	10,000	-4

<sup>1)</sup> Previous year's figures have been adjusted.

Additional Businesses and Group Functions include the Group's service and financial companies, above all AirPlus, Lufthansa Aviation Training and Lufthansa Systems, as well as the Group functions for the Lufthansa Group.

### AirPlus offers corporate payment solutions

Lufthansa AirPlus Servicekarten GmbH (AirPlus) is a leading international provider in the global market for payment and billing services. Under the AirPlus International brand, it offers solutions in over 60 countries worldwide. The company served more than 48,000 corporate customers in total in 2020.

Whereas the Business Travel Management segment suffered from lower volumes in 2020 as a result of global restrictions to contain the coronavirus pandemic, the strategic expansion of activities in the corporate payment sector demonstrates significant success. The new AirPlus Virtual Cards for Procurement reported a very positive performance and were already in use by companies in eleven countries at year-end. The use of these digital cards is transforming purchasing and billing processes; they are the first product on the new AirPlus IT platform to be rolled out in 2021. Furthermore, all AirPlus corporate cards were successfully migrated to cutting-edge systems during the reporting year. In this context, a new globally uniform online portal was launched for corporate customers and cardholders.

The Adjusted EBIT of AirPlus came to EUR -146m in the reporting year due to lost revenue as a result of the coronavirus pandemic (previous year: EUR 2m).

#### **Lufthansa Aviation Training implements sustainable strategies**

Lufthansa Aviation Training GmbH (LAT) is one of the leading flight training companies, providing vocational and professional training for cockpit and cabin crew at twelve training centres. LAT's customer portfolio includes the companies in the Lufthansa Group as well as more than 180 national and international airlines.

The coronavirus pandemic has serious negative implications for LAT. There will be no need to train junior pilots in its pilot school for the foreseeable future. The Future One EFA Pilot School project is intended to maintain in-house training facilities and at the same time implement a sustainable flight school strategy which reflects the increasing volatility in demand for pilots. This will guarantee that the Lufthansa Group airlines have an adequate supply of pilots after the end of the coronavirus crisis. In the reporting year, the Pilot Training and Safety & Service units were marked by cancellations and lower order volumes from both Lufthansa Group airlines and external customers. With its Smart Start programme, LAT is defining new ways to become a cost-effective and sustainable training organisation.

A number of long-term projects were also completed in the reporting year: the LAT Training Center at Zurich Airport was completed, and the LAT-operated helicopter simulator went into service. A second A350 simulator is also ready for service at the base in Munich.

Adjusted EBIT for LAT fell in the financial year to EUR -29m (previous year: EUR 4m).

#### **Lufthansa Systems continues to grow digital transformation business**

Lufthansa Systems was again able to defend its position in the international airline IT market, despite the difficult market environment caused by the coronavirus pandemic. Flexible solutions that can adapt quickly to crises make the company a pioneer in the field of digital transformation for its more than 350 airline customers. This enabled it to win additional new customers and bring numerous projects to a successful close in the reporting year. Within the Lufthansa Group, Lufthansa Systems contributed to the harmonisation of the IT environment.

Including all of its equity investments, the IT company generated Adjusted EBIT of EUR 17m in the reporting period (previous year: EUR 4m).

#### **Earnings of Group Functions improve**

The results for the Additional Businesses and Group Functions business segment are largely determined by the Group Functions, whose earnings reflect the currency hedging and financing activities carried out by Deutsche Lufthansa AG on behalf of the companies in the Group. The result is therefore heavily exposed to exchange rate movements.

Total operating income for the Group Functions fell by 19% to EUR 1,274m (previous year: EUR 1,571m). Operating expenses of EUR 1,425m were 22% down on the year (previous year: EUR 1,824m). Adjusted EBIT improved by 40% to EUR -151m (previous year: EUR -253m). The improvement is largely due to lower operating and staff costs as a result of the crisis as well as lower exchange rate losses.

#### **Result for Additional Businesses and Group Functions below previous year**

Total operating income for Additional Businesses and Group Functions sank by 25% to EUR 2,041m (previous year: EUR 2,732m). Operating expenses were reduced by 21% to EUR 2,361m (previous year: EUR 2,971m). Adjusted EBIT fell by 38% to EUR -314m (previous year: EUR -227m).

## Opportunities and risk report

The management of opportunities and risks is integrated into all business processes. | Risks are identified early and are managed and monitored proactively. | Opportunities are exploited selectively.

### OPPORTUNITIES AND RISK MANAGEMENT

#### Opportunity management process

For the highly dynamic global airline industry, opportunities can arise both externally – from new customer wishes, market structures, ongoing consolidation or changes in the regulatory environment – and internally – from new products, innovations, quality improvements and competitive differentiation.

Employees and managers in the Lufthansa Group identify opportunities in the course of day-to-day processes and market observation. Opportunity management is also an integral part of the annual strategy and planning process. Scenario analyses and accurate return calculations are used to precisely examine opportunities and the associated risks. Opportunities that, in an overall assessment, are considered advantageous for the development of the Lufthansa Group are pursued and implemented by means of defined steps. They are managed by established planning and forecasting processes as well as by projects. Opportunities of relevance to the whole Group are incorporated into Group strategy,

➤ **Group strategy, p. 17ff.** The individual operating segments also identify specific opportunities, ➤ **Business segments, p. 51ff.**

#### Objectives and strategy of the risk management system

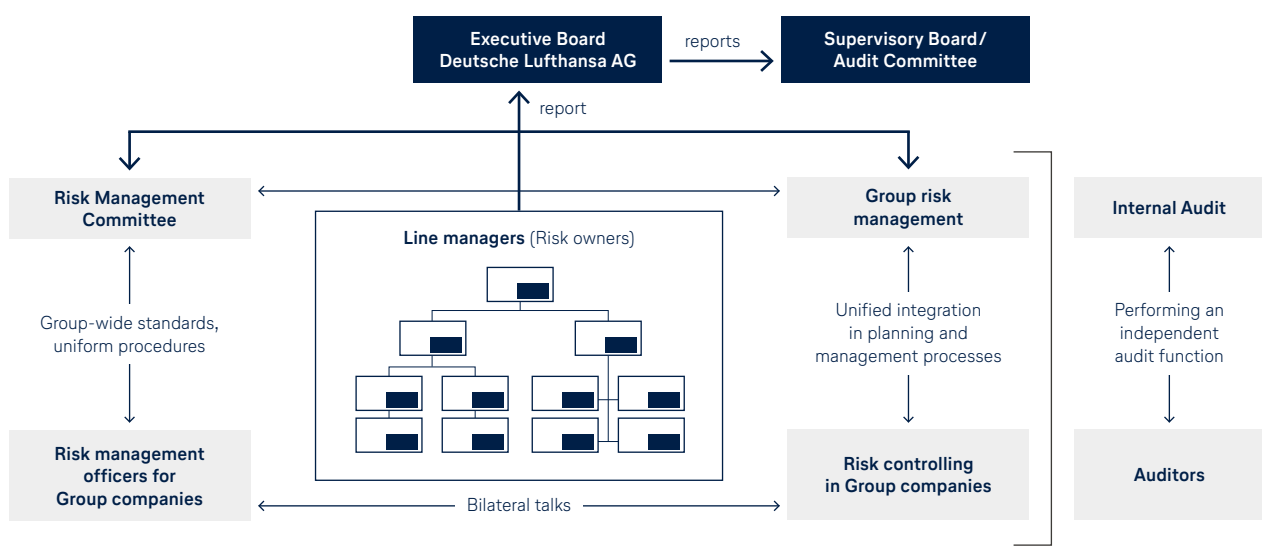
Risk management at the Lufthansa Group aims to fully identify material risks, to present and compare them transparently and to assess and manage them. Risk owners are obliged to monitor and manage risks proactively and to include relevant information in the planning, steering and control processes. The Group guidelines on risk management adopted by the Executive Board define all the binding methodological and organisational standards for dealing with opportunities and risks.

#### Structure of the risk management system

The scope of consideration covered by the Lufthansa Group's risk management system comprises all of the airlines in the Lufthansa Group, the MRO, Logistics and Catering segments, as well as Lufthansa Aviation Training, AirPlus, Miles & More, Lufthansa Global Business Services, the IT companies and the Delvag Group.

➤ **C22 Risk management in the Lufthansa Group** shows the different functions involved.

#### C22 RISK MANAGEMENT IN THE LUFTHANSA GROUP





The Supervisory Board's Audit Committee monitors the existence and the effectiveness of the Lufthansa Group's risk management.

The Risk Management Committee ensures, on behalf of the Executive Board, that business risks are always identified at an early stage, evaluated and managed across all functions and processes. It is also responsible for improving the effectiveness and efficiency of risk management. Appointments to and the responsibilities of the committee are defined in internal regulations.

The Corporate Controlling department has functional responsibility for ensuring that the risk management system is standardised across the Group. It reports directly to the CFO. Group risk management is responsible for implementing uniform standards and methods, for coordinating and continuously refining the risk management process and for all risk management reporting in the Lufthansa Group.

The managing directors or management boards of all the companies covered by the risk management system also appoint risk managers. They are responsible for implementing the Group guidelines within their own companies and are in close, regular dialogue with the Lufthansa Group's risk management function. In addition, they ensure that risk-relevant information is agreed with the planning and forecasting processes in their company (risk controlling).

Managers with budgetary and/or disciplinary responsibility are designated as risk owners. Their role is to implement risk management for their area. The identification, evaluation, monitoring and management of risks are therefore fundamental aspects of every management role. The "principles of risk management" stipulate that the occurrence of predictable risks that have not been reported in the past is considered to be a serious management error.

The Internal Audit department carries out internal, independent system audits focusing on the effectiveness, appropriateness and cost-effectiveness of the risk management system practised in the Lufthansa Group.

During its annual audit of the financial statements, the auditor examines the system for the early identification of risks in place at Deutsche Lufthansa AG with regard to statutory requirements. In 2020, the review came to the conclusion that all statutory requirements were met in full.

### Stages of the risk management process

The closed and continuous risk management process, which is supported by IT, begins with the identification of current and future, existing and potential opportunities and risks from all material internal and external areas. The Lufthansa Group defines opportunities and risks as the possible positive or negative deviations from a forecast figure or a defined objective. The risks identified are checked for plausibility by the companies' risk coordinators and gathered together in the Group's risk portfolio. The risk portfolio documents the systematic entirety of all individual risks and constitutes the quality-assured result of the identification phase. As the risk landscape is dynamic and subject to change, the identification of risks is a continuous task for the risk owners.

Risk owners are obliged at least once a quarter to verify that the risks for which they are responsible are complete and up to date. They also evaluate the extent to which circumstances involving risk have already been included in the forecast results and to what extent there are additional opportunities or risks of achieving a better or worse result than the one forecast. They actively manage opportunities and risks by means of risk mitigation instruments and measures.

On this basis, the Executive Board is regularly informed about the current risk situation of the Lufthansa Group and of the operating segments. The Executive Board reports annually to the Audit Committee on the performance of the risk management system, the current risk situation of the Lufthansa Group and on significant individual risks and their management. In the event of significant changes to previously or recently identified top risks, mandatory ad hoc reporting processes have been defined in addition to these standard reports.

### Evaluation methodology in the risk management process

Once the risks have been identified, all the individual risks are measured according to uniform measurement principles. Risks are generally evaluated on a net basis, i.e. taking implemented and effective management and monitoring instruments into account. A methodological distinction is made between qualitative and quantitative risks. Regardless of the risk type, objective criteria or figures derived from past experience are used for the evaluation wherever possible. Risk measurement thus forms the basis for consolidating similar individual risks into an aggregate risk. Suitable instruments for risk management are defined with the aim of proactively limiting the risk position. Continuous risk monitoring identifies changes in individual risks and any required adjustments to risk management at an early stage. Steps necessary to manage and monitor risks are initiated as required. Steps, in this sense, mean clearly defined activities with a fixed duration, responsibility and time frame, which serve to develop control instruments.

Qualitative risks are mostly long-term developments with potentially adverse consequences for the Lufthansa Group. As concrete information is often not available, these risks cannot or cannot yet be quantified. In the context of qualitative risks, risk management amounts to a strategic approach to uncertainty. Qualitative risks are often identified in the form of “weak signals”. In order to evaluate such risks as systematically as possible in spite of this, estimates are made about their significance and their magnitude. Significance describes the potential impact of the individual risk – for example, on the Group’s reputation, business model or earnings. The estimate of magnitude assesses how pronounced or intense the (weak) signals are that indicate a potential risk to the Lufthansa Group or a specific company. ➔ **C23 Lufthansa risk evaluation for qualitative and quantitative risks** shows the different categories used.

Quantitative risks are those whose potential effect on earnings can be estimated. A distinction is made between different probabilities of occurrence. The extent of loss is given as the potential monetary impact on the planned Adjusted EBIT. Depending on the type of risk, this may relate either to relatively infrequent event risks, such as an airspace closure, or to risks from deviations from planned business developments, due to fuel price volatility, for instance. Quantitative risks therefore form the basis for the overarching verification of potential deviations from plans and forecasts. The thresholds for classifying the monetary Adjusted EBIT effect are defined centrally for the Lufthansa Group and for the Group companies according to standardised criteria.

The individual qualitative and quantitative risks are divided into classes A, B, C, D and other risks to assess their materiality. In accordance with DRS 20, all quantitative A and B risks as well as all qualitative A and B risks that are at least of a “substantial” significance and a “high” magnitude count as material risks for the Lufthansa Group. ➔ **C23 Lufthansa risk evaluation for qualitative and quantitative risks**.

Risks for the Lufthansa Group that meet this materiality criterion are presented in a table in the order of their significance for the Lufthansa Group in the section ➔ **Opportunities and risks at an individual level, p. 74ff.**, and are described in detail below. In some cases, equivalent risks are shown here in a more aggregated form than that used for internal management purposes. Unless stated otherwise, all the segments in the Lufthansa Group are exposed to a greater or lesser degree to the risks described.

### Inclusion of CSR Directive Implementation Act in risk management

In accordance with the CSR Directive Implementation Act (CSR-RUG), the Lufthansa Group’s risk management also covers aspects relevant to CSR (environmental, employee and social concerns, as well as human rights, anti-corruption measures, bribery and the supply chain) and their risks for external stakeholders. Risks are reported in the combined non-financial declaration in line with CSR-RUG if they would have a severely adverse impact on the Company and their occurrence is highly likely. In 2020, the CSR content was updated to include mitigating instruments and measures. As in the previous year, none of the CSR risks were so material that they were described at an individual level.

### Internal Control System for monitoring the risk management process

The risk management process in the Lufthansa Group is monitored by an internal control system (ICS). This entails systematically reviewing the effectiveness of control measures for material risks as part of the Lufthansa Group’s ICS. The relevant risks are selected annually. The review includes an assessment of the structure and the functionality of the Lufthansa Group’s ICS. Reporting on the results of the review forms part of the report to the supervisory boards of the individual companies on the effectiveness of the ICS, and to the Audit Committee of the Deutsche Lufthansa AG Supervisory Board on an overall basis.

### C23 LUFTHANSA RISK EVALUATION FOR QUALITATIVE AND QUANTITATIVE RISKS

■ A risks ■ B risks ■ C risks ■ D risks

#### Magnitude/ Probability of occurrence

extreme / ≥ 50%					
high / 30 – 50%					
medium / 20 – 30%					
low / 10 – 20%					
negligible / 2 – 10%					
	immaterial / 25 – 50	low / 50 – 125	moderate / 125 – 250	substantial / 250 – 500	critical / ≥ 500

Significance/  
Extent of damage in €m

## OPPORTUNITIES AND RISKS AT AN INDIVIDUAL LEVEL

The table below shows the top risks for the Lufthansa Group. It encompasses all quantitative A and B risks, as well as qualitative risks with a rating of at least “substantial” and “high” in the order of their significance. Detailed explanations can be found in the following sections.

### Macroeconomic opportunities and risks

#### Uncertain economic environment

The Lufthansa Group’s forecast for the year 2021 is based on the expectation that future macroeconomic conditions and sector developments will correspond to the description given in the [Forecast, p. 118ff](#). If the global economy performs better than forecast, this is expected to have a positive effect on the Lufthansa Group’s business. Future revenue and earnings for the Lufthansa Group may, in this case, exceed the current forecast. As a global company, the Lufthansa Group can also benefit from positive developments outside its own core market. Conversely, however, it cannot be ruled out that unforeseen unfavourable macroeconomic

or regulatory changes could have a negative impact on the medium-term financial performance of the Lufthansa Group. Risks with potential effects on global economic growth, and thereby for the Lufthansa Group’s sales, primarily arise from the further course of the global coronavirus pandemic, increasingly protectionist economic policies or an increasing risk of armed conflict in some areas of the world.

In spite of the Brexit agreement between the EU and the UK, there are still uncertainties regarding the medium-term economic impact of Brexit, for example on demand for air travel to and from the UK or on possible disruptions to supply chains.

#### Crises, wars, political unrest or natural disasters

The still critical security situation, particularly in the Middle East and North Africa but also in Europe and Germany, as well as the latent risk of terrorist attacks on air traffic and aviation infrastructure could have concrete effects on business operations and on the safety of the Lufthansa Group’s flight operations, customers and employees. Potential financial losses could result from primary effects, such as not being able to fly to individual destinations, but also from significant secondary effects, including a fall in passenger numbers, higher insurance premiums, higher fuel costs due to airspace closures or more stringent statutory security requirements.

#### T049 TOP RISKS LUFTHANSA GROUP

	Significance	Magnitude	Trend	Description
<b>Quantitative risks</b>				
Fuel price movements	critical	extreme	→	<a href="#">p. 79</a>
Earnings risks	critical	extreme	→	<a href="#">p.76</a>
Cyber- and IT risks	critical	high	→	<a href="#">p.82</a>
Breaches of compliance requirements and data protection regulations	critical	medium	→	<a href="#">p.83</a>
Exchange rate losses on pension fund investments	critical	negligible	→	<a href="#">p.80</a>
Crises, wars, political unrest or natural disasters	substantial	high	→	<a href="#">p.74f.</a>
Risks from state aid	substantial	negligible	new	<a href="#">p.80</a>
Non-achievement of the continuous improvement assumption	moderate	extreme	↓	<a href="#">p.81</a>
Exchange rate movements	moderate	extreme	↓	<a href="#">p.80</a>
Downgrade to a single-B rating	moderate	high	new	<a href="#">p.80</a>
<b>Qualitative risks</b>				
Pandemic diseases	critical	extreme	↑	<a href="#">p. 75</a>
Political risks in the context of the coronavirus pandemic	critical	extreme	new	<a href="#">p. 77f.</a>
Flight operations risks	critical	negligible	→	<a href="#">p.82</a>
Human resources	substantial	high	→	<a href="#">p.81</a>
Provider default risk	substantial	high	new	<a href="#">p.81</a>
Infrastructure risk	substantial	high	new	<a href="#">p.77</a>
Strategic fleet sizing	substantial	high	neu	<a href="#">p.77</a>
Increased noise legislation	substantial	high	→	<a href="#">p.78</a>
Regulatory risks resulting from climate change	substantial	high	→	<a href="#">p.78</a>
Digital transformation – market entry of new competitors (LHT) <sup>1)</sup>	critical	medium	↓	<a href="#">p.77</a>
Contaminated foods (LSG group) <sup>1)</sup>	critical	low	→	<a href="#">p.82</a>

<sup>1)</sup> Risk evaluation on segment level.

Because of its strong symbolic effect, civil aviation is still a potential target of terrorist attacks. At the same time, military conflicts between states could also pose significant risks, especially if they take place in the short term and outside clearly defined borders. Flights over areas of conflict continue to require comprehensive risk assessment and management, because there is a risk to civil aviation from complex anti-aircraft systems, especially in the hands of non-state forces, and increased military activity makes it more difficult to use and coordinate airspace. The demands made of the security functions of international companies are rising continuously in view of the political environment and the continuous development of new technology. In this context, particular mention should be given to the greater availability and use of unmanned aircraft (drones) and the various challenges they present. Increasing security regulations due to a higher amount of threats, as well as a tightening of entry requirements for passengers around the world, could lead to further restrictions in international air traffic and thereby to adverse effects for the air transport industry. Finally, the current coronavirus pandemic is expected to have a negative effect on the overall security situation and state stability. In addition to the escalation or acceleration of existing conflicts, there is also growing pressure on internal resources and established conflict resolution mechanisms at the same time.

In order to analyse, track and manage these risks, the Lufthansa Group carries out comprehensive monitoring of the global security situation and current events – including natural disasters – that may affect the Lufthansa Group. The Lufthansa Group prepares comprehensive security analyses on an ongoing basis in order to assess developments in advance and so to draw up preventive scenarios in the event of any disruptions. It can draw on an extensive network of national and international security services and specialised security advisers to do so. The necessary security measures depend on the probability and consequences of the event.

To evaluate security-relevant events in the context of the regional environment, the Lufthansa Group uses a quality management system, which helps with the continuous evaluation of local security procedures, both in existing operations and with new destinations. In order to guarantee compliance with national, European and international aviation security legislation and the Lufthansa Group's own security standards, these sites are inspected regularly in the course of risk audits for aviation security and country risks. This also takes into account any indirect effects of the current coronavirus

pandemic. If necessary, deficits are compensated for by additional measures that may affect all relevant functional areas. In addition, perceptions of Germany, and of Switzerland, Austria, Belgium or the European Union in certain regions of the world and the profile of the Lufthansa Group compared with other, particularly exposed Western airlines are taken into account when choosing infrastructure and processes abroad.

### **Pandemic diseases**

Risks exist around the world from the transmission of pathogens from animals to humans, from humans to humans and by other means. Epidemics, pandemics or other causes such as bioterrorism could cause high rates of disease in various countries, regions or continents. In the short, medium and long term, this could drastically reduce the number of passengers travelling by air due to a fear of contagion, as is currently being dramatically demonstrated by the pandemic spread of the coronavirus. Furthermore, it is possible that staff are not willing to fly to the countries concerned for fear of infection and that local employees want to leave these countries. A high prevalence of sickness among employees may endanger operations. Official travel restrictions to prevent the transmission of pathogens may also result in operational constraints.

The Lufthansa Group permanently reviews information from the World Health Organisation (WHO), the US and European Centres of Disease Control, the Robert Koch Institute in Germany and other institutions in order to identify risks of an epidemic or pandemic as early as possible. To this end, we have our own employees trained in medical intelligence who make use of various early warning systems. Employees receive detailed information, risk groups are given personal protective equipment and preventive vaccination campaigns against influenza run throughout the Lufthansa Group every year. Since the beginning of the coronavirus pandemic, the Lufthansa Group has implemented a comprehensive safety plan for the prevention of infections for passengers and employees.

The Lufthansa Group has factored the economic impact of the coronavirus into its financial forecast. However, it is not yet possible to make a final assessment of the further course of the pandemic, the virus containment measures, especially with regard to travel restrictions, and the short-term impact of the pandemic on demand. There is therefore a risk that the economic impact of the coronavirus pandemic will be worse than forecast.

## Sector-specific opportunities and risks

### Market growth and competition

The growth of the aviation sector is highly dependent on the global political situation and correlates with macroeconomic development. In the past, the airline industry was on a long-term growth path with above-average growth rates, especially in regions such as Asia/Pacific. Structural changes in demand in connection with the coronavirus pandemic, infrastructure limitations, the influence of the climate debate and continued digitalisation are expected to significantly reduce market growth in the coming years. Cost competition, which is already prevalent in many segments of the airline market, will intensify further as a result of the changed market environment.

The Lufthansa Group has implemented a large number of measures in order to be able to react flexibly to changes in the market and in competition. This includes the implementation of structural cost-cutting measures and the continued flexibilisation of the cost structure, for example by increasing the proportion of leased aircraft, flexible working time models or more-flexible supplier contracts. In addition, products and services are being developed to further increase relevance to the customers in a highly competitive environment. These measures will be aligned with the required cost savings.

### Market consolidation

In recent years, an increased trend towards consolidation in the fragmented European airline sector has been apparent. The dynamics of consolidation are expected to change in the wake of the coronavirus crisis, as market exits are not taking place or financial resources for takeovers are not available due to government support measures. While acquisition-based market consolidation is, for the time being, not playing a significant role in the context of crisis management, the Lufthansa Group continues to strive to actively drive market consolidation through other forms of cooperation.

### Converging business models and new customer requirements

In the European market, the convergence of the business models of low-cost carriers and full-service airlines continues. This is resulting in increasing cost pressure in the full-service airline segment, which is being countered by the use of new technologies, the efficient use of resources and new products that customers want and are prepared to pay for. This is why the Lufthansa Group is concentrating both on cutting unit costs and on offering high-quality products for demanding customer segments in markets with strong purchasing power.

The Lufthansa Group's positioning also involves the endeavour to satisfy customers' wishes for sustainable products and sustainable production as well as an individualised travel experience. The Lufthansa Group invests continuously in employees and systems in this area. So, the Network Airlines aspire to provide every customer with the right product at the right time. Eurowings Digital GmbH drives the development of innovative products and services for travellers, especially in the form of software solutions and mobile applications in the low-cost segment.

Products and services are also increasingly being developed with sustainability in mind, and, for example, the use of disposable plastic articles is being steadily reduced. Passengers are also given the opportunity to offset the CO<sub>2</sub> emissions generated by their flight via the Lufthansa Group platform Compensaid, which is incorporated into the booking process.

### Aviation Services

The Lufthansa Group is broadly positioned with its service companies. Lufthansa Cargo is pursuing growth opportunities by developing innovative products, digitalisation and airfreight joint ventures. Lufthansa Technik focuses on adapting its portfolio of services and its capacity in a changed aviation market environment after the coronavirus. The service portfolio will be strengthened with a focus on digitalisation and the expansion of partnerships with original equipment manufacturers (OEMs). Increased efficiency and future-oriented technologies in the repair and asset management core business segment will help secure competitive advantages in the long term.

### Earnings risks

There are revenue risks for the entire Lufthansa Group. Since the outbreak of the coronavirus pandemic, country-specific entry bans and travel warnings have had a particularly strong influence on flight capacity, customer booking behaviour and revenue development. Over the course of the pandemic, it has become apparent that markets are often closed and reopened at very short notice and for a period that is initially unspecified. This makes it enormously difficult to forecast revenue and increases risk. Consequently, the development of bookings and revenues is continuously monitored. In addition to the factors mentioned above, risks can still result from price fluctuations, excess capacities, economic fluctuations, current market and competitive developments, geopolitical changes and unforeseen global events. These challenges will be addressed in the short term, in particular by adjusting capacity. Sales, product, capacity and cost-cutting measures are also taken. In the long term, unit costs are improved systematically and sustainably by continuous efficiency gains and as the result of segment-specific restructuring projects.

### Risks from strategic fleet sizing

The strategic sizing of the Group fleet determines the available capacity and therefore also a large part of the fixed costs and future capital expenditure. Due to the demand and competition risks mentioned above, there is a risk of oversizing that is not commercially viable, resulting in a decline in earnings.

As part of the annual strategy and planning process, the Lufthansa Group regularly reviews the planned fleet development over the next ten years and takes decisions on the allocation of aircraft to the various airlines in the Lufthansa Group and the planned capacity for the next four years.

Fleet planning is also reviewed and adjusted during the year as needed. The fleet may be reduced through the sale and parking of aircraft. Similarly, aircraft orders may be cancelled or delivery postponed in negotiations with aircraft manufacturers, and lease agreements may be terminated. Due to the impact of the coronavirus crisis, the Lufthansa Group's fleet will be reduced by 150 aircraft through the postponement of new deliveries, the termination of lease agreements, long-term parking and sales.

### Infrastructure costs at airports and in air traffic control

Airports and air traffic control organisations are currently recording high levels of losses due to grounded air traffic. The fact that this infrastructure is essentially financed by the users means that there is a risk that the losses incurred in the crisis years and to some extent in the following years will be passed on to the airlines by the system partners, which will increase costs accordingly.

The air traffic infrastructure is financially burdened by the coronavirus crisis to such an extent that the state must provide relief for the system as a whole. Lufthansa German Airlines and the other German airlines, as well as the airports, air traffic control and aviation associations are lobbying political decision makers to provide this relief in the form of compensation for losses, among other things.

### Risks from digital transformation and market entry of new competitors in the Lufthansa Technik segment

The post-coronavirus pandemic market environment will be marked by MRO overcapacity, as global aircraft movements continue to be significantly below available capacity. Sustainable business success requires a competitive cost structure, despite the consolidation that is to be expected. There is an increased risk of insolvency for airline customers if government support is not sufficient to bridge the coronavirus crisis.

The market position of the original equipment manufacturers (OEMs) results in barriers to entry for independent providers of aircraft MRO services, especially for new aircraft models, and makes it more difficult to gain access to licences and intellectual property. OEMs will use competitive advantages in the aftermarket to compensate for the reduced volume of new business. Expanding and maintaining their market position in this environment is a key challenge for MRO providers.

Digital platforms are also becoming increasingly important for the planning, management and awarding of physical maintenance, repair and overhaul (MRO) fulfilment and jeopardise the direct contractual and customer relations between the MRO provider and the airline. As part of this digital transformation, new competitors are trying to enter the market with data-based services and digital capabilities. Access to and control over this data play an overarching role for gaining control over costs and competence in the MRO award process and predictability.

Lufthansa Technik manages these risks using efficiency and restructuring programmes, strict management of accounts receivable, strategically important partnerships and an expanded performance profile of the AVIATAR digital platform.

## Opportunities and risks from the regulatory environment

Political decisions at national and European level continue to have a strong influence on the international aviation sector. This is particularly the case when countries or supranational organisations unilaterally intervene in the competition within a submarket, for example, by way of regional or national taxes, emissions trading, fees and charges, restrictions or subsidies. The Lufthansa Group campaigns actively to influence these developments in the appropriate boards and forums and in cooperation with other companies and industry associations.

### Political risks in the context of the coronavirus pandemic

In connection with the current coronavirus pandemic, a number of political risks continue to exacerbate the economically tense situation. Based on sometimes divergent decisions by national governments and the EU Commission on entry regulations, far-reaching restrictions have been imposed on air traffic. For example, global border closures, stricter measures to contain the spread of the coronavirus (for example, contact bans, minimum distance on board, quarantine) and constantly changing administrative hurdles



upon entry increase the risk of the restriction of usable traffic rights. The pandemic poses the risk that states will seal themselves off due to the spread of the coronavirus and reduce agreed international air traffic to a minimum. Non-standardised testing practices also result in restrictions on market access. For example, there is currently no regulation on available testing capacities and the determination of the time of testing, i.e. on departure or arrival. In addition, no robust data is available on the acceptance and type of testing procedures available. As vaccines continue to be approved, there is an opportunity for air traffic to experience stronger growth again in the future as the population becomes increasingly immunised.

In addition, slots may be lost worldwide due to flight cancellations caused by the crisis. The basic rule on the use of take-off and landing rights is that slots can be reallocated if they have been used less than 80% of the time in a flight period. This rule was initially suspended by authorities worldwide until March 2021 due to the slump in air traffic caused by the coronavirus. This makes it possible to maintain network structures that have been built up over decades and to promote a new start in air traffic. Slot rules in all relevant countries will again be adapted to the pandemic in summer 2021. 50% of the slot series can be returned in the EU, and airlines must use 50% of the remaining slots in order not to lose them. Theoretically, this covers the eventuality that airlines use only 25% of their existing slots.

The Lufthansa Group therefore advocates, in dialogue with German, European and international policymakers, for risk-based reductions in entry restrictions, the synchronisation of testing practices and a worldwide suspension of the slot-use rule. The Lufthansa Group also supports public authorities in the development of hygiene concepts that can be implemented on board.

#### **Greater regulatory efforts in connection with the climate debate**

The debate about the role of aviation in climate change increases the risk that CO<sub>2</sub> emissions will be subject to more rigorous pricing in future. Air traffic within the EU is already part of the EU Emissions Trading Scheme (EU ETS), which has been associated with the Swiss Emissions Trading Scheme since the beginning of 2020. However, there is a risk of rising costs or additional requirements in the course of the revision of the European Emissions Trading Directive since, for example, the lowering of the emissions cap and the future allocation of free emissions rights are being discussed. Both may increase the Lufthansa Group's ETS costs in future financial years beyond 2021.

The harmonisation of EU-ETS and CORSIA also has not yet been clarified, and the risk of double regulation persists. The ETS has already led to a distortion of competition, which would be exacerbated by the aforementioned measures.

The introduction of a SAF (Sustainable Aviation Fuel) quota is also planned at European level as well as at the federal level in Germany. In Germany, this means an additional PtL (Power-to-Liquid) quota. This would not only increase fuel costs for the Lufthansa Group, but would also lead to further distortion of competition, as competitors could circumvent this by tankering, i.e. carrying fuel on outward flights in excess of their requirements, or by operating multi-sector flights (transfers at non-European hubs).

In future, the regulation will also take into account the "non-CO<sub>2</sub> climate impact of aviation", such as condensation trails and nitrogen oxide emissions. Operational measures may also reduce climate impact. However, research in this area has only just begun. As a result, the focus of regulation will remain on CO<sub>2</sub> for the time being. In addition to wide-ranging measures to limit CO<sub>2</sub> emissions, such as the continuous renewal of its fleet and the expansion of voluntary carbon offset options, the Lufthansa Group participates in the public debate – sometimes together with other European airlines and industry associations – and endeavours to prevent any regulations that could distort competition. ➤ **Combined non-financial declaration, p. 86ff.**

#### **Increased noise legislation**

Stricter noise standards may apply to airlines or airports. They may cause, for example, higher costs for retrofitting aircraft, bans on specific aircraft models, higher charges or higher monitoring expenses. The still outstanding revision of the directive on environmental noise at European level is relevant here. The limits set in the Aircraft Noise Abatement Act were reviewed at the federal level as scheduled in 2017. The Act has not yet been amended. Although the latest results of noise research do not show any significant changes in health risks, the way in which noise is perceived as a nuisance by those affected has changed radically, even when noise levels at airports are stable. Further lobbying in this area is therefore expected to result in more restrictive noise legislation.

In November 2017, the Lufthansa Group, Fraport, Condor, the Board of Airline Representatives in Germany (BARIG) and the government of Hesse came to a voluntary agreement on noise limits at Frankfurt Airport. Approximately 80% of the noise limit was utilised in 2019 (1% less than in 2018) so this framework continues to provide opportunities for growth and, as long as the limit is not exceeded, will not adversely affect the operating licence. Introducing a voluntary noise limit in Frankfurt could have an effect on other sites in Germany.

The Lufthansa Group develops coordinated strategies by means of targeted communications in collaboration with trade associations and other industry stakeholders. It is involved in research projects looking at active noise abatement measures ➤ **Combined non-financial declaration, p. 86ff.**, and closely monitors research into the effects of noise.

## Financial opportunities and risks

Financial market developments represent opportunities and risks for the Lufthansa Group. Positive changes in fuel prices, exchange rates and interest rates can result in lower expenses and/or higher income compared with the assumptions used for planning and forecasting.

### System of financial risk management for fuel prices, exchange rates and interest rates

Financial and commodity risks are systematically and centrally managed for the entire Group on the basis of internal guidelines. The derivative financial instruments used serve to hedge underlying transactions. Here, the Lufthansa Group works with partners that have at least an investment grade rating equal to Standard & Poor's BBB rating or a similar long-term rating. All hedged items and hedging transactions are tracked in treasury systems so that they can be valued and monitored at any time. The functions of trading, settlement and controlling of financial risk are strictly separated at an organisational level.

The executive departments and Financial Risk Controlling ensure compliance with these guidelines. The current hedging policies are also discussed regularly in management board meetings across the business areas. The Supervisory Board is regularly informed of the amounts of risk. ➔ **Notes to the consolidated financial statements, Note 45, p. 205ff.**

### Fuel price movements

In 2020, the oil price was on average 33% lower than in the previous year. There has been no year-on-year change in the risk of price fluctuations.

In the reporting year, the Lufthansa Group consumed around 3.7 million tonnes of kerosene. At around EUR 1,875m, fuel expenses constituted a major item of expense for the Lufthansa Group in 2020. Severe fluctuations in fuel prices can have a significant effect on earnings. A change in the fuel price of +10% (-10%) at year-end 2021 would increase (decrease) the earnings of the Lufthansa Group by EUR 183m (EUR -117m) after hedging.

The Lufthansa Group uses rules-based fuel hedging with a time horizon of up to 24 months. This is aimed at reducing fluctuations in fuel prices. Limited protection against higher

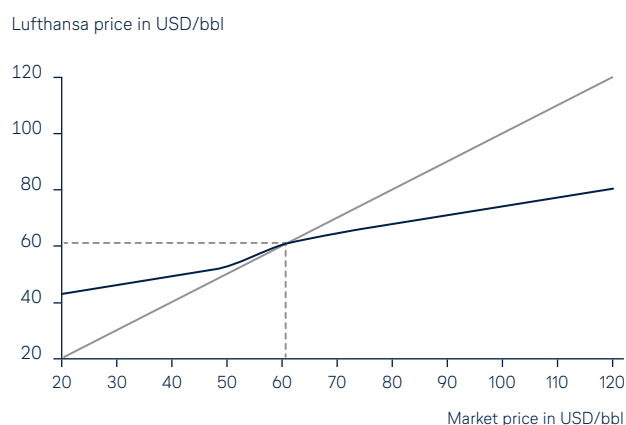
prices is accepted in exchange for maximising the benefits derived from any fall in prices. The Lufthansa Group uses standard financial market instruments in fuel hedging. Hedges are mainly in crude oil for reasons of market liquidity. The instruments used will be settled by payments and will not result in physical deliveries.

Fuel price hedging was suspended over large periods of 2020, and no further fuel price hedges were entered into due to the coronavirus pandemic and its impact on the predictability of fuel demand. As a result of the capacity adjustments, the fuel hedging concluded was in part not matched by any underlying transactions. Earnings from fuel price hedges not allocated to hedging are shown in the financial result.

As of 31 December 2020, there were crude oil and kerosene hedges for 2021 in the form of futures and options that represented around 36% of the Group's fuel consumption in 2019, the year before the crisis. For 2022, the hedging level on the basis of 2019 fuel consumption was around 1%. As fuel is priced in US dollars, fluctuations in the euro/US dollar exchange rate can also have a positive or a negative effect on reported fuel prices. US dollar exposure from planned fuel requirements is included in currency hedging.

### C24 HEDGED OIL PRICE LUFTHANSA GROUP 2021<sup>1)</sup>

in USD/bbl (as of 31 Dec 2020) — Market price  
— Lufthansa price



<sup>1)</sup> Including fuel price hedges not allocated to hedging.

### Exchange rate movements

Foreign exchange risks for the Lufthansa Group arise in particular from international ticket sales and the purchasing of fuel, aircraft and spare parts. All subsidiaries report their planned currency exposure over a time frame of at least 24 months. At Group level, a net position is aggregated for each currency to take advantage of “natural hedging”. Twenty-three of the foreign currencies are hedged because their exposure is particularly relevant to the Lufthansa Group. ➤ **Notes to the consolidated financial statements, Note 45, p. 205ff.**

### Rating downgrade

Due to the enormous impact of the coronavirus pandemic, the rating agencies lowered the Lufthansa Group's credit rating over the course of 2020. The rating agency Standard & Poor's currently assigns Lufthansa a non-investment-grade rating of “BB-”, while Moody's likewise rates Lufthansa in the non-investment-grade range with “Ba2”. The rating agency Scope, on the other hand, assigns Lufthansa an investment-grade rating of “BBB-”. All ratings are currently assigned a “negative outlook”.

Further downgrades by the rating agencies would likely have negative effects on the Company's ability to finance itself on the capital market. These effects include a reduced market capacity for borrowing capital and increased financing costs. Measures to strengthen liquidity and ongoing communication with the rating agencies should help avoid further downgrades.

### Exchange rate losses on pension fund investments

Pension fund investments are subject to price fluctuations on international capital markets. However, the broad diversification across many asset classes (including global equities and fixed-income securities) does reduce the overall investment risk to capital investments. Significant market volatility is expected to continue in view of persistent uncertainties such as the ongoing coronavirus crisis, the US trade war with China and Brexit. Thanks also to the existing hedging mechanisms, the risk of significant losses is still considered to be low. ➤ **Financial strategy and value-based management, p. 21ff.** Further information on opportunities from changes to retirement benefits ➤ **Human resources, p. 81.**

### Risks arising from state aid and liquidity risks

To offset the severe revenue losses resulting from the coronavirus pandemic, the Lufthansa Group has taken advantage of government support from Germany, Belgium, Austria and Switzerland in order to secure the necessary liquidity of the Lufthansa Group. ➤ **Financing, p. 43ff.**

The loan agreements concluded with the KfW and syndicate banks for the state aid from the Swiss government in this context include the financial covenant of maintaining a specified minimum liquidity for each company. Breach of financial covenants would result in termination of the loans granted.

At the Lufthansa Group, the Treasury department checks the status of the available liquidity reserves on a daily basis. A forecast for the coming months is also prepared as part of the monthly forecast process, so that any potentially critical liquidity situation can be responded to at an early stage with appropriate countermeasures. If necessary, financing measures will be initiated to ensure compliance with financial and commercial obligations.

### Counterparty risks

The transactions completed in the course of financial management give rise to default risks. The counterparty default risk is continuously assessed using a system of counterparty limits.

In addition, the transactions completed in the normal course of the companies' business give rise to further default risks for receivables. This counterparty risk is also assessed continuously on the basis of a risk assessment methodology.

In the context of the current crisis, the monitoring periods were significantly shortened and a Group-wide integrated reporting system with adjusted value limits was implemented in order to keep the risks of default on customer receivables as low as possible. In addition to the measures implemented in the individual business segments, a Group-wide Credit Risk Committee has been formed, which takes decisions in advance on coordinated preventive measures such as calling in collateral, limiting transactions or making advance payments to individual counterparties, based on close monitoring. ➤ **Notes to the consolidated financial statements, Note 39, p. 192ff.**

## Company-specific opportunities and risks

### Failure to achieve assumed improvement in the scope of ReNew

The Lufthansa Group is striving to achieve significant improvements in efficiency and the cost base in all business units within the framework of its restructuring programme ReNew and the associated Group-wide programme ReStructure. The planning process included intensive discussions with all of the business units on the potential for improvement that had been incorporated into the planning. All business units enter the identified measures into a Group-wide tracking system. The current scope of measures and progress in implementation are discussed in monthly performance dialogues with each business unit. This is discussed with the Executive Board across the Group. Risks can arise despite intensive tracking at both business unit and Group level. For one thing, it can become apparent in the course of implementation that the expected effects are smaller than initially assumed; for another, the possibility exists that not enough additional potential can be identified during the year, making it impossible to achieve the agreed targets in full. In order to take early countermeasures, the volume of identified measures is compared against the targets on a monthly basis.

### Human resources

#### INTERNAL AND EXTERNAL LABOUR DISPUTES

Many employees are on short-time work in view of the drastically reduced number of flights currently offered by the Lufthansa Group. This also applies to employees of non-airline subsidiaries. Strikes would have little effect in this environment and are likely to meet with little public understanding. For 2021, the risk of strikes is considered to be low, both for the Group and in the airline industry as a whole.

#### COOPERATION BETWEEN WORKS COUNCILS AND LABOUR UNIONS

The success of structural measures depends heavily on effective cooperation with co-determination within the Company. The coronavirus pandemic has made it necessary to introduce short-time work across the Company. It has also highlighted the need for organisational restructuring, including a possible reduction in staff through a redundancy programme. Given the current tense economic situation, these measures must be taken quickly. The risk consists in an only partial or not timely agreement with the works councils. The same applies to the collective bargaining partners with which employee contributions to overcoming the crisis are negotiated.

#### EMPLOYEE COMMITMENT

More than half of the Lufthansa Group's workforce is on short-time work at least one day a week. This situation is expected to continue as demand for flights will not return to pre-crisis levels in 2021. As a result, the (pro rata) loss of work could lead to a weakening of how closely employees identify with the Company. Employees who are not on short-time work are working under significantly changed conditions. In some cases, variable remuneration components and special payments were cancelled and wages were reduced as employee contributions to overcoming the crisis in order to secure jobs. Finally, the build-up of restructuring and transformation pressures can potentially lead to a loss of confidence and a lack of orientation. There is the risk that important sources of knowledge will quit the Company because of the current remuneration outlook and the worsened prospects. In order to maintain employee commitment, the Lufthansa Group tries to communicate the need for these measures by being completely transparent. Selected talents are given particularly intensive support and are prioritised in being given opportunities to work on restructuring projects.

#### STAFF STRUCTURE

Differences between strategic HR requirements, the existing competences of employees and how they are distributed across the companies in the Lufthansa Group constitute a structural HR risk. The Lufthansa Group addresses this risk by means of strategic human resources planning, drawing up a skills model and offering training courses for all the employees in the Group.

Human resources risks have shifted from risks related to collective bargaining to more individual risks at present.

#### Provider default risk

The economic impact of the coronavirus pandemic also affects providers of the Lufthansa Group, in particular those that are heavily dependent on the air transport industry. Disruptions in supply chains and the potential failure of providers due to insolvency pose the risk of disruptions in the supply of goods and services. Purchasing at the Lufthansa Group regularly identifies providers that are critical for business continuity. Regular exchanges with identified providers are conducted in an attempt to counter the risk of any supply disruptions in a timely manner. This includes the targeted use of appropriate tools, such as supply chain financing or adjusted payment terms, to strike a balance between achieving working capital targets while supporting the most vulnerable parts of the supply chain.

### Flight operations risks

The airlines in the Lufthansa Group are exposed to potential flight and technical operating risks.

One of these is the risk of not being able to carry out regular flight operations for technical or external reasons. Another risk is the risk of an accident, with the possibility of damage to people and property; it is divided into environmental factors (for example, weather or bird strike), technical factors (for example, engine failure), organisational factors (such as contradictory instructions) and the human factor.

The direct impact of the ongoing coronavirus pandemic was continuously monitored as part of Safety & Compliance Monitoring Management. Any potential risks were proactively identified, mitigation measures were developed and their implementation is being monitored as part of the corresponding audit activities.

The companies in the Lufthansa Group search for these dangers systematically and in a forward-looking manner in order to manage the resulting risk by means of suitable countermeasures and to increase the level of flight safety further. For example, every single flight made by an airline in the Lufthansa Group is routinely analysed using the parameters recorded in the flight recorder (black box) in order to identify any peculiarities at an early stage and to act on them, such as in the context of training courses, for example. Other sources of information, e.g. accidents and hazardous situations around the world that come to light, are also analysed and the results are integrated into prevention measures, such as training courses, where relevant. The safety management systems are continuously improved and refined.

The sustained implementation of uniform flight safety standards across the entire Lufthansa Group is also supported by further progress on harmonising the IT environment in the course of safety management. Ongoing dialogue between the airlines in the Lufthansa Group provides an opportunity to consolidate information gained in an operational setting and factor it into the development of the corresponding standards. A standardised platform for the analysis of flight data relevant to flight safety is currently being implemented.

### Operating risks in Catering

In the Catering segment, it is vital that food is produced to the highest quality and in accordance with all hygiene and food safety standards. Standardised quality management systems are used to identify potential quality defects at an early stage. Furthermore, the LSG group invests continuously in its production facilities and equipment as well as in modern technology. The modernisation process is supported by intensive training courses as well as learning and problem-solving workshops in the individual companies.

### Cyber and IT risks

Cyber-risks are all risks to which computer and information networks, ground and flight infrastructure as well as all IT-enabled commercial and production processes are exposed to sabotage, espionage or other criminal acts. If established security measures fail, the Lufthansa Group may suffer reputational damage and be obliged to make payment on the basis of contractual and statutory claims by customers, contract partners and public authorities. A loss of income is also conceivable if operating systems should fail.

The business processes in the Lufthansa Group are supported by IT components in virtually all areas. The use of IT inevitably entails risks for the stability of business processes and for the availability, confidentiality and integrity of information and data, and such risks ultimately cannot be fully eliminated.

Cyberattacks are on the rise worldwide, independently of the coronavirus crisis. These activities are also increasingly being conducted with a high degree of professionalism. This is borne out by the Group's own experience of security incidents and by information from other companies and public agencies. At the same time, the digitalisation of business processes in the Lufthansa Group is increasing, meaning that the potential effects of cyberattacks may continue to escalate. As a result, cyber-risks will become a greater and greater potential risk for the Lufthansa Group in the foreseeable future.

The Lufthansa Group monitors the global IT security situation on an ongoing basis. Based on this monitoring, the Executive Board has in recent years adopted measures to strengthen the IT security of the Lufthansa Group, which have been implemented in numerous projects. Technological tools have been introduced to prevent cyberattacks, processes have been adapted to changing risk scenarios and the changed way of working from home, organisational changes have been made and awareness campaigns have been carried out. Since the end of 2018, a multi-year programme has been underway to increase the cyber-resilience of the Lufthansa Group. As part of the cyber-security programme adopted by the Executive Board, measures in various core areas are being implemented across the Group and numerous projects carried out. This also includes preparing the airlines of the Lufthansa Group for the next generation of e-enabled aircraft to mitigate new digitalisation-related risks. The measures focus on risk-oriented implementation in IT systems and processes taking the partners and providers of the Lufthansa Group into account. Initial results from the programme are already showing a positive contribution to reducing risks.

IT risk and IT security processes are organised across segments. The status of IT risks and IT security is compiled annually, consolidated at Group level and discussed by the Risk Management Committee for the Lufthansa Group. The risk and security management systems and selected other measures are also reviewed regularly by the Internal Audit department.

The Lufthansa Group sources most of its IT infrastructure from external service providers. The operational and commercial risks that by nature accompany this kind of outsourcing are assessed and managed on a continuous basis.

#### Risks of breaching data protection regulations

Protecting the privacy of its customers, employees, shareholders and providers has always been an important and self-evident concern for the Lufthansa Group. With a view to meeting the requirements of the General Data Protection Regulation (GDPR), all Group companies within the scope of the GDPR have put in place appropriate governance structures and processes in accordance with the requirements of the Group's data protection policy to identify and manage potential risks from breaches of the extensive legal requirements. Customers regularly exercise their rights to access and erasure of data.

Risks involved in exchanging data with the United Kingdom were initially avoided through the conclusion of a trade and cooperation agreement between the EU and the United Kingdom. If the European Commission does not come to a decision on the adequacy of data protection in the United Kingdom before the deadline, all data flows between the EU and the United Kingdom will have to be adapted to the EU rules for data transfers to third countries.

#### Compliance risks

Compliance refers to the observance of legally binding requirements, and is intended to ensure that the Company, its executive bodies and its employees act in accordance with the law. The effectiveness of the compliance programme is therefore vital to the Lufthansa Group. 📄 <https://investor-relations.lufthansagroup.com/en/corporate-governance.html>.

The Lufthansa Group is active in many countries and is therefore subject to various legal norms and jurisdictions with different, and sometimes hard to interpret, legal frameworks, including for criminal law on corruption. In addition, all activities not only have to be judged against local criminal law, the laws applicable in the sales area and the local cultural customs and social conventions, but also against extraterritorial regulations like the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act. Any infringements are investigated rigorously; they may result in criminal prosecution for the individuals involved and could expose the Company to hefty fines. There would also be reputational damage that is difficult to measure and the Company would be put at a distinct disadvantage when competing for public tenders. The Lufthansa Group has put processes in place that are intended to identify specific compliance risks and, in particular, to prevent corruption.

The Lufthansa Group is also exposed to risks arising from competition and antitrust law. They stem, in particular, from the fact that the Lufthansa Group also operates in highly oligopolistic markets, has a strong position in some markets, cooperates with competitors in alliances, the legal parameters may change and that in some of its segments the providers, competitors and clients are the same legal person. The Lufthansa Group's Competition-Compliance function addresses the risks of collusive behaviour and provides employees with extensive training.

The Lufthansa Group, in particular Deutsche Lufthansa AG as a publicly listed company, is also exposed to risks from capital market compliance. Since July 2016, the EU Market Abuse Regulation (MAR) and many other national and European regulations have codified bans on insider trading and market manipulation, the obligation to make ad hoc announcements as well as other obligations relating to capital markets. These regulations are directly applicable in Germany. However, in some cases, it is still difficult to predict and to put into practice the interpretation of these new European rules, particularly concerning ad hoc announcements and administrative practices. The Lufthansa Group takes many organisational precautions to comply with the provisions of the MAR. The Group uses special software to compile insider lists, for instance, and to publish any ad hoc announcements, and it has the corresponding policies, information letters and process descriptions at hand. In addition, the Group Compliance Office conducts training courses as needed for individuals specifically affected by the laws applicable to insider trading and market abuse. Matters relating to the law on ad hoc announcements are also always discussed with external experts.

Despite the existence of a compliance management system and its risk-mitigating activities, individual breaches, the related investigations by public authorities and penalties cannot be ruled out completely, particularly in the fields of integrity, competition and capital market compliance.

#### Litigation, administrative proceedings and arbitration

The Lufthansa Group is exposed to risks from legal, administrative and arbitration proceedings in which it is currently involved or which may take place in the future. Due to the possible restricting effect, the risks have not been quantified in accordance with DRS 20 No. 154. It cannot be ruled out that the outcome of these proceedings may cause significant damage to the business of the Lufthansa Group or to its net assets, financial and earnings position. Appropriate provisions have been made for any financial losses that may be incurred as a result of legal disputes. More information on provisions for litigation risks and contingent liabilities can be found in the Notes to the consolidated financial statements 📄 **Note 36, p. 188ff.**, and 📄 **Note 46, p. 220ff.**



Furthermore, the Lufthansa Group has taken out liability insurance for an amount that the management considers appropriate and reasonable for the industry in order to defend itself against unjustified private third-party claims and to settle such claims it considers justified. Even in such cases, however, this insurance cover does not protect the Lufthansa Group against possible damage to its reputation. Such legal disputes and proceedings may also give rise to expenses in excess of the insured amount, expenses not covered by the insurance or those which exceed any provisions previously recognised. Finally – and depending on the type and extent of future losses – it cannot be guaranteed that the Lufthansa Group will continue to obtain adequate insurance cover on commercially acceptable terms in the future.

There are insurance contracts in place for Germanwings and Deutsche Lufthansa AG as well as for other Lufthansa Group companies, covering various liability claims in connection with the Germanwings accident on 24 March 2015. The same applies to the lawsuits filed against Germanwings, Deutsche Lufthansa AG and other Group companies. The Lufthansa flying school in Arizona (formerly Airline Training Center Arizona, Inc. (ATCA), now Lufthansa Aviation Training USA, Inc. (LAT US)), has also been sued for material and non-material damages. The lawsuit was originally filed in the USA, where it was dismissed. It is now being pursued in Germany before the Essen regional court. In the lawsuit, the claimants argued, among other things, that the flying school doubted the co-pilot's mental stability but still trained him nonetheless. The litigation was later extended to Deutsche Lufthansa AG and alleges organisational deficits and individual errors in the medical treatment of the co-pilot. Moreover, parallel proceedings were opened – only against Deutsche Lufthansa AG – before the Frankfurt regional court. The Essen regional court dismissed the claim outright, and in the appeal before the Hamm higher regional court, only putative claims against Deutsche Lufthansa AG are still being pursued. The lawsuits are still considered to have little chance of success. Companies in the Lufthansa Group may still be faced with costs, however, since in France at least, public prosecution and judicial investigations into the case are still under way. ➔ **Notes to the consolidated financial statements, Note 46, Legal risks, p. 220f.** Legal costs are incurred here. Costs have already been incurred and others may follow for investigations and voluntary payments to the dependants of the victims of the accident.

Ryanair has appealed to the European Court of Justice against the decisions by the European Commission approving stabilisation measures for companies in the Lufthansa Group. Stabilisation measures for Deutsche Lufthansa AG, Austrian Airlines and Brussels Airlines SA/NV are affected.

The Lufthansa Group believes the chances of success are slim. If the appeals are successful, however, the decisions by the European Commission would be declared null and void. If the respective public-sector agencies are prevented from continuing to grant the stabilisation measures, the funds concerned would have to be cancelled and repaid.

The Lufthansa Group is subject to tax legislation in many countries. Changes in tax laws and case law, as well as different interpretations as part of tax audits/external wage tax audits can result in risks and opportunities affecting tax expenses, income, claims and liabilities. The Corporate Taxation department identifies, evaluates and monitors tax risks and opportunities systematically and at the earliest stage possible, and initiates steps to mitigate the risks as necessary.

## OVERALL STATEMENT ON OPPORTUNITIES AND RISKS

The coronavirus crisis represents a profound turning point for air traffic and consequently for the Lufthansa Group as well. Global air traffic is not expected to return to its pre-coronavirus level until the mid-2020s. Against this background, the overall risk position of the Lufthansa Group has also changed.

In an environment characterised by travel restrictions and flight cancellations, the Lufthansa Group's most significant risk is now liquidity risk. To maintain liquidity, the Lufthansa Group has drawn on state aid and is in a position to counter the risk by raising additional funds. In this difficult environment, the Lufthansa Group continues to rely on its ability to adjust its capacities and resources flexibly to changing market conditions and to use this flexibility to seize opportunities for the Company's long-term development.

The implementation risks from the ReNew programme that the Lufthansa Group is using to make adjustments to the changed market conditions described above, as well as the risks of declining average yields and price increases, particularly at airlines, continue to be mitigated by means of systematic risk management.

Generally speaking, the Executive Board remains convinced that the opportunities and risk management system is effective. It continues to strive for a balance between opportunities and risks. The Executive Board does not currently consider that the continued existence of the Company is at risk.

## DESCRIPTION OF THE ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM IN ACCORDANCE WITH SECTION 289 PARAGRAPH 4 AND SECTION 315 PARAGRAPH 4 HGB

The Lufthansa Group's Internal Control System (ICS) covers all the principles, procedures and steps intended to ensure effective, economical and accurate accounting and compliance with the relevant legal regulations. It is based on the COSO framework (Committee of the Sponsoring Organizations of the Treadway Commission).

Overall responsibility for the Internal Control System required to manage risk lies with the Executive Board of Deutsche Lufthansa AG, which defines the scope and the format of the systems in place based on the specific requirements of the Lufthansa Group.

The Corporate Audit department of Deutsche Lufthansa AG as well as the decentralised internal audit departments at Delvag Versicherungs-AG and Lufthansa AirPlus Servicekarten GmbH are embedded in the internal monitoring system for the Lufthansa Group and act independently of business processes. In addition, the effectiveness of those areas of the Internal Control System relevant to financial reporting are reviewed by the auditors as part of a risk-oriented approach to their audit. The Audit Committee of the Deutsche Lufthansa AG Supervisory Board monitors the effectiveness of the Internal Control System and risk management system on the basis of Section 107 Paragraph 3 German Stock Corporation Act (AktG).

The objective of the Internal Control System for accounting processes is, by making checks, to provide a reasonable degree of certainty that the financial statements and the consolidated financial statements of Deutsche Lufthansa AG comply with the rules, despite the risks identified.

The following preventative and investigative checks are embedded in the accounting process:

- IT-supported and manual cross-checks,
- functional separation,
- dual signatures and
- monitoring checks.

Operational accounting processes are carried out locally at the Group companies and also using the Group's own and external shared service centres. Expert opinions for determining the amount of pension provisions are prepared by external consultants.

Corporate Accounting is functionally responsible for preparing the consolidated financial statements and draws up binding regulations for the Group companies that pertain to form, content and deadlines. The Lufthansa Group's accounting guidelines are updated regularly and define uniform accounting policies for the domestic and foreign companies included in the Lufthansa consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). For Deutsche Lufthansa AG and other German companies in the Group, a guideline defines rules for drawing up individual financial statements in line with the German Commercial Code (HGB). This ensures that standardised Group accounting practices are applied to the recognition, measurement and presentation of balance sheet items, with as little room for discretion as possible. The formal requirements relate to the mandatory use of a standardised and complete set of reporting forms and a uniform account framework for the Group. Individual financial statements that contain errors are selected and restated as necessary at company or Group level on the basis of control mechanisms already defined in the SAP SEM-BCS consolidation software and/or by systematic plausibility checks. The consolidation system dictates the different deadlines for various elements of the reporting package and verifies centrally that they are adhered to during the preparation process.

The IT systems used for accounting are protected against unauthorised access by special security precautions.

By means of the organisational, control and monitoring structures defined for the Lufthansa Group, the Internal Control System and risk management system as it relates to accounting ensures that all matters affecting the Company are captured, processed and evaluated, and are presented adequately in the Group's financial reporting. In particular, the use of individual discretion, faulty checks, criminal acts by those involved and other circumstances may compromise the effectiveness and reliability of the Internal Control System and risk management system in place. This means that even the Group-wide application of these systems cannot guarantee with complete certainty that facts are presented correctly, fully and promptly in the consolidated financial statements. These statements only relate to Deutsche Lufthansa AG and the major subsidiaries included in the consolidated financial statements of Deutsche Lufthansa AG.

## Combined non-financial declaration

Lufthansa Group wants to live up to its role as a leading airline group, also in terms of sustainability. | Corporate responsibility is an integral part of the corporate culture. | The combined non-financial declaration focuses on the aspects of environmental concerns, customer concerns, employee concerns, anti-corruption and bribery, human rights, social concerns, responsible production and sustainability in the supply chain as an interdisciplinary topic. | Declaration is based on the GRI Standards 2016.

## About this combined non-financial declaration

In accordance with CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz – CSR-RUG) which came into force on 19 April 2017, Deutsche Lufthansa AG is again publishing a combined non-financial declaration for the financial year 2020 in accordance with Sections 315b and 315c German Commercial Code (HGB) in conjunction with Sections 289b to 289e HGB. Deutsche Lufthansa AG publishes a non-financial declaration at Company level and a non-financial Group declaration together as a combined non-financial declaration. It combines aspects and reporting on the following key issues: environmental concerns, customer concerns, employee concerns, anti-corruption and bribery, human rights, social concerns, responsible production and sustainability in the supply chain as an interdisciplinary topic. In addition, measures and initiatives taken by the Lufthansa Group that demonstrate the Company's wide-ranging commitment to corporate responsibility are described in the combined management report. References to these passages are made in this declaration. In its Group risk management system, the Lufthansa Group also takes into consideration impacts on non-financial factors and circumstances.

➤ **Opportunities and risk report, p. 71ff.**

The non-financial declaration is based on GRI Standard 2016.

➤ **T050 GRI Content Index, p. 115.**

The Lufthansa Group plans to publish further information in 2021 in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) initiated by the Financial Stability Board.

Taking into account the measures and concepts described and using the net method, there are currently no indications of risks that would have a severe negative impact on these material aspects and that are highly likely to occur. Unless otherwise stated, the disclosures made here relate to the group of consolidated companies referred to in the consolidated financial statements. Unless stated otherwise, the disclosures reflect the perspective of both the Group and Deutsche Lufthansa AG. This combined non-financial declaration was subject to a voluntary limited assurance engagement in accordance with ISAE 3000 (revised). ➤ **Independent Auditor's Limited Assurance Report regarding the Non-Financial Statement.**

References to disclosures outside the combined management report are additional information and do not form part of the combined non-financial declaration.

### Disclosures on the business model

The Lufthansa Group is a global aviation group with a total of 532 subsidiaries and equity investments. The business model of the Lufthansa Group is described in detail in the combined management report. ➤ **Principles of the Group, p. 15ff.**

**Sustainability is firmly established within the Company**

Responsible conduct in compliance with legislation is a key element of the Lufthansa Group’s corporate culture and is firmly embedded in the Group strategy. Since 2002, the Company has applied the principles of the UN Global Compact for sustainable and responsible corporate governance. In addition, it supports the Sustainable Development Goals (SDGs) of the Agenda 2030, as adopted by the UN member states in 2015. In order to contribute towards achieving the SDGs, the Company is concentrating on the seven SDGs where it can reduce its negative impact and increase its positive effect due to its business model:

	<b>SDG 4:</b> Quality education
	<b>SDG 5:</b> Gender equality
	<b>SDG 8:</b> Decent work and economic growth
	<b>SDG 9:</b> Industry, innovation and infrastructure
	<b>SDG 12:</b> Responsible consumption and production
	<b>SDG 13:</b> Climate action
	<b>SDG 17:</b> Partnerships for the goals

An overview of the goals and comments on Lufthansa Group activities to support them can be found in [T051, Sustainable Development Goals, p. 116f.](#)

The Code of Conduct, which has been binding for all bodies, managers and employees of the Lufthansa Group since 2017, was supplemented by a Supplier Code of Conduct in 2019. In this Supplier Code of Conduct, the Lufthansa Group lays out its position that it also expects business partners and suppliers to adhere to the principles as a fundamental aspect of the business relationship. The standards at its core are not only the basis for responsible conduct and fair competition, but also seek to identify legal and reputational risks at an early stage and avoid them. The Lufthansa Group has published the Code of Conduct on its website.






Value-based management is also an integral element of sustainable corporate governance for the Lufthansa Group. The concept and the associated performance indicators are described in detail in the chapter [Financial strategy and value-based management, p. 21ff.](#) Variable management remuneration is also linked to non-financial factors such as specific CO<sub>2</sub> emissions. [Remuneration report.](#)

**The Lufthansa Group’s sustainability management is rated above-average**

On 8 December 2020, as in the previous year, the Lufthansa Group’s commitment to climate protection, focusing on CO<sub>2</sub> management, was awarded a B within the Climate-Scoring of the non-profit rating organisation CDP (Carbon Disclosure Project). This rating remains better than the industry average. The comprehensive and transparent CO<sub>2</sub> description, divided into Scope 1, 2 and 3, received an A score for each section. The full report is available from CDP and on the Lufthansa Group website. Since 2015, the Group has been part of the MSCI Global Sustainability Index prepared by MSCI, a US index provider. It tracks companies that are particularly committed to sustainability. As in the previous year, the Lufthansa Group received a rating of BBB from MSCI. In the Sustainalytics rating, the Lufthansa Group improved from 29.0 to 23.6 points in the reporting year. Due to its CO<sub>2</sub> relevance Lufthansa Group remains in the “medium risk” group, where it is also far above average in the “Airlines” subcategory in second place out of 71. Sustainalytics rates the management of the Lufthansa Group as strong in terms of the main ESG aspects. The rating agency Vigeo Eiris (Moody’s) also has a positive view of the Group’s environmental management. The Group is slightly above the industry average in the Vigeo Eiris rating with 43 out of 100 points. ISS ESG rates the Lufthansa Group C+ and also puts it well above the average for the industry.

**C25 SUSTAINABILITY RATINGS**

as of 31 Dec 2020

	<b>BBB</b>		<b>B</b>
	<b>C+</b>		<b>43</b> Score on 100
			<b>23.6</b> Medium Risk

The highest monitoring body in the area of sustainable management is the Supervisory Board. In the reporting year, the Group Executive Committee (GEC), chaired by the Chairman of the Executive Board and CEO, determined the focus and further development of sustainability-related activities within the Lufthansa Group.

**C26 ASPECTS, ISSUES AND PERFORMANCE INDICATORS**

Aspects	Environmental concerns	Customer concerns	Employee concerns
Issues Performance indicators	<b>Climate protection</b> CO <sub>2</sub> emissions <hr/> <b>Active noise abatement</b> Percentage of aircraft that meet the 10dB criterion of ICAO Chapter 4 <hr/> <b>Waste avoidance</b>	<b>Operational stability</b> Departure punctuality <hr/> <b>Product and services</b> Net Promoter Score	<b>Attractiveness as an employer</b> Engagement Index <hr/> <b>Transformation capacity</b> <hr/> <b>Health and safety at work</b> Health Index
Aspects	Fighting corruption and bribery	Respect for human rights	Social concerns <sup>1)</sup>
Issues	Integral part of the Lufthansa Group Compliance Management System	Important part of the corporate culture – embedded in the Code of Conduct	<b>Corporate citizenship</b> help alliance gGmbH
Interdisciplinary topics <sup>2)</sup>	<ul style="list-style-type: none"> <li>• <b>Responsible production and sustainability in the supply chain</b></li> <li>• <b>Containment of coronavirus pandemic</b></li> </ul>		

<sup>1)</sup> Immaterial as defined in Section 289c Paragraph 3 German Commercial Code (HGB), voluntary presentation at specific request of addressees.

<sup>2)</sup> Interdisciplinary topics represented qualitatively in the non-financial declaration.

The GEC is a senior management level entity and consists of the Executive Board of Deutsche Lufthansa AG, the CEOs of the segment parent companies, the senior executives of the Network Airlines and the heads of the Group's Strategy, Controlling and Communications departments. Individual managers are responsible for implementing concrete activities and projects. On 1 January 2020, the Executive Board was expanded to include the function Customer, IT & Corporate Responsibility. This established responsibility for the Company's environmental, climate and social impact directly at the Executive Board level.

**Materiality analysis forms basis for determining material aspects**

Continuous dialogue with stakeholders delivers an important contribution to refining the sustainability strategy of the Lufthansa Group. The results of a wide-ranging stakeholder survey conducted in October 2018 were reviewed by the management in November 2018 in accordance with Section 289c (3) HGB. These results, together with a verification of materialities that was performed in 2020, again formed the basis for selecting the aspects and concerns to be covered in this combined non-financial declaration. According to the analysis, environmental concerns, customer concerns and employee concerns remain particularly important for the business of the Lufthansa Group. Furthermore, the materiality analysis shows that the fight against corruption and bribery, respect for human rights and responsible production including sustainable supply chains are of great relevance to the Lufthansa Group.

One new material topic concerns the steps taken to contain the coronavirus pandemic.

**Company is making its contribution towards containing the coronavirus pandemic**

The Lufthansa Group and in particular its logistics subsidiary Lufthansa Cargo often have a particularly important role to play in responding to crises and natural disasters, because it is only by air that aid workers and equipment can be transported over great distances. Airfreight is also vital for day-to-day supplies and helps to strengthen global trade. For these reasons, the airlines in the Lufthansa Group took an early decision to maintain relevant flight connections for the transport of passengers and freight even at the height of the crisis and despite wide-ranging travel restrictions. This made it possible to repatriate stranded passengers and deliver urgently needed goods. Lufthansa Cargo started working with Lufthansa German Airlines and Austrian Airlines in April to increase global airfreight capacities, which had quickly become scarce, partly by using passenger aircraft that had been modified at short notice for this purpose and were dubbed "freighters". By mid-year they had enabled the transport of billions of protective masks and other equipment urgently needed to fight the pandemic. At the same time, Lufthansa Cargo started preparing early for transporting vaccines, postponing the retirement of several MD-11F freights planned for late 2020 in order to secure sufficient cargo capacities.

# Environmental concerns



## Concepts

### **Climate protection and active noise abatement are cornerstones of the environmental strategy; waste prevention is another key area of action**

The material environmental impacts of flight operations are primarily climate effects due to the CO<sub>2</sub> emissions produced by burning kerosene and the noise caused by aircraft taking off and landing. In addition, waste is produced during every flight which must be reduced or recycled wherever possible.

For many years, the Lufthansa Group has taken steps to minimise the environmental impact of its business operations. This is consistent with customer demands and its own economic interests, since resource consumption and emission-related fees all represent costs for the Company.

To this end, the Lufthansa Group follows a strategic environmental programme that is applied in all areas of the Group. Its main fields of action are the reduction of emissions, active noise abatement, energy and resource management, investment in research and the successive establishment of environmental management systems.

### **Environmental protection activities coordinated and managed in-house**

The Executive Board function Customer, IT & Corporate Responsibility was responsible for defining, agreeing and adopting the overarching environmental management targets and activities in 2020. In addition, all larger subsidiaries have their own environmental departments, an environmental officer or a coordinator. The environmental officers and coordinators generally meet once a year for the Group Environmental Forum. It was in this year that networking in the context of the Group Environmental Forum was replaced by bilateral exchanges. This exchange offers the environmental experts in the Lufthansa Group an opportunity to identify potential synergies and to discuss and evaluate new ideas, activities and projects concerned with environmental protection.

New and planned legislation and its effects on the Lufthansa Group are also actively addressed. The Lufthansa Group plays an active role in the corresponding boards and forums, along with other companies and associations such as IATA, A4E, BDL and econsense. ➔ **Opportunities and risks from the regulatory environment, p. 77f.**

The Lufthansa Group has been operating a central environmental database for several years. One of its functions is to collect and process information and data that is relevant to the environment – such as on CO<sub>2</sub> emissions – so this information can be employed in business decisions. This was significantly expanded in the reporting year, particularly to more systematically record the energy consumption from ground activities and the resulting carbon emissions of all relevant business units and sites, and to simplify the verification processes. In addition, a process was established in the reporting year that enables the Group's kerosene consumption to be sent directly to the Lufthansa Group's central data warehouse for further analysis.

### **Lufthansa Group airlines have certified environmental management system**

The environmental management system of Lufthansa German Airlines in Munich has been EMAS validated and ISO 14001 certified since 2018. Environmental aspects of the Lufthansa Group's flight operations are coordinated across all its sites. Preparations for EMAS validation started at the Lufthansa German Airline base in Frankfurt in 2020, but were deferred as a result of the coronavirus pandemic. Lufthansa CityLine was the first airline in the world with an independently certified environmental management system. Since then, the Munich-based airline regularly receives certification based on the demanding EMAS EU environmental standards. Air Dolomiti successfully passed the audit for ISO 14001 certification in 2020 and is currently preparing for the EMAS validation in 2021.

Lufthansa Cargo has been certified according to the environmental management standard ISO 14001 at its location in Frankfurt since 2008 and worldwide since the end of 2015. The subsidiaries Jettainer and time:matters have also been included in the environmental management system since 2014 and 2017 respectively. The environmental management system supports the implementation of Lufthansa Cargo's environmental strategy. Continual improvements are achieved by means of ambitious environmental targets, above all in particularly energy and resource-intensive areas such as flight operations, freight handling and facility management.

### **Lufthansa Technik coordinates its sustainability activities in a unified environmental management system**

The Lufthansa Technik group has managed its sustainability activities within a uniform environmental management system since 1996. The environmental management system is certified under ISO 14001 and provides a stable organisational basis for implementing the regularly updated environmental strategy, ensuring compliance with relevant legislation and actively managing opportunities and risks.



In order to ensure that progress is continuous, the system is accompanied by binding environmental targets, a regular review by the Executive Board and a firm implementation in a process-based, integrated management system. The ISO 14001 certification has been continually expanded to all new locations since 2012. Certification was completed in the reporting year for the engine overhaul plant in Wrocław, Poland.

The Lufthansa Technik group supports the sustainability performance of its customers by means of innovative service and product developments, also to reduce kerosene consumption in flight operations and so cut costs and CO<sub>2</sub> emissions. Examples include the development of its proprietary cleaning process Cyclean and the application of coatings known as sharkskin to make aircraft more aerodynamic. ➔ **Climate protection/Technological progress, p. 91f.**

The operation of efficient production systems and networks is another material area of the Lufthansa Technik group's environmental strategy. With the help of ambitious environmental targets adopted by the Executive Board in late 2018, the aim is to optimise the Lufthansa Technik group's sites continuously until 2025.

- Reduction of CO<sub>2</sub> footprint in global production network by an additional 25%
- Increase proportion of renewable energy to 50%
- Improve recycling ratio to 75% by making more efficient use of resources

Another of the Lufthansa Technik group's aims is to reduce the use of substances that are particularly harmful to human health and the environment by 25%. A new maintenance process for fire extinguishers (EFFECT – Extremely Fast Fire Extinguisher Check and Test) was introduced in 2020, for example. This significantly reduces environmental risks and processing time, because there is no longer any need to remove, store and process the halon used to suppress the fire, which damages the ozone layer.

Performance against sustainability targets is reported annually to the Management Board of Lufthansa Technik.

## CLIMATE PROTECTION

### Targets

#### **Lufthansa Group supports climate protection goals of the aviation sector and reinforces its own targets**

According to the International Energy Agency (IEA), CO<sub>2</sub> emissions from air traffic currently account for around 2.8% of global carbon emissions from burning fossil fuels.

The aviation sector started making voluntary commitments to reduce emissions as early as 2009, via its trade associations IATA and the Air Transport Action Group (ATAG). The Lufthansa Group was closely involved in setting the target of continuous efficiency improvements of 1.5% until 2020, carbon-neutral growth from 2020 and a reduction of 50% in net emissions compared with 2005 by 2050.

IATA is currently reviewing its targets for the global aviation industry. Above and beyond the currently agreed targets, it aspires to make global air traffic carbon neutral by the year 2060. The existing climate goals mentioned above will also remain in place.

Via the European airline association (A4E), the Lufthansa Group is also involved in the Destination 2050 study – an initiative by five European air transport associations (A4E, ACI EUROPE, ASD, CANSO and ERA) which began in summer 2019. The study investigates the potential for reducing emissions in the action areas of technology, operations and infrastructure, sustainable aviation fuel (SAF) and market-based mechanisms, to determine how they can contribute to achieving the emissions targets for European air transport. The focus is on significant reductions by 2030 and achieving carbon neutrality by 2050. The aim is to never exceed the level of emissions recorded in 2019. The study is to be published in 2021.

Policymakers and industry are also working towards the long-term goal of making flights from and to Europe carbon neutral by the middle of the century as part of the EU pact. Significant reductions should already be achieved by 2030.

As befits its pioneering role, the Lufthansa Group has also defined its own carbon reduction targets, which in some cases are more demanding. This means the Lufthansa Group's carbon footprint should be reduced by half by 2030 compared with 2019, with carbon neutrality the objective for 2050.





### Measures

Achieving these goals requires focused political and financial mechanisms. In this context, the Lufthansa Group has for many years supported research to contribute to a better understanding of climate effects.

#### **Four-pillar strategy defines climate protection measures**

The targets mentioned above can only be met through cooperation and by combining various activities of different players, such as manufacturers, airports, air traffic control authorities, airlines and policymakers. As early as 2007, IATA divided its emission-reduction activities into four action areas in its four-pillar climate protection strategy for the airline industry. This strategy and these action areas also form the basis for the Lufthansa Group's activities to improve fuel efficiency and reduce CO<sub>2</sub> emissions.

C27 THE FOUR PILLARS FOR CLIMATE PROTECTION

			
<b>Technological progress</b>	<b>Improved infrastructure</b>	<b>Operational measures</b>	<b>Economic measures</b>
Innovation in aircraft and engine technology Alternative fuels	Better use of airspace Needs-based airport infrastructure	Efficient aircraft sizes Optimum flight routes and speeds	Global market-based system of emissions reduction (CORSA) Voluntary compensation option

1. TECHNOLOGICAL PROGRESS

**Fleet renewal is currently the key driver for reducing CO<sub>2</sub>**

The most important driver for reducing CO<sub>2</sub> emissions from flight operations is investing continuously in modern, particularly fuel-efficient aircraft and engine technologies.

Alongside alongside 4 used aircraft, 18 new aircraft went into service with the Lufthansa Group airlines in 2020, including more Airbus A320neos, A321neos, A350s and Boeing 777Fs, which are powered by modern engines. The A350-900 aircraft is one of the latest and most environmentally friendly long-haul aircraft in the world and is much quieter than comparable aircraft types. A total of 28 older aircraft were removed from the Group fleet in exchange.

Measures to technically modify the existing fleet are also constantly examined and implemented where appropriate. In February 2020, Lufthansa Technik completed the trial, which began in late 2019, of a new surface coating developed jointly with BASF Coatings GmbH. This functional foil is known as sharkskin due its microscopic ribbing, and it reduces air resistance. For a Boeing 747, it enables fuel savings of more than 400 tonnes, which represents a reduction of almost 1,300 tonnes of CO<sub>2</sub> emissions per aircraft per year. The plan to apply it to the entire fleet of Boeing 747-400s at Lufthansa German Airlines has been postponed due to the pandemic. The intention is to also have the foil authorised for other aircraft types and to market it more widely.

Aircraft with alternative means of propulsion not based on fossil fuels are currently still in development. Airbus estimates that aircraft using hydrogen-based propulsion technology could be authorised for commercial use on flights of less than 2,000 km from 2035.

**Lufthansa Group uses partnerships to drive research projects on sustainable aviation fuel**

In the past decade, the Lufthansa Group has been closely involved with the research, testing and use of sustainable aviation fuel (SAF), i.e. synthetic kerosene made using renewable energy sources. In 2011 the Lufthansa Group carried out pioneering work with the world's first long-term trial of bio-kerosene in regular flight operations. Later, the company performed fundamental research into how alternative and conventional kerosene mix and made selective use of novel synthesis methods.

Since then, the Lufthansa Group has worked in partnerships to drive key technologies for producing sustainable aircraft fuels. The focus is on synthetic kerosene based on waste materials, ligneous biomass and renewable electrical energy (power-to-liquid – PtL). In 2019, for instance, the Lufthansa Group signed a letter of intent with Raffinerie Heide on future supplies of PtL fuel to Hamburg Airport. Among other things, the Lufthansa Group also supports the Lausitz power-to-X centre of excellence. Another partnership was begun in the reporting year with ETH Zurich and its two spin-offs Synhelion and Climeworks. The experts at ETH Zurich have developed innovative methods for removing CO<sub>2</sub> from the atmosphere and, together with water and with the help of concentrated sunlight, convert it into a synthesis gas that can be used to generate fuel.

In addition, the Lufthansa Group is still involved with the cross-sector Powerfuel initiative coordinated by the German Energy Agency (dena). It aims to build an international alliance to develop the future strategic importance of synthetic renewable fuels, to jointly advance a global market for these fuels and to accelerate their market development.

“Green hydrogen” is vitally important for synthetic fuels. This is why the Lufthansa Group is taking part in the HySupply initiative launched by the Federation of German Industries and acatech. The aim is to develop a supply chain for green hydrogen from Australia.

The World Economic Forum also supports the market launch of SAF. The Lufthansa Group is a member of the working group Clean Skies for Tomorrow.

The importance of SAF for reducing emissions from air traffic has been recognised at the European level. As part of its Green Deal, the EU is currently preparing special legislation (RefuelEU Aviation) dealing exclusively with sustainable aircraft fuels, which is intended to bring them to market by means of a progressively rising blending ratio. The Lufthansa Group is closely involved in the consultations for these legislative processes.

Work is taking place in Germany on a PtL roadmap for the aviation sector to be published in 2021. This joint strategy involves the federal and regional governments, the aviation and fuel industries and equipment manufacturers, and it is coordinated by the Federal Association of the German Aviation Industry and the Federal Transport Ministry. The Lufthansa Group has made an active contribution to the project in order to help shape demonstration projects, production at scale and market launch of PtL fuels.

#### **Lufthansa Group actively involves customers in the transformation**

By involving its customers as well, the Lufthansa Group wants to accelerate the transformation of the industry. The offset platform Compensaid, which the Lufthansa Innovation Hub launched in 2019, was refined and integrated into the flight booking process for all Lufthansa Group airlines in 2020. It can be used by travellers to substitute SAF for the fossil fuel required for their flight.

This principle was transferred to cargo flights for the first time in November 2020. Lufthansa Cargo and DB Schenker completed a cargo flight that was 100% carbon neutral. This entailed feeding the volume of SAF that corresponds to the fuel requirement for this flight into the fuel supply system at Frankfurt Airport and notionally allocating it all to this flight. At the same time, the emissions caused by the SAF itself (e.g. production, logistics) were also offset.

## **2. IMPROVED INFRASTRUCTURE**

### **Single European airspace should reduce emissions**

The fundamental modernisation and harmonisation of technologies, processes and standards in the European airspace are necessary to realise the significant potential of airspace infrastructure for greater efficiency. In autumn 2020, the European Commission started SES2+ (Single European Sky 2+) consultations, with the aim of incorporating findings that had been previously identified by various committees. In line with the European Commission’s current Green Deal, the aim is to reduce fuel consumption and thereby sustainably lower CO<sub>2</sub> emissions, and to achieve significant improvements in aviation punctuality and reliability for passengers. The Lufthansa Group was actively involved in drafting a declaration by the airline industry through the Airlines for Europe (A4E) association and Lufthansa representatives, and the Group has for years expressly supported the efforts of the EU to create a reliable and efficient EU airspace.

Parts of these new measures are based on the results of the European SESAR (Single European Sky ATM Research) programme. This is a key milestone in the harmonisation and modernisation of European aviation infrastructure. The goal of this programme is to develop, test and implement Europe-wide new technologies, procedures and standards that contribute to harmonizing and optimizing European air traffic management. The Lufthansa Group has supported SESAR for many years with the clear expectation that measurable operational improvements in air traffic management are implemented. The implementation of these technologies in daily operations is jointly coordinated by the members of the industry consortia SESAR Deployment Manager (SDM). The Lufthansa Group is a member of these consortia and provides local experts. Across Europe, the SDM currently coordinates 343 projects. The various airlines in the Lufthansa Group and Lufthansa Systems are also actively involved as IT providers for SESAR research and demonstration projects.

### **Intermodal transport to be expanded**

Almost the only purpose of very short flights is to bring passengers to and from longer flights from the Lufthansa Group’s hubs in Frankfurt, Munich, Zurich, Vienna and Brussels. Since the 1980s, the Lufthansa Group has been developing ways of combining the various means of transport (air, rail and road) intelligently, a concept known as intermodality, to reduce the environmental impact of return trips to the hub.

To encourage intermodal transport, a partnership was established with rail operator Deutsche Bahn in 2001 and has since been intensified, with significant progress made in the reporting year. Joint capacity on existing routes was expanded, and three additional destinations were added: Leipzig, Hanover and Basel. Lufthansa German Airlines can

now enable its customers in 17 cities to complete the journey to and from their flight on a climate friendly ICE train, with over 120 connections a day. Other opportunities for cooperation are currently being developed with Deutsche Bahn. As there is no long-distance rail connection at Munich Airport, the Lufthansa Group is investigating the use of comfortable buses on selected routes. Two more destinations, Lugano and Geneva, were introduced at the Zurich hub in 2020 in cooperation with the Swiss rail operator SBB. In Vienna, a connection to Graz was added to the joint programme with Austrian Railways, and the existing connection to Salzburg was expanded significantly.

### 3. OPERATIONAL MEASURES

The Lufthansa Group's operational measures for climate protection comprise the use of efficiently sized aircraft and the optimisation of load factors, as well as reviewing and introducing new flight procedures, determining optimal routes and speeds and monitoring the many activities to save fuel.

#### **More efficient concepts for take-off and landing are being implemented and the digitalisation of approach technologies advance**

In 2020, the coronavirus pandemic enabled joint initiatives with German air traffic control (DFS) to reduce emissions. Periods of low traffic were used to test alternative flight procedures (vertical flight profile) and flight routes (horizontal flight management) and identify their potential savings. The intention is to continue using these procedures when traffic picks up again.

In April and May 2020, DFS and the Lufthansa Group developed and implemented a concept for more efficient flight profiles on the approach to the Frankfurt and Munich airports. The Efficient Flight Profile concept (EFP) supports a continuous descent, which enables lower fuel consumption and carbon emissions when landing compared with standard approaches. At the same time, these approach profiles reduce noise levels in the vicinity of the airport. This concept is the partners' response to the drastic decline in air traffic caused by the coronavirus pandemic. With it, they are taking advantage of the opportunity to optimise flight operations, particularly at Germany's busiest airports in Frankfurt and Munich.

The EFP concept makes it possible to already plan optimised flight paths to these airports from distances of more than 200 miles. It means that aircraft are cleared for a direct flight from the upper airspace to their destination with up to half an hour earlier. This is only possible through close cooperation between the air traffic control authorities involved.

Analysis has shown that the Lufthansa Group alone has reduced its CO<sub>2</sub> emissions by up to 2,000 tonnes per month since the EFP concept was introduced.

DFS introduced another shorter take-off path to the west from Dusseldorf Airport on 13 August 2020. The experts at the Lufthansa Group were chiefly responsible for developing this; they wanted not only to support the DFS with implementation of the EU requirement for greater use of area navigation procedures, but also to use the new route to reduce kerosene consumption and the related emissions. Planning took place in close coordination with the Noise Abatement Commission and representatives of people living in the local communities. The new procedure reduces the flight path by around 2.7 km, which means fuel consumption goes down by around 40 tonnes and CO<sub>2</sub> emissions by 130 tonnes per year.

These new departure routes will be introduced as part of the European SESAR implementation project RNP Based Departure Operations. Modern satellite navigation technology is also used, which enables the ideal line to be followed with even greater precision and makes the definition of flight paths more flexible.

The effects of the new departure routes on flight noise were analysed as part of the Lufthansa Group research project EffFlug, aimed at generating efficiency gains in flight operations. A new method was developed in this context for counterbalancing and improving the effects of noise on the communities concerned. ➔ **Active noise abatement, p. 95f.**

The Lufthansa Group completed the project Augmented Approaches to Land 2 in 2020, which tested the new approach technology known as Ground-Based Augmentation System (GBAS) in Frankfurt and Bremen for approaches in low visibility. The system is a prime example of how approach technology is being digitalised. Among other things, it enables more flexible approaches to reduce fuel consumption and aircraft noise. GBAS allows for smaller gaps between successive aircraft as they make the final approach to the airport in poor visibility. One day, the system could replace the established instrument landing system (ILS) that is standard today.

#### **Numerous projects to save fuel significantly reduce carbon emissions**

In financial year 2020, 34 fuel-saving projects were under way across the Group. These projects comprise activities relating to performance and procedures, weight reduction, flight route optimisation and technical developments. In addition to the reductions achieved in recent years, they made it possible to permanently avoid another 52.6 thousand tonnes of CO<sub>2</sub> emissions in the reporting year. The quantity of kerosene saved amounted to around 16.7 thousand tonnes – this is equivalent to approximately 196 return flights between Munich and New York with an Airbus A350-900 aircraft.

#### 4. ECONOMIC INSTRUMENTS

Economic measures to protect the environment are vitally important as long as sustainable aircraft fuel is not available in sufficient quantities.

##### Mandatory offsets of CO<sub>2</sub> emissions

The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which was concluded with the International Civil Aviation Organization (ICAO) in October 2016, seeks to offset growth-related CO<sub>2</sub> emissions in international air traffic using climate protection projects from 2021 onwards. In June 2020, the ICAO adopted a resolution confirming that carbon emissions in 2019 are the sole benchmark for determining relevant industry growth in the course of the CORSIA pilot phase. On the basis of this regulatory change, the Lufthansa Group assumes that it will not have to make any carbon offsets under CORSIA for the year 2021. Whether and how many CORSIA offsets will be required in future depends primarily on how fast air traffic recovers between the states participating in the CORSIA pilot phase.

The EU Emissions Trading Scheme (EU ETS) for air traffic has managed and limited CO<sub>2</sub> emissions by way of certificate trading since 2012. All flights carried out by the Lufthansa Group within the European Economic Area (EEA) are subject to this system. Combining the EU ETS with the emissions trading scheme for Switzerland (CH ETS) means that as of January 2020 emissions certificates also have to be provided for flights between Switzerland and the EEA and for flights within Switzerland. The companies in the Lufthansa Group emitted some 3.2 million tonnes of CO<sub>2</sub> under EU ETS and CH ETS in the reporting year. For 2020, the companies in the Lufthansa Group were allocated around 4.1 million emissions certificates by national authorities. For further information on the provisions recognised in connection with the obligation to submit CO<sub>2</sub> emissions certificates to the competent authorities, we refer to [Notes to the consolidated financial statements, Note 36, p. 188ff.](#)

The European Emissions Trading Scheme is currently being revised, and the Lufthansa Group is also involved in this process. The project aims to harmonise CORSIA and EU ETS in order to avoid double regulation. However, it is crucial that the revision puts an end to the unfair competition caused by regionally limited emissions trading at the expense of European airlines. This results from the unequal treatment of feeder flights for long-haul traffic. Airlines with a hub in the EEA have to take part in the EU ETS, whereas airlines with a hub outside the EEA are exempt. The latter have almost unrestricted market access, however.

##### Voluntary carbon offsets with myclimate and Compensaid

In addition to the mandatory economic instruments, there are also ways of offsetting carbon emissions voluntarily. The Lufthansa Group has partnered with the well-known carbon offset provider myclimate and with Climate Austria for Austria for more than ten years. With the “Corporate Value Fares” programme offered to corporate customers by the Network Airlines in the Lufthansa Group, the emissions of flights within Europe are automatically offset via myclimate. The Lufthansa Group itself has been offsetting the carbon emissions of all employees’ business flights around the world since 2019. Private customers and employees of the Lufthansa Group also have the option of offsetting their emissions via the Compensaid platform, which enables the purchase of low-carbon sustainable fuels (SAF) and project-based offsets. The Lufthansa Group only uses certificates for its carbon offsets that meet the highest quality standards (CDM Gold Standard and Plan Vivo). Austrian Airlines and its partner Climate Austria also use some of the funds for national offset projects that have been certified by the Austrian Environment Ministry.

##### Lufthansa Group aircraft collect data for climate research

In addition to the activities in the four-pillar strategy, the Lufthansa Group has been involved in various research projects examining the atmosphere and the climate since 1994. In cooperation with its research partners from the Karlsruhe Institute of Technology and Forschungszentrum Jülich, it has equipped selected passenger aircraft with measuring instruments that collect information about the condition of the atmosphere on regular scheduled flights. This data is used by some 300 organisations around the world. It helps scientists to acquire new knowledge about climate change and the composition of the atmosphere and to detect long-term changes. For example, the data from more than 15 years of continual measurements on board Lufthansa Group aircraft improved the researchers’ understanding of where and when cold and humid air masses occur in which contrails can form. In the first half of 2020, the research aircraft collected important data with which scientists are currently investigating the impact of the global lockdown on air quality and the climate.

The climate impact of aviation contrails was quantified by well-known research institutes for the first time in 2020. These findings will be used for further research into mitigation measures, and for informing the political debate. The Lufthansa Group will be actively involved in this as well.

## Performance indicator

### Absolute CO<sub>2</sub> emissions fall to 11.4 million tonnes due to the pandemic; specific CO<sub>2</sub> emissions per passenger-kilometre higher at 105.2 grammes

Absolute CO<sub>2</sub> emissions of Lufthansa Group aircraft in 2020 amounted to 11.4 million tonnes (previous year: 33.1 million tonnes). ↗ **T001 Key figures Lufthansa Group.** Due to the pandemic, carbon emissions per freight tonne-kilometre increased to 880 grammes (previous year: 870 grammes). Specific CO<sub>2</sub> emissions per passenger-kilometre were higher than the previous year at 105.2 grammes (previous year: 92.2 grammes). The main drivers of this development were the lower passenger load factor, which declined to 60.8% on average (previous year: 82.0%) relative to the Lufthansa Group's own fleet (without wet leases), and the many changes to the route network. Wide-ranging travel restrictions resulting from the pandemic caused short-haul flights to go up as a percentage of total capacity at the Group airlines. In relation to the route, short-haul flights emit more CO<sub>2</sub> than long-haul flights. ↗ **Financial strategy and value-based management, p. 21ff.**

## ACTIVE NOISE ABATEMENT

### Targets

#### Aircraft noise to be reduced at source

The Lufthansa Group has numerous ongoing activities and measures intended to achieve a noticeable reduction in aircraft noise. The primary goal is to sustainably reduce aircraft noise at its source and to develop optimised flight procedures together with system partners. This is based on involvement in research and development projects where ideas for new noise abatement measures are tested (measure 3).

## Measures

### Active noise abatement includes measures from five areas

Since 2001, the Lufthansa Group has played an active and continuous role in research projects and noise abatement activities organised by dialog forums. Active noise abatement measures at the Lufthansa Group cover the following five areas:

#### 1. INVESTMENTS IN MODERN AND THUS QUIETER AIRCRAFT

The best method of reducing aircraft noise at the source is the modernisation of the fleet. The Lufthansa Group modernises its fleet continuously. Aircraft that went into service in 2020, including Airbus 350-900s, A320neos, A321neos and Boeing 777Fs, have modern engines and are much quieter than comparable aircraft types. ↗ **Fleet, p. 25f. and Climate protection/Technological progress/Fleet renewal, p. 91.**

#### 2. NOISE-REDUCING TECHNOLOGIES FOR THE EXISTING FLEET

In addition to modernising the fleet, retrofitting existing aircraft also results in measurable noise reduction. At the beginning of 2014, Lufthansa German Airlines became the first airline worldwide to start operations with a new Airbus A320 equipped with noise-reducing vortex generators, thus setting an industry standard. Aircraft with vortex generators are up to four decibels quieter on their approach and so the Company pays lower noise charges in Frankfurt than for comparable aircraft without these components. In the meantime, all aircraft in the A320 family at Lufthansa German Airlines and SWISS have been fitted with vortex generators. At Austrian Airlines, only one of the five new aircraft added in 2018 still has to be upgraded. This is planned for 2021. Retrofitting the remaining Eurowings A320 aircraft with vortex generators is due to be completed in the second quarter of 2021. The modification will be carried out in the course of routine technical maintenance cycles.

### C28 ACTIVE NOISE ABATEMENT



#### Investments in quieter aircraft

Introduction of the latest aircraft, such as the Airbus A320neo and A350-900  
 Retirement of older models



#### Noise-reducing technologies for the existing fleet

Retrofitting of noise-reducing vortex generators to the existing fleet



#### Participation in noise research

Continuous collaboration and exchange with partners from research and industry  
 Development and analysis of new noise-reduction measures



#### Development of optimised flight procedures and flight routes

Cooperation with system partners  
 Development and testing of new methods  
 Use of new navigation technology



#### Dialogue with residents near airports and other stakeholders

Continuous exchange with residents, as in the Airport and Regional Forum (FFR)  
 Active participation to aircraft noise commissions



### 3. PARTICIPATION IN NOISE RESEARCH

For many years, the Lufthansa Group has been involved in noise research initiatives such as the one on increasing the efficiency of flight operations (EffFlug), which is funded by the German Federal Ministry for Economic Affairs. This involvement continues despite the crisis in the airline industry caused by the coronavirus pandemic. Working with experts from the German Aerospace Center (DLR), the Lufthansa Group continues to look for noise sources that can be eliminated. In the past, measuring flights were performed just for this purpose. Now noise is measured with the help of standard measurement data from the airports. Such a process was tested in 2019, in which noise measurements from airports were synchronised with the corresponding flight data from a Lufthansa approach and then analysed for anomalies by flight noise experts from the DLR.

Since 2019, the Low Noise Augmentation System (LNAS) developed by the DLR has been tested by the Lufthansa Group in a broad study. The LNAS uses aircraft data to determine recommendations for optimal configuration and speed. The aim is to examine whether approaches can be made more efficient and quieter while observing safety regulations. With the support of the Environment and Neighbourhood House (UNH) which is part of the Forum Airport and Region in Frankfurt (FFR), the Lufthansa Group has fitted 86 Airbus A320 aircraft with the system and gained numerous volunteer pilots for testing. Fewer LNAS flights took place than planned in 2020 due to the crisis, so the research period was extended to include 2021.

This intensive research and development work forms the basis of successful active noise abatement and makes a major contribution to optimising the existing fleet and flight operations.

### 4. DEVELOPMENT OF OPTIMISED FLIGHT PROCEDURES AND FLIGHT ROUTES IN COOPERATION WITH SYSTEM PARTNERS

Optimising the vertical flight profile (flight procedures) and horizontal flight management (flight routes) also contributes to reducing noise. The Lufthansa Group is active in many ways in this area, with Deutsche Flugsicherung (German air traffic control) as well as international partners. ➔ **Climate protection, p. 90ff.**

Another aim of the EffFlug research and development project was to develop a methodology for supporting German air traffic control with the development of new flight routes and analyses of flight noise. The new procedure was successfully applied for the first time to optimise the departure route from Dusseldorf. ➔ **Climate protection/Operational measures, p. 93.**

### 5. DIALOGUE WITH RESIDENTS NEAR AIRPORTS AND OTHER STAKEHOLDERS

In addition to technical and operating procedures, the Lufthansa Group also takes part in various discussion forums with people living near airports, including in Frankfurt and Vienna, such as the Noise Abatement Alliance in Frankfurt. Its members include the Hesse state government, Fraport AG, Deutsche Lufthansa AG representing the Lufthansa Group, the Airport and Region Forum, German air traffic control and the airline association BARIG. The focus of these activities is on optimising flight procedures.

The Lufthansa Group also works in some of the aircraft noise commissions (Fluglärmkommissionen) required in Germany by the Air Traffic Act (Luftverkehrsgesetz).

## Performance indicator

### 99.5% of the operational Group fleet meet standard for aircraft noise

Improvements in noise abatement from modernising the operational Group fleet can be seen in the number of aircraft that meet or exceed the ten-decibel criterion set by the ICAO Chapter 4 standard. This standard defines noise limits and stipulates that all civil aircraft newly licensed after 2006 must cumulatively fulfil the older Chapter 3 noise limits by a margin of ten decibels or more. As of 24 October 2020 (end of the summer flight schedule), 99.5% of the aircraft – virtually the Group's entire operating fleet – fulfilled this criterion.

The necessary data is to be added to the Group's fleet database to ensure faster and more flexible analysis in future. The first preparatory steps were taken in 2020.

## WASTE PREVENTION

### Lufthansa Group supports environmental sustainability goals in product and service design

The Lufthansa Group has set targets for reducing waste, especially in terms of plastic. In 2019, the Network Airlines initiated the Smart Plastic Reduction project. This follows the waste hierarchy outlined in Directive 2008/98/EC: Reduce – Reuse – Recycle – Replace. Due to airline-specific conditions, the relevant and respective national regulations for handling international catering waste must still be adhered to.

In addition, the Network Airlines started a programme in 2019 to improve the sustainability of the products available in-flight and in the lounges. The measures are planned to be implemented by the end of 2021.

## Targets

### **Lufthansa Group supports a variety of initiatives to comprehensively reduce waste**

The Network Airlines aimed to achieve early conformity with the requirements of EU Directive 2019/904 regarding the future ban on single-use plastics. For 2020, the plan was to avoid or replace 144 million items (disposable plastic stirrers and disposable plastic cutlery) in the existing in-flight service programme. The coronavirus pandemic significantly altered the conditions for achieving this target, however. Restrictions were put in place on services on board, including not serving hot drinks and disposable plastic stirrers, in order to reduce contact with passengers. The drastic curtailment of the flight programme and the corresponding reduction in consumption anticipated for 2020, of 71% on average for long-haul routes and 67% for short-haul routes, meant that the range and stocks of these articles at the Network Airlines was extended accordingly. Since disposable plastic articles that are already in stock will be used and not thrown away, the shift to sustainable alternatives will be delayed by several months, depending on the item.

The Network Airlines are also pursuing the goal set out in the European strategy for plastics in the circular economy of exclusively using recyclable plastic packaging on in-flight products or completely avoiding packaging made of petroleum-based single-use plastics by 2030. This includes reducing annual consumption by a further 226 million plastic items compared with the base year 2019.

## Measures

### **The Lufthansa Group pools measures to reduce plastic waste in Smart Plastic Reduction project**

The measures in the Smart Plastic Reduction project cover an annual volume of around 370 million individual items (consumption in base year 2019). Various players along the value chain, such as manufacturers, catering partners, cabin crew and waste disposal companies, are involved to ensure the reduction is efficient. For example, over 50% of the plastic items used on long-haul flights in base year 2019 are intended to be reduced or replaced by more sustainable alternatives by the end of 2021.

#### **1. REDUCE**

By consistently reducing unsustainable packaging, the aim is to significantly reduce the amount of packaging required for the logistics of products used on board. However, country-specific hygiene rules have been changing constantly since the coronavirus pandemic started and have to be implemented at short notice, so some changes made in the reporting year have had to be revoked.

#### **2. REUSE**

Reusable products, particularly in mobile on-board equipment (e.g. reusable crockery/cutlery), are a firmly established element of product concepts. The potential for switching from single-use to reusable products is examined regularly when products are modified. The load is adjusted if necessary when considering available storage space on board, weight, service times during the flight and the number of items required. Examples include the use of reusable metal cutlery in Economy Class at Lufthansa German Airlines and SWISS on long-haul routes, the reusable coffee cups in Economy Class at Lufthansa German Airlines and the reusable bento boxes on SWISS flights. Changes being made to processes for reloading unused items (such as sugar sachets, unopened snacks and unused items in the amenity kits) in cooperation with the catering partners were suspended at the beginning of the coronavirus pandemic.

#### **3. RECYCLE**

Processes for increasing the use of recyclable products are being developed and implemented in collaboration with suppliers, caterers, cleaning and disposal services. Since the beginning of 2019, Austrian Airlines has been using recyclable plastic cups that are recycled in a patented process that turns them back into synthetic crude oil. Preparations, including official approval, are under way at Lufthansa German Airlines and SWISS to use only cups made of recycled PET (rPET) for cold beverages on board in 2021, which can be reused in a closed-loop system. The rPET cups are more stable, which makes it possible to reuse them several times during a flight, and thus reduce overall consumption. This will affect around 160 million cups per year (base year 2019).

The development of a recycling trolley intended to enable the separation of liquids on board and their disposal apart from other waste was temporarily suspended at the beginning of the coronavirus pandemic. The same applies to the review of different materials for drinks packaging to increase the amount of properly sorted recycling.

#### **4. REPLACE**

Plastic items that are essential to the Network Airlines' product and service concepts will be gradually replaced by ones made from renewable resources. Stirrers and single-use cutlery will in future be made of bamboo rather than plastic. Disposable plastic stirrers were replaced by bamboo alternatives at Austrian Airlines in 2019 and at SWISS in February 2020. Lufthansa German Airlines replaced the plastic packaging on blankets in Economy Class with a paper band in the first quarter of 2020. In some countries, such as Dubai, this is not currently possible due to coronavirus precautions.

# Customer concerns



## Concepts

### High customer satisfaction is a key success factor for the Lufthansa Group

Flight safety and the health of passengers always has top priority. In order to meet this elementary requirement, all airlines in the Lufthansa Group have a comprehensive safety management system (SMS). Every two years, independent experts audit the safety standards applied Group-wide in an IATA Operational Safety Audit (IOSA).

A clear focus on customers, operating stability, innovative products and services and a focus on quality are essential for a service provider like the Lufthansa Group. These topics remain a priority even when dealing with the coronavirus pandemic, because long-term, sustainable customer relations require straightforward, flexible and individual travel experiences. In the reporting year, this included measures to boost public trust in the safety of air travel with Lufthansa Group airlines during the coronavirus pandemic. Another focus was the processing of requests for refunds, which increased significantly due to the many changes to flight timetables and cancellations.

Investments in a modern Group fleet, greater comfort on board, numerous innovative products – including in terms of sustainability – and digital services ensure that flying becomes more and more attractive for the customers of the Lufthansa Group, as well as more flexible and reliable during the crisis. Regular surveys of passengers help to find out as much as possible about their needs and to include them in the development of innovative new products.

Allocating the Lufthansa Group airlines to the Network Airlines and Eurowings segments also represents a customer-centric, differentiated and transparent product and service strategy.

### Numerous awards confirm the Lufthansa Group's innovation and quality strategy

The Lufthansa Group airlines have received a number of awards in recent years. In the reporting year, many award ceremonies took place online due to the coronavirus pandemic. Presentation of the ATW Airline Industry Achievement Awards, the Travel Plus Awards and the Skytrax World Airline Awards was postponed to the following year. World Airline Awards were postponed to next year. Instead, Skytrax published its "COVID-19 Airline Safety Rating" in the reporting year, whereby Lufthansa German Airlines was one of the first airlines in the world to receive a 4-star rating.

Lufthansa German Airlines again received several recognitions at the Onboard Hospitality Awards in 2020. One was for the sustainability of its amenity kit. Lufthansa German Airlines was voted Europe's Leading Airline 2020 at the World Travel Awards and SWISS took first place in the category Europe's Leading Airline – First Class 2020. SWISS was also voted Best Airline for Business Travellers in Europe by the magazine Business Traveller. Lufthansa German Airlines won the German Innovation Prize in the category Future Digital Inflight Experience. The new in-flight experience platform was applauded for creating seamless, consistent and contextualised touchpoints along the entire travel chain.

The Lufthansa Innovation Hub won the Best Digital Lab Award for the third time in 2020. This was largely due to its development of Compensaid, a digital platform that enables passengers to offset the unavoidable carbon emissions caused by their flight or to replace fossil fuels with sustainable alternatives. Integrating Compensaid into the Miles & More app also enabled Miles & More customers to offset their carbon footprint directly with miles or a combination of miles and cash. This new function is called "mindfulflyer" and was developed jointly by Miles & More and the Lufthansa Innovation Hub.

Eurowings Digital won the Best Digital Lab Award 2020 from the business magazine Capital. The accolade particularly reflects the development of smart services with which the digital subsidiary of Eurowings accompanies its passengers throughout their journey. HORIZONT Brand Ticker also confirmed that Eurowings had increased its customer loyalty.

## OPERATIONAL STABILITY

Passengers of Lufthansa Group airlines were affected by changes to flight schedules, delays and cancellations in the reporting year, particularly due to the coronavirus pandemic. Reasons included global travel restrictions, the regulations of local authorities and changes to operating processes to enable hygiene and social distancing.

However, the significant fall in global air traffic and the lower load factor per flight meant that the departure punctuality of the Lufthansa Group airlines was significantly higher than in the previous year.

## Targets

Operational stability is a prerequisite for high customer satisfaction. The top priority for all Lufthansa Group airlines is safe, punctual and reliable flight operations. Since this cannot be guaranteed by the airlines in the Lufthansa Group alone, work on solutions for further improvements in operational stability is always carried out with system partners.

## Measures

### Numerous measures to enable operational stability

At the start of the pandemic, the Lufthansa Group activated its Group Crisis Committee under the leadership of the Group Emergency Director. The Crisis Committee was responsible for shutting down virtually all flight operations in the Group during the first few weeks of the crisis, to as much as 3% of the previous year's capacity in April 2020. The action taken by the Crisis Committee was based on the Lufthansa Group's existing pandemic plan. The operational Crisis Committee was supplemented by regular exchanges with the GEC and with the German authorities at regional and federal level to make the entire decision-making process transparent.

In addition, a Group-wide programme to coordinate the ramp-up of flight operations was established with ReStart. ReStart is organised as an interdisciplinary task force. In addition to the central unit, there are local teams at the individual airlines in the Lufthansa Group. ReStart was transitioned to the ReNew programme when the winter flight schedule began at the end of October 2020, in order to create the preconditions for the medium and long-term adjustment of flight operations to the "new normal".

At the monthly meetings of the Operations Boards, the Chief Operating Officers of all Lufthansa Group airlines provide the Executive Board of the Lufthansa Group with regular information. They also discuss results and decide on the action to be taken with the heads of flight operations, ground handling and technical fleet management. An interdisciplinary performance dialogue is also in place for all Lufthansa Group airlines' operations in order to establish and improve standardised processes and decisions.

The Lufthansa Group sees the testing of passengers before departure as an important element for enabling safe travel during the coronavirus pandemic. The Group initiated the internal Testing task force for this reason. On the basis of local, national and international regulations and in close coordination with the Lufthansa Group's own medical service, this task force draws up standards and processes to enable the testing of passengers before departure. The aim is to avoid infections and stabilise flight-related processes.

### Wide-ranging initiatives launched with system partners

Together with system partners such as airport operators and Deutsche Flugsicherung (German air traffic control), the Lufthansa Group airlines are working hard on solutions to ensure that the requirements of security checks, social distancing, cost-efficient infrastructure and other processes due to the coronavirus pandemic are met. A range of measures have been taken to ensure reliable and high-quality air transport in Germany despite the coronavirus pandemic. Measures are being initiated with Deutsche Flugsicherung (German air traffic control) in order to, for example, improve punctuality by choosing shorter routes when traffic is low.

## Performance indicator

### Departure punctuality significantly improved for the Lufthansa Group airlines

The main performance indicator for judging operational stability is the airlines' departure punctuality. All flights taxiing to the runway no later than 15 minutes after the planned departure time are defined as punctual as a common international rule. This performance indicator is monitored continuously by management. In addition to daily reports from the hub control centres, operational performance is also discussed in the monthly Executive Board meetings. The punctuality of the Lufthansa Group airlines improved due to the reduction in the number of flights and the resulting decongestion of the air traffic control system. On average over the year, the departure punctuality of the passenger airlines in the Lufthansa Group rose to 88.6%, which was 12.6 percentage points higher than the previous year. The target for punctuality of 85% was therefore achieved.

## PRODUCT AND SERVICES

Strict focus on the customer is vital for a service company like the Lufthansa Group. For this reason, all the products and services along the travel chain are continuously reviewed – even during the coronavirus pandemic – and new, innovative and sustainable in-flight and ground products and services are developed that put the customer at their core. Digitalisation and sustainability aspects play an increasingly important role in better meeting differentiated customer needs. The travel experience for the customer should become even more convenient, especially through greater personalisation of the products and services along the entire travel chain. This includes, in particular, the flexibility to rebook flights and rules on goodwill gestures introduced as a result of the coronavirus pandemic.

### **Bundled responsibility for customer concerns ensures fast and effective implementation**

Responsibility for products and services is bundled centrally for all the Network Airlines in the Lufthansa Group. Since 1 January 2020, it has been assigned to the Executive Board member for Customer, IT & Corporate Responsibility, who also liaises with the customer loyalty programme Miles & More and the Lufthansa Innovation Hub.

The Customer Commercial Board is the central point for customer relations. Comprised of representatives from Customer, IT & Corporate Responsibility and Commercial Passenger Airlines, it enables regular discussions and decision-making on customer-related issues.

Responsibility for the in-flight and ground products at Eurowings lies with the Customer Experience & Product department, which reports to the Commercial Director.

## Targets

### **Raising customer satisfaction is an integral part of Group strategy**

Customer needs play a vital role for ensuring the long-term success of the Lufthansa Group. The objective of the New Premium vision statement is to recognise individual customer needs along the entire travel chain and to fulfil them as well as possible.

## Measures

### **Customers are involved at an early stage of product and service development**

The Lufthansa Group identifies the needs of its customers by means of surveys, which form the basis for strategic decisions. Customers are involved at the early conceptual phase of product and service design and development, as with the development of new seating concepts or meals, for instance. The Lufthansa Group's online customer panel makes it possible to receive feedback on specific questions very quickly and to gain a better understanding of customer expectations and requirements. The airlines in the Lufthansa Group put the New Premium strategy into practice by means of such active involvement in product and service improvements.

Through continuous surveys on customer satisfaction, the airlines in the Lufthansa Group also evaluate the acceptance of product enhancements and of new products and services.

### **Numerous hygiene measures implemented as a result of the coronavirus pandemic**

Aviation is one of the sectors worst affected by the coronavirus pandemic. This makes it all the more important to reinforce trust in flying as a safe means of travel. This is why

the Lufthansa Group signed the charter of the European Union Aviation Safety Agency (EASA) on safe flying in a pandemic. Its voluntary implementation of this standard represents a commitment to the strictest measures against infection in global aviation. Key standards were developed with the support of the Lufthansa Group. These include the obligatory wearing of face masks, which was initiated early on; the filtering of cabin air and increased ventilation of aircraft, including on the ground; proper cabin cleaning; staff protection; working towards digital track-and-trace procedures; and physical distancing, both on the ground and during boarding/disembarking.

Specific measures were taken along the travel chain in cooperation with airports. One example is the reliable rapid testing of passengers and local residents offered at Frankfurt Airport with the support of the biotech company Centogene starting in June 2020. Austrian Airlines started initial trials for rapid antigen testing in close cooperation with Vienna Airport in October 2020. In cooperation with Hamburg Airport, these trials were extended the following month to flights from Vienna to Hamburg.

Eurowings was the first German airline to enable passengers to book a vacant middle seat next to their own from mid 2020 onwards.

### **New products and services continuously improve the travel experience**

The Lufthansa Group invests continuously in new aircraft, products and services to keep improving the travel experience for its customers. This will continue in the years ahead. For instance, by 2023 Lufthansa German Airlines plans to introduce a completely new Business Class featuring optimal sleeping comfort and more private space, along with more individual seating options.

### **Staff at all levels are being made aware of the importance of customer satisfaction**

Development and training courses for customer-facing employees on increasing customer satisfaction are continuously updated and expanded. Voluntary participation in digital events was made available as part of the private Stronger Together initiative and via LinkedIn, so that employees on short-time work could also benefit from these voluntary training sessions. The focus in the reporting year, as in the previous year, was on the film "Future Travel Movie" which introduces employees to the future of flying from the point of view of the customer. The "Management in Practice" programme that encourages managers to work for one day in operational, customer-facing areas of the Lufthansa Group once a year was also continued despite the coronavirus pandemic.

### **Digitalisation and innovation support the development of new products and services**

The digitalisation and innovation initiatives already under way were pursued further by the Lufthansa Group in the reporting year in order to develop new products and services. At the Lufthansa Innovation Hub, the Company drives the systematic use of the innovative online business model for the airlines in the Lufthansa Group and develops digital solutions along the travel chain for passengers and tour operators. The aim is to provide customers with intuitive services right where the customers want them: from check-in and digital luggage receipts to dynamic and situation-based information and service offers and biometric services.

In the reporting year, the Star Alliance completed its development of a cross-system biometric identity and identification platform known as Star Alliance Biometrics. Customers in the Miles & More frequent flyer programme thus enjoy contact-free access to the security checks and boarding gates. Lufthansa German Airlines and SWISS have used the platform for selected flights since November 2020 and were the first airlines to do so.

The partnership between Lufthansa German Airlines, SWISS and Google initiated in 2019 was extended to Austrian Airlines in the reporting year. This enables customers flying within the Schengen area to check in conveniently via the Google assistant. If a flight is cancelled, customers can now make another booking in just a few steps using a chatbot. This was made possible by adapting an existing text-based digital dialogue system on Facebook (chatbot) to the demands of the coronavirus pandemic.

The installation of broadband internet access in the Lufthansa Group fleet continued in the reporting year until spring 2020. Two Airbus A320s at SWISS were equipped with broadband internet access on a trial basis. All the projects to continue aircraft fitting were then suspended because of the coronavirus pandemic. A total of 241 short and medium-haul aircraft are now equipped with broadband internet access.

During the coronavirus pandemic, Eurowings Digital created a website for seasonal farm workers within two weeks; this enabled farmers to reserve the specific number of seats they required. The Eurowings flight guide was also implemented. It provides a clear and up-to-date overview of the coronavirus precautions in force at Eurowings destinations and the relevant conditions for entering the country.

Other customer-focused solutions at Eurowings include the innovative search function that suggests alternative departure/arrival airports based on search patterns and flight prices, as well as the option of making a carbon offset online in the course of the booking process. Tickets could also be rebooked or cancelled online free of charge in the reporting year.

### **Airlines in the Lufthansa Group make flexible travel planning even easier for customers during the coronavirus pandemic**

Against the background of the pandemic, the passenger airlines in the Lufthansa Group have made fundamental changes to their fare structure that apply until the end of May 2021. All tickets with Lufthansa German Airlines, SWISS, Austrian Airlines and Brussels Airlines can be rebooked as often as needed without charge. This applies worldwide for new bookings on short, medium and long-haul routes. With the “No worries package” and the “Bring me home NOW” fare, the Network Airlines have also responded to their customers’ wishes during the coronavirus pandemic.

Lufthansa German Airlines, SWISS and Austrian Airlines have also been offering additional insurance policies since November 2020. The “Travel Care” insurance package includes compensation for the passenger if they are obliged to go into quarantine at their destination, as well as optional coverage if they have to cancel their journey before they set off or while travelling. “Travel Care Plus” also covers medical costs, including emergency repatriation if the passenger contracts the coronavirus. As part of an autumn campaign for international flights, Eurowings offered free “coronavirus insurance” that covered travel cancellation insurance, travel health insurance and travel interruption insurance. Customers can still book the insurance package for a fee now that the autumn campaign has ended.

The Lufthansa Group airlines were therefore among the first to offer their customers additional insurance coverage for their journey during the coronavirus pandemic.

### **Adapting to the dynamic increase in refund requests**

The travel restrictions imposed in early March 2020 meant that at times almost the entire flight programme was cancelled. This caused requests for refunds to increase exponentially. Furthermore, the increased complexity led to an increase in time needed to process each ticket from an average of 3 to 4 minutes to 10 to 15 minutes. As a result, the capacities available for processing refund requests were significantly overwhelmed. As a result, the Group expanded its infrastructure and took measures to accelerate the processing. These included seconding numerous employees from other areas to provide support. The Lufthansa Group refunded around EUR 3.9 billion to customers in 2020, thus fulfilling all claims made in 2020. Constantly changing travel restrictions and warnings kept forcing the Lufthansa Group airlines to change their flight schedule, however, which unavoidably caused flights to be cancelled, which in turn resulted in new obligations to refund fares.



### Increasing demand for sustainable products and services

The Lufthansa Group is responding in various ways to customers' wishes for sustainability aspects to play a greater role in products and services.

The main focus is for the Network Airlines to reduce single-use plastic and plastic packaging on board. ➤ **Waste prevention/ Measures**, p. 97.

All print media was cancelled at Lufthansa German Airlines, SWISS and Austrian Airlines in the reporting year to reduce the risk of infection. Digital editions of magazines are an environmentally friendly alternative. More than 1,000 titles in 57 languages from 36 countries are available.

Loading of trolleys for in-flight sales was optimised on the basis of customer demand, resulting in reduced weight. Therefore, around 300 tonnes of CO<sub>2</sub> were saved in the last five months of 2020, while maintaining the same range available to customers. This is equivalent to around 2,000 tonnes in normal years.

### Data protection and data security play an increasingly important role

The secure handling of data in accordance with data protection legislation forms the basis for a trust-based relationship with customers and is an increasingly important success factor for the Lufthansa Group. The Lufthansa Group has a data protection management system that is capable of meeting the requirements of the European General Data Protection Regulation (GDPR) in the Group companies. The Group has established an organisational structure for data protection that is dedicated to ensuring compliance with the rights of data subjects and the duties of controllers. This entailed creating easily reachable points of contact, both internally and externally, and establishing processes to fulfil information requests by information seekers within the required period, for example. Current information about the processing of personal data is also provided on the Group companies' websites. The increasing digitalisation of business processes also makes it necessary to prevent cyber-risks, which is a priority for the Lufthansa Group. ➤ **Opportunities and risk report**, p. 71ff.

## Performance indicator

### Customer satisfaction improves year-on-year

The Network Airlines in the Lufthansa Group track customer satisfaction continually using Passenger Satisfaction Tracking (PST) and in-depth surveys to obtain as detailed information as possible about their passengers' travel experience, especially on expectations of steps that should be taken to deal with the coronavirus. Customer satisfaction data is tracked separately for different service aspects along the entire travel chain. Customer satisfaction figures are usually made available to the responsible department and management on a monthly basis and used to derive measures to improve customer satisfaction, among other things. To reflect dynamic changes in customer expectations since the start of the pandemic, customer feedback has been factored into service adjustments at a higher frequency than before.

The leading indicator of customer satisfaction at the Network Airlines is the Net Promoter Score (NPS), which is based on the monthly analysis of around 30,000 passengers, and around 10,000 since April 2020. The NPS is derived from the passengers' willingness to recommend. In 2020, the NPS for the Network Airlines was 62, or 5 percentage points higher than the target and the previous year's figure of 57. Established hygiene and social distancing rules, the resumption of services along the travel chain and exceptionally good punctuality had a positive impact on NPS and the overall satisfaction of travelling customers. However, the Network Airlines were not able to meet customer expectations in terms of the timely refund of advance payments and the availability of the service centre during the coronavirus pandemic.

Eurowings also records an NPS and reports it together with other customer satisfaction results to the management and the different departments every month. The NPS was 50 in 2020. This was higher than the target of 40 and the previous year's figure (previous year: 40). The increase is a result of the stable operating performance and services adjusted to the requirements of the pandemic. The survey was suspended between 20 March and 8 July 2020 due to the pandemic. The total number of participants decreased year-on-year by 75%.

The NPS is part of the remuneration for the Executive Board. ➤ **Remuneration report**.

# Employee concerns



## Concepts

### Focus on attractiveness as an employer

The success of the Lufthansa Group depends largely on the competence, the enthusiasm, the commitment and the ideas of its employees. At a time when the flight programme is significantly reduced due to the coronavirus pandemic, it is particularly important to keep employee morale high, to have an underlying personnel strategy and to take steps to ensure the company remains an attractive employer. This applies particularly to employees on short-time work. As soon as operations resume at a higher level, their dedication will be vital for a successful economic recovery. The criteria for qualifying as an attractive employer have changed fundamentally in the current situation and are particularly relevant for existing staff.

### Ability to transform requires continuous training of staff skill sets

The ongoing changes in market conditions and the restructuring through which the aviation sector is adapting to the altered market conditions make it necessary for employees to keep developing the knowledge and skills they acquired in their vocational training and professional careers. The Lufthansa Group offers administrative and operative employees extensive training opportunities, some of which are also available to employees on short-time work. Opportunities for staff to learn independently and fulfil their desire to develop themselves are particularly important when a career has been interrupted.

### Employee health is a priority

As an operating company, the health of employees is particularly important for the commercial success of the Lufthansa Group. The Occupational Safety and Medical Services & Health Management departments, which report directly to the Executive Board member for Corporate Human Resources and Legal Affairs, are responsible in particular for the health of employees. This organisational structure enabled a very fast and highly effective response to the global spread of the coronavirus. The Lufthansa Group makes great efforts to protect its operating and administrative employees as well as possible from infection.

## ATTRACTIVENESS AS AN EMPLOYER

### Targets

#### Lufthansa Group attaches great importance to be seen as an attractive employer – even during significantly reduced business operations

Attractiveness as an employer is considered from both an internal and an external perspective. In view of the almost entirely recruitment freeze due to the difficult economic situation, the perception of existing employees is mainly relevant for the reporting year. It is precisely in the context of the coronavirus pandemic that the employees in the Lufthansa Group make a decisive contribution to customer satisfaction and thus to the success of the Company. Employees who are on short-time work must maintain their commitment to the Company. This is vital to ensure a rapid and high-quality resumption of business operations.

### Measures

New measures are required to maintain employee satisfaction and employer attractiveness even when business operations are severely restricted. This applies particularly to employees on short-time work. At the same time, the needs of the workforce as a whole are very different, since the Group comprises more than 172 nationalities.

#### Information and transparency for the workforce

Since the partial shutdown of business operations, the Executive Board of the Lufthansa Group has continuously kept the entire workforce up to date on current developments by means of webcasts and podcasts. The Board members and managing directors of the individual subsidiaries have also held regular live online meetings with their workforces, with questions from employees encouraged. The latest developments were broadcast to the entire workforce in German and English via the very popular intranet and a news app that can also be used on private devices.

Managers were also asked to stay in permanent contact with their staff, regardless of whether they were working from home or on short-time work, in order to identify personal needs and concerns and respond to them. The managers were also able to download specific daily information on their mobile devices using a special app for managers.

Various groups were set up on Yammer, an enterprise social network platform with exclusive access for Lufthansa Group employees, in order to stay in touch when working from home or to share information about different topics in the context of short-time working. These include initiatives to coordinate the social engagement of employees on short-time work. Over 60,000 employees in the Lufthansa Group have access to the platform.

### **Salary cuts and redundancies should be arranged in a socially responsible way**

Lufthansa Group employees on short-time hours receive top-up payments. This reduces the net loss of salary.

The reduction of 27,000 jobs that is currently planned is intended to be as socially responsible as possible. Intensive discussions on these subjects are held with trade unions and works councils on an ongoing basis. Numerous crisis agreements were signed with various trade unions in 2020 to address the long-term effects of the pandemic on the Company's finances. ➔ **Employees, p. 28ff.**

### **Unrestricted freedom of association is firmly anchored within the Lufthansa Group**

The Lufthansa Group has a long tradition of working with its collective bargaining partners in the works councils and trade unions, as well as in the Supervisory Board with its co-determination rules. This practice is aimed at acting collectively based on mutual interests. The joint search for solutions in the interest of the companies involved and their employees is based on an understanding of how valuable freedom of association is, forming part of the corporate culture as well as being enshrined in the German constitution.

For the Lufthansa Group, it goes without saying that no one suffers any positive or negative discrimination because they are a member of a trade union or not. Lufthansa enables all employees to join or form a trade union. Of approximately 58,000 Lufthansa Group employees in Germany (as of 31 December 2020, not including LSG Europe), some 83% benefit directly from collective bargaining arrangements. The remaining 17% are largely managers and non-tariff employees in senior positions. However, many of the rules for these non-payscale employees are also based on the collective bargaining agreements.

### **Working and employment conditions for employees and managers are flexible and are adapted continually**

The Lufthansa Group has supported its employees to work flexibly for many years, both in terms of when and where they work. When personal interactions, including those at work, had to be reduced to a minimum as a result of the coronavirus outbreak, this was achieved very rapidly thanks to the existing framework for working from home and the widespread coverage of mobile computing devices.

Flexible working time models have been an important element for many years in responding also as good as possible to private needs of employees. Job adverts, also for management positions, offer the opportunity of part-time work and shared leadership. This means that someone has the opportunity to share a management position with another manager who also works part time. In addition, managers and non-payscale employees can take sabbaticals.

### **Talent retention – uniform performance and potential tracking**

To ensure that all employees have the opportunity to shape their career within the Group in line with their individual talents and interests, there is a standard process for identifying top performance and high potential for most of the administrative staff. This was completed in 2020 for the assessment year 2019 in many companies, despite short-time working. A structured talent retention programme has been established to avoid losing this talent. These employees (known as Future Shapers) receive close support and are involved in various special projects even during the pandemic.

Even though the hiring freeze in the Group meant it was hardly possible to maintain staff development by means of job rotation, promotions, or specific support for female managers, talented employees were approached individually to work on projects related to the crisis and to develop their skills on the job. The programmes will be reactivated when general business operations resume.

### **Diversity and equal opportunities are key elements of the HR strategy**

Systematic diversity makes an organisation more agile, more flexible and more creative, and it also emphasises the respect it shows for all employees.

### **Gender equality is promoted by a wide range of measures**

The Lufthansa Group uses a broad portfolio of activities to make it easier for employees to combine work and family and to care for loved ones, as well as to increase the share of women in management roles. In Germany, this includes help in finding caregivers, a wide range of ad hoc and regular day-care places for children in various locations, and the use of parent-and-child offices if a need arises. There are also many opportunities to get advice on the subject of caring for loved ones, such as the nursing care consultations that take place regularly. The internal development and mentoring programme for female team leaders aiming for a senior management position was also continued.

### Becoming more international

People from 172 nations work for the Group today. To become even more international, the Lufthansa Group is gradually taking a number of different measures. They include the introduction of a Group secondment policy for employees posted abroad. The Lufthansa Group also deliberately recruits local employees at its sites abroad. Secondments not only encourage know-how transfer between the regions, but also support employees' individual development and help to build cultural competence.

### Support for LGBTI concerns

One of the Lufthansa Group's primary objectives is to promote a non-discriminatory working environment in which all employees can develop their talents, regardless of their sexual orientation and identity. To support this aim, the LGBTI employee network Diversify not only acts as a contact point and intermediary in the event of discrimination or conflict, it also campaigns actively for the interests of the community. In addition to celebrating Christopher Street Day, which was organised as a virtual event this year, it also provides internal and external online presentations on the subject of LGBTI issues and sexual orientation.

### Inclusion of people with disabilities is part of social responsibility

For the Lufthansa Group, employment and inclusion of people with disabilities is not only a legal obligation, it also fulfils a social responsibility. This is why the Group is committed to treating people with disabilities fairly and considerately. Providing targeted support for their professional development is a matter of course for the management boards, Human Resources management and representatives of disabled employees, who meet regularly to discuss further steps to include people with disabilities. Other ways of supporting are equally driven forward, such as placing orders with workshops for disabled people, and the ongoing partnership with the National Paralympic Committee Germany.

## Performance indicator

### Engagement Index improves year-on-year despite pandemic

The Engagement Index also provides information about the Company's attractiveness as an employer. This has been tracked by the voluntary annual employee survey, "involve me!" since 2015, and enables a comparison with employers in many different sectors. It measures the extent to which employees identify with the Company, as well as their commitment and willingness to recommend the Company to others. The survey was carried out again in 2020, despite and also because of the coronavirus pandemic. With the

exception of the LSG group and Brussels Airlines, all major Group companies were included. Whereas a full employee survey was carried out the previous year, the scope of the survey was reduced in 2020. This alternation between comprehensive and shorter surveys corresponds to past practice.

The results are measured on a scale from 1 (best) to 5 (worst). In the reporting year, the value of the Engagement Index was 2.0. Although the economic conditions are currently extremely challenging and a large number of employees are on short-time work, the target for 2020 of 2.2 was significantly exceeded, thus confirming the previous year's value of 2.0. Drivers of the improvement were Commitment (2.0) and Dedication (1.9) this means both aspects improved year-on-year by a significant margin of 0.2.

The results of the employee survey are presented to the Supervisory Board and the Executive Board, where they are discussed in workshops. As a rule, these results affect the targets and the remuneration of the Executive Board.

➤ **Remuneration report.**

### Employer ranking reflects Lufthansa Group companies' attractiveness

The ranking of German employers is done through a representative survey of more than 200 companies carried out by the renowned market research institute YouGov. Before the coronavirus outbreak, the Lufthansa Group aimed to be consistently among the five most popular employees in Germany. During the reporting year, Deutsche Lufthansa was in 6th place (previous year: 3rd place). In view of the significant economic challenges that the air transport industry is facing, the Lufthansa Group nevertheless believes that this is a good result.

## TRANSFORMATION CAPABILITY

### Targets

Continuous change requires the capacity for transformation from employees and the Company. This is particularly important given the enormous economic and structural challenges currently facing airlines worldwide. This in turn means that the employees must be given the corresponding competencies and must always be willing and able to transform themselves. Initiatives dedicated to achieving these aims are the responsibility of several departments pooled in the Cultural Transformation unit, which in 2020 reported directly to the Executive Board member for Customer, IT & Corporate Responsibility. Specific departments are responsible for cultural aspects of transformation, for instance, and for learning management for administrative employees.

## Measures

### **Transformation support and training established as routine processes**

Well educated and committed employees are indispensable for the sustainable business success of the Lufthansa Group. Because it is not possible to simply draw on knowledge acquired at one point in time to sustain an entire career, employees must expand their knowledge and abilities and keep them up to date at all times.

Employees are offered regular professional training courses, particularly in safety-related areas. At the same time, a separate department has been created to evaluate the impact of the current transformation on the future roles and competence profiles of employees in all professional groups in a structured process, and to accompany the change process.

In this context, a process was established that is intended to enable administrative staff in particular to analyse the future viability of their own competencies, and to compare them with the current and future requirements of their tasks. All the employees in the Lufthansa Group have access to over 15,000 innovative learning opportunities from LinkedIn Learning. The online learning programme can be used on a voluntary basis, also by employees on short-time work.

The Lufthansa Group CAMPUS offers targeted strategic activities for ongoing cultural and organisational development, with a special focus on the challenges posed by significantly reduced operations. Qualification courses for managers and top management support a modern corporate culture of collaboration and assist with organisational change. Established partnerships with leading international business schools will be reactivated as business picks up again.

### **Routine training courses are fundamental part of the job for pilots and flight attendants**

Regular training is obligatory for pilots and members of the cabin crew in the Lufthansa Group. It is provided by Lufthansa Aviation Training. No start of training of new pilots is taking place at present.

### **Apprenticeship as Service Management Professional continues**

The Service Management Professional apprenticeship for training Lufthansa cabin crew continued successfully in 2020, albeit in reduced form due to the coronavirus pandemic. It is recognised as an additional professional qualification by the Chamber of Industry and Commerce (IHK).

380 cabin crew members had qualified as a Flight Attendant with Service Management Profile as of year-end 2020. A further 500 graduates are expected in 2021.

### **Developing working environments**

Mobility and flexibility are key building blocks for modern working environments. 45,000 administrative employees of the Lufthansa Group have access to cloud-based Office software. This is an important resource that enables them to work from home during the coronavirus pandemic, also on an ad hoc basis.

All Lufthansa Group employees are offered modern networking tools for communicating information and working together. They focus on efficient working methods across national borders and hierarchical levels, and empower individual end users.

## Performance indicator

### **Detailed survey provides comprehensive information about capacity for transformation**

Since 2019, the Lufthansa Group's general and digital transformation abilities can be determined by the comprehensive employee survey "involve me!", which is conducted every year. The necessary detailed survey is carried out every two years; the next time in 2021. The results allow management to identify specific fields of action and initiate specific measures as a prerequisite for the Lufthansa Group's capacity for transformation and prepare staff for relevant changes.

## HEALTH AND SAFETY AT WORK

Occupational health and safety has been a core action area at the Lufthansa Group for several decades; it is managed jointly by the Occupational Safety and Medical Services & Health Management departments.

## Targets

### **Employee health and preventing work accidents are a top priority**

The core responsibility of Medical Services & Health Management is to maintain and improve the health and working capacity of the Lufthansa Group's employees and so to safeguard its business activities and reliable flight operations. Occupational health and safety also has the goal of preventing accidents at work and, if they nonetheless occur, of drawing the necessary conclusions from accidents to prevent them best possible from happening again.

### **Top priority is currently the prevention of coronavirus infections among staff**

Even before the outbreak of the coronavirus pandemic in Europe, Medical Services in the Lufthansa Group had been monitoring infections in Asia and adapting the risk assessments for crews. Since then, the main aim has been to reduce the risk of exposure for employees to a minimum and to prevent staff from inadvertently infecting their colleagues.

## Measures

### **Medical Services managed as holistic centres of excellence**

The Medical Services at Lufthansa German Airlines, SWISS and Austrian Airlines are holistic centres of excellence. Even when airline operations have been scaled back, they offer the full range of services for aviation and occupational medicine, vaccinations and travel medicine, outpatient care, a comprehensive social and medical advisory service and other preventive and healthcare treatments. Along with occupational health and aviation medical qualifications, a lot of doctors also have specialist qualifications (for example infectiology, ENT, ophthalmology, cardiology, neurology, psychiatry) that are used in the context of the weekly case review conferences. Transnational meetings are also held by the heads of the medical centres at Lufthansa German Airlines, SWISS and Austrian Airlines.

The range of medical offers is supplemented by the optimisation of socio-medical counselling for occupational reintegration management processes. The Medical Services also work with employer and employee representatives to support the positive integration of employees with health-related restrictions.

Beyond individual treatments, the Medical Services provide advice to decision-makers, committees and employee representatives concerning all issues of occupational health and safety.

Psychological and psychosocial factors have an important influence on health, safety and productivity at work. For many years, the Lufthansa Group has therefore offered confidential individual advice to employees, teams and organisational units, referring individuals to other services or for other treatment as well as providing various psychosocial advisory services.

### **Preventive measures taken to enable occupational health and safety**

The occupational safety function consistently implements preventive measures to avoid accidents, health risks and occupational illnesses. By means of risk assessments and regular safety inspections, the Group's occupational safety

experts review all professional activities in the Group companies in Germany. The underlying standards are binding for all Lufthansa Group locations worldwide.

A central steering body for all issues concerning health and safety in the Lufthansa Group is the Occupational Safety Committee, which monitors the implementation of all aspects of health and safety across the Group. The minimum standards it endorses, such as for the resumption of business operations after the coronavirus lockdown, are binding for the entire Lufthansa Group.

Specific guidelines make managers aware of their responsibility for occupational safety. Managers must deal with this directly when they are appointed to their position. This is checked in an automatic process.

The Group health and safety function also initiated a company-wide international survey to gradually improve the transparency of occupational health and safety in the entire Lufthansa Group. The survey was analysed and recommendations made for individual companies in the reporting year.

This will be fed back to the individual companies through their occupational safety coordinators.

### **Health management helps to deal with health challenges**

The aim of the Lufthansa Group's health management is to bring about conditions conducive to health, to sustainably influence corporate culture and to support and encourage employees and managers to adopt healthy lifestyles.

Health officers in the individual Group companies identify needs specific to target groups and implement health promotion offers. Group-wide interventions and the strategic development of health management are headed by Lufthansa Group Health Management.

### **Numerous measures create the conditions for prevention of coronavirus infections**

In connection with the outbreak of the coronavirus pandemic, the Medical Services, Group Security, Group Health & Safety and Human Resources Management worked with specific departments and managers to draw up preventive and hygiene strategies for various areas of the Group. These are continuously updated to reflect the latest risks and scientific evidence and are binding for all areas and all employees. They include specific protective measures for the different areas, which are followed and implemented by managers and staff. Among the preventive and hygiene strategies are a policy on the usage of rooms, detailed instructions for administration, flight operations, training and MRO, explanations of the different types of mask, special precautions to be taken on the ground and on board aircraft and the designation of



dedicated coronavirus protection officers. The rules and standards for the protection of employees against the coronavirus as set by the Federal Ministry of Labour and Social Affairs are taken into account.

One important element in these challenging times is the provision of the workforce and managers with up-to-date information and recommendations on how to stay safe. The main channel for this is the Lufthansa Group intranet, where information of various kinds is presented, and employees are updated on the latest findings and their relevance for Lufthansa in “Corona Talks” held every two weeks.

The responsible employees at Medical Services and Group Health & Safety are in regular contact with external agencies like the Robert Koch Institute and local authorities and public health offices to apprise themselves of the latest developments, government recommendations and scientific findings and factor these into the Company’s own strategy.

Crew members on specific routes have been tested regularly for the coronavirus since April 2020 to meet country-specific quarantine and immigration requirements. This made it possible to maintain flight operations and avert the need for airborne staff to go into quarantine for overnight stays in other countries.

Vaccination against influenza was offered to the entire workforce in Germany, Austria and Switzerland as part of the employer’s duty of care, which increased the level of individual and collective protection that is so important in

a pandemic. Around 10,000 people accepted the offer in Germany. This is more than double the figure in previous years. Extensive internal communication had a positive impact on this, as did the personal commitment of the Executive Board members who allowed themselves to be vaccinated as part of the media-friendly information campaign.

## Performance indicator

### **Health Index is the key performance indicator for employee health and improved year-on-year**

In the reporting year, the Health Index was again tracked through the “involve me!” employees survey. The figure of 2.2 was an improvement on the previous year’s 2.3. Despite the unusual situation confronting the Company, the subjective health of employees therefore improved. The results are measured on a scale from 1 (best) to 5 (worst). With the exception of the LSG group and Brussels Airlines, all major Group companies were included in the reporting year.

Only employees on active service, i.e. those working at least 20% of their regular hours and not completely furloughed, were asked about their health in an occupational context (26,090 responses). This ensures that the answers can be compared on a like-for-like basis.

The results of the survey are available to all business units and Group companies. They are also interpreted at this level, whereby Health Management employees are available to offer support and further advice as needed.

# Fighting corruption and bribery

## Concepts

### **Fighting corruption and bribery is an integral part of the Compliance Management System**

The Lufthansa Group endeavours to manage the Company effectively, as required by the principles of good corporate governance. In particular, the employees’ integrity is a prerequisite for the Company’s sustainable success.

Its global operations mean that the Lufthansa Group is obliged to comply with national anti-corruption legislation around the world, in some cases with extraterritorially applicable anti-corruption laws. Infringements may not only result in criminal and civil penalties for the individuals and Lufthansa Group companies involved, but may also result in significant reputational damage. Fighting corruption and preventing bribery is therefore material to the Lufthansa Group’s business operations and an integral part of its value system, which is laid out in the Code of Conduct that can be viewed on the Lufthansa Group website.

The Lufthansa Group has a central compliance management system in order to protect its employees and companies against breaking the law and the consequences of breaking the law and to apply statutory regulations correctly. It follows the audit standard for compliance management systems (IDW PS 980) and is essentially based on the following pillars: compliance culture, compliance targets, identification of compliance risks, compliance programme, compliance organisation, compliance communication and compliance monitoring.

The Compliance Management System is continually developed and optimised, taking into consideration the specific risks relevant to the Lufthansa Group's business, and we are increasingly looking at application possibilities for system-based and digital support solutions. It is currently made up of the following elements: Competition, Capital Markets, Integrity (Anti-Corruption), External Workforce, and Embargo and Export Compliance.

The Group-wide implementation, development and communication of the Lufthansa Group Compliance Management System is the responsibility of the Corporate Compliance Office, which is part of the central Legal department. The head of the Legal department and Chief Compliance Officer reports directly to the Executive Board member for Corporate Human Resources and Legal Affairs and presents two Compliance Reports per year to the Executive Board and Supervisory Board's Audit Committee and one per year to the Supervisory Board. The Executive Board has created a structure of committees, consisting of a Group Compliance Committee, central compliance committees in the main subsidiaries and local compliance committees as needed to provide support with steering and implementing the central Compliance Management System across all companies. The Corporate Compliance Office is supported by a worldwide network of compliance managers at the Group companies. The Compliance Management System is monitored during audits that are regularly performed by the internal audit function to examine suitability and efficiency.

## Targets

### **Compliance Management System aims to prevent unlawful conduct**

The aim of the Compliance Management System is to ensure lawful conduct throughout the Group and so to avoid unlawful conduct that, in addition to reputational and financial risks, may also have personal consequences regarding criminal and labour law. ➤ **Opportunities and risk report, p. 71ff.**

## Measures

### **Anti-corruption training raises awareness**

All managers and employees from relevant areas or in relevant functions undergo mandatory IT-based anti-corruption training every two years to raise awareness of potential risks.

### **Ombudsman system enables suspected offences to be reported confidentially**

The Lufthansa Group set up an ombudsman system in 2008 to enable information to be provided confidentially about suspected criminal offences, particularly potential breaches of anti-corruption legislation and regulations. An external, independent lawyer who is not an employee of the Lufthansa Group acts as the ombudsman. Whistle-blowers can provide information to the ombudsman by phone, in writing or in person. The ombudsman system will be supplemented by an electronic whistle-blower system in 2021.

### **Risk-based business partner due diligence aims to facilitate integrity of suppliers and service providers**

Risk-based business partner due diligence is intended to ensure the integrity of suppliers and service providers. During this process, compliance screenings are conducted by the responsible employees in order to identify at an early stage any compliance risks that could arise from cooperation with external business partners. Depending on the result, various measures, including the avoidance or termination of a business relationship may be necessary for dealings with the business partner. The previous parameters for business partner due diligence were updated in 2020. Their implementation across the Group began in the reporting year. It should be completed in 2021.

### **All Group companies worldwide are assessed for corruption risks**

All Group companies were assessed for corruption and anti-trust risks during a compliance risk assessment carried out in 2018. The measures derived from the results of the risk assessment to prevent the identified risks from occurring were collected centrally and implemented in the individual Group companies. Ongoing implementation was delayed by the coronavirus pandemic. This did not impair the functionality of the Compliance Management System.

# Respect for human rights



## Concepts

### Respect for human rights is enshrined in the Code of Conduct

As a company that acts with integrity and responsibility, respect for human rights is self-evident for the Lufthansa Group. As a signatory of the UN Global Compact, the Lufthansa Group shows that it attaches great importance to conducting its business in line with internationally acknowledged principles and commitments and embedded respect for human rights as an integral element of its corporate culture. This is also reflected in working conditions, the freedom of association and assembly, rules to ensure gender equality and the inclusion of minorities as a matter of course.

The Code of Conduct stipulates that the Group should always act in compliance with human rights, the principles of the UN Global Compact and acknowledged international labour and social standards. The Code of Conduct is published on the Lufthansa Group website.

In its fundamental values and guidelines, the Lufthansa Group expresses its commitment to the principles of the following internationally recognised standards:

- United Nations' Universal Declaration of Human Rights
- Fundamental principles and core work standards of the International Labor Organization (ILO)
- Ten principles of the UN Global Compact
- UN's guiding principles regarding business and human rights
- Sustainable Development Goals (SDGs)
- National Action Plan for Business and Human Rights (NAP)
- OECD Guidelines for Multinational Enterprises
- IATA Resolution against Trafficking in Persons.

## Targets

### Human rights abuses are to be avoided

The overarching goal is to avoid human rights breaches in the Company and the supply chain by means of organisational and process-based measures. The Code of Conduct is binding for all bodies, managers and employees of the Lufthansa Group. With regard to protecting human rights, the Lufthansa Group is guided by the recommendations of the National

Action Plan for Business and Human Rights (NAP) adopted by the German federal government in late 2016. With regard to corporate respect for human rights, the Federal Government expects all enterprises to comply with human rights due diligence and to respect human rights along their supply and value chains. The NAP describes five core elements of due diligence in the field of human rights. These core elements comprise a policy statement, procedure for identifying actual or potential adverse impacts on human rights, measures and effectiveness audits, reporting and a grievance mechanism. All the measures listed below can be attributed to one of these core elements.

### C29 CORE ELEMENTS OF HUMAN RIGHTS DUE DILIGENCE

- ① Human Rights Policy Statement
- ② Procedures for the identification of actual or potential adverse impact on human rights
- ③ Measures to ward off potentially adverse impacts and review the effectiveness of these measures
- ④ Reporting
- ⑤ Grievance mechanism

The Group's procurement policy and Supplier Code of Conduct state that the Lufthansa Group expects its suppliers to respect human rights. Supplier contracts should contain obligations and provisions for terminating the contract if they are breached.

## Measures

### Human rights working group acts as a point of contact and influencer

The human rights working group's regular meetings serve to communicate information and develop a uniform, Group-wide position and strategy. In the future, the development of a structured media monitoring process is planned. In addition, selected contacts advise, support and follow up on the topic at the core companies in the Lufthansa Group.

International reporting obligations are also dealt with by the working group. As in the previous year, the Lufthansa Group will publish a mandatory declaration for the financial year 2020 as required by the UK Modern Slavery Act 2015. Other reporting obligations, such as those under the Commonwealth Modern Slavery Act 2018 (Australia) are reviewed, and any relevant disclosures are made.

#### **Management approach to human trafficking developed**

As a signatory to the IATA Resolution against Trafficking in Persons, ensuring an environment that is free from modern slavery and human trafficking is a matter of course for the Lufthansa Group, however, the legal prosecution of human trafficking is the responsibility of governments and national law enforcement agencies. Nevertheless, the Lufthansa Group is aware of the importance of this topic and recognises that as an aviation company it can play a significant role in identifying potential criminal offences. It has therefore implemented a reporting process for flagging suspected cases of human trafficking.

In accordance with IATA recommendations, the Lufthansa Group has integrated the topic into regular pilot and flight attendant training. These employee groups are made particularly aware of potential signs of human rights violations. Ongoing regular training sessions have been suspended due to the coronavirus pandemic. Steering and developing the management approach is the responsibility of the Anti-Human Trafficking Task Force, in which all passenger airlines in the Lufthansa Group and the relevant Group Functions are represented.

#### **Targeted group-specific awareness campaigns for managers and employees**

Based on an analysis carried out by Verisk Maplecroft, an advisory company, an overview was drawn up of all Group companies operating in countries where the risk of human rights abuses is particularly high. This country overview is regularly updated. Managers and Human Resources departments at Group companies in these countries should be made aware of their duty of care to avoid human rights abuses. A specific annex has been successively added to the employment contracts with these managers.

In addition, awareness is heightened by means of focused intranet communications to all the employees in the Group. This includes a statement by the Executive Board member for Corporate Human Resources and Legal Affairs emphasising the responsibility of the Lufthansa Group as a global company to respect human rights. Further information on this topic is available to all employees.

#### **Processes for reporting human rights violations have been implemented**

The companies are obliged to identify human rights risks and the type and number of suspicious incidents. Individual complaints can be made also by third parties to the external ombudsman – confidentially if so desired.

Employees of the Lufthansa Group can also report to their manager, Human Resources management or the employee representative. A works agreement with regard to grievance procedures is already in place for all employees in Germany. It is already used for many different kinds of complaints and is also used for complaints regarding human rights violations.

#### **“Zero tolerance” for cases of sexual harassment**

Respect for one another is particularly important to the Lufthansa Group. This includes creating the conditions for a working environment for all employees that is free of discrimination, harassment and unequal treatment. The Lufthansa Group expects this principle to be reflected globally in the conduct of all employees towards one another. It is implemented by means of extensive communication and mandatory web-based training for managers on the General Act on Equal Treatment, which also addresses sexual harassment in the work environment. The diverse support programme for employees affected by sexual harassment was evaluated and continued accordingly, following the incorporation of user suggestions.

#### **Support for employees during the pandemic**

To overcome the coronavirus crisis, the Lufthansa Group relies to great extent on cooperation with employee representatives and on socially responsible measures.

The Lufthansa Support Group, a unit set up by the works councils in the Lufthansa Group, also helps employees from various Group companies to avert cases of financial and psychological distress.

## Social concerns



### Concepts

#### Lufthansa Group remains committed to social issues even in times of crisis

As an international aviation company, social responsibility is an important topic for the Lufthansa Group. This also applies in the particularly challenging circumstances caused by the global coronavirus pandemic. The focus of the activities is on social and humanitarian projects around the world, pooled and managed by the help alliance, the Lufthansa Group's aid organisation. The help alliance is a non-profit entity (gGmbH) held by the Lufthansa Group and based in Frankfurt am Main. Its importance is underlined by fact that the company now reports to the new Executive Board member for Customer, IT & Corporate Responsibility.

The coronavirus pandemic poses unprecedented challenges for people all over the world. In the reporting year, the effects of this global crisis also had a severe impact on the projects carried out by the aid organisations in the Lufthansa Group. Social restrictions and the lack of key fundraising channels meant that many projects could not be funded as planned. The help alliance responded quickly to global events; it initiated a coronavirus prevention and emergency aid fund as early as April 2020, together with other new fundraising and information campaigns such as "Cook to help" and "#helpalliance-LIVE". They aimed to inform people about the organisation's project work and to generate donations so that healthcare and food supplies could continue to be sent to the projects as needed and educational activities could be maintained as far as possible.

### Targets

#### A contribution to sustainable social development

The aim of the Group's charitable activities and projects is to make a contribution to the sustainable development of society that reflects the importance and size of the Lufthansa Group and is transparent, credible and verifiable all at the same time.

### Measures

#### help alliance focuses on social and humanitarian projects

The employees who work as volunteers all over the world are the heart of the help alliance. The help alliance combines proven projects initiated by employees with the power and network of the Lufthansa Group.

The focus on social and humanitarian projects makes it possible to deploy the available funding in an efficient and targeted way. In the reporting year, help alliance had to scale back its project work significantly due to the coronavirus crisis. Despite great financial and logistical restrictions, one focus was on continuing to help as many disadvantaged people as possible, since they are particularly hard hit by the pandemic.

In April 2020, the Lufthansa Group also launched an internal online community for its employees with the motto #StrongerTogether. Since then, most employees, even those working short-time, have been able to exchange virtual information with colleagues about volunteering for help alliance projects, educational offerings and other non-work-related topics, as well as to network for a good cause. #StrongerTogether has since become a central platform for the volunteering community within the Lufthansa Group and has made a vital contribution to developing local volunteering communities at Lufthansa Group sites. For the first time, employees also made use of virtual volunteering programmes such as English teaching or mentoring to advise and support young people, regardless of their location.

In 2020, help alliance was responsible for 39 aid projects with a total project volume of EUR 2.5m. 81% of the donations were used for educational projects. More than 40,000 disadvantaged people around the world received help through these projects.

In 2020, the Lufthansa Group covered all of the costs of administration, fundraising and communication. This ensures that 100% of all other donations are used to fund project work. This also applies to voluntary donations made via salary deduction by employees of the Lufthansa Group.

### Extra help provided during the coronavirus pandemic

As a further contribution to overcoming the coronavirus crisis, the Lufthansa Group granted leave of absence quickly and without a lot of paperwork to employees with medical training, enabling them to work as volunteers in hospital facilities. Lufthansa Group employees provided valuable assistance to medical facilities in this way. In addition, companies in the Lufthansa Group donated products and food that was surplus to requirements due to the coronavirus pandemic to various social organisations.

### Repatriation of stranded holidaymakers

Travel restrictions imposed around the world as a result of the coronavirus pandemic in mid-March 2020 caused an unprecedented wave of holidaymakers and travellers to return home. After a month or so, the repatriation programmes for various European countries and many tour operators had largely been completed. All the airlines in the Lufthansa Group supported the governments of their respective countries by providing repatriation flights. Some 90,000 holidaymakers and travellers were flown home after 13 March 2020 by airlines in the Lufthansa Group.

## Responsible production and sustainability in the supply chain



### Concepts

#### Responsible production and sustainability in the supply chain firmly established in the Company

In the opinion of the Lufthansa Group, responsible production is a prerequisite for offering sustainable products. This means that, in addition to economic aspects, impacts on environment and society are taken into consideration during production processes and business activities.

For example, an increasing number of Lufthansa Group companies and locations now have EMAS- or ISO-certified environmental management systems in place with the aim of continually reducing the impact on the environment from production and products. This includes the target of achieving carbon neutrality on the ground at locations in Germany, Switzerland and Austria by 2030 as well as, for instance, reducing disposable plastic items and expanding the range of sustainably produced food offered on board.

It is also a matter of course for Lufthansa Group companies that the working conditions for their employees at least meet the statutory requirements – in many cases these minimum requirements are actually exceeded by internal operating regulations. Lufthansa Technik, for example, has an integrated management manual that outlines the operating requirements for flight safety, quality, environmental protection and occupational safety in production.

Taking sustainability aspects in the supply chain into account is an important element of responsible production. To meet the standards the Lufthansa Group sets for the sustainability

of its own production and products, the Lufthansa Group thus relies on close collaboration with suppliers who share and implement these standards wherever possible. This also forms part of the Lufthansa Group's Code of Conduct, which is published on the Lufthansa Group website.

The purchasing units in the Lufthansa Group are organised into a single reporting line. They report to the Chief Financial Officer. In some cases they are centralised, especially for airline-specific actions such as purchasing aircraft or kerosene, and in others, they are decentralised throughout the Group companies (for specific products). Reporting lines are based on responsibilities for different product groups and Group companies. Product grouping optimises positioning by pooling know-how. The purchasing units inform the Executive Board about current developments on a regular basis. In the reporting year, the Governance, Processes and Sustainability Procurement department was established to deal explicitly with sustainability in purchasing and the supply chain. As well as preparing a strategy paper, the new department began implementing a supplier screening process, which included a test phase.

#### Building and expanding a sustainable supply chain is of strategic importance to the Lufthansa Group

The process-based matrix organisation makes it easier to establish sustainability standards because standardised processes and IT systems are increasingly used. Defining responsibilities within the Group also ensures efficient collaboration. The goal is also to improve the enforcement of sustainability standards.



## Targets

### **The Lufthansa Group expects suppliers to adhere to guidelines**

The Lufthansa Group aims for its suppliers to comply fully with current law, guidelines and regulations concerning fair competition, integrity and responsible practices.

## Measures

### **The Group procurement policy includes the obligation to assume social and ecological responsibility**

The obligation to assume social and ecological responsibility is a key element of the Group procurement policy. It is to be understood as an overriding specification for all procurement units at the Group companies. In addition, it serves as a handbook for buyers and all employees with contacts in the procurement markets. Among other considerations, it is expected that these obligations are included in contracts with suppliers:

- to comply with the ten principles of the UN Global Compact,
- to comply with the four basic principles of the International Labour Organisation (ILO),
- to consent to announced and unannounced audits by companies of the Lufthansa Group,
- to accept the termination of the contract in the event that these contractual obligations are breached.

## Summary

The aspects of corporate responsibility described in the non-financial declaration were significantly affected in the reporting year by the dramatic impact the coronavirus pandemic made on global air traffic and thus also on the Lufthansa Group. Many activities and initiatives could not be carried out as planned, or could only be continued in restricted form.

Nevertheless, a responsible and sustainable approach to resources, the environment, customers, employees and suppliers remains an indispensable condition for the acceptance of the Lufthansa Group's business model, its attractiveness to its stakeholders and ultimately also for its long-term financial stability.

By imposing these obligations, the Lufthansa Group endeavours to ensure responsible practices by its direct suppliers and so to meet its own standards for corporate responsibility. The Lufthansa Group's expectations of its suppliers in terms of social and ecological responsibility are summarised in the Supplier Code of Conduct, which can be found on the Lufthansa Group website.

To identify the type and level of supplier risks, the procurement units responsible for product groups carried out a risk assessment for the suppliers. The outcome is included in the result of Group risk management.

In addition, risk analyses based on expenditure and country were also performed for all direct suppliers in 2019. Suppliers in "extreme risk" countries were identified based on a ranking by Verisk Maplecroft, an advisory company, in order to develop plans for action.

### **The Lufthansa Group's sustainability commitments are confirmed by EcoVadis**

In order to demonstrate its sustainability and responsibility towards its customers, the Lufthansa Group participates in EcoVadis, a sustainability assessment platform for global supply chains. In October 2019, the commitment of the Lufthansa Group was reconfirmed for a further year when it received "Silver Status".


With the activities and concepts described above, the Lufthansa Group aims, as ever, to strengthen the positive effects of its business activities and further reduce the negative impacts wherever possible in order to consolidate its position as a leading player in the airline industry, including in terms of corporate responsibility.

This combined non-financial declaration is based on the GRI Standards 2016. The information in this declaration relates to the following disclosures and management approaches.




**T050 GRI CONTENT INDEX**

	Disclosures refer to		Page
<b>About this combined non-financial declaration</b>	GRI 102-1	Name of the organisation	➤ p. 86
	GRI 102-50	Reporting period	➤ p. 86
	GRI 102-56	External assurance	➤ p. 86
	GRI 102-16	Values, guidelines, standards and behavioural norms	➤ p. 87
	GRI 102-46	Defining report content and topic boundaries	➤ p. 88
	GRI 102-47	List of material aspects	➤ p. 88
	GRI 102-55	GRI Content Index	➤ p. 115
<b>Environmental concerns</b>			
Climate protection	GRI 103-1, 103-2, 103-3	Management approach	➤ p. 89f.
	GRI 305-1	Direct GHG emissions Scope 1	➤ p. 95
	GRI 305-4	Intensity of the GHG emissions	➤ p. 95
	GRI 305-5	Reducing GHG emissions	➤ p. 95
Active noise abatement	GRI 103-1, 103-2, 103-3	Management approach	➤ p. 95
	Performance indicator	Percentage of aircraft that meet the 10dB criteria of ICAO Chapter 4 standard	➤ p. 96
Waste prevention	GRI 103-1, 103-2, 103-3	Management approach	➤ p. 96f.
<b>Customer concerns</b>			
Operational stability	GRI 103-1, 103-2, 103-3	Management approach	➤ p. 98f.
	Performance indicator	Departure punctuality	➤ p. 99
Product and services	GRI 103-1, 103-2, 103-3	Management approach	➤ p. 99ff.
	GRI 416-1	Assessment of the health and safety impacts of product and service categories	➤ p. 98ff.
	Performance indicator	Net Promoter Score	➤ p. 102
<b>Employee concerns</b>			
Attractiveness as an employer	GRI 103-1, 103-2, 103-3	Management approach	➤ p. 103f.
	GRI 102-41	Collective bargaining agreements	➤ p. 104
	Performance indicator	Engagement Index	➤ p. 105
Transformation capability	GRI 103-1, 103-2, 103-3	Management approach	➤ p. 105
Health and safety at work	GRI 103-1, 103-2, 103-3	Management approach	➤ p. 106ff.
	Performance indicator	Health Index	➤ p. 108
<b>Fighting corruption and bribery</b>			
	GRI 103-1, 103-2, 103-3	Management approach	➤ p. 108f.
	GRI 205-1	Operations assessed for risks related to corruption	➤ p. 109
	GRI 205-2	Communication and training on anti-corruption policies and procedures	➤ p. 109
<b>Respect for human rights</b>	GRI 103-1, 103-2, 103-3	Management approach	➤ p. 110f.
<b>Social concerns</b>	GRI 103-1, 103-2, 103-3	Management approach	➤ p. 112f.
<b>Responsible production and sustainability in the supply chain</b>	GRI 103-1, 103-2	Management approach	➤ p. 113f.

**T051 SUSTAINABLE DEVELOPMENT GOALS (SDG)**

SDG	Sub-target	Aspect/issue	Page	Activities of Lufthansa Group
	4.1 – 4.6	Social concerns	➤ p. 112	81% of donations to the help alliance used to support education
	4.4	Attractiveness as an employer/ transformation capability	➤ p. 105f.	Transformation support and training established as routine processes
	5.2	Respect for human rights	➤ p. 111	“Zero tolerance” for cases of sexual harassment
	5.4	Employee concerns/ Attractiveness as an employer	➤ p. 104	Gender equality is promoted by a wide range of measures
	5.5	Employee concerns/ Attractiveness as an employer	➤ p. 104	Special focus on support for female junior employees
	8.5	Respect for human rights	➤ p. 110	Respect for human rights is an integral part of the corporate culture
	8.5	Employee concerns/ Attractiveness as an employer	➤ p. 105	Support for LGBTI concerns
	8.5	Employee concerns/ Attractiveness as an employer	➤ p. 105	Inclusion of people with disabilities is part of social responsibility
	8.5	Employee concerns/ Attractiveness as an employer	➤ p. 104	Working and employment conditions for employees and managers are flexible and can be adapted
	8.6	Social concerns	➤ p. 112	For the first time, employees also made use of virtual volunteering programmes such as English teaching or mentoring to advise and support young people, regardless of their location.
	8.6	Social concerns	➤ p. 112	The help alliance responded quickly to global events; it initiated a coronavirus prevention and emergency aid fund as early as April 2020, together with other new fundraising and information campaigns such as “Cook to help” and #helpallianceLIVE. They aimed to inform people about the organisation’s project work and to generate donations so that healthcare and food supplies could continue to be sent to the projects as needed and educational activities could be maintained as far as possible.
	8.7	Respect for human rights	➤ p. 111	Management approach to human trafficking developed
	8.8	Respect for human rights	➤ p. 111	Procedures for reporting human rights violations have been implemented
	8.8	Respect for human rights	➤ p. 111	Awareness programmes for target groups of managers and employees
	8.8	Respect for human rights	➤ p. 111	Support for employees during the pandemic
	8.8	Responsible production and sustainability in the supply chain	➤ p. 114	The Group procurement policy includes the obligation to assume social and ecological responsibility
	8.8	Responsible production and sustainability in the supply chain	➤ p. 114	To identify supplier risks, the procurement units responsible for product groups carried out a risk assessment for the suppliers
	8.8	Employee concerns/ Health and safety at work	➤ p. 106ff.	Employee health and preventing work accidents are a top priority
	8.8	Employee concerns/ Attractiveness as an employer	➤ p. 104	Unrestricted freedom of association is an established feature of the Lufthansa Group
		9.1	Customer concerns/ Operational stability	➤ p. 99
9.1		Customer concerns/Concepts	➤ p. 100	Numerous hygiene measures implemented as a result of the coronavirus pandemic
9.1		About this combined non-financial declaration/Social concerns	➤ p. 88 ➤ p. 113	Maintenance of relevant flight connections for the transport of passengers and goods during the global coronavirus pandemic, such as repatriation of stranded passengers, the delivery of urgently needed goods such as protective masks and other equipment to fight the pandemic, early preparations for transporting vaccines, expansion of freight capacities through the conversion of passenger aircraft.
9.1		Environmental concerns/ Active noise abatement	➤ p. 95	The best method of reducing aircraft noise at the source is the modernisation of the fleet
9.4		Customer concerns/ Product and services	➤ p. 98	Lufthansa Group supports environmental sustainability goals in product and service design
9.4		Environmental concerns/ Climate protection	➤ p. 95	Absolute CO <sub>2</sub> emissions fall by 65.6% due to the pandemic. Specific CO <sub>2</sub> emissions per passenger-kilometre have risen by 14.1% due to the lower average passenger load factor and the increased proportion of short-haul flights on account of significant travel restrictions during the pandemic.
9.5		Environmental concerns/ Active noise abatement	➤ p. 96	Optimising flight procedures and flight routes helps to reduce noise

**T051 SUSTAINABLE DEVELOPMENT GOALS (SDG)** (continued)

SDG	Sub-target	Aspect/issue	Page	Activities of Lufthansa Group
	12.5	Environmental concerns/ Waste prevention	➤ p. 96f.	Lufthansa Group supports a variety of initiatives to comprehensively reduce waste
	12.6	Responsible production and sustainability in the supply chain	➤ p. 114	The Lufthansa Group's expectations of its suppliers in terms of social and ecological responsibility are summarised in the Supplier Code of Conduct
	13.1	Environmental concerns/ Climate protection	➤ p. 90ff.	Continuous investment in modern, fuel-efficient aircraft and engine technologies, as well as investment in research and use of alternative fuels for air transport
	13.1	Environmental concerns/ Climate protection	➤ p. 93	Deployment of efficiently sized aircraft, better load factors, testing and introduction of new flight procedures, as well as the determination of optimal flight routes and flight speeds
	13.1 – 13.3	Environmental concerns/ Climate protection	➤ p. 94	Climate action agreements (CORSIA – Carbon Offsetting and Reduction Scheme for International Aviation)/Opportunities for voluntary carbon offsets
	13.2	Environmental concerns/ Climate protection	➤ p. 92f.	To cut CO <sub>2</sub> emissions, what is required is a fundamental modernisation of the airspace structure and the development of the intermodal transport
	13.3	About this combined non-financial declaration	➤ p. 87	The Lufthansa Group's engagement is rated by the international non-profit rating organisation CDP
	17.15	Social concerns	➤ p. 113	As a further contribution to overcoming the coronavirus crisis, the Lufthansa Group granted leave of absence quickly and without a lot of paperwork to employees with medical training, enabling them to work as volunteers in hospital facilities. Lufthansa Group employees provided valuable assistance to medical facilities in this way.
	17.16	About this combined non-financial declaration	➤ p. 87	Since 2002, the Company has applied the principles of the UN Global Compact for sustainable and responsible corporate governance

## Forecast

Global economic growth and the worldwide aviation industry are expected to recover. | Lufthansa Group expects a lower operating loss for 2021.

### MACROECONOMIC OUTLOOK

Economic and sector-specific developments can have a significant influence on the operating and financial performance of the Lufthansa Group. The following forecast for the course of business is therefore based on assumptions about the development of the wider economy and the sector. These assumptions are described below. The Lufthansa Group continually monitors the development of this operating environment so that it can respond as quickly and comprehensively as possible to any changes.

#### T052 GPD DEVELOPMENT<sup>1)</sup>

Forecast 2020 to 2024 compared with the previous year

in %	2020	2021	2022	2023	2024
World	-3.9	4.4	4.1	3.2	3.1
Europe	-6.7	3.3	4.2	2.1	1.8
Germany	-5.3	2.8	4.0	1.7	1.4
North America	-3.7	4.0	3.9	2.5	2.5
South America	-7.1	3.9	2.9	2.5	2.5
Asia/Pacific	-1.5	5.7	4.6	4.4	4.5
China	2.1	7.6	5.6	5.4	5.3
Middle East	-6.9	4.8	4.4	3.8	3.5
Africa	-4.1	3.7	3.1	3.4	3.5

Source: Global Insight World Overview as of 15 Jan 2021.

<sup>1)</sup> Forecast.

#### Recovery in global economic growth expected

According to data from Global Insight, global economic growth of 4.4% is expected for 2021 in contrast to the decline of 3.9% recorded last year. Growth of 3.3% is forecast for Europe (previous year: -6.7%). However, the German economy is expected to grow more slowly at 2.8% (previous year: -5.3%).

#### Sideways movement expected for interest and exchange rates

On average, analysts are expecting the euro to rise again slightly against the US dollar in 2021, and stay largely flat against other main currencies. Nonetheless, the development of the pandemic, the potential risk due to the high increase

in private and public debt worldwide and a new escalation in the global trade conflict could result in significant swings on foreign exchange markets.

In 2020, the European Central Bank loosened its monetary policy in the context of the coronavirus pandemic and took extensive steps to stabilise the banking system and financial markets. For 2021, the expectation is that the European Central Bank will maintain its negative interest rate policy and net bond purchases, so interest rates are likely to stay low.

#### Slight fall in oil prices expected

Market participants are expecting the oil price to fall slightly in the medium term. As of 31 December 2020, futures contracts for delivery in December 2021 were trading at USD 50.49/barrel, and for delivery in December 2022 at USD 49.70/barrel.

### SECTOR OUTLOOK

#### Passenger traffic forecast to recover slightly in the second half of 2021

In its basic forecast, the International Air Transport Organisation (IATA) is predicting growth of 50% in global passenger traffic – per revenue passenger-kilometres – in 2021, following a decline of 66% in 2020. This would bring passenger traffic up to around 50% of its pre-crisis level. At the same time, the assumption is that the increased availability of coronavirus vaccines in the second half of the year will represent a turning point from which global passenger traffic will gradually recover. Air transport is expected to account for around 0.5% of global GDP, around half of its pre-crisis level.

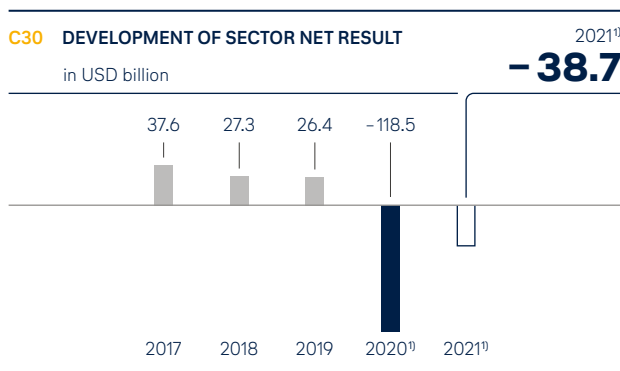
Considering the spread of virus mutations that could have an adverse impact on recovering demand for global air transport, IATA also published a negative scenario in February 2021 in which year-on-year growth would merely reach 13%. This would amount to around 38% of the pre-crisis level in 2021. IATA is not expecting a complete return to pre-crisis levels until at least 2024.

In its basic forecast for 2021, IATA is expecting significant regional differences in growth in revenue passenger-kilometres. North America is therefore expected to have the fastest recovery, with growth of 61% (previous year: -66%), followed by Asia/Pacific with 50% (previous year: -62%), Europe with 48% (previous year: -70%) and the Middle East with 43% (previous year: -73%). The slowest growth is forecast for South America with 39% (previous year: -64%), and Africa with 35% (previous year: -72%).

Financial analysts specialising in the sector predict that short-haul tourist traffic in the European market will recover fastest and most strongly. The speed of the recovery will depend on the further course of the pandemic; it will determine how fast travel restrictions can be loosened or lifted. Analysts think that the availability of effective vaccines and the speed at which the population can be inoculated will have a significant influence. The availability of rapid tests with which passengers can prove that they are not infected, and their acceptance by immigration authorities worldwide, could also have a positive impact on the pace of the recovery.

Business travel and long-haul routes are expected to recover more slowly than tourist traffic. The assumption is that the growing acceptance of digital communications tools will be partly to the detriment of physical travel.

In terms of yields, IATA is not expecting any year-on-year change in 2021 (previous year: decline of 8.0%). The industry is expected to report a net loss of USD 38.7bn (previous year: USD -118.5bn).



<sup>1)</sup> Forecast.  
Source: IATA Airline Industry Economic Performance (11/2020).

### Airfreight set to increase again in 2021

Global airfreight – per revenue cargo tonne-kilometres – declined by 12% in 2020 due to the coronavirus pandemic. For 2021, IATA expects an increase of 13% due to the global economy recovery.

Yields in the cargo business are forecast to go up by 5% in 2021 (previous year: 30%).

### Long-term recovery expected for Aviation Services

The latest forecasts by consultancy firm ICF predict average growth of 15% for the MRO market in 2021 and average growth of 11% p.a. in the period leading up to 2025.

The airline catering market depends heavily on air traffic. Revenue in 2021 will stay low as a result, with a recovery only expected in later years. The production overcapacities this has caused are increasing pricing and consolidation pressure in the classical catering business. The increasing in-flight digitisation and the potential it creates for individual passenger choices mean that airline caterers have to expand their digital competences.

## CHANGES IN BUSINESS AND ORGANISATION

The Lufthansa Group regularly reviews its organisational structure and adapts it to any changes in the business environment. Opportunities to increase efficiency are seized in all of the Lufthansa Group's segments and are reflected in the planning.

As part of the focus on our core business segment, the sale of LSG group's European business to gategroup was completed on 2 December 2020. The international activities of the LSG group will also be sold as soon as conditions permit. Disposals of other non-airline companies, such as AirPlus, are also under review.

With its Group-wide restructuring and transformation programme ReNew, the Lufthansa Group is putting the company on track for a viable future. After the coronavirus crisis, the Lufthansa Group will be smaller, leaner and more efficient. The workforce is to be adjusted in line with the market contraction caused by the pandemic and reduced by around 27,000 full-time equivalents based on current estimates. In addition, the number of management positions in the Group is to be reduced by at least 20%.



In the new, more efficient organisational structure, decisions should be taken faster, processes sped up and collaboration simplified. The functional process organisation (matrix organisation) will be restricted to the core functions of the Lufthansa Group airlines. A new management model is to be introduced for all other areas with clearly defined decentralised or centralised responsibilities, depending on the process. The process of making Lufthansa German Airlines an independent organisational unit was started by creating a separate management board.

## OUTLOOK LUFTHANSA GROUP

### **Financial outlook for 2021 depends largely on the impact of the coronavirus pandemic**

The airline industry is expected to remain more severely affected by the global spread of the coronavirus than other sectors of the economy, and to remain so longer. The Lufthansa Group concurs with the expectations of independent organisations and experts as described in the sector outlook. It assumes that passenger numbers will not return to pre-crisis levels until at least 2024.

### **Uncertainty remains high**

Expectations for the sector outlook reflect a high degree of uncertainty. The outlook for the Company is subject to the same uncertainty. The Lufthansa Group assumes that changes in the course of the pandemic will have a material and direct impact on its performance. This is due mainly to the impact of changes on travel restrictions, which are a key determinant of customer demand. Customers are expected to continue booking at very short notice.

### **Gradual expansion of flight capacities expected**

At present, the Lufthansa Group assumes that the increasing availability of effective vaccines in particular will support customer demand to such an extent that flight capacities can be significantly expanded over the course of the year. The Lufthansa Group expects that this will increasingly be possible from the middle of the year, especially on routes to tourist destinations in Europe. On long-haul routes and in the business travel segment, the Lufthansa Group expects the recovery to be slower.

### **Capacity outlook for Group airlines for 2021 largely determined by the impact of the coronavirus crisis**

In view of this considerable uncertainty, the Group airlines are focusing on ensuring a high degree of operational flexibility so as to be able to adjust flight capacities to various demand scenarios, also at short notice. A sufficient number of aircraft will be parked so that they can return to service at short notice. Short-time working can be reduced quickly, making it possible to crew these aircraft with short lead times.

Capacity planning at the Network Airlines for 2021 is based on various scenarios ranging between 40% and 50% of pre-crisis – i.e. 2019 – capacity; available capacity at the start of the year will be significantly lower. Despite improving on the previous year, the passenger load factor is expected to remain significantly below its pre-crisis level. Revenue is nevertheless expected to improve year-on-year. The extent of the increase depends on how fast and how strongly demand recovers over the course of the year.

Capacity at Eurowings, with its higher share of short-haul traffic to tourist destinations, is expected to increase more strongly than at the Network Airlines. This means revenue is also expected to go up year-on-year.

### **Gradual recovery in revenue in MRO and Catering segments – year-on-year decline expected in Logistics**

Revenue in the Logistics business segment is expected to fall in 2021 since yields are likely to normalise over the year, due to the market-wide increase of belly capacities compared with the historically high prior-year level. Freight capacity will also decline due to the decommissioning of the remaining MD-11 fleet.

Revenue in the MRO business segment is expected to recover gradually year-on-year, driven primarily by a gradual improvement in capacity use in the engine and component business.

Revenue in the Catering business segment will likely profit from the gradual recovery in airline customer demand, but will remain significantly below pre-crisis levels in 2021.

### **Increase in Group revenue expected**

Revenue for the Group as a whole is expected to go up year-on-year. The extent of the increase will largely depend on the pace of recovery at the Group airlines. Revenue will nonetheless still be significantly lower than before the crisis.

### **Continued cost-cutting measures to reduce operating loss for Lufthansa Group in 2021**

The further reduction of fixed costs in 2021 will be supported by the ongoing implementation of restructuring programmes in all Group companies, the use of short-time working, and effects of the structural measures – some of which were started last year – including the significant reduction in the workforce that has already taken place. Depreciation and amortisation will also be lower than last year.

Depending on the extent of the recovery in the airline business and the progress made with restructuring, the operating loss for the Lufthansa Group as measured by Adjusted EBIT is therefore expected to be lower than in the previous year. The Adjusted EBIT margin is therefore also expected to be less negative than in the previous year. The expectation of a less negative Adjusted EBIT than in the previous year applies equally to all segments with the exception of Logistics, where a forecast decline in revenue is also expected to reduce Adjusted EBIT compared with the record figure reported in the previous year. Logistics will nevertheless remain highly profitable by historic standards.

#### **Free cash flow expected to decline by less than last year**

The Lufthansa Group expects that net outflows from operating activities can be stopped over the course of the year, if capacity at Group airlines reaches at least 50% of its pre-crisis level.

The Lufthansa Group expects strict working capital management to have a positive effect on operating cash flows. A significant contribution will come from both the expected new bookings over the course of 2021 following the decrease last year due to the crisis, and a significantly lower volume of ticket refunds. This should also compensate for the absence of the previous year's positive non-recurring effects and the payment of taxes that were deferred in 2020.

Gross capital expenditure of some EUR 1.3bn is expected, around the same level as the previous year. This will mainly be for investment in aircraft. As in the previous year, capital expenditure is significantly lower than originally planned, which is due to the postponement of aircraft deliveries and the associated payments.

The Lufthansa Group's free cash flow is therefore forecast to have a higher value than in 2020. Net indebtedness is expected to increase. In view of the earnings forecast, the ratio of net debt including pension provisions to Adjusted EBITDA is not expected to be meaningful in 2021 either. Planned financing measures will have a positive impact on liquidity, however. Taking into account the liquidity available at year-end, the Lufthansa Group therefore assumes that the Company's solvency is assured beyond the end of 2021.

Return on capital (Adjusted ROCE) is expected to improve year-on-year, but in line with the earnings outlook will be negative again in 2021.

#### **Reduction in carbon emissions per passenger-kilometre expected**

The Lufthansa Group aims to continue its progress in reducing its environmental impacts in 2021. The expected improvement in the passenger load factor, effects from the permanent retirement of less efficient, four-engined long-haul aircraft, and the ongoing modernisation of the fleet are expected to have a positive impact on specific CO<sub>2</sub> emissions per passenger-kilometre. The Lufthansa Group therefore expects specific carbon emissions to decline year-on-year.

#### **Implementation of Group strategy to enable return to profitability and value creation**

The Lufthansa Group is strategically refining the implementation of its ReNew restructuring programme and adjusting it to cope with the structural changes resulting from the coronavirus pandemic. This is intended to enable the Company to once again create value for its shareholders, repay the stabilisation measures it has received and secure its lasting financial stability. ➔ **Goals and strategies, p. 17ff.**

## OVERALL STATEMENT BY THE EXECUTIVE BOARD ON THE EXPECTED DEVELOPMENT OF THE LUFTHANSA GROUP

The market environment remains challenging for the Lufthansa Group in 2021. The coronavirus pandemic will continue to weigh on the performance of the Lufthansa Group, though analysts estimate that passenger business is expected to recover slightly in the course of 2021. The severity of the impact depends primarily on the containment of the virus as well as the availability of vaccines, and the speed at which vaccination takes place.

Depending on the recovery of the airline business and the further progress made with restructuring, the Lufthansa Group forecasts higher revenue in 2021 than in 2020 and a lower operating loss than in the previous year.

The Lufthansa Group is convinced that the Company's liquidity at year-end 2020, the ongoing measures to cut costs and reduce cash outflows, and the planned financing measures will safeguard its existence beyond the forecast period, even if its actual performance remains below the forecasts made in this report.

## Corporate Governance

### SUPERVISORY BOARD AND EXECUTIVE BOARD

#### Supervisory Board

**Karl-Ludwig Kley**

Chairman of the Supervisory Board  
E.ON SE  
Chairman

**Christine Behle**

Deputy Chairwoman  
of the trade union ver.di  
Employee representative<sup>1)</sup>  
Deputy Chairwoman

**Alexander Behrens**

Flight attendant  
Employee representative<sup>1)</sup>

**Jörg Cebulla**

Flight captain  
Employee representative

**Erich Clementi**

Deputy Chairman  
of the Supervisory Board E.ON SE  
(since 5 May 2020)

**Thomas Enders**

Member in various Supervisory Boards  
(since 5 May 2020)

**Herbert Hainer**

President FC Bayern München e.V.  
(until 5 May 2020)

**Christian Hirsch**

Information Management Consultant/  
Works Council member  
on leave of absence – ver.di section  
Employee representative  
(until 31 December 2020)

**Jürgen Jennerke**

Chairman of General Works Council  
Lufthansa Cargo/  
Works Council member  
on leave in absence – ver.di section  
(since 8 December 2020)

**Michael Kerkloh**

Former Chairman  
of the Executive Board  
Flughafen München GmbH  
(since 2 September 2020)<sup>2)</sup>

**Carsten Knobel**

Chairman of the Executive Board  
and CEO  
Henkel AG & Co. KGaA

**Holger Benjamin Koch**

Senior Director Airport/  
Industry Charges & Commercial  
Provider Management  
Employee representative

**Martin Koehler**

Former head of the  
Aviation Competence Center at  
The Boston Consulting Group  
(since 31 August 2020)

**Harald Krüger**

Former Chairman  
of the Executive Board  
Bayerische Motorenwerke  
Aktiengesellschaft (BMW AG)  
(since 5 May 2020)

**Martina Merz**

Chairwoman of the Executive Board  
thyssenkrupp AG  
(until 5 May 2020)

**Michael Nilles**

Chief Digital &  
Information Officer (CDIO)  
Henkel AG & Co. KGaA  
(until 5 May 2020)

**Monika Ribar**

President of Board of Directors  
Schweizerische Bundesbahnen  
SBB AG, Switzerland  
(until 31 August 2020)

**Birgit Rohleder**

Teamlead IT Application  
Management Airport Services  
Employee representative

**Miriam Sapiro**

Managing Director &  
Vice Chairwoman (Public Affairs),  
Sard Verbinden & Co., USA

**Ilja Schulz**

Flight captain and member  
of the Cockpit pilots' union  
Employee representative<sup>1)</sup>

**Birgit Spineux**

Purser/Employee representative  
on leave in absence  
Employee representative  
(since 1 January 2021)

**Astrid Stange**

Group Chief Operating Office  
AXA SA  
(since 5 May 2020)

**Olivia Stelz**

Purser/Employee representative  
on leave in absence  
Employee representative

**Stephan Sturm**

Chairman of the Executive Board  
Fresenius Management SE

**Angela Titzrath**

Chairwoman of the Executive Board  
Hamburger Hafen und Logistik AG  
(since 2 September 2020)<sup>2)</sup>

**Christina Weber**

Commercial Employee  
Employee representative  
(until 2 December 2020)

**Klaus Winkler**

Engine mechanic  
Employee representative

**Matthias Wissmann**

Senior International Counsel  
WilmerHale  
(until 5 May 2020)

**Honory Chairman**

**Dipl.-Ing. Jürgen Weber**

Former Chairman of the  
Supervisory Board  
Deutsche Lufthansa AG

<sup>1)</sup> Trade union representative in accordance with Section 7 Paragraph 2 Co-determination Act (MitbestG).

<sup>2)</sup> Member designated by the WSF in accordance with framework agreement.

## Executive Board

(Structure since 1 January 2021)

### Carsten Spohr

Chief Executive Officer

### Thorsten Dirks

Member of the Executive Board  
IT, Digital & Innovation  
(until 30 June 2020)

### Christina Foerster

Chief Customer Officer

### Harry Hohmeister

Chief Commercial Officer

### Detlef Kayser

Chief Operations Officer

### Michael Niggemann

Chief HR & Legal Officer

### Remco Steenberg

Chief Financial Officer  
(since 1 January 2021)

### Ulrik Svensson

Member of the Executive Board  
Finances  
(until 30 April 2020)

## MANDATES

### Other mandates of the Supervisory Board members of Deutsche Lufthansa AG

(As of 31 December 2020)

#### Karl-Ludwig Kley

- a) BMW AG<sup>3)</sup> (Deputy Chairman)
- E.ON SE<sup>3)</sup> (Chairman)

#### Christine Behle

- a) BREMER LAGERHAUS-GESELLSCHAFT – Aktiengesellschaft von 1877 –<sup>3)</sup> (Deputy Chairwoman)

#### Jörg Cebulla

- a) Sparda-Bank Hessen eG
- b) Albatros Versicherungsdienste GmbH

#### Erich Clementi

- a) E.ON SE<sup>3)</sup> (Deputy Chairman)

#### Thomas Enders

- a) Knorr Bremse AG
- b) Linde plc.

#### Herbert Hainer

- a) Allianz SE<sup>3)</sup> FC Bayern München AG (Chairman)
- b) Accenture plc., Ireland<sup>3)</sup>

#### Jürgen Jennerke

- a) Lufthansa Cargo AG (Deputy Chairman)

#### Martin Koehler

- a) Delton Technology SE (Deputy Chairman)
- b) American Funds Investment-Fonds, managed by the Capital Group, USA FlixMobility GmbH

#### Harald Krüger

- a) Deutsche Telekom AG<sup>3)</sup>

#### Martina Merz

- b) AB Volvo, Sweden<sup>3)</sup> Imerys SA, France<sup>3)</sup> (until 4 May 2020) SAF-HOLLAND SA, Luxembourg<sup>3)</sup>

#### Michael Nilles

- a) Lufthansa Technik AG
- b) Medela Holding AG, Switzerland (Board of Directors) Medela AG, Switzerland (Board of Directors)

#### Monika Ribar

- b) Chain IQ Group AG, Switzerland Schweizerische Bundesbahnen SBB AG, Switzerland (President of the Board of Directors) Sika AG, Switzerland<sup>3)</sup>

#### Miriam Sapiro

- b) Project HOPE, USA

#### Astrid Stange

- b) AXA Group Operations SAS (President of the Executive Committee) GIE AXA

#### Stephan Sturm

- a) Fresenius Kabi AG<sup>1)</sup> (Chairman) Fresenius Medical Care Management AG<sup>1)</sup> (Chairman)
- b) VAMED AG, Austria<sup>2)</sup> (Deputy Chairman)

#### Angela Titzrath

- a) Evonik Industries AG<sup>3)</sup>
- b) Talanx AG<sup>3)</sup>

#### Christina Weber

- a) LSG Lufthansa Service Holding AG

#### Matthias Wissmann

- b) ODDO BHF SCA

a) Membership of supervisory boards required by law.

b) Membership of comparable supervisory bodies at companies in Germany and abroad.

<sup>1)</sup> Group mandate in accordance with Section 100 Paragraph 2 Sentence 2 AktG.

<sup>2)</sup> Other group mandate.

<sup>3)</sup> Publicly listed company.

## Mandates of the Executive Board members of Deutsche Lufthansa AG

(As of 31 December 2020)

### Carsten Spohr

- a) Lufthansa Technik AG<sup>1)</sup>  
(Chairman, until 2 April 2020)  
Münchener Rückversicherungs-  
Gesellschaft Aktiengesellschaft  
(since 27 April 2020)

### Thorsten Dirks

- a) Euowings GmbH<sup>1)</sup>  
(Chairman, until 30 June 2020)  
Germanwings GmbH<sup>1)</sup>  
(Chairman, until 14 January 2020)  
b) Euowings Europe GmbH  
(Chairman, until 29 February 2020)  
Günes Ekspres Havacilik A.S.  
(SunExpress), Turkey  
(Deputy Chairman,  
until 31 March 2020)  
SN Airholding SA/NV, Belgium<sup>2)</sup>  
(Chairman, until 30 June 2020)

### Christina Foerster

- a) Euowings GmbH<sup>1)</sup>  
(since 14 April 2020)  
LSG Lufthansa Service Holding AG<sup>1)</sup>  
(since 17 April 2020)  
Lufthansa CityLine GmbH<sup>1)</sup>  
(since 31 March 2020)  
b) Austrian Airlines AG, Austria  
(Chairwoman, since 2 April 2020)  
Lufthansa AirPlus  
Servicekarten GmbH  
(Chairwoman, since 6 April 2020)  
SN Airholding SA/NV  
(since 6 April; Chairwoman,  
since 3 July 2020)  
Swiss International Air Lines AG,  
Switzerland (since 4 April 2020)

### Harry Hohmeister

- a) Lufthansa Cargo AG<sup>1)</sup> (Chairman)  
b) Aircraft Maintenance  
and Engineering Corporation  
(AMECO), China  
Austrian Airlines AG, Austria  
(Chairman, until 2 April 2020)  
Günes Ekspres Havacilik A.S.  
(SunExpress), Turkey  
(since 16 July 2020)  
Swiss International Air Lines AG,  
Switzerland (until 2 April 2020)

### Detlef Kayser

- a) Aerodata AG (until 31 March 2020)  
LSG Lufthansa Service Holding AG<sup>1)</sup>  
(Chairman)  
Lufthansa Technik AG  
(Chairman, since 2 April 2020)<sup>1)</sup>  
b) Austrian Airlines AG, Austria  
(Deputy Chairman,  
since 7 April 2020)  
Swiss International Air Lines AG,  
Switzerland (since 4 April 2020)  
Günes Ekspres Havacilik A.S.  
(SunExpress), Turkey  
(until 31 March 2020)

### Michael Niggemann

- a) Lufthansa CityLine GmbH<sup>1)</sup>  
(until 31 March 2020)  
b) Austrian Airlines AG, Austria  
(Deputy Chairman,  
until 7 April 2020)

### Ulrik Svensson

- b) Lufthansa AirPlus  
Servicekarten GmbH<sup>1)</sup>  
(Chairman, until 3 April 2020)  
Swiss International Air Lines AG,  
Switzerland (until 31 March 2020)

## C31 SUPERVISORY BOARD COMMITTEES

as of 31 Dec 2020

Steering Committee	Audit Committee	Nomination Committee	Arbitration Committee in accordance with Section 27 Paragraph 3 Co-determination Act (MitbestG)
<b>Karl-Ludwig Kley,</b> Chairman  <b>Christine Behle,</b> Deputy Chairwoman  <b>Thomas Enders</b>  <b>Ilja Schulz</b>	<b>Stephan Sturm,</b> Chairman  <b>Alexander Behrens</b>  <b>Jörg Cebulla</b>  <b>Michael Kerkloh</b>  <b>Carsten Knobel</b>  <b>Klaus Winkler</b>	<b>Karl-Ludwig Kley,</b> Chairman  <b>Thomas Enders</b>  <b>Harald Krüger</b>	<b>Karl-Ludwig Kley,</b> Chairman  <b>Christine Behle,</b> Deputy Chairwoman  <b>Thomas Enders</b>  <b>Ilja Schulz</b>
16 meetings in 2020	Six meetings in 2020	One meeting in 2020	No meetings in 2020

a) Membership of supervisory boards required by law.

b) Membership of comparable supervisory bodies at companies in Germany and abroad.

<sup>1)</sup> Group mandate in accordance with Section 100 Paragraph 2 Sentence 2 AktG.

<sup>2)</sup> Other group mandate.

<sup>3)</sup> Publicly listed company.

## DISCLOSURES IN ACCORDANCE WITH SECTION 289A PARAGRAPH 1 HGB AND SECTION 315A PARAGRAPH 1 HGB

### Composition of issued capital, types of shares, rights and duties

Deutsche Lufthansa AG's issued capital amounts to EUR 1,530,221,624.32 and is divided into 597,742,822 registered shares. Each share corresponds to EUR 2.56 of the issued capital. The transfer of shares requires the Company's authorisation (restriction of transferability). The Company may only withhold authorisation if registering the new shareholder in the share register could jeopardise the maintenance of air traffic rights. This did not occur in financial year 2020. Shareholders exercise their rights and cast their votes at the Annual General Meeting in accordance with statutory regulations and the Company's Articles of Association. Each share is entitled to one vote.

### Voting and share transfer restrictions

To preserve international air traffic rights and air traffic rights to fly to various international destinations, the proportion of German/European shareholders must be at least 50% of the Company's issued capital. If the proportion of foreign shareholders reaches 40%, Deutsche Lufthansa AG is granted special permission under Section 4 Paragraph 1 German Aviation Compliance Documentation Act (LuftNaSiG) together with Section 71 Paragraph 1 No. 1 German Stock Corporation Act (AktG) to buy back its own shares. If the proportion of foreign shareholders in the share register reaches 45%, the Company is authorised, subject to Supervisory Board approval, to increase issued capital by up to 10% by issuing new shares for payment in cash without subscription rights for existing shareholders (Section 4 Paragraphs 2 and 3 LuftNaSiG together with Section 4 Paragraph 3 of the Articles of Association). If the proportion of foreign shareholders approaches the 50% threshold, the Company is entitled to withhold authorisation to register new foreign shareholders in the share register (Section 5 Paragraph 1 of the Articles of Association). Furthermore, the Company is authorised, according to Section 5 Paragraph 2 LuftNaSiG and subject to the approval of the Supervisory Board, to require the most recently registered shareholders to sell their shares. From the fourth day after this requirement has been published, the shareholders concerned can no longer exercise the rights conferred by the shares concerned. If they do not comply with the requirement within four weeks, the Company is entitled after a further notice period of three weeks to declare the shares to be forfeited and to compensate the shareholders accordingly. On 31 December 2020, foreign shareholders held 16.2% of the shares in the shareholders' register of the Company. No steps were taken in 2020 to limit the percentage of foreign shareholders. Detailed information on the German Aviation Compliance Documentation Act (LuftNaSiG) and the quarterly update on our shareholder structure can be found at [www.lufthansagroup.com/investor-relations](https://www.lufthansagroup.com/investor-relations).

The annual share investment programmes for employees and managers have time-based restrictions on trading in shares, particularly lock-up periods of up to four years.

### Direct or indirect shareholdings with more than 10% of voting rights

As of 31 December 2020, the Company had received the following notification of direct or indirect shareholdings with more than 10% of voting rights:

- Economic Stabilisation Fund (WSF) 20.05% (notified on 6 July 2020)
- Heinz Hermann Thiele: 12.42% (notified on 13 July 2020)

### Holders of shares with special controlling rights

The Company has no shares that confer special controlling rights. The WSF has special shareholder rights, however, such as veto rights over certain types of financing and Supervisory Board seats. Additional information about the special rights of the WSF can be found at <https://investor-relations.lufthansagroup.com/en/corporate-governance/stabilisierungspakete.html>.

### Control of voting rights for employee shares when control rights are exercised indirectly

Where the Company issues shares to its staff as part of its employee programmes, these shares are transferred to the employees directly. The staff beneficiaries can exercise the controlling rights that accrue to them from the employee shares directly in the same way as other shareholders, in accordance with statutory regulations and the provisions of the Articles of Association.

### Statutory regulations and provisions of the Company's Articles of Association on the appointment and dismissal of members of the Executive Board and amendments to the Company's Articles of Association

The Supervisory Board appoints the members of the Executive Board and decides how many members there should be. The Supervisory Board can revoke appointments for membership and to the position of Chairman of the Executive Board for good reason. All amendments to the Articles of Association must be approved by resolution of an Annual General Meeting, with a majority of at least three quarters of the issued capital present. The Supervisory Board is authorised to adopt changes to the Articles of Association that only relate to wording (Section 11 Paragraph 4 of the Articles of Association). Furthermore, the Supervisory Board is entitled to amend Section 4 of the Articles of Association if authorised capital is exercised or expires.



**Rights of the Executive Board to issue or repurchase shares**

As of 31 December 2020, Deutsche Lufthansa AG had Authorised Capital A amounting to EUR 450,000,000.00 and Authorised Capital B amounting to EUR 22,362,168.32:

A resolution passed at the Annual General Meeting on 7 May 2019 authorised the Executive Board until 6 May 2024, subject to approval by the Supervisory Board, to increase the Company's issued capital by up to EUR 450,000,000.00 by issuing new registered shares on one or more occasions for payment in cash or in kind (Authorised Capital A). No use was made of this authorisation in the reporting period.

A resolution passed by the Annual General Meeting on 7 May 2019 authorised the Executive Board until 6 May 2024, subject to approval by the Supervisory Board, to increase the Company's issued capital on one or more occasions by up to EUR 30,000,000.00 by issuing new registered shares to employees (Authorised Capital B) for payment in cash. Existing shareholders' subscription rights are excluded. The Company made no use of this authorisation in the reporting period.

A resolution passed at the Annual General Meeting on 5 May 2020 authorised the Executive Board until 4 May 2025, subject to approval by the Supervisory Board, to issue bearer or registered convertible bonds, bond/warrant packages, profit sharing rights or participating bonds (or combinations of these instruments) for a total nominal value of up to EUR 1,500,000,000. A convertible bond was issued for EUR 600,000,000 in November 2020. This used up a large part of the existing authorisation to grant shares to the holders or creditors of the bond, and to increase the Company's share capital by up to EUR 122,417,728 by issuing up to 47,819,425 new registered shares. The convertible bond issued in November 2020 entitles the bearer to convert up to 46,296,296 shares, increasing share capital by up to EUR 118,518,518. The contingent capital increase will only take place to the extent that the holders or creditors of conversion and/or option rights, or those with a conversion obligation from convertible bonds, bond/warrant packages, profit-sharing rights or participating bonds (or any combination of these instruments) issued by the Company or its Group companies pursuant to the authorisation given at the Annual General Meeting for the period 5 May 2020 to 4 May 2025 exercise their conversion or option rights, or if the holders or creditors of convertible bonds meet their conversion obligations or, if the Company exercises its option, Company shares are granted in lieu of payment of all or part of the amount in cash due, to the extent that a cash compensation is not granted or the Company's treasury shares are not used for settling the obligation. The new shares are entitled to share in profits from the beginning of the reporting year in which they are issued by the exercise of conversion or option

rights, by meeting a conversion obligation, or by the issue of rights to sell shares. The Executive Board is authorised to determine the further details of the way in which the contingent capital increase is to be carried out.

The Company's contingent capital was increased by up to EUR 102,014,776.32, divided into up to 39,849,522 registered shares, by resolution of the extraordinary Annual General Meeting on 25 June 2020 (Contingent Capital 2020/II). The new shares are entitled to profits from the beginning of the financial year in which they are issued. Notwithstanding Section 60 paragraph 2 of the German Stock Corporation Act (AktG), and to the extent permitted by law, the Executive Board may determine that new shares for a completed financial year also participate in the profits. The contingent capital increase serves to provide shares for the exercise of conversion rights granted to the Economic Stabilisation Fund (WSF) as a silent shareholder in the company for Silent Participation II-A by resolution of the extraordinary Annual General Meeting on 25 June 2020 in the event of a takeover (as defined below). This condition ceases to apply, however, if the WSF sells the Silent Participation II-A to a third party (as defined below), so that the Silent Participation II-A can be converted at any time after it has been transferred to the third party or parties; the scope of this conversion right is restricted to 39,849,522 shares. A third party is any natural or legal person with the exception of (i) the German federal state or a regional state (Land) or several Länder, (ii) any other German regional authority and (iii) an entity or public agency belonging directly to the federal or a regional state. The new shares are issued at EUR 2.56 per share. The contingent capital increase will only take place to the extent that the WSF (or a third party after the Silent Participation II-A has been assigned) exercises the conversion right. The Executive Board is authorised to define further details of the contingent capital increase and its implementation with the approval of the Supervisory Board.

The Company's contingent capital was increased by up to EUR 897,985,223.68, divided into up to 350,775,478 registered shares, by resolution of the extraordinary general meeting on 25 June 2020 (Contingent Capital 2020/III). The new shares are entitled to profits from the beginning of the financial year in which they are issued. Notwithstanding Section 60 paragraph 2 of the German Stock Corporation Act (AktG), and to the extent permitted by law, the Executive Board may determine that new shares for a completed financial year also participate in the profits. The contingent capital increase serves to provide shares for the exercise of conversion rights granted to the WSF of the Federal Republic of Germany as a silent shareholder in the company for antidilution and/or coupon protection (each as defined below) for Silent Participation II-B by resolution of the extraordinary Annual General Meeting on 25 June 2020.

- In the event of a capital increase by the Company, “anti-dilution” refers to cases that protect the WSF from dilution (x) of its increased equity interest of 25% plus one share following conversion of the Silent Participation II-A in the event of a takeover (as defined below), unless the WSF has waived its right to antidilution (as defined below), or (y) that protect its equity interest of 20% in the event of a capital increase without subscription rights, unless i) the WSF is offered an investment in the capital increase without subscription rights or ii) the WSF has waived its right to antidilution (as defined below).
- “Coupon protection” refers to cases in which the accrued coupon on the Silent Participation I (x) is not paid for any financial year up to and including 2023 and (y) if the accrued coupon on the Silent Participation I is again not paid for financial years 2024 and 2025, unless the Silent Participation II-A has been converted. In the case of coupon protection, the conversion right is limited to 5% of share capital after conversion in each of the cases (x) and (y).
- A takeover is deemed to have occurred if a decision is published to make a takeover offer pursuant to Section 10 Securities Acquisition and Takeover Act (WpÜG) or if control is acquired pursuant to Section 35 in combination with Section 29 WpÜG.
- Antidilution is waived if the WSF i) does not exercise its subscription right in the course of a capital measure by the Company with subscription rights or ii) does not participate in the offer of a capital increase without subscription rights or iii) has sold one or more of the shares in its equity interest.

If the conversion right is exercised to protect against dilution (as defined above), the new shares will be issued at the current market price on the conversion date, less 10%. If the conversion right is exercised to protect the coupon (as defined above), they are issued at the current market price on the conversion date, less 5.25%. The contingent capital increase will only take place if the WSF makes use of its conversion right. The conversion rights expire if Silent Participation II-B is assigned to a third party. The Executive Board is authorised to define further details of the contingent capital increase and its implementation with the approval of the Supervisory Board.

Deutsche Lufthansa AG is entitled to repurchase shares and to sell repurchased shares in those cases defined in Section 71 AktG. In addition, the Company is authorised by resolutions of the Annual General Meeting on 7 May 2019 to buy back its own shares until 6 May 2024. The resolutions can be used, among other things, to issue shares for the settlement of employee share programmes and to expand the financing alternatives in the event that another company or an equity stake in a company is acquired. The proportion of shares acquired on the basis of this authorisation, along with any other Lufthansa shares that the Company has already acquired and still holds, must at no time amount to more than 10% of issued capital.

However, Deutsche Lufthansa AG is forbidden from buying back shares, unless they are shares held by the WSF, until the end of the stabilisation measures.

Further information on authorised capital, contingent capital and share buy-backs ➤ **Notes to the consolidated financial statements, Note 33, p. 178f.**

#### **Important Company agreements subject to a change-of-control clause in the event of a takeover offer**

The EMTN programme operated by the Company to issue bonds includes a change-of-control clause, according to which holders of bonds issued thereunder can demand redemption of the bond in the event of a change of control. The change of control is tied to the concepts of control, which are defined in detail in the EMTN programme, and of a rating downgrade resulting from the change of control within a change-of-control period. Two bonds are currently outstanding under this programme: one for EUR 500m maturing on 6 September 2024 and one for EUR 1,000m maturing on 29 May 2026.

In August 2015, Deutsche Lufthansa AG issued a hybrid bond for EUR 500m, due on 12 August 2075, which also includes the change-of-control clause described above. Furthermore, Deutsche Lufthansa AG has issued borrower's note loans that include similar change-of-control clauses. As of 31 December 2020, a total of EUR 1,903m was still outstanding.

The loan agreed with KfW and a banking consortium on 1 July 2020 for an initial amount of EUR 3bn has a change-of-control clause. This stipulates that a change of control occurs if a person or group of persons acting in concert (with the exception of the WSF or a state lender) acquires 30% or more of the voting rights in the Company, and gives the lender the right to early repayment of the loan.

In November 2020, Deutsche Lufthansa AG issued a convertible bond for EUR 600m, due on 17 November 2025. The terms of the bond include a change-of-control clause that adjusts the conversion price and entitles the creditors to early repayment of the loan in the event of a change of control. A change of control occurs if one or more persons acquire control of Deutsche Lufthansa AG or if, in the event of a mandatory offer for ordinary shares, a situation occurs in which ordinary shares collectively hold more than 50% of the voting rights in Deutsche Lufthansa AG.

#### **Compensation agreements with Executive Board members or employees in the event of a takeover offer**

In the event of a change of control at Deutsche Lufthansa AG defined more precisely in the employment contract, the Executive Board members and the Company are entitled to terminate the contract within six months of this change of control.

If the contract ends because the special termination right is exercised or the contract is revoked amicably within six months of and in connection with the change of control, the Executive Board member is entitled to compensation for remuneration outstanding for the remainder of the contract. The termination payment may not exceed 150% of the contractually agreed cap on severance pay of two years' remuneration. For new and repeat appointments after 1 January 2020, the Company will follow the recommendation of the German Corporate Governance Code as amended on 16 December 2019 and also apply the cap on severance pay to the event of a change of control. ➤ **Remuneration report.**

## DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 289F HGB AND SECTION 315D HGB

The declaration on corporate governance required for listed companies in accordance with Section 289f HGB and Section 315d HGB has been issued and made publicly available on the Company's website at ➤ [www.lufthansagroup.com/corporate\\_governance\\_declaration](http://www.lufthansagroup.com/corporate_governance_declaration).

## Notes to the individual financial statements of Deutsche Lufthansa AG (HGB)

Revenue of Deutsche Lufthansa AG falls to EUR 4,280m | Net profit for the year of EUR -780m | Total assets increase to EUR 32,272m

The financial statements of Deutsche Lufthansa AG have been prepared in accordance with the German Commercial Code (HGB), the supplementary provisions of the German Stock Corporation Act (AktG) and the Articles of Association, and have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main. They are published in the Federal Gazette. The financial statements are permanently available online. ➤ <http://investor-relations.lufthansagroup.com/en/financial-reports.html>.

In this annual report, the management report for Deutsche Lufthansa AG has been combined with the management report for the Lufthansa Group. Deutsche Lufthansa AG and its results also include the Group headquarters with the central functions for Corporate Development, Finance and Controlling, Communications, Public Affairs, Human Resources,

Legal and Compliance, as well as Data Security, Safety and Procurement. The economic environment for Deutsche Lufthansa AG is essentially the same as for the Group.

➤ **Macroeconomic situation, p. 32f.; Sector developments, p. 33f.; Course of business, p. 35ff.**

## EARNINGS POSITION

Deutsche Lufthansa AG reports a net loss for the financial year 2020 of EUR 780m. Its earnings position was largely determined by the massive restrictions to flight operations as a result of the pandemic and the recognition of previously unrealised book gains from the release of hidden reserves in the shares of AirTrust AG.

## Revenue and income

### 18 million passengers transported

Deutsche Lufthansa AG carried 18 million passengers in 2020, a year-on-year decline of 75% (previous year: 70 million). Capacity fell by 69% and sales were down by 77%. The passenger load factor sank as a result by 20 percentage points to 62%.

### Operating income down by 38%

Operating income was partly defined by the significant fall in traffic revenue of 76% to EUR 3,502m due to the pandemic (previous year: EUR 14,885m). At the same time, other operating income increased by 310% to EUR 6,825m (previous year: EUR 1,663m). This is mainly the result of recognising a book gain of EUR 5,608m in connection with the capital contribution at AirTrust AG.

## Expenses

### Operating expenses down by 38%

Operating expenses came to EUR 10,765m and were therefore 38% lower than in the previous year (previous year: EUR 17,390m).

The decline was primarily due to the cost of materials and services, which fell by EUR 5,691m to EUR 5,071m, i.e. more than half compared with the previous year. Within the cost of materials and services, the two main factors were the significant fall in fuel expenses including hedging (down by 74% to EUR 959m) and the 50% decline in MRO expenses to EUR 1,025m. The fall in fuel expenses by 77% is mainly due to volumes lower by 71% and a year-on-year decline of 3% in prices, including a negative result of price hedging. The fall

in traffic due to the pandemic resulted in the overhedging of fuel expenses, which cut earnings by a further EUR 467m in financial year 2020.

The costs of purchased services fell by 42% to EUR 4,050m (previous year: EUR 6,993m). Severely restricted flight operations due to the pandemic in financial year 2020 had a major impact on fees and charges, which fell year-on-year by 64% to EUR 719m (previous year: EUR 1,982m).

The costs of external MRO services fell by half compared with the previous year to EUR 1,025m (previous year: EUR 2,042m). The reasons for this development were the partial transfer of the maintenance business of Lufthansa Technik AG to Deutsche Lufthansa AG, and also the fact that the number of engine maintenance events was significantly lower than the previous year due to the pandemic. Charter expenses fell year-on-year by 33% to EUR 417m (previous year: EUR 627m). The decline is due to less chartering, both in the regional charter concept with Lufthansa CityLine GmbH and with external airlines. Expenses for operating leases went up year-on-year by 44% to EUR 1,246m (previous year: EUR 865m). The increase stems mainly from a provision for impending losses of EUR 337m because the future lease payments for aircraft affected by the long-term capacity reduction are expected to exceed their contribution to the Company's success.

Staff costs fell by 27% to EUR 2,217m (previous year: EUR 3,049m), mainly due to refunds of EUR 430m for wage-replacement benefits and social security contributions paid in the context of short-time working. Variable salary components and those dependent on flight operations also fell significantly.

### T053 TRENDS IN TRAFFIC REGIONS OF DEUTSCHE LUFTHANSA AG

	Traffic revenue		Number of passengers		Available seat-kilometres		Revenue seat-kilometres		Passenger load factor	
	2020 in €m	Change in %	2020 in thousands	Change in %	2020 in millions	Change in %	2020 in millions	Change in %	2020 in %	Change in pts
Europe	1,520	-73	13,589	-74	18,688	-66	11,399	-73	61	-15
America	1,136	-79	2,041	-77	26,330	-67	16,017	-77	61	-25
Asia/Pacific	536	-81	1,000	-81	12,195	-75	7,905	-81	65	-20
Middle East/Africa	310	-72	908	-75	6,027	-66	3,946	-72	65	-14
<b>Total</b>	<b>3,502</b>	<b>-76</b>	<b>17,538</b>	<b>-75</b>	<b>63,240</b>	<b>-69</b>	<b>39,267</b>	<b>-77</b>	<b>62</b>	<b>-20</b>

Depreciation, amortisation and impairment losses rose year-on-year by 91% to EUR 1,135m (previous year: EUR 594m). The increase comes mainly from impairment losses on several mostly four-engine aircraft models which are being permanently retired or transferred to long-term parking mode.

Other operating expenses of EUR 2,342m were 22% down on the year (previous year: EUR 2,985m). This decline is also due to the impact of severely reduced flight operations due to the pandemic on travel expenses, sales commissions and expenses for computerised distribution systems.

## Earnings performance

### Result from operating activities down to EUR 340m

The result from operating activities fell by 38% to EUR 340m in financial year 2020 (previous year: EUR 546m). Operating income and expenses both fell by 38%. Whereas operating income sank to EUR 11,105m (previous year: EUR 17,936m), operating expenses fell to EUR 10,765m (previous year: EUR 17,390m). Adjusted EBIT, calculated as for the Group, came to EUR -5,421m in the financial year (previous year: EUR 1,016m). Key reconciliation items are write-downs and write-ups on the carrying amounts of investments, impairment losses on several aircraft and the book gain from the capital contribution to AirTrust AG.

### Financial result falls to EUR -2,115m

The financial result fell by EUR 2,194m to EUR -2,115m (previous year: EUR 79m). It was made up of the result from equity investments of EUR -806m (previous year: EUR 476m), net interest of EUR -1,162m (previous year: EUR -352m) and other financial items of EUR -147m (previous year: EUR -45m).

The result from equity investments includes profit and loss transfers of EUR -1,146m (previous year: EUR -221m) and other investment income of EUR 340m (previous year: EUR 697m). The significant decline is mainly due to negative earnings at Eurowings GmbH of EUR -861m (previous year: EUR -414m), at Lufthansa Technik AG of EUR -631m (previous year: EUR -310m), at LSG Lufthansa Service Holding AG of EUR -266m (previous year: EUR -144m), at Lufthansa Commercial Holding GmbH of EUR -77m (previous year: EUR 54m), as well as to the fall in earnings at Miles & More GmbH to EUR 94m (previous year: EUR 115m). By contrast, earnings at Lufthansa Cargo AG developed to EUR 650m (previous year: EUR -47m) and at Lufthansa CityLine GmbH to EUR -67m (previous year: EUR -110m). Other income from investments included the dividends from Austrian leasing companies of EUR 334m (previous year: EUR 288m).

Net interest came to EUR -1,162m in the financial year (previous year: EUR -352m). It declined by EUR 651m (previous year: EUR 1,231m) because of a further reduction in the discount rate used to measure pension provisions to 2.30% (previous year: 2.71%). In addition, net interest was affected by the offsetting year-on-year market valuation for the pension assets used to fund retirement benefit obligations in the amount of EUR -361m (previous year: EUR +1,067m).

Impairment losses of EUR 147m on investments and current securities recognised in the financial result were significantly higher than in the previous year (EUR 45m). They stem mainly from write-downs on the carrying amounts of Air Dolomiti S.p.A. Linee Aeree Regionali Europee (EUR 117m) Crane Strategic Investment S.C.S. (EUR 10m).

### Net profit down to EUR -780m

The operating result and financial result add up to EUR -1,775m (previous year: EUR 625m). In the reporting year, expenses for income taxes for previous years of EUR 51m were offset by deferred tax income of EUR 1,065m. Expenses of EUR 19m were incurred in the financial year for other taxes. Net profit for 2020 therefore came to EUR -780m (previous year: EUR 595m).

#### T054 INCOME STATEMENT FOR DEUTSCHE LUFTHANSA AG IN ACCORDANCE WITH HGB

in Mio. €	2020	2019
Traffic revenue	3,502	14,885
Other revenue	778	1,388
<b>Total revenue</b>	<b>4,280</b>	<b>16,273</b>
Other operating income	6,825	1,663
Cost of materials and services	-5,071	-10,762
Staff costs	-2,217	-3,049
Depreciation, amortisation and impairment	-1,135	-594
Other operating expenses	-2,342	-2,985
<b>Result from operating activities</b>	<b>340</b>	<b>546</b>
Result from other equity investments	-806	476
Net interest	-1,162	-352
Impairment on investments and current securities	-147	-45
<b>Financial result</b>	<b>-2,115</b>	<b>79</b>
Current income taxes	-51	-293
Deferred income taxes	1,065	291
<b>Earnings after taxes</b>	<b>-761</b>	<b>623</b>
Other taxes	-19	-28
<b>Net profit/loss for the year</b>	<b>-780</b>	<b>595</b>
Profit brought forward from the previous year	298	-
Transfers to retained earnings	-298	-297
<b>Distributable earnings</b>	<b>-780</b>	<b>298</b>

## FINANCIAL POSITION

### Cash flow

#### Liquidity of EUR 2,021m

The significant decline of EUR 4,695m in cash flow from operating activities to EUR -4,279m (previous year: EUR 416m) due mainly to the severely restricted flight operations was partially offset by positive changes in working capital and lower tax payments. Cash flow from investing activities came to EUR 426m as of the reporting date (previous year: EUR -1,330m). Liquidity measures taken by Deutsche Lufthansa AG in 2020, such as the reduction of capital at Lufthansa Commercial Holding (EUR 2,550m) and Crane Strategic Investment S.C.S. (EUR 1,790m), were offset by capital expenditure in various securities (EUR 3,614m). Cash flow from financing activities came to EUR 4,760m in the financial year (previous year: EUR 179m) primarily due to the finance transactions as part of the WSF stabilisation measures (EUR 2,000m) and the issue of the euro bond (EUR 1,000m), the convertible bond (EUR 600m) and multiple borrower's note loans (EUR 700m). In total, cash and cash equivalents increased by EUR 907m from EUR -2,542m to EUR -1,635m. Short-term securities, including the strategic liquidity held by Crane Strategic Investment S.C.S., rose by EUR 1,824m to EUR 3,656m (previous year: EUR 1,832m). Liquidity thereby increased overall by EUR 2,731m to EUR 2,021m (previous year: EUR -710m).

### NET ASSETS

Total assets climbed by EUR 3,140m or 11% to EUR 32,272m (previous year: EUR 29,132m). Non-current assets account for 71% of total assets (previous year: 81%).

### Assets

#### Non-current assets down by EUR 473m

Non-current assets declined by EUR 473m or 2% to EUR 23,037m (previous year: EUR 23,510m). Aircraft were down by EUR 896m compared with the previous year mainly due to impairment losses, mostly for four-engine aircraft models. Non-current financial assets rose year-on-year by EUR 360m. The development in non-current financial assets was largely due to the capital increase at Lufthansa Commercial Holding GmbH and the capital contribution in connection with AirTrust AG, as well as conversely from capital reductions to generate liquidity also at Lufthansa Commercial

Holding GmbH and Crane Strategic Investment S.C.S. New and increased loans to affiliated companies (EUR 736m) were offset in the financial year 2020 by repayments of EUR 1,702m.

#### Current assets increase by EUR 2,542m

Current assets went up by 74% to EUR 5,955m (previous year: EUR 3,413m). The increase stems mainly from significantly larger securities positions than in the previous year. By contrast, trade and other receivables from third parties and affiliated companies were lower. The latter are presented in Other receivables and other assets.

#### T055 BALANCE SHEET FOR DEUTSCHE LUFTHANSA AG IN ACCORDANCE WITH HGB

in €m	31 Dec 2020	31 Dec 2019
<b>Assets</b>		
Intangible assets	385	309
Aircraft	5,783	6,679
Property, plant and other equipment	69	82
Financial investments	16,800	16,440
<b>Non-current assets</b>	<b>23,037</b>	<b>23,510</b>
Inventories	111	108
Trade receivables	102	642
Other receivables	1,299	1,725
Securities	3,655	41
Cash and cash equivalents	788	897
<b>Current assets</b>	<b>5,955</b>	<b>3,413</b>
<b>Prepaid expenses</b>	<b>73</b>	<b>60</b>
<b>Deferred tax assets</b>	<b>3,207</b>	<b>2,142</b>
<b>Excess of plan assets over provisions for pensions</b>	<b>-</b>	<b>7</b>
<b>Total assets</b>	<b>32,272</b>	<b>29,132</b>
<b>Shareholders' equity and liabilities</b>		
Issued capital	1,530	1,224
Capital reserve	378	378
Retained earnings	6,498	6,200
Distributable earnings	-780	298
<b>Shareholders' equity</b>	<b>7,626</b>	<b>8,100</b>
<b>Provisions</b>	<b>6,864</b>	<b>6,602</b>
Bonds	2,827	1,098
Liabilities to banks	4,215	2,089
Payables to affiliated companies	4,659	6,094
Other liabilities	6,067	5,135
<b>Liabilities and provisions</b>	<b>17,768</b>	<b>14,416</b>
<b>Deferred income</b>	<b>14</b>	<b>14</b>
<b>Total shareholders' equity and liabilities</b>	<b>32,272</b>	<b>29,132</b>



### Deferred tax assets up by EUR 1,065m

Deferred tax assets went up in the financial year by 50% to EUR 3,207m. EUR 610m of the increase in deferred tax assets stems from higher temporary differences, mostly in connection with pension provisions. In addition, deferred tax assets of EUR 455m were recognised for the first time on tax loss carry-forwards.

## Shareholders' equity and liabilities

### Shareholders' equity down by EUR 474m

Shareholders' equity fell year-on-year by 6% due to the net loss for the year and came to EUR 7,626m as of the reporting date (previous year: EUR 8,100m). The capital increase as part of the WSF investment and the transfer of EUR 298m to retained earnings had the opposite effect. Since total assets also increased, the equity ratio declined by 4 percentage points to 24% (previous year: 28%). The information required according to Section 160 Paragraph 1 No. 2 AktG on the portfolio development of treasury shares is provided in the Notes to the consolidated financial statements ➤ **Notes to the consolidated financial statements, Note 33, p. 178f.**

### Non-current liabilities increase to EUR 4,828m

The Company's non-current liabilities rose by 67% in the reporting year to EUR 11,983m (previous year: EUR 7,155m). This is mainly due to the financial transactions as part of the WSF stabilisation measures, as well as the issue of two new bonds and new borrower's note loans.

The increase in shareholders' equity and non-current liabilities and provisions, accompanied by an increase in total assets, meant that non-current funding accounted for a larger proportion of total assets of 61% (previous year: 52%). Non-current funds cover 85% of non-current assets (previous year: 65%).

### Current liabilities down by EUR 1,214m

At EUR 12,663m, current liabilities were EUR 1,214m below last year's figure (previous year: EUR 13,877m). This stems chiefly from the lower provision for unused flight documents and the decline in other current liabilities. By contrast, provisions for taxes went up year on year.

### Net debt up by EUR 2,943m

Net indebtedness increased by EUR 2,943m or 68% to EUR 7,243m, mainly due to the WSF financing measures (silent participation and KfW loan), the issue of a euro bond, a convertible bond and other borrower's note loans (previous year: EUR 4,300m). It was offset by a much higher securities position than the previous year.

## OTHER DISCLOSURES

### Risk report

Business at Deutsche Lufthansa AG is subject to essentially the same risks and opportunities as business at the Network Airlines segment as presented in the consolidated financial statements. Deutsche Lufthansa AG is exposed to the risks of its equity investments and subsidiaries in proportion to its respective equity stakes. ➤ **Network Airlines business segment, p. 51ff.**

### Supplementary report

The main events taking place after the reporting date are those described in the consolidated financial statements pertaining to the Network Airlines business segment.

### Forecast

Future business performance at Deutsche Lufthansa AG is subject to essentially the same factors as Lufthansa German Airlines as presented in the consolidated financial statements. Deutsche Lufthansa AG is exposed to the performance of its equity investments and subsidiaries in proportion to its respective equity stakes.

Further information on anticipated macroeconomic developments and the performance of the segments, as well as the assumptions on which the Group forecast is based, can be found in the ➤ **Forecast, p. 118ff.**

# CONSOLIDATED FINANCIAL STATEMENTS

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## Consolidated income statement for the financial year 2020

### T056 CONSOLIDATED INCOME STATEMENT

in €m	Notes	2020	2019
Traffic revenue	4	9,078	28,136
Other revenue	5	4,511	8,288
<b>Total revenue</b>		<b>13,589</b>	<b>36,424</b>
Changes in inventories and work performed by entity and capitalised	6	175	685
Other operating income <sup>1)</sup>	7	1,897	1,889
Cost of materials and services	8	-8,453	-19,827
Staff costs	9	-6,436	-9,121
Depreciation, amortisation and impairment <sup>2)</sup>	10	-4,389	-2,776
Other operating expenses <sup>3)</sup>	11	-3,472	-5,585
<b>Profit/loss from operating activities</b>		<b>-7,089</b>	<b>1,689</b>
Result of equity investments accounted for using the equity method	12	-276	88
Result of other equity investments	12	12	80
Interest income	13	83	79
Interest expenses	13	-417	-394
Other financial items	14	-944	318
<b>Financial result</b>		<b>-1,542</b>	<b>171</b>
<b>Profit/loss before income taxes</b>		<b>-8,631</b>	<b>1,860</b>
Income taxes	15	1,865	-615
<b>Profit/loss after income taxes</b>		<b>-6,766</b>	<b>1,245</b>
Profit/loss attributable to non-controlling interests		41	-32
<b>Net profit/loss attributable to shareholders of Deutsche Lufthansa AG</b>		<b>-6,725</b>	<b>1,213</b>
<b>Basic/diluted earnings per share in €</b>	16	<b>-12.51</b>	<b>2.55</b>

<sup>1)</sup> This includes EUR 36m (previous year: EUR 46m) from the reversal of write-downs on non-current receivables.

<sup>2)</sup> This includes EUR 19m (previous year: EUR 23m) for the recognition of write-downs on current receivables.

<sup>3)</sup> This includes EUR 251m (previous year: EUR 120m) for the recognition of loss allowances on receivables.

## Statement of comprehensive income for the financial year 2020

### T057 STATEMENT OF COMPREHENSIVE INCOME

in €m	2020	2019
<b>Profit/loss after income taxes</b>	<b>-6,766</b>	<b>1,245</b>
<b>Other comprehensive income</b>		
<b>Other comprehensive income with subsequent reclassification to the income statement</b>		
Differences from currency translation	-107	115
Subsequent measurement of financial assets and liabilities at fair value without effect on profit and loss	-29	10
Subsequent measurement of hedges – cash flow hedge reserve	-655	258
Subsequent measurement of hedges – costs of hedging	143	476
Other comprehensive income from investments accounted for using the equity method	4	13
Other expenses and income recognised directly in equity	-4	15
Income taxes on items in other comprehensive income	125	-182
	<b>-523</b>	<b>705</b>
<b>Other comprehensive income without subsequent reclassification to the income statement</b>		
Revaluation of defined-benefit pension plans	-2,584	-1,108
Other comprehensive income from investments accounted for using the equity method	-	-
Subsequent measurement of financial assets at fair value	1	7
Other expenses and income recognised directly in equity	-	-1
Income taxes on items in other comprehensive income	622	345
	<b>-1,961</b>	<b>-757</b>
<b>Other comprehensive income after income taxes</b>	<b>-2,484</b>	<b>-52</b>
<b>Total comprehensive income</b>	<b>-9,250</b>	<b>1,193</b>
Comprehensive income attributable to non-controlling interests	48	-31
<b>Comprehensive income attributable to shareholders of Deutsche Lufthansa AG</b>	<b>-9,202</b>	<b>1,162</b>

Further details on the statement of comprehensive income can be found in [Note 34, Reserves, p. 179f.](#)

## Consolidated statement of financial position as of 31 December 2020

### T058 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

in €m	Notes	31 Dec 2020	31 Dec 2019
Intangible assets with an indefinite useful life <sup>1)</sup>	17	1,169	1,395
Other intangible assets	18	469	547
Aircraft and reserve engines	19 22	15,842	18,349
Repairable spare parts for aircraft	20	1,823	2,270
Property, plant and other equipment	21 22	3,671	4,041
Investments accounted for using the equity method	23	403	672
Other equity investments	24 45	252	256
Non-current securities	24 45	54	53
Loans and receivables	25 45	440	469
Derivative financial instruments	45	363	906
Deferred charges and prepaid expenses	29	91	116
Effective income tax receivables		34	32
Deferred tax assets	15	4,833	2,268
<b>Non-current assets</b>		<b>29,444</b>	<b>31,374</b>
Inventories	26	726	980
Contract assets	27	142	277
Trade receivables and other receivables	28 45	2,843	5,417
Derivative financial instruments	45	260	459
Deferred charges and prepaid expenses	29	193	245
Effective income tax receivables		282	153
Securities	30 45	3,654	1,970
Cash and cash equivalents	31 45	1,806	1,415
Assets held for sale	32	134	369
<b>Current assets</b>		<b>10,040</b>	<b>11,285</b>
<b>Total assets</b>		<b>39,484</b>	<b>42,659</b>

<sup>1)</sup> Including Goodwill.

**T059 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – SHAREHOLDERS' EQUITY AND LIABILITIES**

in €m	Notes	31 Dec 2020	31 Dec 2019
Issued capital	33	1,530	1,224
Capital reserve	34	378	378
Retained earnings	34	4,868	5,617
Other neutral reserves	34	1,296	1,715
Net profit/loss		-6,725	1,213
<b>Equity attributable to shareholders of Deutsche Lufthansa AG</b>		<b>1,347</b>	<b>10,147</b>
Non-controlling interests		40	109
<b>Shareholders' equity</b>		<b>1,387</b>	<b>10,256</b>
Pension provisions	35	9,531	6,659
Other provisions	36	558	490
Borrowings	37 45	12,252	8,396
Contract liabilities	38	36	25
Other financial liabilities		86	76
Advance payments received, deferred income and other non-financial liabilities	39	33	32
Derivative financial instruments	45	457	128
Deferred tax liabilities	15	485	611
<b>Non-current provisions and liabilities</b>		<b>23,438</b>	<b>16,417</b>
Other provisions	36	831	794
Borrowings	37 45	3,116	1,634
Trade payables and other financial liabilities	41 45	3,321	5,351
Liabilities from unused flight documents	40	2,064	4,071
Other contract liabilities	40	2,977	2,675
Advance payments received, deferred income and other non-financial liabilities	42	1,295	382
Derivative financial instruments	45	366	137
Effective income tax obligations		689	402
Liabilities in connection with assets held for sale	32	-	540
<b>Current provisions and liabilities</b>		<b>14,659</b>	<b>15,986</b>
<b>Total shareholders' equity and liabilities</b>		<b>39,484</b>	<b>42,659</b>



## Consolidated statement of changes in shareholders' equity as of 31 December 2020

### T060 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Issued capital	Capital reserve	Fair value measurement of financial instruments	Currency differences	Revaluation reserve (due to business combinations)	Other neutral reserves	Total other neutral reserves	Retained earnings	Net profit/loss	Equity attributable to shareholders of Deutsche Lufthansa AG	Minority interests	Total shareholders' equity
in €m												
<b>As of 31 Dec 2018</b>	<b>1,217</b>	<b>343</b>	<b>237</b>	<b>388</b>	<b>236</b>	<b>324</b>	<b>1,185</b>	<b>4,588</b>	<b>2,163</b>	<b>9,496</b>	<b>110</b>	<b>9,606</b>
Capital increases/reductions	7	35	-	-	-	-	-	-	-	42	1	43
Reclassifications	-	-	-9	-	-	-	-9	1,792	-1,783	-	-	-
Dividends	-	-	-	-	-	-	-	-	-380	-380	-33	-413
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Earnings after taxes	-	-	-	-	-	-	-	-	1,213	1,213	32	1,245
Other expenses and income recognised directly in equity	-	-	569	115	-	28	712	-763	-	-51	-1	-52
Hedging results reclassified from non-financial assets to acquisition costs	-	-	-173	-	-	-	-173	-	-	-173	-	-173
<b>As of 31 Dec 2019</b>	<b>1,224</b>	<b>378</b>	<b>624</b>	<b>503</b>	<b>236</b>	<b>352</b>	<b>1,715</b>	<b>5,617</b>	<b>1,213</b>	<b>10,147</b>	<b>109</b>	<b>10,256</b>
Capital increases/reductions	306	-	-	-	-	-	-	-	-	306	-	306
Reclassifications	-	-	-	-	-	-	-	1,213	-1,213	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-21	-21
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Earnings after taxes	-	-	-	-	-	-	-	-	-6,725	-6,725	-41	-6,766
Other expenses and income recognised directly in equity	-	-	-415	-107	-	7	-515	-1,962	-	-2,477	-7	-2,484
Hedging results reclassified from non-financial assets to acquisition costs	-	-	96	-	-	-	96	-	-	96	-	96
<b>As of 31 Dec 2020</b>	<b>1,530</b>	<b>378</b>	<b>305</b>	<b>396</b>	<b>236</b>	<b>359</b>	<b>1,296</b>	<b>4,868</b>	<b>-6,725</b>	<b>1,347</b>	<b>40</b>	<b>1,387</b>

## Consolidated cash flow statement for the financial year 2020

### T061 CONSOLIDATED CASH FLOW STATEMENT

in €m	Notes	2020	2019
<b>Cash and cash equivalents 1 Jan</b>		<b>1,431</b>	<b>1,434</b>
Net profit/loss before income taxes		-8,631	1,860
Depreciation, amortisation and impairment losses on non-current assets (net of reversals)		4,393	2,738
Depreciation, amortisation and impairment losses on current assets (net of reversals)		159	99
Net proceeds on disposal of non-current assets	7 11	9	20
Result of equity investments	12	264	-168
Net interest	13	334	315
Income tax payments/reimbursements		81	-1,009
Significant non-cash-relevant expenses/income		212	-134
Change in trade working capital		-683	490
Change in other assets/shareholders' equity and liabilities		1,534	-181
<b>Net cash from/used in operating activities</b>		<b>-2,328</b>	<b>4,030</b>
Capital expenditure for property, plant and equipment and intangible assets	17 18 19 21 22	-1,249	-3,486
Capital expenditure for financial investments	24 25	-24	-73
Additions/loss to repairable spare parts for aircraft	20	276	-231
Proceeds from disposal of non-consolidated equity investments		3	1
Proceeds from disposal of consolidated equity investments <sup>1)</sup>	49	-218	3
Cash outflows for acquisitions/capital increases of/at non-consolidated equity investments	23 24 45	-39	-107
Cash outflows for acquisitions of consolidated equity investments	49	-	-
Proceeds from disposal of intangible assets, property, plant and equipment and other financial investments		166	132
Interest income		66	70
Dividends received		57	243
<b>Net cash from/used in investing activities</b>		<b>-962</b>	<b>-3,448</b>
Purchase of securities/fund investments		-10,678	-4,989
Disposal of securities/fund investments		9,298	4,570
<b>Net cash from/used in investing and cash management activities</b>		<b>-2,342</b>	<b>-3,867</b>
Capital increase	33 34	306	-
Transactions by non-controlling interests		-	1
Non-current borrowing		6,738	3,843
Repayment of non-current borrowing		-1,724	-3,413
Dividends paid		-21	-414
Interest paid		-223	-178
<b>Net cash from/used in financing activities</b>		<b>5,076</b>	<b>-161</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>406</b>	<b>2</b>
Changes due to currency translation differences		-33	-5
<b>Cash and cash equivalents as of 31 Dec</b>	31	<b>1,804</b>	<b>1,431</b>
Less cash and cash equivalents of companies held for sale as of 31 Dec		-	16
<b>Cash and cash equivalents of companies not classified as held for sale as of 31 Dec<sup>2)</sup></b>		<b>1,804</b>	<b>1,415</b>
Securities	30	3,654	1,970
<b>Liquidity</b>		<b>5,458</b>	<b>3,385</b>
Net increase/decrease in liquidity		2,073	216

<sup>1)</sup> Less cash outflows.

<sup>2)</sup> The difference between the bank balances and cash-in-hand shown in the statement of financial position comes from fixed-term deposits of EUR 2m with terms of four to twelve months (previous year: EUR 0m).

## Notes to the consolidated financial statements

# Deutsche Lufthansa AG 2020

### GENERAL REMARKS

#### 1 Company information

The Lufthansa Group is a global aviation group whose subsidiaries and equity investments were organised into five operating segments in the financial year 2020: Network Airlines, Eurowings, Logistics, MRO and Catering.

Deutsche Lufthansa AG has its headquarters in Cologne, Germany, and is filed in the Commercial Register of Cologne District Court under HRB 2168.

The declaration on the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) was issued and made available to shareholders on the internet at [www.lufthansagroup.com/declaration-of-compliance](https://www.lufthansagroup.com/declaration-of-compliance).

The consolidated financial statements of Deutsche Lufthansa AG, Cologne, and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking account of interpretations by the IFRS Interpretations Committee as applicable in the European Union (EU).

The commercial law provisions of Section 315e Paragraph 1 of the German Commercial Code (HGB) have also been applied. All IFRSs issued by the IASB in effect at the time that these financial statements were prepared and applied by Deutsche Lufthansa AG have been adopted by the European Commission for application in the EU. The consolidated financial statements of Deutsche Lufthansa AG are prepared in millions of euros. Its financial year is the calendar year.

The accounting policies applied in the previous year have been retained. The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Interest Rate Benchmark Reform – Phase 2", were applied early in financial year 2020.

The Executive Board of Deutsche Lufthansa AG prepared the consolidated financial statements for 2020 on 26 February 2021. These consolidated financial statements were examined and approved for publication by the Supervisory Board of Deutsche Lufthansa AG in its meeting on 3 March 2021.

#### 2 Going concern

The business of the Lufthansa Group companies were impacted significantly by the consequences of the coronavirus pandemic. International travel restrictions and quarantine rules that began in winter 2020 (in China) and spring 2020 elsewhere were tightened worldwide over the course of the year, bringing flight traffic at the Lufthansa Group companies almost to a complete standstill at times. Only the cargo business was able to continue successfully, with a sharp decline in the use of belly capacities. Around 700 Group aircraft were grounded temporarily in the course of the year. The slight recovery in summer 2020, when available capacity was around 25% of the previous year's, was slowed by the end of the year due to the renewed sharp increase in the number of infections. Payments for existing, invariable cost components and the high level of refunds for cancelled flights had an impact on liquidity. Liquidity at Deutsche Lufthansa AG and its domestic and foreign subsidiaries was secured in the middle of the financial year in an initial step by the government support measures as part of the stabilisation packages (see below).

Over the remainder of the year, the companies initiated and partly implemented wide-ranging steps to safeguard short-term liquidity and initiate a medium-term return to a profitable new normal once the pandemic comes to an end. As part of the Group-wide programme ReNew, which is made up of ReStructure, ReFocus, ReOrg and RePay, measures were taken to streamline structures and reduce the number of full-time employees by around 27,000, as well as to downsize the operating fleet by around 150 aircraft. Until further notice, some four-engined wide-bodied models (Airbus A340-600 and A380 and Boeing 747-400) are to be put into deep storage or decommissioned entirely. Previously planned investment spending, mainly in aircraft, was postponed to a later date whenever possible and appropriate. The plan is to take delivery of no more than 80 new aircraft by 2023. In addition to state aid in the form of short-time working pay and the reimbursement of social security contributions, crisis agreements extending into 2022 were reached with the collective bargaining partners to safeguard liquidity. Agreements to protect liquidity were also signed with other system partners. The Lufthansa Group's liquidity management also profited from tax deferrals in the reporting year.

In addition to the government stabilisation packages, the Lufthansa Group successfully implemented its own financing activities in the financial year, generating proceeds of EUR 3.8bn for the Lufthansa Group. Short-term credit lines, commercial paper and money-market securities were supplemented on favourable terms by a euro bond for EUR 1.0bn, a convertible bond for EUR 0.6bn and loans secured by promissory notes and aircraft for around EUR 0.7bn. They serve both to ensure ongoing liquidity and to refinance funding arrangements that expire in 2020 and 2021. At year-end, Deutsche Lufthansa AG had centrally available liquidity of EUR 4.3bn. A further EUR 4.6bn was available from the WSF stabilisation package. Decentralised bank and cash balances came to a further EUR 0.9bn, and a total of EUR 1.1bn has not yet been used from the state funding agreed in Switzerland and Belgium.

The current corporate forecast expect an end to the crisis situation only from 2024 onwards, whereby the Lufthansa Group assumes that even then only 90 % of the pre-crisis level will be reached. This means the planning is in line with sector forecasts and the most recent IATA study from February 2021, which in a positive scenario also predicts a return to pre-crisis levels in 2024 (and in a negative scenario only in 2025). The restructuring measures initiated shall then lead to a profitable growth path again. Risks remain for the ramp-up phase from 2021 until 2024. The duration of the crisis will mainly depend on when travel restrictions, particularly in North America and other important traffic regions, are loosened or lifted. The effects of potential testing options, progress with international vaccination programmes and the risks of new mutations in the COVID-19 virus will be crucial in the months ahead. On the other hand, how customers behave once travel restrictions are lifted represents a risk for the further course of business, especially for Corporate Business.

Deutsche Lufthansa AG has prepared a rolling liquidity forecast until the end of 2022 on the basis of the uncertainty mentioned above concerning travel restrictions and customers' travel patterns. The main parameters, "available capacity", "load factors" and "yield" were set over the course of the planning process in agreement with the Group companies. Specifically, they assume that average capacity should reach just under 50% of its pre-crisis level in 2021, increasing to around 80% in 2022. For 2021, the assumption is that state aid will still be needed, in the form of short-time working pay and the reimbursement of social security contributions. The parameters were reviewed against publicly available expert opinions (for example IATA, Eurocontrol) to ensure they were reasonable. On this basis, the earnings and cost forecasts

for the individual units and the Group as a whole were determined using top-down definition of parameters and bottom-up detailed planning. The resulting cash flows were adjusted for balance-sheet-related payments (for example ticket refunds), planned capital expenditure and inflows such as the planned financing measures to calculate changes in liquidity over time. The analysis comprises liquidity for the Group as a whole and for Deutsche Lufthansa AG, as well as the other important subsidiaries.

In terms of financing activities, two further bonds with a maturity of four and seven years were issued for a total of EUR 1.6bn in February 2021. They partly secure the refinancing of all liabilities falling due in 2021 and also enable the early repayment of the KfW credit facility of EUR 1.0bn. This means that certain restrictions on the Group's own financing arrangements no longer apply, such as the hypothecation of Group aircraft leasing companies and the ringfencing conditions on providing financial support to foreign subsidiaries.

In addition to the detailed forecast described above, an additional negative scenario was prepared as a top-down stress test, with more pessimistic assumptions for the level of capacity and changes over time of around 40% of pre-crisis levels, as well as for load factors and pricing. Even in this scenario, liquidity is secured for Deutsche Lufthansa AG and the Group for the planning period.

Taking into account the corporate planning, the liquidity planning, the existing and potential funding measures as presented and the existing uncertainties about the future course of business, the Executive Board of the Company considers the Group's liquidity to be secure for the eighteen months after the close of the financial year. The consolidated financial statements have therefore been prepared on a going concern basis.

The government stabilisation measures described below, which were provided in the reporting year and are still available for financing purposes, are the essential basis for this statement.

After approval by the Federal Republic of Germany's Economic Stabilisation Fund (WSF) of the stabilisation package for Deutsche Lufthansa AG on 25 May 2020 and the approval of the shareholders of Deutsche Lufthansa AG at the extraordinary general meeting held on 25 June 2020 regarding the capital measures agreed with the Economic Stabilisation Fund, the corresponding agreements with the Economic Stabilisation Fund were signed on 29 June 2020 and with KfW and a banking consortium on 1 July 2020.

The support package has a total volume of up to EUR 9bn and comprises a 20% direct equity investment by WSF in Deutsche Lufthansa AG from a capital increase of around EUR 0.3bn, a silent participation which can be recognised as equity worth EUR 4.7bn (Silent Participation I), a silent participation reported under borrowed capital worth EUR 1bn (Silent Participation II) and a credit facility of EUR 3bn provided by the KfW and a banking consortium. Funding commitments from other governments are offset against the support package from WSF. These commitments came to EUR 2.1bn as of 31 December 2020, so that the total volume of state aid provided by the German government is EUR 6.9bn.

Certain parts of Silent Participation II can be converted into shares in the event of a takeover, a dilution of the WSF stake or if no coupon payments are made on Silent Participation I. Annual coupon payments with an increasing rate of interest over the term have been agreed for the silent participations. Silent Participation I has no fixed term. Silent Participation II has a term of six years and can be extended annually thereafter, as long as Silent Participation I has not been repaid and the shareholding has not come to an end.

The capital increase agreed in the package took effect when it was entered in the commercial register on 2 July 2020. The subscription price was EUR 2.56 per share, so the cash contribution came to around EUR 0.3bn. Silent Participation II was paid out in full by the WSF at the same time.

None of Silent Participation I had been utilised as of 31 December 2020. Funding of EUR 153m agreed in Belgium and Austria is offset against Silent Participation I; EUR 4.5bn is still available from Silent Participation I.

The framework agreement with the Economic Stabilisation Fund provides for extensive information and auditing rights for the Economic Stabilisation Fund and obligations for the Lufthansa Group including regarding the suspension of dividend payments, limitations on management compensation, a commitment not to make equity investments, waiver of up to 24 slots at both the Frankfurt and Munich airports and pursuit of a sustainable corporate policy. Subject to the full repayment of the silent participations by the Company and a minimum sale price of EUR 2.56 per share plus an annual interest of 12%, the WSF undertakes to sell its shareholding in full at the market price by 31 December 2023 or after this point in time when the conditions have been fulfilled.

The credit line, originally of up to EUR 3bn, from the KfW and the banking consortium will pay interest at a floating rate dependent on the rating and has a term of three years. A total of EUR 1.0bn was used from the KfW credit facility as of the reporting date. (On Events after the reporting period

➤ **Note 46, p. 220ff.**) Funding involving state aid for the subsidiaries in Belgium, Austria and Switzerland, EUR 2.0bn is offset against the credit facility from the KfW and the banking consortium; the total volume of this credit line comes to EUR 1.0bn. The credit facility is secured by shares in various entities in Malta and Austria that own a total of 323 aircraft. The loan agreement contains covenants and obligations for the Lufthansa Group, including a requirement to hold a minimum amount of liquidity. The credit facility may not be used to finance SWISS, Edelweiss, Austrian Airlines or Brussels Airlines. At the same time, the state aid from Belgium, Austria and Switzerland is provided on condition that the funding must remain in bank accounts belonging to the Group companies in these countries or may only be used to support these companies.

The Swiss federal government guaranteed credit lines of CHF 1.5bn (approximately EUR 1.4bn) for the two Swiss airlines in the Lufthansa Group, SWISS and Edelweiss, on 29 April 2020. The facility is provided by a consortium of Swiss banks. It will pay interest at a floating rate depending on the rating and has a term of five years, with two one-year extension options. It is 85% guaranteed by the Swiss federal government and secured by shares in AirTrust AG, Swiss International Air Lines AG and Edelweiss Air AG that are held directly by Deutsche Lufthansa AG. The corresponding loan agreement was signed on 20 August 2020. It stipulates that the loans may only be used for SWISS and Edelweiss and that no dividend payments may be made by the borrowers for as long as they make use of the credit facility. A number of bank accounts were pledged as collateral in this context, but may still be used to handle payments as long as the obligations under the framework agreement are met. Furthermore, the companies are obliged to abide by covenants relating to minimum liquidity, minimum equity and future minimum earnings. As of 31 December 2020, CHF 475m of the credit facility had been used. Deutsche Lufthansa AG made its contribution in the form of a subordinated loan for CHF 500m.

The Austrian federal government, Deutsche Lufthansa AG and Austrian Airlines reached an agreement on 8 June 2020 on the key aspects of a coronavirus aid package worth EUR 600m for Austrian Airlines. The measures provide for equity capital of EUR 300m to be injected into Austrian Airlines, an amount to be split 50/50 by Deutsche Lufthansa AG and the Austrian government, as well as debt financing of EUR 300m. Deutsche Lufthansa AG's contribution of EUR 150m was made by way of a shareholder contribution by Lufthansa to Austrian Airlines via the existing holding structure. The Austrian state's contribution, also of EUR 150m, was structured in a contract on 28 August 2020 as a subordinated loan, repayment of which will be waived if Austrian Airlines demonstrates that it has incurred a loss of at least EUR 150m

as a result of the coronavirus pandemic. Since evidence had already been provided, the amount was recognised in profit and loss as a grant once the funds were received. As regards the debt component, a credit line of EUR 300m was agreed with a consortium of Austrian banks on 25 June 2020, of which the Austrian state has guaranteed 90% in the context of the special Austrian coronavirus legislation. The shares in Austrian Airlines AG, 38 aircraft and shares in an aircraft holding company that owns these aircraft were pledged to the banking consortium as additional collateral for these credit lines. In addition, it was agreed that interest and fees are to be paid a year in advance and that future income from aircraft sales and insurance payments are to be paid to accounts held as collateral. Finally, the contract prohibits Austrian Airlines AG from paying a dividend during the term of the agreement and obliges the company to maintain defined financing ratios and a certain amount of equity. The credit line runs until the end of 2025, is subject to a fixed interest rate and had been used in full as of 31 December 2020.

A stabilisation agreement was signed with the Belgian government on 1 September 2020 for a total of EUR 290m, made up of a credit facility of EUR 287m for SN Airholding SA/NV and a participation certificate for EUR 3m to be issued by Brussels Airlines SA/NV. In connection with this agreement, the Lufthansa Group pledged its shares and participation rights to the Belgian state agency Société fédérale de participations et d'investissement. The agreements also prohibit dividend payments by Brussels Airlines SA/NV, set a cap on management remuneration and provide for coordinated activities to develop the range of flights available from Brussels Airport. The participation certificate and the loan will pay interest at a floating rate with annual increases. As of 31 December 2020, the participation certificate was fully paid in and EUR 130m of the loan had been utilised. The government stabilisation measures were supplemented by an equity injection of EUR 170m from Deutsche Lufthansa AG.

The Coronavirus Aid, Relief and Economic Security Act (CARES Act), which is designed to mitigate the negative economic impact of the COVID-19 pandemic, came into force in the US on 27 March 2020. On 3 April 2020, the LSG group submitted applications to the US Department of the Treasury for the Payroll Support Program feature of the legislation for three companies in an amount totalling USD 307m, with the Lufthansa Technik group submitting applications worth USD 50m for four companies. In the third quarter of 2020, the LSG group was awarded a loan of USD 79m and grants of USD 135m, which were disbursed in the period. The

Lufthansa Technik group was awarded and received a loan of USD 8m and a grant of USD 22m. The support is tied to a commitment to maintain a defined level of employment.

Additional funding was provided in the USA in early 2021 under the CARES Act I along with further funding from the subsequently passed CARES Act II. The LSG group intends to apply for further funding of USD 143m (of which USD 95m would be a grant). The Italian government also provided funds to compensate for losses incurred due the COVID-19 pandemic. Air Dolomiti also applied for a grant of EUR 16m in early 2021.

### 3 New international accounting standards in accordance with IFRS and interpretations and summary of the significant accounting policies and valuation methods

#### INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS (IFRIC) TO BE APPLIED FOR THE FIRST TIME IN THE FINANCIAL YEAR AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

##### T062 IFRS-PRONOUNCEMENT (APPLICABLE FROM FINANCIAL YEAR 2020)

Changes to conceptual framework
Amendments to IAS 1 and IAS 8, Definition of materiality
Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform
Amendments to IFRS 3, Definition of a Business
Amendments to IFRS 16, Covid-19-related Rent Concessions

The first-time application from 1 January 2020 or 1 June 2020 of the mandatory accounting standards had no or no material effect on the presentation of the net assets, financial and earnings position or on earnings per share.

**Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform.** The amendments aim to reduce the potential impact of reforms to the interbank offered rates (IBORs) on companies' financial reporting. The Lufthansa Group has applied this pronouncement in advance since the last financial year. First-time adoption had no effect on the presentation of the net assets, the financial and earnings position or on earnings per share, but did require additional disclosures in the notes. ➤ **Note 45, p. 205ff.**

**Amendments to IFRS 16, Covid-19-related Rent Concessions.** As a result of the coronavirus pandemic, lessees were granted lease concessions. The IASB published an amendment to IFRS 16 in May 2020 that includes an optional exemption for lessees. As a practical expedient, the lessee can decide to exempt themselves from assessing whether



a COVID-19-related rent concession is a lease modification. Lessees that apply the exemption are to account for COVID-19-related rent concessions as they would do under IFRS 16 if they were not lease modifications. The Lufthansa Group has decided not to apply the optional exemption for lessees.

**PUBLISHED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS (IFRIC) NOT YET APPLIED/APPLICABLE AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS**

The following standards and amendments have already been adopted by the European Union but are only mandatory for financial statements after 31 December 2020:

**T063 IFRS-PRONOUNCEMENT (ADOPTED BY THE EU)**

	Mandatory application for financial years beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Classification of financial liabilities – Phase 2	1 Jan 2021

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – Phase 2.** In August 2020 the IASB adopted amendments to the Interest Rate Benchmark Reform (IBOR reform) – Phase 2. The amendments provide for temporary exemptions if a reference interest rate (IBOR – Interbank Offered Rate) is replaced by an alternative, virtually risk-free rate (RFR) and this has an impact on financial reporting.

As a practical expedient, the amendments provide for contract amendments or changes in cash flows required as a direct result of the reform to be accounted for as changes to a variable interest rate, which corresponds to a change in the market rate. This expedient reflects the practical consideration that the transition from a reference interest rate to a risk-free reference interest rate takes place on the same economic basis, without any transfer of value having taken place. All other changes made at the same time are measured, for example a change in the credit spread or the maturity date. Material changes result in the derecognition of the instrument. If they are not material, the updated effective interest rate is used to determine the new carrying amount of the financial instrument, whereby all gains or losses are recognised in the income statement. A similar practical expedient is to be introduced for changes to leases (IFRS 16) resulting from the Interest Rate Benchmark Reform. In addition, the changes permit hedge accounting to be maintained if the changes are only due to the Interest Rate Benchmark Reform.

Permitted changes include changes from the transition to a risk-free rate in the hedged item, the hedging instrument and the hedged risk. IFRS 9 provides for income and expenses to be recognised in the income statement like effects from the ineffective portion of the hedge. Exemptions were also made in the event of separately identifiable risk components. The amendments to IFRS 7, Financial instruments, also require additional disclosures. The amendments are applicable retroactively for financial years beginning on or after 1 January 2021. Early application is allowed. There is no need to adjust figures for prior periods.

The amendments include practical expedients for the Lufthansa Group, particularly for hedging relationships designated as hedge accounting. Hedging relationships may be maintained where there is still uncertainty concerning an alternative interest rate, which is mainly the case for Lufthansa with USD LIBOR. The extent of exposure to the amendments of IFRS 7, Financial instruments, is explained in an additional disclosure. The Lufthansa Group applies the amendments early following their endorsement in January 2021, so that it can continue hedge accounting for its existing hedging relationships. First-time adoption has no effect on the presentation of the net assets, the financial and earnings position or on earnings per share. ➤ **Note 45, p. 205ff.**

The IASB and the IFRS Interpretations Committee have adopted other standards and interpretations whose application is not mandatory for the financial year 2020:

**T064 IFRS-PRONOUNCEMENT (NOT YET ENDORSED BY THE EU)**

	Anwendungspflicht für Geschäftsjahre beginnend am oder nach
IFRS 17, Insurance Contracts	1 Jan 2023
Amendments to IFRS 3, Reference to the conceptual framework	1 Jan 2022
Amendments to IAS 16, Generation of revenue before an asset's intended use	1 Jan 2022
Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract	1 Jan 2022
Annual improvement process (2018 – 2020), Amendments to IFRS 1, IFRS 9 and IAS 41	1 Jan 2022
Amendments to IAS 1, Classification of Liabilities as Current or Non-current.	1 Jan 2023

Currently, the new or amended IFRS pronouncements listed in the table which are no longer discussed below are not considered to have a material effect on the presentation of the net assets, financial and earnings position.

**Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract.** The IASB published amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts – Cost of Fulfilling a Contract, in May 2020 to clarify that the costs of fulfilling a contract include all directly attributable costs. They include the additional costs of fulfilling a contract such as direct costs of labour or materials and the inclusion of other costs that relate directly to fulfilling contracts. General and administrative expenses do not relate directly to the contract and so are not costs of fulfilling a contract, unless the contract specifically provides for them to be charged on to the customer. The amendments are applicable for financial years beginning on or after 1 January 2022. The Group will apply these amendments to contracts in which not all obligations have been fulfilled at the beginning of the financial year in which the amendments are applied for the first time. We do not expect any material effects.

**Amendments to IAS 1, Classification of Liabilities as Current or Non-current.** In January 2020 the IASB published amendments to IAS 1, Presentation of Financial Statements, to clarify the guidance for classifying liabilities as current or non-current. The amendments clarify that the classification of liabilities depends on the rights in existence at the end of the reporting period. Classification is unaffected by the expectations of management or any events. What is meant by the “settlement” of a liability in IAS 1 is also clarified. The amendments are applicable retroactively for financial years beginning on or after 1 January 2023. The Group is presently reviewing the effects the amendments will have on its current accounting practice.

Apart from the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – Phase 2, the Lufthansa Group has not applied any of the aforementioned new or amended standards in advance. If the effective dates of the standards and interpretations mentioned above fall within the year, they are applied as of 1 January of the following financial year. This is subject to the endorsement of the standards by the EU.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS

The companies included in the consolidated financial statements use uniform accounting policies to prepare their financial statements.

The application of the accounting policies prescribed by IFRS and IFRIC requires making a large number of estimates and assumptions with regard to the future that may, naturally, not coincide with actual future conditions. All of these estimates and assumptions are, however, reviewed continuously and are based either on past experience and/or expectations

of future events that seem reasonable in the circumstances on the basis of sound business judgement. Estimates and assumptions that are of material importance in determining the carrying amounts for assets and liabilities are explained in the following description of the accounting policies applied to material items in the statement of financial position.

The outbreak of the coronavirus pandemic and the steps taken worldwide to contain the virus have had a massive impact on the Group's business operations. This is reflected throughout the Lufthansa Group's consolidated financial statements. The uncertainties resulting from the crisis are vital for the general assessment of the Company's status as a going concern, but also for specific accounting judgements and estimates. It is therefore of fundamental importance how long and at what intensity the COVID-related restrictions to air travel and the constraints for the economy as a whole will continue, and over which period a recovery will take place. In addition, it is hard to foresee what the new normal level will be for air transport in general and the Lufthansa Group in particular. The main assumptions and estimates were therefore based on the Group's liquidity and profit forecasts (↗ Note 2, p. 140ff.). Critical accounting areas that will be affected most severely by the ongoing uncertainty about the further course of the pandemic are:

- Carrying amounts of goodwill (↗ Note 17, p. 165f.) and equity investments (↗ Note 23, p. 174f.), which depend to a large degree on the speed of the recovery and the level of post-crisis business.
- Carrying amount of the aircraft (↗ Note 19, p. 170), which are affected by uncertainties regarding future capacities and so the extent to which the fleet can be used.
- Repairable spare parts (↗ Note 20, p. 171) and inventories (↗ Note 26, p. 176f.) require measurement assumptions about the extent to which lasting overcapacities will result from reducing particular fleet models or from a general long-term decline in business in the MRO segment.
- Since the assumption is that the earnings position will only recover slowly and first result in sustainably positive taxable profits once the pandemic is over, the measurement of carrying amount for deferred tax assets (↗ Note 15, p. 163f.), especially the tax loss carry-forwards created in the financial year, was based on their potential use over a longer time frame.
- Trade receivables (↗ Note 28, p. 177f.), particularly in the MRO segment, were subject to a greater default risk due to the airlines' difficult financial situation. Estimates had to be made here about the probability of future defaults, for which credit scores based on past experience were only of limited use.

- For financial instruments (➤ **Note 45, p. 205ff.**), in order to judge effective hedging relationships and so the necessity of recognising gains and losses through profit or loss, assumptions were made about the volume of future items to be hedged (particularly kerosene consumption).
- Accounting for obligations under customer loyalty programmes and unused flight documents (➤ **Note 40, p. 196**) was subject to greater uncertainty about how customers would redeem miles or use tickets, which will also depend on when and to what extent air travel is possible again. These estimates play a role in the measurement of miles accounts and forecasts of when miles and tickets are likely to expire.

The fundamental valuation method applied in the consolidated financial statements is the acquisition cost principle. Where IFRSs stipulate that other methods of measurement should be applied, these are used instead, and are referred to specifically in the following comments on measuring assets and liabilities.

Amendments to accounting policies as a result of revised and new standards are applied retrospectively unless provided otherwise for a specific standard. The income statement for the previous year and the opening statement of financial position for the comparable period are adjusted as if the new accounting policies had always been applied.

#### **Recognition of income and expenses**

Revenue and other operating income are recognised when the service has been provided.

#### **Passenger transport and ancillary services**

The Lufthansa Group sells flight tickets and related ancillary services primarily via agents, its own websites or other airlines in the case of interlining. The payments are received by the Lufthansa Group via credit card billing companies, agents or other airlines, generally before the corresponding service is provided. Receivables from the sale of flight tickets and related ancillary services are only amounts payable by credit card billing companies, agents or other airlines.

The Lufthansa Group initially recognises all ticket sales as liabilities from unused flight documents. These are presented as contract liabilities in accordance with IFRS 15. Depending on the terms of the selected fare, the contract liabilities reflect a range of possibilities for refunding services that have not yet been provided. Liabilities include both the deferred income for future flights and ancillary services that are recognised as revenue when the flight documents are used, and the

liabilities for award miles credited to the passenger when the flight documents are used. The Lufthansa Group allocates the transaction price to all of the performance obligations identified on the flight ticket on the basis of their individual transaction prices. The individual transaction prices for flight segments are determined using the IATA procedure, which allocates the total price payable to individual flight segments using what is known as a prorate calculation. Amounts calculated in this way meet the IFRS 15 definition of a relative individual transaction price. The individual transaction prices for ancillary services that are not included in the fare are directly observable prices within the meaning of IFRS 15. On average, it takes 2.5 months for a flight coupon to be realised. This does not apply to financial years with severe flight restrictions such as 2020, when the use of flight documents fluctuated from month to month and altogether the large number of flight cancellations meant that customers could not use their tickets as planned. Additional cancellation and rebooking options were introduced in connection with the restrictions and flight cancellations caused by the coronavirus pandemic.

The Lufthansa Group reduces liabilities from unused flight documents and recognises revenue for each flight segment (including the related ancillary revenue) when the respective document is used. For tickets that cover more than one flight segment, the Lufthansa Group identifies each flight segment as a distinct performance obligation, since each flight segment is independent and can be distinguished in the context of the contract.

Interlining means that the passenger is carried by another airline for one (or more) flight segments. Only the commission paid by the other carrier is recognised as revenue for these flight segments, since the Lufthansa Group acts solely as an agent in terms of these performance obligations. If passengers with tickets sold by other airlines are carried partly or fully by the Lufthansa Group, the Lufthansa Group shows the pro rata ticket income received from the other airlines less the commission retained by the ticketing airline as revenue.

Generally speaking, the Lufthansa Group does not expect to receive any amount if a flight document is not used (or does not expect the amount to be material) and so for this reason does not anticipate the possibility that documents for a flight segment will not be used. The expected amount if flight documents are not used is only recognised as revenue if the probability that the passengers (in accordance with the portfolios they are assigned to) exercise their remaining rights is low, and no later than when the expiry of flight documents is certain and known.

IFRS 15 requires that income from the expiry of miles is recognised in parallel with revenue from the performance obligations that do not expire. A period of three years is therefore assumed for revenue recognition, and the revenue from miles expected to expire is recognised on a straight-line basis over this time. The effects of the coronavirus pandemic on air travel have changed the recognition parameters, partly because there were fewer opportunities to fly and partly because customers' redemption patterns changed. The average percentage decline in redemption volumes was used as an indicator for adjusting the pro rata recognition volume.

Revenue for award miles is recognised at the point in time or over the time at which the goods and services purchased with the award miles are transferred.

### Logistics

Lufthansa Cargo markets the freight capacities of passenger aircraft at Lufthansa German Airlines, Austrian Airlines, Eurowings and Brussels Airlines and operates a fleet of cargo aircraft. In addition to income from standard cargo services, Lufthansa Cargo generates part of its revenue from ancillary services that are closely connected to the freight service.

In its cargo business, the Lufthansa Group has identified the entire freight service as a distinct performance obligation. The end customer receives the benefit of the transport service and uses the service at the same time as this performance obligation is fulfilled with each transport segment. In this case, the customer takes control of the company's output while the carrier provides its service. The customer receives the benefit of the service as each transport segment is fulfilled. The corresponding cargo revenue is therefore recognised at the prorata value when the documents for each individual freight segment are used.

Lufthansa Cargo typically receives the consideration for performing its service once the transport has been carried out.

### MRO

The main distinct performance obligations in the MRO segment are the provision of maintenance and aircraft and engine overhaul services, which are recognised over time since the condition of IFRS 15.35 (b) is generally met. These performance obligations involve estimating the proportion of the total contract already completed and the profit on the whole contract, so that an input-orientated measurement of the percentage of completion can be made. Contract assets and contract liabilities are therefore both recognised.

Access to Lufthansa Technik's pool of spare parts and components is another key performance obligation, which is satisfied either over time or at a point in time, depending on the contract model agreed.

In some cases, the contracts in the MRO segment make it necessary not to recognise distinct services as individual performance obligations but rather as a series, as described in IFRS 15.22 (b). Furthermore, some of the contracts include standby obligations that require the recognition of revenue over time. This is particularly the case when remuneration is paid in the form of a fixed rate per hour of flying time. For such contracts, the percentage of completion is primarily measured on the basis of the hours invoiced monthly to the customer. Revenue from component supply contracts is realised taking into consideration the margin shown in the business plans, which are updated annually.

A significant portion of the contracts in the MRO business segment run for several years and so have price adjustment clauses, which are only considered in the transaction price when the event that triggers a price adjustment (a wage increase, for example) has occurred.

### Catering

The LSG group offers products and services related to in-flight service. These include catering, in-flight sales and entertainment, in-flight service equipment and the associated logistics as well as consultancy services and the operation of lounges.

Airline catering is the main business of the LSG group as far as revenue is concerned. Taking the business model and the value chain for airline catering into account, the preparation of meals and the logistics related to this catering have been identified as distinct performance obligations. The performance obligation to prepare meals is generally fulfilled when the meals are delivered to the customers. The catering logistics performance obligation is fulfilled over the time between the transport of the meals to the airport and the disposal of the waste, depending on the services ordered by the customer. For performance obligations over time, the percentage of completion is measured on an output basis in accordance with IFRS 15.B15 in conjunction with IFRS 15.B16.

Billing and payment in the Catering segment generally take place one to two months after the performance obligation has been fulfilled. This gives rise to trade receivables, but no significant contract liabilities or contract assets from catering contracts.

Variable consideration (e.g. volume discounts) must be taken into account when determining the transaction price in the catering business. The majority of the variable consideration is estimated using the expected value method on the basis of historic data and current developments. The LSG group updates the estimated transaction price at the end of each reporting period and accounts for the resulting changes in accordance with IFRS 15.87–90.

Further disclosures on the Lufthansa Group's revenue from contracts with customers can be found in [Note 4 and 5, p. 157ff.](#)

Operating expenses are recognised when the product or service is used or the expense arises. Provisions for warranties are generally accounted for when the corresponding revenue is recognised, while provisions for onerous contracts are generally set up when they are identified.

Interest income and expenses are accrued in the appropriate period. Dividends from shareholdings not accounted for using the equity method are recognised when a legal claim to them arises.

#### Initial consolidation and goodwill

The initial consolidation of Group companies takes place using the purchase method. This involves measuring the fair value of the assets, liabilities and contingent liabilities identified, in accordance with the provisions of IFRS 3, of the company acquired at the acquisition date, and allocating the acquisition costs to them. The proportion of fair value of assets and liabilities not acquired is shown under non-controlling interests. The ancillary acquisition costs are recognised as expenses in the periods in which they occur.

Any excess of cost over the value of equity acquired is capitalised as goodwill. If the value of the acquirer's interest in the shareholders' equity exceeds the purchase price paid by the acquiring company, the difference is recognised immediately in profit or loss.

Differences from non-controlling interests acquired after control has been gained are set off directly against equity.

Goodwill is not amortised, but is tested annually for impairment. The impairment tests applied to goodwill are carried out using established discounted cash flow methods. This is done on the basis of expected future cash flows from the latest business plan, which are extrapolated on the basis of long-term revenue growth rates and assumptions with regard to margin development and are discounted for the capital costs of the business unit. Tests are performed at the cash

generating unit (CGU) level. For the individual premises on which impairment tests were based in the financial year 2020, see [Note 17, p. 165ff.](#)

Additional impairment tests are also applied during the course of the year if events give reason to believe that goodwill could be permanently impaired.

Once an impairment loss has been recognised on goodwill, it is not reversed in subsequent periods.

Notwithstanding the principles described above, Group companies that have no material impact on the Lufthansa Group's net assets, financial and earnings position are not consolidated, but rather recognised in the consolidated financial statements at cost less any impairments.

#### Currency translation and consolidation methods

The financial statements of the foreign Group companies are prepared in the relevant functional currency and translated into euros before consolidation. The functional currency is mainly the currency of the country in which the company concerned is located. Occasionally, the functional currency differs from the national currency. Assets and liabilities are translated at the middle rates on the balance sheet date. Income statements are translated at the average exchange rates for the year. Any translation differences are recognised directly in equity without effect on profit and loss and are only recognised in profit or loss when control is lost or the equity investment is disposed of.

Goodwill from capital consolidation of foreign subsidiaries prior to 2005 is carried at historical cost net of amortisation accumulated by the end of 2004. Goodwill acquired after 2005 is held in the functional currency of the purchased company and translated at the middle rates on the reporting date.

Transaction differences, however, are recognised in profit or loss. These differences arise in the financial statements of consolidated companies from the measurement of assets and liabilities denominated in a currency other than the company's functional currency. Exchange rate differences here are included in revenue (exchange rate gains and losses on trade receivables) and in other operating income (other exchange rate gains) or other operating expenses (other exchange rate losses).

Translation differences relating to items whose fair value changes are recognised in equity are also recognised in equity without effect on profit and loss.

The most important exchange rates used in the consolidated financial statements have developed in relation to the euro as follows:

**T065 EXCHANGE RATES**

	2020		2019	
	Balance sheet exchange rate	Income statement average rate	Balance sheet exchange rate	Income statement average rate
AUD	0.62497	0.60232	0.62443	0.62094
CAD	0.63740	0.65478	0.68299	0.67379
CHF	0.92165	0.93484	0.92137	0.89864
CNY	0.12475	0.12701	0.12767	0.12955
GBP	1.10660	1.12600	1.17019	1.14121
HKD	0.10497	0.11357	0.11456	0.11410
INR	0.01112	0.01188	0.01251	0.01271
JPY	0.00788	0.00825	0.00819	0.00820
KRW	0.00075	0.00074	0.00077	0.00077
NOK	0.09514	0.09271	0.10137	0.10171
PLN	0.21851	0.22425	0.23505	0.23209
SEK	0.09927	0.09515	0.09564	0.09444
USD	0.81377	0.88089	0.89198	0.89432

The provisions of IAS 29, Financial Accounting in Hyper-inflationary Economies, were applied to one consolidated company in Argentina. Gains and losses from adjusting for inflation on the carrying amounts of non-monetary assets and liabilities and the income statement were immaterial and were recognised in other operating income.

The effects of intra-Group transactions are completely eliminated in the course of consolidation. Receivables and liabilities between consolidated companies are offset against one another and intra-Group provisions are reversed through profit or loss. Intra-Group profits and losses in non-current assets and inventories are eliminated – mostly in connection with the internal resale of aircraft and maintenance events. Intra-Group income is set off against the corresponding expenses. Tax accruals and deferrals are made as required by IAS 12 for temporary differences arising from consolidation.

**Other intangible assets (except goodwill)**

Acquired intangible assets are shown at cost, while internally generated intangible assets from which the Lufthansa Group expects to derive future benefit and that can be measured reliably are capitalised at cost of production and amortised regularly using the straight-line method over an estimated useful life. The cost of production includes all costs directly attributable to the production process, including borrowing costs as required under IAS 23, as well as appropriate portions of production-related overhead.

Intangible assets with indefinite useful lives (mainly brands and purchased, resellable take-off and landing rights) are not amortised, but rather subjected to a regular annual impairment test, as is goodwill.

**Property, plant and equipment**

Tangible assets used in business operations for longer than one year are valued at cost less regular straight-line depreciation. The cost of production includes all costs directly attributable to the manufacturing process as well as appropriate portions of production-related overhead. Borrowing costs in close connection with the financing of the purchase or production of a qualifying asset are also capitalised.

Key components of property, plant and equipment that have different useful lives are recognised and depreciated separately. Seats and in-flight entertainment systems installed in commercial aircraft are recognised separately. If costs are incurred in connection with regular extensive maintenance work (e.g. overhauling aircraft and major engine overhauls), these costs are recognised as a separate component insofar as they meet the criteria for recognition. The useful lives and remaining carrying amounts of assets are reviewed regularly and adjusted as necessary in line with the forecast.

The following useful lives and residual carrying amounts are applied throughout the Group:

**T066 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment	Useful life
Buildings	45 years
New commercial aircraft and reserve engines	20 years to a residual value of 5%
Separable aircraft components	4 to 6 years
Technical equipment and machinery	8 to 20 years
Other equipment, operating and office equipment	3 to 20 years

Buildings, fixtures and fittings on rented premises are depreciated according to the terms of the leases or over a shorter useful life.

Assets acquired second-hand are depreciated over their expected remaining useful life.

When assets are sold or scrapped, the difference between the net proceeds and the net carrying amount of the assets is recognised as a gain or loss in the other operating income or expenses, respectively.



In addition to the impairment tests for goodwill, slots and brands, individual items of property, plant and equipment and intangible assets are also tested for impairment if they are no longer intended for future use, either because they are damaged, retired or due to be sold. In this case, the assets are measured individually in line with the applicable standard (full write-down to scrap value, or disposal proceeds less costs to sell). The lowest level at which assets can form a CGU is a production facility, to the extent that separate product lines or customer (groups) can be assigned to it. When aircraft are held for service in the Lufthansa Group fleet and there is no immediate intention to sell them, they are combined with the assets of the respective operating unit for the purposes of impairment testing.

#### **Impairment losses on intangible assets and property, plant and equipment**

The Lufthansa Group tests intangible assets and property, plant and equipment for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition to depreciation and amortisation, impairment losses are also recognised on the balance sheet date if the asset's recoverable amount has fallen below its carrying amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and the present value of the estimated net future cash flows from continued use of the asset (value in use).

Fair value less costs to sell is derived from recently observed market transactions – insofar as they are available – or in the case of aircraft, from general external information on current market prices.

If it is impossible to forecast expected cash flows for an individual asset, the cash flows for the next larger asset unit are estimated, discounted at a rate reflecting the risk involved, and the recoverable amount allocated to the individual assets in proportion to their respective carrying amounts.

If the reason for an impairment loss recognised in previous years should cease to exist in whole or in part in subsequent periods, the impairment loss is reversed up to the amount of the asset's amortised cost.

#### **Repairable spare parts for aircraft**

Initial supply of spare parts for aircraft that can be reused after repair are classified as non-current assets.

The MRO segment accounts for most of the Group's repairable spare parts. They are replaced and repaired on an ongoing basis to carry out customer orders and for the Group's own purposes and are held in stock to support the Group's long-term business. A valuation-relevant subdivision essentially distinguishes between replacement components for aircraft ("pool material"), which is provided continuously for customer orders and which is measured at production/acquisition cost less depreciation, and spare parts that are exchanged and repaired on an ongoing basis for overhaul orders ("non-pool material"), which is measured at the lower of production/acquisition cost and net realisable value. The starting point for the depreciated carrying amounts is the rolling average price of the materials. Pool material is depreciated over 5 to 20 years, depending on the expected useful life of the corresponding aircraft model. Valuation allowances for non-pool materials reflect their expected future marketability. All depreciation and impairment is recognised within the cost of materials and services, since this best reflects the business model.

#### **Leases**

The Lufthansa Group is a lessee for certain assets, particularly property and aircraft. In terms of property, the Group mainly leases airport infrastructure, including hangars, parking and handling spaces, lounges, and offices. Other office buildings, production and warehouse space are also leased. In addition, the Group uses aircraft and other operating and office equipment on the basis of leases. In accordance with IFRS 16, the Lufthansa Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Right-of-use assets** are measured at cost less accumulated depreciation and impairment losses and adjusted for any change in the measurement of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The Lufthansa Group has opted not to apply IFRS 16 to intangible assets. Payments under leases with a term of no more than twelve months and leases in which the leased asset is of low value, will be recognised in profit or loss at the payment date in line with this option.

For contracts that include non-lease components alongside lease components, these components are separated.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful life of the leased item.

If ownership of the leased asset passes to the Lufthansa Group at the end of the lease term or is included in the costs of exercising a purchase option, depreciation is calculated for the expected useful life of the leased asset.

Right-of-use assets are also tested for impairment.

At the commencement date of the lease, Lufthansa Group recognises **lease liabilities** measured at the present value of the lease payments to be made over the term of the lease. The lease payments include fixed payments less any lease incentives owed, variable lease payments that depend on an index or a rate, and any amounts that are expected to be paid in the context of residual value guarantees. Lease payments also include the exercise price of a purchase option or penalties for early termination if the exercise of the purchase or termination option by the lessee is reasonably certain.

The Lufthansa Group has several leases that include renewal and termination options, particularly for properties. Judgment is used when determining the probability that the option to renew or terminate the lease will be exercised. When determining lease terms, all the facts and circumstances are reasonably certain that offer an economic incentive to exercise renewal options or not to exercise termination options. After the commencement date of the lease, the Lufthansa Group remeasures the lease liability if a significant event occurs or if circumstances change.

Variable lease payments that do not depend on an index or a reference rate are recognised as expenses in the period in which the event or condition triggering the payment occurs.

Lease payments are discounted at the interest rate implicit in the lease, if it can be determined. Otherwise they are discounted at the incremental borrowing rate. Reference interest rates based on congruent, risk-free rates in major countries and currencies were used to calculate the incremental borrowing rate. A credit risk premium was added to the respective reference rates.

As the lessor in an operating lease, the Lufthansa Group presents the leased item as an asset at amortised cost in property, plant and equipment. Lease payments received in the period are shown as other operating income. The Lufthansa Group leases some of its properties and engines to other entities. There are currently no finance leases at the Lufthansa Group.

#### **Equity investments accounted for using the equity method**

Equity investments accounted for using the equity method are capitalised at cost at the time of acquisition.

In subsequent periods, the carrying amounts are either increased or reduced annually by changes in the shareholders' equity of the associated company or joint venture that is held by the Lufthansa Group. The principles of purchase price allocation that apply to full consolidation are applied accordingly to the initial measurement of any difference between the acquisition cost of the investment and the pro rata share of shareholders' equity of the company in question. An impairment test is only carried out in subsequent periods if there are indications of a potential impairment in the entire investment valuation.

#### **Financial instruments**

**Financial assets** are classified within the Lufthansa Group in accordance with IFRS 9 as "at amortised cost", "at fair value through profit or loss", "at fair value through other comprehensive income (with and without recycling)" and "derivative financial instruments as an effective part of a hedging relationship".

The category "**at amortised cost**" consists of financial assets that are debt instruments and are intended to be held to maturity on the basis of the company's business model. Furthermore, these instruments have fixed payment terms and meet the criteria for cash flow characteristics, i.e. contractual payments of principal and interest. For the Lufthansa Group, this item particularly includes loans and receivables, cash-in-hand and bank balances. They are classified as non-current or current assets according to their remaining maturity.

The category "**at fair value through profit or loss**" comprises debt instruments for which the business model is neither to hold nor to sell them, or which do not pass the cash flow characteristics test. This is generally not the case for the Lufthansa Group. Equity instruments are also allocated to this category as a rule, so the Lufthansa Group generally recognises shares and equity investments that are financial instruments in this category. Derivatives are also classified in this category if they do not meet the criteria for hedge accounting.

Debt instruments are classified as **“at fair value through other comprehensive income (with recycling)”** when the business model is to both hold and sell these instruments and they pass the cash flow characteristics test. For the Lufthansa Group, this applies to securities representing debt instruments.

An option can be exercised to classify specific equity instruments as **“at fair value through other comprehensive income (without recycling)”**. The Lufthansa Group exercises this option for individual share positions.

The Lufthansa Group uses derivatives for hedging, which are classified as **“derivative financial instruments as an effective part of a hedging relationship”** if all the requirements for hedge accounting are satisfied.

Financial instruments are recognised on the settlement date, i.e. on the date that they are created or transferred. Financial assets are capitalised at fair value plus transaction costs. Unrealised gains and losses are recognised directly in equity, taking deferred taxes into account. Long-term low or non-interest-bearing loans are recognised at net present value using the effective interest method. Subsequent measurement of the financial instrument depends on the classification, either at amortised cost using the effective interest method, or at fair value, through profit or loss or in equity without effect on profit and loss.

Receivables denominated in foreign currencies are measured at the balance sheet date rate.

The fair value of securities is determined by the price quoted on an active market. For unlisted fixed-interest securities, the fair value is determined from the difference between effective and market interest rate at the valuation date.

If there are doubts as to the recoverability of receivables, then impairment losses are recognised and these receivables are recognised at the lower recoverable amount. Subsequent reversals (write-backs) are recognised in profit or loss. IFRS 9 requires that when a receivable is recognised for the first time, an expected loss is provided for that reflects the credit risk of the receivable before a default event occurs. An external credit risk exists for the Lufthansa Group, especially in its portfolio of trade receivables, for which an expected credit loss is recognised.

**Derivative financial instruments** are measured at fair value on the basis of published market prices. If there is no quoted price on an active market, other appropriate valuation methods are applied. Appropriate valuation methods take all factors into account that independent, knowledgeable market participants would consider in arriving at a price and that constitute recognised, established economic models for calculating the price of financial instruments.

In accordance with its internal guidelines, the Lufthansa Group uses derivative financial instruments to hedge interest rate and exchange rate risks and to hedge fuel price risks. This is based on the hedging policy defined by the Executive Board and monitored by a committee. ➤ **Note 45, p. 205ff.**

Interest rate swaps and interest rate/currency swaps are used to manage interest rate risks. Interest rate/currency swaps also hedge exchange rate risks arising from borrowing in foreign currencies.

Fuel price hedging takes the form of spread options and other hedging combinations, primarily for crude oil. To a limited extent, hedging may also be undertaken for other products, such as jet fuel or gas oil.

Hedging transactions are used to secure either fair values (fair value hedge) or future cash flows (cash flow hedge).

To the extent that the financial instruments used qualify as effective cash flow hedging instruments within the scope of a hedging relationship, in accordance with the provisions of IFRS 9, the fluctuations in market value will not affect the result for the period during the term of the derivative. They are recognised without effect on profit or loss in the corresponding reserves. If the hedged cash flow is an investment, the result of the hedging transaction that has previously been recognised in equity is set off against the cost of the capital expenditure at the time the underlying transaction matures. In all other cases, the cumulative gain or loss previously stated in equity is included in net profit or loss for the period on maturity of the hedged cash flow.

In the case of effective hedging of fair values that are designated as a fair value hedge, the changes in the market value of the hedged asset or the hedged debt and those of the financial instrument will balance out in the income statement.

Derivatives that do not meet the criteria for hedge accounting are presented in the category “at fair value through profit or loss”. Changes in fair value are then recognised directly in the income statement. For the Lufthansa Group, this generally occurs when the exposure or item being hedged cannot be measured reliably or the exposure ceases to exist prematurely over the course of the hedge.

Embedded derivatives – to the extent that they should, but cannot, be separated from the financial host contract – are also considered with these as trading transactions for measurement purposes. Changes in market value are also recognised directly as profit or loss in the income statement. Both types must be classified as financial assets stated “at fair value through profit or loss”.

It is the Lufthansa Group’s hedging policy (➤ **Note 45, p. 205ff.**) only to acquire effective derivatives for the purpose of hedging interest rate, exchange rate and fuel price risks.

Initial recognition of **financial guarantees** given to third parties is at fair value. Thereafter, financial guarantees are either measured in the category “at fair value through profit or loss” or at the higher of the originally recognised amount, less any cumulative amortisation through profit or loss in line with IFRS 15, and the value of the contractual obligation measured in line with IAS 37.

#### **Emissions certificates**

CO<sub>2</sub> emissions certificates are recognised as intangible assets and presented under other receivables. Rights, both those purchased and those allocated free of charge, are measured at cost and not amortised.

The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which was concluded with the International Civil Aviation Organization (ICAO) in October 2016, seeks to offset growth-related CO<sub>2</sub> emissions in international air traffic using climate protection projects from 2021 onwards. In June 2020, the ICAO adopted a resolution confirming that carbon emissions in 2019 are the sole benchmark for determining relevant industry growth in the course of the CORSIA pilot phase. On the basis of this regulatory change, the Lufthansa Group assumes that it will not have to make any carbon offsets under CORSIA for the year 2021. Whether and how many CORSIA offsets will be required in future depends primarily on how fast air traffic recovers between the states participating in the CORSIA pilot phase.

#### **Contract assets and receivables**

Contract assets represent contractual claims to receive payments from customers where the contractual performance obligations have already been fulfilled but no unconditional payment claim has yet been incurred. Receivables are recognised if the right to receive consideration is no longer subject to conditions. This is generally the case when the Group is contractually entitled to send the customer an invoice. Contract assets mainly relate to construction or service contracts for MRO and IT services. Valuation allowances are made on the respective gross amounts of expected payment defaults.

#### **Inventories**

The item “Inventories” comprises non-repairable spare parts and assets used in production or the provision of services (raw materials, consumables and supplies), purchased merchandise, finished and unfinished goods and advance payments for them. They are measured at cost, determined on the basis of average prices, or at production costs. The cost of production includes all costs directly attributable to the production process, including borrowing costs as required under IAS 23, as well as appropriate portions of production-related overheads at normal productivity rates. Measurement on the balance sheet date is at the lower of cost and net realisable value. Net realisable value is defined as the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale. If there are indicators for future inability to pay, corresponding valuation allowances are made.

#### **Assets held for sale**

Individual, formerly non-current assets or groups of assets that are expected to be sold within the next twelve months are measured at the lower of their carrying amount at the time they are reclassified and fair value less costs to sell. Fair value less costs to sell is derived from recent market transactions, if available.

Property, plant and equipment and intangible assets are no longer depreciated or amortised and affiliated companies accounted for using the equity method are no longer accounted for in this way once they are classified as held for sale or distribution. While the impairment charge from the last measurement before reclassification is recognised as an impairment loss, all subsequent changes in the measurement of current assets held for sale, e.g. due to exchange rate movements, are shown in other operating expenses or income.

### Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand, cheques received and credit balances at banks. Cash equivalents are financial investments that can be liquidated at short notice. At the time of purchase or investment, they have a maturity of three months or less.

### Pension provisions

The pension provisions for defined benefit plans correspond to the present value of the defined benefit obligations (DBO) on the reporting date less the fair value of plan assets, if necessary taking the rules on the maximum surplus of plan assets over the obligation (asset ceiling) into account.

The DBO is calculated annually by independent actuaries using the projected unit credit method prescribed in IAS 19 for defined benefit pension plans. The measurement of pension provisions within the statement of financial position is based on a number of actuarial assumptions.

Capital account plans are measured using the market value of the assets assigned to the individual capital accounts as of the reporting date, whereby the present value of the minimum benefit payable when the beneficiary becomes entitled to the benefit is compared with the amount of contributions already paid in, measured using the assumptions for the benefit plans. Additional risk premiums that the employer contributes to insure against early entitlements are included in current service expense.

They include, in particular, assumptions about long-term salary and pension trends as well as average life expectancy. The assumptions about salary and pension trends are based on developments observed in the past and take into account national interest and inflation rates and labour market trends. Estimates of average life expectancy are based on recognised biometric calculation formulas.

The interest rate used to discount the individual future payment obligations is based on the return from investment grade corporate bonds in the same currency and with a similar maturity. The discount rate is determined by reference to high-quality corporate bonds with an issue volume of at least EUR 100m and an AA rating from at least one of the rating agencies Moody's Investor Service, Fitch Ratings or Standard & Poor's Rating Services.

Actuarial gains and losses arising from the regular adjustment of actuarial assumptions are recognised directly in equity in the period in which they arise, taking deferred taxes into account. Also presented without effect on profit and loss are differences between the interest income at the beginning of the period calculated on plan assets based on the interest rate used to discount the pension obligations and the earnings from plan assets actually recorded at the end of the period. The actuarial gains and losses and any difference between the forecast result and the actual result from plan assets form part of the remeasurement.

Past service costs are recognised immediately in profit or loss.

Payments to pension providers for defined contribution retirement commitments for which the pension provider or the beneficiary assumes the financial risks are recognised in staff costs as they fall due.

### Other provisions

Other provisions are recognised for present legal and constructive obligations to third parties arising from past events that will probably give rise to a future outflow of resources provided that a reliable estimate can be made of the amount of the obligations as of the reporting date.

The amount of the provision is determined by the best estimate of the amount required to settle the present obligation. Past experience, current cost and price information as well as estimates from internal and external experts are used to determine the amount of provisions.

The management regularly analyses the current information on legal risks and makes provisions for probable obligations. These provisions cover estimated payments to the claimant, court and procedural costs, the costs of lawyers and of any out-of-court settlement. Internal and external lawyers assist with the estimate. When deciding on the necessity of a provision for litigation, the management takes into account the probability of an unfavourable outcome and the chance of making a sufficiently accurate estimate of the amount of the obligation. The commencement of legal proceedings, the formal assertion of a claim against the Group or the disclosure of certain litigation in the Notes does not automatically mean that a provision was made for the risk concerned. A ruling in court proceedings, a decision by a public authority or an out-of-court settlement may cause the Group to incur expenses for which no provision was made because the amount could not be reliably determined or for which the provision made and the insurance coverage is not sufficient.

Provisions for restructuring and severance payments are only recognised when the Group has a constructive obligation. In the case of restructuring, a constructive obligation exists if there is a formal restructuring plan that includes the affected business unit or the affected part of a business unit, the location and number of employees affected, the detailed estimate of the associated costs and the time schedule. In addition, the key points of the plan must have been communicated to the employees concerned. The restructuring provisions only include expenses directly attributable to the restructuring measures that are necessary for the restructuring and are not related to the future operating business. This includes, for example, expenses for severance payments to employees.

Provisions for obligations that are not expected to lead to an outflow of resources in the following year are recognised to the amount of the present value of the expected outflow, taking foreseeable price rises into account.

The assigned value of provisions is reviewed on each balance sheet date. Provisions in foreign currencies are translated at reporting date rates.

If no provision could be recognised because one of the stated criteria was not fulfilled, the corresponding obligations are shown as contingent liabilities and discussed in the relevant section.

#### Liabilities

Trade and other payables are initially recognised at fair value. Fair value is approximately equivalent to the carrying amount.

Measurement in subsequent periods is at amortised cost using the effective interest rate method.

Liabilities in foreign currencies are measured with the exchange rate at the balance sheet date.

Obligations from share programmes are measured at fair value as cash-settled share-based payment transactions in accordance with IFRS 2. Fair value is derived using a Monte Carlo simulation.

The liability is recognised on the basis of the resulting fair value, taking the remaining term of the programme into account. Changes are recognised as staff costs in profit or loss.

Details of the assumptions used for the model and the structure of the share programmes can be found in [Note 39, p. 192ff.](#)

#### Contract liabilities

A contract liability is an obligation on the part of the Group towards a customer to provide goods or services for which the customer has already performed an obligation, e.g. by making an advance payment. Contractual liabilities are recognised as revenue as soon as the Group fulfils its contractual obligations. The Group's contract liabilities consist of liabilities from unused flight documents, unredeemed miles from customer loyalty programmes, construction contracts and other contract liabilities.

Until they are used, sold flight documents are recognised as an **obligation from unused flight documents**. Coupons that are unlikely to be used any more are recognised pro rata temporis as traffic revenue in the income statement at their estimated value. The estimate is based on historical statistical data. Due to the coronavirus pandemic and the associated increased number of tickets for cancelled and rebookable flights, the parameters for the use of expired flight coupons were adjusted according to current estimates.

The Lufthansa Group uses various bonus miles programmes with the aim of ensuring long-term **customer loyalty**. Participants in the Miles & More programme, which is the biggest bonus miles programme in the Lufthansa Group, can collect and redeem bonus miles for flights with the airlines in the Lufthansa Group as well as with numerous partners (including other airlines, hotels, global car hire companies, financial and insurance providers, telecommunications companies, retailers, automobile clubs, etc.). Miles expire three years after they are collected, in accordance with the terms of membership, unless they are protected by frequent flyer status or credit card use.

Observable past redemption patterns are used to measure the premium claims that are collected on flights with the airlines in the Lufthansa Group. Miles that are expected to be used for flights with airlines of the Lufthansa Group are measured based on the average price of the premium flight or upgrade for the average number of miles used. The price is calculated on the basis of past redemption patterns, weighted for the various geographic regions and booking classes. This is then corrected to allow for the reduced flexibility of premium flights and the award miles granted for normal flights. Miles that are expected to be redeemed for other



bonuses are measured at the average price for these bonuses and the average number of miles redeemed. The prices for additional miles are recalculated every year and applied to all additions in that year. Consumption of miles is measured using the average rate for total miles at the beginning of the year (same as previous year).

Premium points collected from other partners are measured at the amounts paid by these partners in relation to the average number of miles collected and redeemed.

The calculation method for the legal and economic expiry rate entails calculating the expiry rate from the values observed in prior years, increased or decreased as necessary by reference to past trends or future enhancements to the programme. Due to the significant decline in redemption behaviour in the wake of the coronavirus pandemic, the parameter adjustments that would have resulted from the data of the current financial year were largely not taken into account for valuation purposes.

#### **Government grants**

Government grants are recognised at fair value when there is reasonable certainty that the grant will be received and that the Group will fulfil all conditions attached to such grants.

Government grants include, for example, income subsidies or social security contributions for short-time allowances. If short-time allowance is a personal benefit for the employee, the respective payments are transitory items. Another example is government loans at below-market rates, where the interest rate advantage is allocated pro rata temporis over the term of the loan.

Government grants for the acquisition of property, plant and equipment are included in other liabilities as deferred income and recognised in other operating income on a straight-line basis over the estimated useful life of the corresponding asset. Non-monetary grants are only recognised in the income statement when the necessary eligibility criteria have been fulfilled. Until then, the corresponding amounts must also be shown under deferred income.

#### **Tax liabilities**

Obligations towards tax authorities that are uncertain with regard to their occurrence, probability and amount are recorded as tax liabilities on the basis of best estimates or expectations. Any contingent liabilities existing in this context are addressed separately as needed.

#### **Deferred tax items**

In accordance with IAS 12, deferred taxes are recognised for all temporary differences between the statements of financial position with regard to tax of individual companies and the consolidated financial statements. Tax loss carry-forwards are recognised to the extent that the deferred tax assets are likely to be used in the future. Company earnings forecasts and specific, realisable tax strategies are used to determine whether deferred tax assets are usable or not, i.e. whether they have a value that can be realised. The planning period used to assess this probability is determined by the individual Group company according to the specific circumstances and lies generally between three and five years unless there is convincing evidence of possible prolonged use beyond the general horizon of the official Group planning. This was the case in the financial year due to the high losses caused by the shock of the coronavirus pandemic, especially in Germany, resulting in the application of longer useful lives.

#### **Effective income taxes**

The Lufthansa Group is liable for income taxes in various countries. Material assumptions are necessary to calculate the income tax liabilities. For certain transactions and calculations, the final taxation cannot be assessed definitively in the course of normal business. The amount of the liability that may arise from future determinations of expected tax inspection is based on estimates of whether additional income taxes will be owed, and if so, at which amount. The assumptions underlying the estimates are reviewed on an ongoing basis and adjusted as necessary. Nevertheless, different tax payments may occur in the period in which taxation is definitively assessed.

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 4 Traffic revenue

In the consolidated income statement, the Lufthansa Group attributes revenue to the segments Network Airlines, Eurowings, Logistics, MRO, Catering, and Additional Businesses and Group Functions.

Traffic is under significant strain as a result of the worldwide travel restrictions due to the coronavirus pandemic. Passenger numbers fell by 75% in the 2020 financial year compared with the previous year.

The following table provides a breakdown of traffic revenue according to the different business models for the financial year that ended on 31 December 2020. The table following that shows the previous year's figures:

#### T067 TRAFFIC REVENUE BY SECTOR 2020

	Total	Europe <sup>1)</sup>	North America <sup>1)</sup>	Central and South America <sup>1)</sup>	Asia/Pacific <sup>1)</sup>	Middle East <sup>1)</sup>	Africa <sup>1)</sup>
in €m							
Network Airlines	5,899	4,066	859	131	556	144	143
Lufthansa German Airlines	3,465						
SWISS <sup>2)</sup>	1,635						
Austrian Airlines <sup>2)</sup>	415						
Brussels Airlines	384						
Eurowings <sup>2)</sup>	583	576	4	1	2	-	-
Logistics	2,596	1,210	250	90	983	22	41
<b>Total</b>	<b>9,078</b>						

<sup>1)</sup> Traffic revenue is allocated according to the original location of sale.

<sup>2)</sup> Disclosure of traffic revenue, including belly revenue; this is reported in the segment reporting in the reconciliation column.

#### T067 TRAFFIC REVENUE BY SECTOR 2019

	Total <sup>3)</sup>	Europe <sup>1)</sup>	North America <sup>1)</sup>	Central and South America <sup>1)</sup>	Asia/Pacific <sup>1)</sup>	Middle East <sup>1)</sup>	Africa <sup>1)</sup>
in €m							
Network Airlines <sup>2),3)</sup>	23,507	15,193	4,407	513	2,348	586	460
Lufthansa German Airlines <sup>3)</sup>	15,170						
SWISS <sup>2)</sup>	5,010						
Austrian Airlines	1,941						
Brussels Airlines	1,386						
Eurowings <sup>2),3)</sup>	2,311	2,240	35	8	22	4	2
Logistics	2,318	1,153	265	94	703	31	72
<b>Total</b>	<b>28,136</b>						

<sup>1)</sup> Traffic revenue is allocated according to the original location of sale.

<sup>2)</sup> Disclosure of traffic revenue, including belly revenue; this is reported in the segment reporting in the reconciliation column.

<sup>3)</sup> Previous year's figures have been adjusted due to reclassification of Brussels Airlines, Germanwings GmbH and the long-haul business of Eurowings to Network Airlines.

Traffic revenue of EUR 9,078m (previous year: EUR 28,136m) includes freight and mail revenue of EUR 3,011m (previous year: EUR 2,774m). Of the total, EUR 2,596m (previous year: EUR 2,318m) relate to the Logistics segment. Other freight and mail revenue of EUR 415m (previous year: EUR 456m) mainly comes from marketing belly capacities on passenger flights by SWISS, Austrian Airlines and Eurowings.

## 5 Other revenue

The following table provides a breakdown of other revenue by category (type of service) and geography for 2020:

### T068 OTHER OPERATING REVENUE BY AREA OF OPERATIONS 2020

	Total	Europe <sup>1)</sup>	North America <sup>1)</sup>	Central and South America <sup>1)</sup>	Asia/Pacific <sup>1)</sup>	Middle East <sup>1)</sup>	Africa <sup>1)</sup>
in €m							
MRO	2,724	1,175	734	90	513	133	79
MRO services	2,272						
Other operating revenue	452						
Catering	1,064	165	662	53	132	22	30
Catering services	900						
Revenue from in-flight sales	50						
Other services	114						
Network Airlines	268	233	10	2	14	5	4
Eurowings	6	6	-	-	-	-	-
Logistics	137	90	37	2	3	5	-
Additional Businesses and Group Functions	312	206	31	13	42	14	6
IT services	167						
Travel management	91						
Other	54						
<b>Total</b>	<b>4,511</b>						

<sup>1)</sup> Traffic revenue is allocated according to the original location of sale.

### T068 OTHER OPERATING REVENUE BY AREA OF OPERATIONS 2019

	Total	Europe <sup>1)</sup>	North America <sup>1)</sup>	Central and South America <sup>1)</sup>	Asia/Pacific <sup>1)</sup>	Middle East <sup>1)</sup>	Africa <sup>1)</sup>
in €m							
MRO	4,378	1,973	1,054	282	793	173	103
MRO services	3,765						
Other operating revenue	613						
Catering	2,623	502	1,377	164	468	75	37
Catering services	2,210						
Revenue from in-flight sales	169						
Other services	244						
Network Airlines <sup>2)</sup>	604	496	42	1	47	8	10
Eurowings <sup>2)</sup>	10	10	-	-	-	-	-
Logistics	119	68	41	-	3	7	-
Additional Businesses and Group Functions	554	388	43	16	83	18	6
IT services	188						
Travel management	279						
Other	87						
<b>Total</b>	<b>8,288</b>						

<sup>1)</sup> Traffic revenue is allocated according to the original location of sale.

<sup>2)</sup> Adjustment due to changed allocation of Brussels Airlines, Germanwings GmbH und the long-haul business of Eurowings to Network Airlines.

The decline in other operating revenue was also recorded in the MRO and Catering business segments and in Additional Businesses and Group Functions as a result of the crisis. The Catering segment's European business was sold in December 2020 → Note 7, p. 159f.

MRO services make up the majority of external revenue in the MRO segment. Other revenue in the MRO segment from the sale of material and hiring out material and engines, as well as logistics services, are classified as other services.

The revenue listed under catering services originates exclusively in the Catering segment. The Catering segment also generates revenue from other services, particularly in the areas of flight security concepts, in-flight service equipment, transport/warehouse logistics and lounge operations.

Other revenue also includes revenue from customer contracts that are fulfilled over a given period. These are mainly MRO and IT services.

## 6 Changes in inventories and work performed by entity and capitalised

### T069 CHANGES IN INVENTORIES AND WORK PERFORMED BY ENTITY AND CAPITALISED

in €m	2020	2019
Increase/decrease in finished goods and work in progress	-6	-9
Other internally produced and capitalised assets	181	694
	<b>175</b>	<b>685</b>

Other own work capitalised relates almost exclusively to aircraft and engine overhauls.

Due to the coronavirus pandemic and the resulting global restrictions, parts of the fleet were retired into longterm storage in the 2020 financial year. This led to a decrease in other own work capitalised, as fewer maintenance events took place than in previous years.

## 7 Other operating income

### T070 OTHER OPERATING INCOME

in €m	2020	2019
Foreign exchange gains	677	761
Income from the reversal of provisions and accruals	338	321
Subsidies	261	-
Compensation received for damages	45	42
Reversal of write-downs on receivables	36	27
Rental income	36	43
Income from the reversal of impairment losses on fixed assets	30	38
Services provided by the Group	24	26
Income from the disposal of non-current available-for-sale financial assets	21	2
Income from the disposal of non-current assets	17	18
Income from staff secondment	15	20
Commission income	10	14
Income from operating lease aircraft	10	49
Miscellaneous other operating income	377	528
	<b>1,897</b>	<b>1,889</b>

Foreign exchange gains (excluding financial liabilities) mainly include gains from differences between the average rate for the month on the transaction date and on the payment date, along with foreign exchange gains from measurement at the closing date rate. Income from exchange rate hedging is also recognised here. Foreign exchange losses from these transactions are reported under other operating expenses. ↗ **Note 11, p. 161f.** The foreign currency effects of borrowing are recognised in other financial items, in the context of the net results of exchange rate hedging relationships for borrowing.

Income from the reversal of provisions and accruals relates to a number of provisions and accruals recognised in previous years that have not been fully used. In contrast, expenses from insufficient provisions recognised in previous years are recognised together with the primary expense item to which they relate.

Income from government grants mainly includes unrestricted grants paid directly to the companies affected. Government support measures for Austrian Airlines accounted for EUR 150m of this amount. LSG and Lufthansa Technik companies received a further USD 104m under the CARES Act in the USA. The grants mentioned above were received after appropriate documentation was provided.

The Lufthansa Group recognised lease income of EUR 46m in 2020 (2019: EUR 92m). The main reason for the decline was the discontinuation of operations by two lessees.

The following table shows the contractual lease payments:

### T071 CONTRACTUAL LEASE PAYMENTS (LESSOR)

in €m	31 Dec 2020	31 Dec 2019
to 1 year	20	79
more than 1 year to 2 years	16	50
more than 2 years to 3 years	14	35
more than 3 years to 4 years	11	28
more than 4 years to 5 years	9	8
more than 5 years	40	22

Income of EUR 30m was recognised from write-backs on assets in 2020 (previous year: EUR 38m). Of these reversals, EUR 21m relate to the assets of LSG's European business in the Catering segment, which were recognised as assets held for sale in the previous year. The sale of the companies on 2 December 2020 resulted in a further positive effect of EUR 20m, which is reported under income from the disposal of non-current financial assets. A further EUR 8m in write-backs relates to two Boeing 767s and five Dash 8-400s from the Network Airlines segment that are held for sale.

Income from the disposal of property, plant and equipment also includes EUR 5m from aircraft sold (previous year: EUR 6m).

Other operating income includes items not attributable to any of the aforementioned categories.

## 8 Cost of materials and services

### T072 COST OF MATERIALS AND SERVICES

in €m	2020	2019
Aircraft fuel and lubricants	1,875	6,715
Other raw materials, consumables and supplies	2,104	3,589
Purchased goods	226	512
<b>Total cost of raw materials, consumables and supplies and of purchased goods</b>	<b>4,205</b>	<b>10,816</b>
Fees and charges	1,796	4,523
External MRO services	1,139	1,911
Charter expenses	469	814
External IT services	318	452
In-flight services	137	409
Flight irregularities	66	199
Other services	323	703
<b>Total cost of purchased services</b>	<b>4,248</b>	<b>9,011</b>
	<b>8,453</b>	<b>19,827</b>

Changes in depreciation and valuation allowances on repairable spare parts are also reported within expenses for other raw materials, consumables and supplies. In the 2020 financial year, impairments and valuation allowances totalling EUR 158m were incurred as a result of the crisis.

Expenses for flight irregularities includes accommodation and meals in the case of delays, for instance, or payments for damaged luggage.

## 9 Staff costs

### T073 STAFF COSTS

in €m	2020	2019
Wages and salaries	5,091	7,452
Social security contributions	687	1,024
Expenses for pension plans and other employee benefits	658	645
	<b>6,436</b>	<b>9,121</b>

The decline in staff costs is due on the one hand to a reduction in the headcount at the Lufthansa Group and on the other to savings such as the use of short-time working

to preserve jobs, salary waivers and the reduction of variable salary components. In 2020, income of EUR 1,020m was received in reimbursement of wage-replacement benefits and social security contributions paid in the context of short-time working in Germany, Austria and Switzerland. This includes EUR 293m in subsidies for social security contributions, which are classified as support measures.

Expenses for pension plans principally consist of additions to the pension provisions. ➔ Note 35, p. 180ff.

### T074 EMPLOYEES

	Average for the year 2020	Average for the year 2019	As of 31 Dec 2020	As of 31 Dec 2019
Ground staff	79,878	91,241	66,070	91,642
Flight staff	44,050	45,305	42,675	45,281
Trainees	1,279	1,238	1,320	1,430
	<b>125,207</b>	<b>137,784</b>	<b>110,065</b>	<b>138,353</b>

The annual average is calculated pro rata temporis from the time companies are consolidated or deconsolidated.

## 10 Depreciation, amortisation and impairment

The individual line items show the breakdown of depreciation, amortisation and impairment charges between intangible assets, aircraft and other property, plant and equipment. Total depreciation, amortisation and impairment came to EUR 4,389m (previous year: EUR 2,776m).

### T075 DEPRECIATION, AMORTISATION AND IMPAIRMENT

in €m	2020	2019
Amortisation of other intangible assets	134	102
Depreciation of aircraft	1,923	2,084
Depreciation of other tangible assets	504	506
<b>Total amortisation/depreciation</b>	<b>2,561</b>	<b>2,692</b>
Impairment of goodwill	222	-
Impairment of other intangible assets	15	24
Impairment of aircraft and reserve engines	1,461	36
Impairment of other tangible assets	51	1
Impairment of right-of-use assets	60	-
Impairment of financial assets	19	23
<b>Total impairment</b>	<b>1,828</b>	<b>84</b>
<b>Total depreciation, amortisation and impairment</b>	<b>4,389</b>	<b>2,776</b>

The decline in staff costs is due on the one hand to a reduction in the headcount at the Lufthansa Group and on the other to savings such as the use of short-time working

The decrease in depreciation and amortisation stems principally from the reduction of the active fleet.

Impairment losses of EUR 1,828m were recognised in the financial year 2020. Of this, EUR 1,402m relates to the Network Airlines segment, EUR 97m to Eurowings, EUR 54m to Logistics, EUR 45m to MRO, EUR 201m to Catering and EUR 28m to Additional Businesses and Group Functions and adjustments at Group level.

The adjustments include depreciation and amortisation of EUR 1,475m on aircraft and right-of-use assets for a total of 115 aircraft that were transferred to long-term parking mode or which are no longer planned to return to service and aircraft which are held for sale. At Lufthansa German Airlines they comprise 14 Airbus A380s, five Boeing 747s, 17 Airbus A340s, two right-of-use assets for Airbus A330s, eleven Airbus A320s and 14 Airbus A319s, some of which are leased. At Austrian Airlines, three Boeing 767s and 13 Dash 8-400s were affected. Brussels Airlines wrote down right-of-use assets for two Airbus A330s and eight Airbus A319s. Five Airbus A321s as well as right-of-use assets for 15 Dash8-400s and one Airbus A319 were affected at Eurowings. Five Boeing MD-11s were impaired in Cargo operations because they were held for sale. In addition, the depreciation and amortisation of aircraft in the MRO area included depreciation of EUR 40m on replacement engines for aircraft models that are unlikely to be used in the future.

The above amount includes impairment losses of EUR 154m which were recognised for aircraft reclassified as held for sale. The Network Airlines segment accounted for EUR 84m, Logistics for EUR 52m and Eurowings for EUR 18m.

Goodwill was written down by a total of EUR 222m in the course of impairment testing for cash-generating units. They mainly related to LSG USA, LSG Korea and Eurowings.

➤ **Note 17, p. 165ff.**

Property, plant and equipment in the catering segment as well as in the flight training operations was also impaired in the amount of EUR 31m due to the deteriorating profitability outlook. Other impairment losses included EUR 17m for high-loaders, leasehold improvements and kitchen equipment at the catering facilities in the USA, EUR 19m for financial assets and EUR 15m for IT products that are no longer in use.

A write-down of EUR 62m was recorded in the result from equity investments for the shares in the joint ventures XEOS and Spairliners (MRO segment), which is accounted for using the equity method, and of EUR 4m on Diners Club Spain (other companies). These are also related to the deterioration in the business outlook of the companies.

Other operating expenses included further impairment losses of EUR 5m on aircraft already reclassified as held for sale. These consist of three Dash 8-400s, one Boeing 767 and one Boeing MD-11 (previous year: EUR 50m on the assets of the European catering facility held for sale).

In the previous year, impairment losses mainly related to aircraft held for sale (EUR 38m), IT projects (EUR 24m) and other non-current receivables (EUR 22m).

## 11 Other operating expenses

### T076 OTHER OPERATING EXPENSES

in €m	2020	2019
Rental and maintenance expenses	603	742
Foreign exchange losses	596	648
Staff-related expenses	543	1,201
Write-downs on receivables	251	120
Auditing, consulting and legal expenses	203	312
Other services	146	144
Advertising and sales promotions	128	384
Expenses for computerised distribution systems	126	506
Sales commission paid to agencies	97	368
Communications costs	68	85
Commissions for credit cards	58	232
Other taxes	51	84
Insurance premiums for flight operations	42	61
Losses on disposal of non-current assets	39	39
Miscellaneous other operating expenses	521	659
	<b>3,472</b>	<b>5,585</b>

Staff-related expenses also include travel and training costs for Group employees and the costs of agency staff.

Foreign exchange losses (excluding financial liabilities) mainly consist of losses from differences between the monthly average rates on the transaction date and on the payment date, expenses from exchange rate hedges and translation losses from measurement at the exchange rate on the balance sheet date. ➤ **Note 7, p. 159.** The foreign currency effects of borrowing are recognised in other financial items, in the context of the net results of exchange rate hedging relationships for borrowing.

The increase in valuation allowances on receivables was due to the crisis and, at EUR 197m (previous year: EUR 113m), mainly related to customer receivables at direct risk of default. In addition, impairments of EUR 54m (previous year: EUR 7m) were recognised with regard to existing general default risks. The MRO business segment was particularly impacted by this, with EUR 134m (previous year: EUR 51m).



Write-downs of EUR 5m were recognised in other operating expenses in connection with aircraft held for sale (previous year: EUR 50m write-downs on the assets of the European catering facility held for sale).

## 12 Result from equity investments

### T077 RESULT FROM EQUITY INVESTMENTS

in €m	2020	2019
Result of joint ventures accounted for using the equity method	-236	14
Result of associated companies accounted for using the equity method	-40	74
<b>Result of equity investments accounted for using the equity method</b>	<b>-276</b>	<b>88</b>
Dividends from other joint ventures	4	12
Dividends from other associated companies	2	3
Income from profit transfer agreements	26	35
Expenses from loss transfer agreements	-35	-19
Dividends from other equity investments	15	49
<b>Result of other equity investments</b>	<b>12</b>	<b>80</b>
	<b>-264</b>	<b>168</b>

Write-downs on shares are also presented in the result of joint ventures accounted for using the equity method (EUR 66m; previous year: EUR 43m). ↗ Note 10, p. 160f.

Income and expenses from profit and loss transfer agreements include apportionments of taxes.

## 13 Net interest

### T078 NET INTEREST

in €m	2020	2019
Income from other securities and non-current financial loans	3	8
Other interest and similar income	80	71
<b>Interest income</b>	<b>83</b>	<b>79</b>
Interest expenses on pensions obligations	-97	-119
Interest expenses on other provisions	-13	3
Interest and other similar expenses	-307	-278
<b>Interest expenses</b>	<b>-417</b>	<b>-394</b>
	<b>-334</b>	<b>-315</b>

Net interest comprises interest income and expenses – calculated using the effective interest method in accordance with IFRS 9 – from financial assets and liabilities not classified as at fair value through profit or loss.

Net interest declined year-on-year by EUR 19m. This is mainly due to interest expenses in connection with borrowing, which outweighed the absence of interest expenses incurred the previous year in connection with a supplementary tax payment. These were offset by lower expenses for the compounding of pension provisions, since the base rate was 0.6% lower on average between 31 December 2018 and 31 December 2019.

## 14 Other financial items

### T079 OTHER FINANCIAL ITEMS

in €m	2020	2019
Result of fair value hedges – change in time value of hedged transactions	60	-90
Result of fair value hedges – change in time value of hedging instruments	-41	89
Ineffective portion of derivatives used as cash flow hedges	-144	-18
Result of derivatives held for trading classified as at fair value through profit or loss	-790	359
Result of measuring securities classified as at fair value through profit or loss	-57	-17
Exchange rates effects from financial liabilities	28	-5
	<b>-944</b>	<b>318</b>

Due to the significant decline in business activity in the 2020 financial year, there were “overhedges” on fuel hedges and, to a lesser extent, on currencies due to a lack of underlying transactions. These overhedges are recognised in the income statement and they reduced the financial result by a total of EUR 752m. In addition, there was a higher level of hedge ineffectiveness, particularly due to the restriking of currency hedges with positive market values as well as the postponement of investment spending, which resulted in a total expense of EUR 125m. In addition, expenses of EUR 96m related to the market valuation of the convertible bond issued in the financial year.

In the previous year, the release of cash flow hedges for investment spending no longer expected in the future had a positive effect on other financial items, with earnings of EUR 402m.

## 15 Income taxes

In the 2020 financial year, tax income of EUR 1,865m (previous year: tax expense of EUR 615m) was incurred due to the loss situation, which breaks down as follows:

### T080 INCOME TAXES

in €m	2020	2019
Current income taxes	80	547
Deferred income taxes	-1,945	68
	<b>-1,865</b>	<b>615</b>

Current income taxes include corporation tax, solidarity surcharge, trade tax and other income taxes paid outside Germany totalling EUR 4m for 2020 (previous year: EUR 382m). Other tax expenses of EUR 76m related to prior years (previous year: EUR 165m). The tax rates used to calculate deferred taxes abroad in the 2020 financial year were unchanged from the previous year at 3.5% to 35.0%. For measuring deferred taxes, the relevant taxation rules in force or adopted at the balance sheet date are used. Deferred taxes includes EUR 649m (previous year: EUR 6m) in tax income from temporary differences.

The following table reconciles expected and effective tax expenses. Expected tax expense is calculated by multiplying profit before income taxes by a tax rate of 25% (previous year: 25%). This is calculated as the average estimated value for the tax group of the Group parent company and is made up of a tax rate of 15.825% (previous year: 15.825%) for corporation tax/solidarity surcharge and 9.175% for trade tax (previous year: 9.175%). The portion of trade tax related to the foreign air transport operations is deducted when calculating the tax rate for trade tax, particularly in the case of the Group parent company with its head office in Germany.

For the first time, individualised tax rates of between 15.825% and 31% were used in the financial year to determine the deferred taxes on temporary differences attributable to the individual companies of the tax group of the parent company

instead of a uniform estimated value of 25% for the entire tax group. With respect to the surpluses of deferred tax assets capitalised in previous years, this resulted in an increase of EUR 109m in total, of which EUR 51m was recognised directly in equity due to its initial recognition.

### T081 TAX RECONCILIATION

in €m	2020		2019	
	Basis of assessment	Tax expenses	Basis of assessment	Tax expenses
Expected income tax expenses	-8,631	-2,158	1,860	465
Tax free gains/losses	-122	31	-	-1
Non-deductible costs	488	122	-	59
Non-taxable income	278	-70	-	-84
Non-taxable income from equity investments	-226	57	-	-51
Difference between local taxes and the deferred tax rates of the parent company as well as effects of changes in tax rates	-	-132	-	-5
Taxes from other periods <sup>1)</sup>	-	44	-	193
Effects from use or deferred tax assets not recognised	-	241	-	39
<b>Recognised income tax expenses</b>	<b>-</b>	<b>-1,865</b>	<b>-</b>	<b>615</b>

<sup>1)</sup> Deferred tax expenses of EUR -32m for other periods (previous year: EUR 28m tax revenue) and effective tax expenses of EUR 76m for other periods (previous year: EUR 165m).

Deferred tax liabilities of EUR 47m (previous year: EUR 48m) were not recognised on temporary differences in connection with shares in subsidiaries, as the temporary differences are not expected to reverse in the foreseeable future.

Deferred tax assets and liabilities in 2020 and 2019 were allocable to the following items in the statement of financial position:

**T082 DEFERRED TAX ASSETS AND LIABILITIES**

in €m	31 Dec 2020		31 Dec 2019	
	Assets	Liabilities	Assets	Liabilities
Tax loss carry-forwards and tax credits	1,341	-	45	-
Pension provisions	3,424	-	2,574	-
Intangible assets, property, plant and equipment	-	1,034	-	1,112
Non-current financial assets	-	24	-	24
Fair value measurement of financial instruments	113	-	-	235
Provisions for contingent losses	15	-	6	-
Receivables/liabilities/other provisions	215	-	163	-
Inventories	313	-	242	-
Assets held for sale	-	15	-	-
Other	-	-	-	2
Offset amounts	-588	-588	-762	-762
	<b>4,833</b>	<b>485</b>	<b>2,268</b>	<b>611</b>

In addition to a deferred tax asset on temporary differences of EUR 3,243m (previous year: EUR 57m), a deferred tax receivable on losses of EUR 1,335m (previous year: EUR 28m) was recognised for companies incurring on losses incurred a net tax loss in the reporting year or in the previous year, because tax and earnings planning indicates that there is a sufficient probability that the tax receivable will be realised.

EUR 1,200m of the capitalised loss carry-forwards related to the tax group of Deutsche Lufthansa AG. The full amount of the loss carry-forward arising in the financial year was recognised. The basis for this approach was long-term tax planning based on current corporate planning. Both external forecasts, e.g. by the industry association IATA, and internal planning currently assume that the current loss situation is an exogenous shock which will be overcome in the next few years and which does not fundamentally call into question the sustainable profitability of the industry or the company. Deutsche Lufthansa AG has shown in the past that positive tax results can be achieved over long-term periods, and the Company's planning indicates a return to sustained positive tax results by 2024 and for subsequent years. Based on these external and internal indicators, as well as the fact that under current German law the tax loss carry-forward is not restricted in time, the Company assumes that there is a high probability of sufficiently positive tax results in the future to be able to fully utilise the deferred tax assets. This means that the period of use is subject to uncertainty, but the Company does not consider the full use as such to be subject to uncertainty. An additional EUR 87m related to Swiss

International Air Lines, which, on the basis of current earnings planning, considers the use of the loss carry-forwards to be sufficiently secure for the period of their legally limited useful life.

In addition to recognised deferred tax assets from tax loss carry-forwards and tax credits, further tax loss carry-forwards and temporary differences totalling EUR 3,324m (previous year: EUR 3,050m) exist for which no deferred tax assets could be recognised.

The usage restrictions for non-capitalised tax loss carry-forwards and the resulting deferred taxes are distributed as follows:

**T083 LIMITS ON THE USE OF NON-CAPITALISED LOSS CARRY-FORWARDS**

in €m	Non-capitalised loss carry-forwards	Deferred taxes
Usable		
until 2024	328	74
until 2025	89	23
until 2026	106	25
until 2027	70	18
until 2028	70	17
until 2029	70	18
2030 and beyond	2,443	606
<b>Total</b>	<b>3,176</b>	<b>781</b>

**16 Earnings per share**

Basic/diluted earnings per share are calculated by dividing consolidated net profit by the weighted average number of shares in circulation during the financial year. To calculate the average number of shares, the shares bought back and reissued for the employee share programmes are included pro rata temporis.

The convertible bond issued in 2020 has not yet had an impact on earnings per share. The shares that could potentially be issued were not taken into account when determining diluted earnings, because they would have improved them.

**T084 EARNINGS PER SHARE**

		2020	2019
<b>Basic/diluted earnings per share</b>	€	<b>-12.51</b>	<b>2.55</b>
Consolidated net profit/loss	€m	-6,725	1,213
Weighted average number of shares		537,591,908	475,730,992

As the parent company of the Group, Deutsche Lufthansa AG reported a net loss according to HGB of EUR 780m for the 2020 financial year.

In 2020, the distributable profit for the 2019 financial year was transferred in full to retained earnings.

## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Assets

#### 17 Goodwill and intangible assets with an indefinite useful life

##### T085 GOODWILL AND INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE

in €m	Goodwill from consolidation	Intangible assets with an indefinite useful life	Total
Cost as of 1 Jan 2019	1,050	648	1,698
Accumulated impairment losses	-314	-3	-317
<b>Carrying amount 1 Jan 2019</b>	<b>736</b>	<b>645</b>	<b>1,381</b>
Currency translation differences	-	14	14
Additions due to changes in consolidation	-	-	-
Additions	-	-	-
Reclassifications	-	-	-
Disposals due to changes in consolidation	-	-	-
Disposals	-	-	-
Reclassifications to assets held for sale	-	-	-
Impairment losses	-	-	-
Reversal of impairment losses	-	-	-
<b>Carrying amount 31 Dec 2019</b>	<b>736</b>	<b>659</b>	<b>1,395</b>
Cost as of 1 Jan 2020	1,044	663	1,707
Accumulated impairment losses	-308	-4	-312
<b>Carrying amount 1 Jan 2020</b>	<b>736</b>	<b>659</b>	<b>1,395</b>
Currency translation differences	-3	-	-3
Additions due to changes in consolidation	-	-	-
Additions	-	-	-
Reclassifications	-	-	-
Disposals due to changes in consolidation	-1	-	-1
Disposals	-	-	-
Reclassifications to assets held for sale	-	-	-
Impairment losses	-222	-	-222
Reversal of impairment losses	-	-	-
<b>Carrying amount 31 Dec 2020</b>	<b>510</b>	<b>659</b>	<b>1,169</b>
Cost as of 31 Dec 2020	1,038	662	1,700
Accumulated impairment losses	-528	-3	-531

All goodwill and intangible assets with an indefinite useful life were subjected to a regular impairment test in 2020 as required by IAS 36. Furthermore, there is the obligation to perform an impairment test if there is an indication of impairment. For impairment testing following an indication of impairment ↗ Note 17, p. 165f.

Acquired brands and slots have an indefinite useful life due to their lasting legal and economic significance. The tests were performed at the level of the smallest cash generating unit (CGU) on the basis of fair value less costs to sell or value in use.

The following table provides an overview of the goodwill tested and the assumptions made in the respective impairment tests regarding the smallest possible cash-generating unit (CGU) in each case.

**T086 IMPAIRMENT TESTS OF GOODWILL 2020**

Name of the CGU	Lufthansa German Airlines	Brussels Airlines	Eurowings	LSG Sky Chefs USA group	LSG Sky Chefs Korea	Other <sup>1)</sup>
Segment	Network Airlines	Brussels Airlines	Eurowings	Catering	Catering	Catering/Service and financial companies
Carrying amount of goodwill (31 Dec)	€ 252m	€ 44m	-	€ 177m	-	€ 36m
Impairment losses	-	-	€ 57m	€ 100m	€ 57m	€ 8m
Duration of planning period	4 years	4 years	4 years	4 years	4 years	4 years
Revenue growth p.a. after end of planning period	1.0%	1.0%	1.0%	2.2%	2.0%	1.0% to 3.1%
Discount rate	5.5% <sup>2)</sup>	5.5% <sup>2)</sup>	5.5% <sup>2)</sup>	5.7% <sup>2)</sup>	5.5% <sup>2)</sup>	5.0% to 9.6% <sup>2)</sup>

<sup>1)</sup> Goodwill of less than EUR 25m carrying amount in any individual instance.

<sup>2)</sup> After-tax rate.

The assumptions on revenue growth used for the impairment tests are based on approved internal budgets and external industry-specific sources (for example IATA) in the planning period. Discounts were also applied based on the planning of the individual businesses, which take into account the corresponding planning uncertainties due to the crisis situation. Within the scope of the Group planning, the discounts were set at approximately 18% of the Adjusted EBIT figure on a long-term basis and were allocated to the units on a pro rata basis during the impairment tests. In general, a slow market recovery and with it the recovery of the earnings situation is assumed by the end of 2024, although losses are still assumed for the years 2021 and 2022. Even in the long term, capacities are not expected to return to pre-crisis levels. The duration of the ramp-up phase is an important risk factor. The margins used are based on past experience or were developed on the basis of cost-cutting measures initiated on the basis of the plans for the ReNew and ReStructure programmes. Long-term investment rates are based on past experience and take account of the replacement of any means of production envisaged during the planning period as well as current changes in fleet planning. Costs of the central functions were charged to the individual units based on their use of these functions. The tests also covered the right-of-use assets recognised in line with IFRS 16.

The weighted average cost of capital is calculated using market data to derive leverage ratios, beta factors and borrowing costs from a peer group that is reviewed annually. A market risk premium of 7.5% was used as a basis (previous year: 7.5%). Regional risks are taken into account by applying appropriate risk premiums.

With the onset of the coronavirus pandemic, the occurrence of a “triggering event” meant that interim impairment tests were carried out for all material business entities at the level of the cash-generating units during the first quarter. Compared with year-end 2019, the tests were performed with a discount rate that was 1 percentage point higher and 1 percentage point lower growth from the end of the planning period. This was based on the preliminary updates of the Company’s planning, with an additional discount applied to the earnings figures in the terminal value for the existing high uncertainties at the beginning of the crisis and the preliminary nature of the planning. The result was an impairment loss at the entities Eurowings and LSG USA. Goodwill of EUR 57m at Eurowings was written off in full and goodwill at LSG USA was impaired by EUR 100m.

At the end of the year, impairment tests were carried out at the level of the cash-generating units based on the assumptions described in the table.

The LSG Korea unit, the flight training operations and other smaller catering companies had to be written down. Goodwill of EUR 57m at LSG Korea as well as the goodwill of the flight training operations and various catering companies totalling EUR 8m were written off in full. Property, plant and equipment at the flight training operations were also impaired in the amount of EUR 22m.

An impairment test was carried out for LSG Sky Chefs Nigeria and LSG Sky Chefs Kenya as of 31 December 2020, which resulted in impairment losses of EUR 9m on property, plant and equipment.

Assuming sustained revenue growth by the CGUs as described in the table, the recoverable amounts for the units without impairment indicators at the end of the year would exceed the carrying amount by a significant figure, even if the growth assumptions were reduced by one percentage point in each case. Worsening the scenarios by one percentage point in each case, in terms of planned EBITDA margins or the discount rates used for the impairment tests, would also not reduce the recoverable amounts below the respective carrying amounts for these CGUs. A reduction in the EBITDA

margin of more than 0.6 percentage points only leads to a deficit for the LSG North America business entity. The deterioration in the parameters mentioned would also not result in any significant additional impairment needs for those units for which the impairment tests led to write-downs at the end of the year. The sensitivity analysis takes into account changes in one assumption at a time, whereby the other assumptions remain unchanged from the original calculation.

The following table shows the assumptions used for the previous year's impairment tests.

#### T086 IMPAIRMENT TESTS OF GOODWILL 2019

Name of the CGU	Lufthansa German Airlines	Brussels Airlines	Eurowings	LSG Sky Chefs USA group	LSG Sky Chefs Korea	Other <sup>1)</sup>
Segment	Network Airlines	Brussels Airlines	Eurowings	Catering	Catering	Catering/Service and financial companies
Carrying amount of goodwill (31 Dec)	€ 252m	€ 44m	€ 57m	€ 277m	€ 60m	€ 45m
Impairment losses	-	-	-	-	-	-
Duration of planning period	4 years	4 years	4 years	4 years	4 years	4 years
Revenue growth p.a. after end of planning period	2.0%	2.0%	2.0%	1.9%	2.6%	1.7% to 3.5%
Discount rate	3.9% <sup>2)</sup>	3.9% <sup>2)</sup>	3.9% <sup>2)</sup>	4.6% <sup>3)</sup>	4.1% <sup>3)</sup>	3.9% <sup>2)</sup> to 7.7% <sup>3)</sup>

<sup>1)</sup> Goodwill of less than EUR 25m carrying amount in any individual instance.

<sup>2)</sup> After-tax rate.

<sup>3)</sup> Pre-tax rate.

The earnings situation of Austrian Airlines would also have triggered an impairment test if the value of the assets attributable to it had not already been confirmed by the impairment testing of the slots described below.

The intangible assets with indefinite useful lives consist of slots purchased as part of company acquisitions (insofar as they are tradeable) and brand names acquired. The slots were included in the impairment test for the smallest cash-generating unit (CGU) to which the respective slots are allocated.

The following table shows the assumptions made for the impairment testing.

#### T087 IMPAIRMENT TESTS OF SLOTS 2020

Group company	SWISS	Austrian Airlines
Carrying amount for slots (31 Dec)	€ 135m	€ 23m
Impairment losses	-	-
Duration of planning period	4 years	4 years
Revenue growth p.a. after end of planning period	1.0%	1.0%
Discount rate	5.5% <sup>1)</sup>	5.5% <sup>1)</sup>

<sup>1)</sup> After-tax rate.

Based on sustainable revenue growth according to assumptions described in the table, the recoverable amounts significantly exceed the carrying amounts. Even if the assumptions for revenue growth and margins were to be reduced or the discount rate were to be increased by one percentage point in each case, the recoverable amounts would exceed the carrying amounts.

The sensitivity analysis takes into account changes in one assumption at a time, whereby the other assumptions remain unchanged from the original calculation.

The following table shows the assumptions used for the previous year's impairment tests.

#### T087 IMPAIRMENT TESTS OF SLOTS 2019

Group company	SWISS	Austrian Airlines
Carrying amount for slots (31 Dec)	€ 135m	€ 23m
Impairment losses	-	-
Duration of planning period	4 years	4 years
Revenue growth p.a. after end of planning period	2.0%	2.0%
Discount rate	3.9% <sup>1)</sup>	3.9% <sup>1)</sup>

<sup>1)</sup> After-tax rate.



The slots purchased by Deutsche Lufthansa AG are allocated at historical cost to the Lufthansa German Airlines unit at a carrying amount of EUR 76m and to the Eurowings unit with a carrying amount of EUR 36m. Both carrying amounts as of 31 December 2020, which were unchanged compared with the previous year, were subjected to impairment testing with identical assumptions to those used for the goodwill of the CGUs Lufthansa German Airlines and Eurowings.

The regular impairment test for the brands acquired was carried out on the basis of the revenue generated from each brand.

The following additional assumptions were used in the impairment test for the acquired brands:

#### T088 IMPAIRMENT TESTS OF BRANDS 2020

Group company	SWISS	Austrian Airlines	Brussels Airlines	Other
Carrying amount for brand (31 Dec)	€ 238m	€ 107m	€ 37m	€ 7m
Impairment losses	-	-	-	-
Duration of planning period	4 years	4 years	4 years	4 years
Revenue growth p.a. after end of planning period	1.0%	1.0%	1.0%	1.0% to 2.2%
Savings in hypothetical leasing payments before taxes (royalty rate)	0.63%	0.35%	0.20%	0.23% to 0.50%
Discount rate	5.5% <sup>1)</sup>	5.5% <sup>1)</sup>	5.5% <sup>1)</sup>	5.5% to 5.7% <sup>1)</sup>

<sup>1)</sup> After-tax rate.

Assuming sustained brand-related revenue growth at the end of the planning period, as described in the table, the recoverable amounts for the brands exceed their carrying amounts, significantly in some cases. If the assumptions for sustained brand-related revenue growth were to be reduced by 0.5 percentage points or the discount rate were to be increased by 0.4 percentage points, the carrying amounts of the Austrian Airlines and Brussels Airlines brands would each fall short of the recoverable amounts. With corresponding sensitivity analyses, there was no impairment charge within the other brands in 2020.

The sensitivity analysis takes into account changes in one assumption at a time, whereby the other assumptions remain unchanged from the original calculation.

The assumptions used for the previous year's impairment tests can be derived from the following table.

#### T088 IMPAIRMENT TESTS OF BRANDS 2019

Group company	SWISS	Austrian Airlines	Brussels Airlines	Other
Carrying amount for brand (31 Dec)	€ 238m	€ 107m	€ 37m	€ 7m
Impairment losses	-	-	-	-
Duration of planning period	4 years	4 years	4 years	4 years
Revenue growth p.a. after end of planning period	2.0%	2.0%	1.0%	0.0% to 2.0%
Savings in hypothetical leasing payments before taxes (royalty rate)	0.63%	0.35%	0.20%	0.23% to 0.50%
Discount rate	3.9% <sup>1)</sup>	3.9% <sup>1)</sup>	3.9% <sup>1)</sup>	3.9% to 4.4% <sup>1)</sup>

<sup>1)</sup> After-tax rate.

**18 Other intangible assets**

**T089 OTHER INTANGIBLE ASSETS**

in €m	Concessions, industrial property rights and similar rights and licences to such rights and assets	Internally developed software	Advance payments	<b>Total</b>
Cost as of 1 Jan 2019	1,289	150	152	1,591
Accumulated amortisation	-949	-115	-15	-1,079
<b>Carrying amount as of 1 Jan 2019</b>	<b>340</b>	<b>35</b>	<b>137</b>	<b>512</b>
Currency translation differences	4	-1	-	3
Additions due to changes in consolidation	-	-	-	-
Additions	52	3	101	156
Reclassifications	43	11	-41	13
Disposals due to changes in consolidation	-	-	-	-
Disposals	-7	-	-8	-15
Reclassifications to assets held for sale	-1	-	-	-1
Amortisation	-99	-9	-13	-121
Reversal of impairment losses	-	-	-	-
<b>Carrying amount as of 31 Dec 2019</b>	<b>332</b>	<b>39</b>	<b>176</b>	<b>547</b>
Cost as of 1 Jan 2020	1,324	163	205	1,692
Accumulated amortisation	-992	-124	-29	-1,145
<b>Carrying amount as of 1 Jan 2020</b>	<b>332</b>	<b>39</b>	<b>176</b>	<b>547</b>
Currency translation differences	-1	-	-	-1
Additions due to changes in consolidation	-	-	-	-
Additions	18	3	59	80
Reclassifications	80	12	-88	4
Disposals due to changes in consolidation	-	-	-	-
Disposals	-8	-	-4	-12
Reclassifications to assets held for sale	-	-	-	-
Amortisation	-126	-21	-2	-149
Reversal of impairment losses	-	-	-	-
<b>Carrying amount as of 31 Dec 2020</b>	<b>295</b>	<b>33</b>	<b>141</b>	<b>469</b>
Cost as of 31 Dec 2020	1,393	178	157	1,728
Accumulated amortisation	-1,098	-145	-16	-1,259

Non-capitalised research and development expenses for intangible assets of EUR 25m (previous year: EUR 49m) were incurred. Fixed orders have been placed for intangible assets worth EUR 13m (previous year: EUR 14m), but they are not yet at the Lufthansa Group's economic disposal.

**19 Aircraft and reserve engines including right-of-use assets**

**T090 AIRCRAFT AND RESERVE ENGINES INCLUDING RIGHT-OF-USE ASSETS**

in €m	Aircraft and reserve engines	Advance payments for aircraft and reserve engines	Total
Cost as of 1 Jan 2019	31,609	1,690	33,299
Accumulated amortisation	-16,122	-	-16,122
<b>Carrying amount as of 1 Jan 2019</b>	<b>15,487</b>	<b>1,690</b>	<b>17,177</b>
Currency translation differences	111	10	121
Additions due to changes in consolidation	-	-	-
Additions	2,149	1,098	3,247
Reclassifications	691	-691	-
Disposals due to changes in consolidation	-	-	-
Disposals	-69	-5	-74
Reclassifications to assets held for sale	-20	-	-20
Depreciation	-2,121	-	-2,121
Reversal of impairment losses	19	-	19
<b>Carrying amount as of 31 Dec 2019</b>	<b>16,247</b>	<b>2,102</b>	<b>18,349</b>
Cost as of 1 Jan 2020	32,945	2,102	35,047
Accumulated amortisation	-16,698	-	-16,698
<b>Carrying amount as of 1 Jan 2020</b>	<b>16,247</b>	<b>2,102</b>	<b>18,349</b>
Currency translation differences	-33	-	-33
Additions due to changes in consolidation	-	-	-
Additions	1,004	258	1,262
Reclassifications	602	-602	-
Disposals due to changes in consolidation	-	-	-
Disposals	-119	-27	-146
Reclassifications to assets held for sale	-149	-	-149
Depreciation	-3,441	-	-3,441
Reversal of impairment losses	-	-	-
<b>Carrying amount as of 31 Dec 2020</b>	<b>14,111</b>	<b>1,731</b>	<b>15,842</b>
Cost as of 31 Dec 2020	32,025	1,731	33,756
Accumulated amortisation	-17,914	-	-17,914

In the aircraft item, aircraft with a carrying amount of EUR 7,048m (previous year: EUR 2,449m) serve as collateral for existing aircraft financing. This collateral is composed as described below:

The item includes 79 aircraft with a carrying amount of EUR 1,988m (previous year: 80 aircraft with a carrying amount of EUR 2,549m), which have mostly been sold to and leased back from foreign leasing companies with the aim of obtaining favourable financing conditions. The leasing companies were fully consolidated as structured entities. The Lufthansa Group is entitled to buy the aircraft back at a fixed price and at a given point in time. Another four aircraft (previous year: none) with a carrying amount of EUR 416m (previous year: EUR 0m) were pledged as collateral under loan agreements.

Furthermore, rights of lien were granted on various shares in leasing companies in Malta and Austria in connection with the state funding for Deutsche Lufthansa AG to secure the KfW loan; these companies own a total of 323 aircraft with a carrying amount of EUR 4,432m. Austrian Airlines in Austria has granted liens on 38 aircraft with a book value of EUR 212m to a banking consortium as part of the stabilisation measures.

In the reporting year, borrowing costs of EUR 19m were capitalised (previous year: EUR 24m). The financing rate used was 0.9% (previous year: 1.3%).

The additions relate to the procurement of new aircraft and engines as well as the capitalisation of engine maintenance events. This item also includes right-of-use assets for aircraft and reserve engines amounting to EUR 261m (previous year: EUR 227m).

As a result of the nearly complete shutdown of passenger flight operations, which could only be reversed in stages, the operation plans for all components of the fleet were revised. As part of these restructuring plans, charter contracts and leases were terminated and company-owned aircraft were either released for sale, permanently retired or put into deep storage. The aircraft concerned and right-of-use assets for aircraft and reserve engines were subjected to an impairment test insofar as a resumption of operations is considered unlikely on the basis of current planning. On the basis of expected realisation prices or due to the lack of additional values in use of the leases, this led to write-downs totalling EUR 1,515m (previous year: EUR 36m) for a total of 115 aircraft and other reserve engines ↗ **Note 10, p. 160ff.**

Order commitments for aircraft and reserve engines amount to EUR 12.9bn (previous year: EUR 14.3bn). We also refer to the comments on fleet orders in the management report (↗ **Principles of the Group, Fleet and route network, p. 25ff.**).

## 20 Repairable spare parts

### T091 NOTES ON REPAIRABLE SPARE PARTS FOR AIRCRAFT

in €m	2020			2019		
	Gross acquisition cost	Accumulated depreciation	Net carrying amount	Gross acquisition cost	Accumulated depreciation	Net carrying amount
Pool material	2,283	972	1,311	2,390	938	1,452
Non-pool material	1,055	543	512	1,246	428	818
<b>Total</b>	<b>3,338</b>	<b>1,515</b>	<b>1,823</b>	<b>3,636</b>	<b>1,366</b>	<b>2,270</b>

The additions for the year (netted against disposals) accordingly amounted to EUR -107m (previous year: EUR +139m) for pool material and EUR -191m (previous year: EUR +100m) for non-pool material in the financial year; the net change in depreciation recognised in profit and loss was EUR 34m (previous year: EUR 60m) and EUR 115m (previous year: EUR 42m). Of the depreciation and amortisation expense

for the financial year, EUR 158m related to impairments in connection with materials that are expected to become obsolete as a result of the adjusted outlook for business development and spare parts for aircraft types that are not expected to be supplied with materials even after the end of the coronavirus crisis.

## 21 Property, plant and equipment including right-of-use assets

### T092 PROPERTY, PLANT AND OTHER EQUIPMENT INCLUDING RIGHT-OF-USE ASSETS

in €m	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and plant under construction	Total
Cost as of 1 Jan 2019	4,248	1,315	1,528	142	7,233
Accumulated depreciation	-1,467	-946	-1,036	-13	-3,462
<b>Carrying amount as of 1 Jan 2019</b>	<b>2,781</b>	<b>369</b>	<b>492</b>	<b>129</b>	<b>3,771</b>
Currency translation differences	21	4	2	3	30
Additions due to changes in consolidation	36	-	-	-	36
Additions	692	42	151	102	987
Reclassifications	50	15	18	-98	-15
Disposals due to changes in consolidation	-	-	-	-	-
Disposals	-50	-1	-8	-3	-62
Reclassifications to assets held for sale	-112	-22	-56	-9	-199
Depreciation	-327	-58	-122	-	-507
Reversal of impairment losses	-	-	-	-	-
<b>Carrying amount as of 31 Dec 2019</b>	<b>3,091</b>	<b>349</b>	<b>477</b>	<b>124</b>	<b>4,041</b>
Cost as of 1 Jan 2020	4,714	1,245	1,470	124	7,553
Accumulated depreciation	-1,623	-896	-993	-	-3,512
<b>Carrying amount as of 1 Jan 2020</b>	<b>3,091</b>	<b>349</b>	<b>477</b>	<b>124</b>	<b>4,041</b>
Currency translation differences	-38	-6	-11	-4	-59
Additions due to changes in consolidation	-	-	-	-	-
Additions	228	34	72	61	395
Reclassifications	25	17	18	-65	-5
Disposals due to changes in consolidation	-1	-	-	-	-1
Disposals	-98	-1	-20	-19	-138
Reclassifications to assets held for sale	-11	-3	7	8	1
Depreciation	-363	-79	-120	-2	-564
Reversal of impairment losses	1	-	-	-	1
<b>Carrying amount as of 31 Dec 2020</b>	<b>2,834</b>	<b>311</b>	<b>423</b>	<b>103</b>	<b>3,671</b>
Cost as of 31 Dec 2020	4,703	1,256	1,453	105	7,517
Accumulated depreciation	-1,869	-945	-1,030	-2	-3,846

There are no charges over land and property (previous year: EUR 4m). Pre-emption rights are registered for land held at EUR 178m (previous year: EUR 185m). Other property, plant and equipment carried at EUR 4m (previous year: EUR 4m) serves as collateral for existing financing arrangements.

The following items of property, plant and equipment have been ordered, but are not yet at the Lufthansa Group's economic disposal:

**T093 ORDERS OF PROPERTY, PLANT AND EQUIPMENT AS OF THE REPORTING DATE**

in €m	31 Dec 2020	31 Dec 2019
Land and buildings	11	20
Technical equipment and vehicles	19	37
Operating and office equipment	26	61
	<b>56</b>	<b>118</b>

**22 Leases**

The following table shows the carrying amounts of the recognised right-of-use assets and the changes during the reporting period.

**T094 RIGHT-OF-USE ASSETS**

in €m	Aircraft and reserve engines	Land and buildings	Technical equipment and machinery	Other intangible assets and technical equipment	Total
Cost as of 1 Jan 2019	1,456	1,749	1	28	3,234
Accumulated depreciation	-477	-128	-1	-6	-612
<b>Carrying amount as of 1 Jan 2019</b>	<b>979</b>	<b>1,621</b>	<b>-</b>	<b>22</b>	<b>2,622</b>
Currency translation differences	4	14	-	-	18
Additions due to changes in consolidation	-	-	-	-	-
Additions	227	642	-	13	882
Reclassifications	-1	-6	-	-	-7
Disposals due to changes in consolidation	-	-	-	-	-
Disposals	-8	-45	-	-1	-54
Reclassifications to assets held for sale	-	-30	-	-1	-31
Depreciation	-264	-244	-	-12	-520
Reversal of impairment losses	-	-	-	-	-
<b>Carrying amount as of 31 Dec 2019</b>	<b>937</b>	<b>1,952</b>	<b>-</b>	<b>21</b>	<b>2,910</b>
Cost as of 1 Jan 2020	1,588	2,225	-	38	3,851
Accumulated depreciation	-651	-273	-	-17	-941
<b>Carrying amount as of 1 Jan 2020</b>	<b>937</b>	<b>1,952</b>	<b>-</b>	<b>21</b>	<b>2,910</b>
Currency translation differences	-	-21	-	-	-21
Additions due to changes in consolidation	-	-	-	-	-
Additions	261	205	-	6	472
Reclassifications	-3	-1	-	-	-4
Disposals due to changes in consolidation	-	-	-	-	-
Disposals	-24	-97	-	-1	-122
Reclassifications to assets held for sale	-	-2	-	-1	-3
Depreciation	-311	-264	-	-10	-585
Reversal of impairment losses	-	1	-	-	1
<b>Carrying amount as of 31 Dec 2020</b>	<b>860</b>	<b>1,773</b>	<b>-</b>	<b>15</b>	<b>2,648</b>
Cost as of 31 Dec 2020	1,652	2,273	-	37	3,962
Accumulated depreciation	-792	-500	-	-22	-1,314

The Lufthansa Group mainly leases property, particularly at airports, as well as aircraft and other operating and office equipment. Leases may include renewal and termination options. The terms of the leases are negotiated individually and cover a wide range of different areas. Longer-term leases exist particularly for property. There is a remaining lease term of up to 35 years for land and buildings (previous year: up to 36 years) as of the reporting date.

The average remaining term of the aircraft leases as of 31 December 2020 was three years (previous year: four years). The additions to rights-of-use assets for aircraft in 2020 relate to six aircraft.

The leases existing under IFRS 16 affected the consolidated income statement as follows:

**T095 LEASE EXPENSES RECOGNISED IN PROFIT OR LOSS**

in €m	2020	2019
Amortisation of right-of-use assets	585	520
Interest expenses for lease liabilities	69	72
Expenses for short-term leases	50	193
Expenses for low-value leases	120	120
Variable lease payments	80	126

Some of the Lufthansa Group's leases for properties and aircraft include renewal options and variable lease payments. They are used to obtain the greatest possible flexibility in terms of capacities. They have not been taken into account in various cases when measuring the lease liabilities, because it is not reasonably certain that they will be exercised. Potential future lease payments for periods after the exercise date of the renewal options are summarised in the following table:

**T096 DISCLOSURES ON RENEWAL OPTIONS AND VARIABLE LEASE PAYMENTS 2020**

in €m	Recognised lease liability (discounted) 31 Dec 2020	Potential future lease payments not included in lease liabilities (undiscounted payments)		Total
		Payable 2021 - 2025	Payable after 2025	
Aircraft	461	306	42	348
Property	1,812	71	435	506
<b>Total</b>	<b>2,273</b>	<b>377</b>	<b>477</b>	<b>854</b>

**T096 DISCLOSURES ON RENEWAL OPTIONS AND VARIABLE LEASE PAYMENTS 2019**

in €m	Recognised lease liability (discounted) 31 Dec 2019	Potential future lease payments not included in lease liabilities (undiscounted payments)		Total
		Payable 2020 - 2024	Payable after 2024	
Aircraft	486	296	34	330
Property	1,929	55	396	451
<b>Total</b>	<b>2,415</b>	<b>351</b>	<b>430</b>	<b>781</b>

Where termination options existed for individual leases, their exercise was considered unlikely, so that additional lease payments were already taken into account in the corresponding lease liability.

Amounts included in the cash flow statement are shown in the following table:

**T097 CASH OUTFLOWS FOR LEASES**

in €m	2020	2019
Lease expenses from short-term and low-value leases and variable lease payments not included in the measurement of lease liabilities	250	439
Repayment of the redemption portion of the lease liability	480	499
Interest payments	67	69
<b>Total</b>	<b>797</b>	<b>1,007</b>

Lease payments are shown as cash flows from financing activities unless they are lease payments included in the measurement of lease liabilities, which are shown as cash flow from operating activities.

The maturity analysis of lease liabilities is shown under borrowings, ↗ **Note 37, p. 191.**

Information about operating leases in which the Lufthansa Group is lessor can be found in ↗ **Note 7, p. 159f.**

**23 Equity investments accounted for using the equity method**

**T098 EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

in €m	Investments in joint ventures	Investments in associated companies	Total
Cost as of 1 Jan 2019	391	263	654
Accumulated impairment losses	-	-4	-4
<b>Carrying amount as of 1 Jan 2019</b>	<b>391</b>	<b>259</b>	<b>650</b>
Currency translation differences	3	9	12
Additions due to changes in consolidation	-	-	-
Additions	77	-	77
Changes with and without an effect on profit and loss	70	73	143
Reclassifications	-	-	-
Disposals due to changes in consolidation	-	-	-
Disposals	-	-	-
Dividends paid	-62	-101	-163
Reclassifications to assets held for sale	-	-4	-4
Impairment losses	-43	-	-43
Reversal of impairment losses	-	-	-
<b>Carrying amount as of 31 Dec 2019</b>	<b>436</b>	<b>236</b>	<b>672</b>
Cost as of 1 Jan 2020	479	241	720
Accumulated impairment losses	-43	-5	-48
<b>Carrying amount as of 1 Jan 2020</b>	<b>436</b>	<b>236</b>	<b>672</b>
Currency translation differences	-11	-19	-30
Additions due to changes in consolidation	-	-	-
Additions	31	-	31
Changes with and without an effect on profit and loss	-167	-33	-200
Reclassifications	39	-	39
Disposals due to changes in consolidation	-	-	-
Disposals	2	-	2
Dividends paid	-32	-13	-45
Reclassifications to assets held for sale	-	-	-
Impairment losses	-66	-	-66
Reversal of impairment losses	-	-	-
<b>Carrying amount as of 31 Dec 2020</b>	<b>232</b>	<b>171</b>	<b>403</b>
Cost as of 31 Dec 2020	340	176	516
Accumulated impairment losses	-108	-5	-113

Reclassifications of interests in joint ventures relate to the right to profits of Terminal 2 Gesellschaft mbH & Co. OHG for 2019, which was reported under current receivables in the previous year and whose collection was partially waived in 2020.



Due to the deterioration in the business outlook in connection with the coronavirus crisis and its further impact on the market situation, impairment tests were carried out for the joint ventures XEOS and Spairliners in the MRO segment as well as at Diners Club Spain (Service & Finance companies), resulting in write-downs totalling EUR 66m. In the previous year, write-downs totalled EUR 43m and related to a Catering company. For the write-down on shares in joint ventures in 2020, see [Note 10, p. 160f.](#)

### Individual interests in companies accounted for using the equity method

The following tables show condensed earnings and balance sheet data for the individual material joint ventures accounted for using the equity method.

#### T099 BALANCE SHEET DATA GÜNES EKSPRES HAVACILIK ANONIM SİRKETİ (SUNEXPRESS), ANTALYA, TURKEY

in €m	31 Dec 2020	31 Dec 2019
Current assets	558	594
of which cash and cash equivalents	310	317
Non-current assets	845	1,204
Current liabilities	738	769
Non-current liabilities	559	715
Current financial liabilities (except trade and other payables and provisions)	490	312
Non-current financial liabilities (except trade and other payables and provisions)	442	583
<b>Shareholders' equity</b>	<b>106</b>	<b>314</b>
Share of equity	53	157
Other	24	21
<b>Carrying amount</b>	<b>77</b>	<b>178</b>

#### T100 INCOME STATEMENT DATA GÜNES EKSPRES HAVACILIK ANONIM SİRKETİ (SUNEXPRESS), ANTALYA, TURKEY

in €m	2020	2019
Revenue	493	1,432
Depreciation and amortisation	103	148
Interest income	4	6
Interest expenses	27	25
Income tax expense or income	19	14
<b>Profit or loss from continuing operations</b>	<b>-158</b>	<b>48</b>
Profit or loss after tax from discontinued operations	-	-
Other comprehensive income	-14	9
<b>Total comprehensive income</b>	<b>-172</b>	<b>57</b>
Share of profit or loss from continuing operations	-102	24
Share of comprehensive income	-102	31
Dividends received	-	-

The item "Other" in the reconciliation with the carrying amount for SunExpress primarily includes the difference from the first-time consolidation of the company.

Due to the deterioration in the Company's business situation caused by the coronavirus, an impairment test was also carried out for SunExpress, whose German subsidiary SunExpress Deutschland will cease business operations. This was based on the Company's business plans, which show a crisis experience comparable to that of the Group companies in the passenger business. A discount factor of 7.0%, growth in sales of the perpetual annuity of 1.0% and a contingency discount on the sustainable result of 40% were assumed for the measurement. Even in the event of a further deterioration in the parameters by 2 percentage points or 10 percentage points, respectively, there would be no indication of an impairment of the carrying amounts.

#### T101 BALANCE SHEET DATA TERMINAL 2 GESELLSCHAFT MBH & CO. OHG, MUNICH AIRPORT, GERMANY

in €m	31 Dec 2020	31 Dec 2019
Current assets	15	46
of which cash and cash equivalents	-	-
Non-current assets	1,265	1,323
Current liabilities	209	400
Non-current liabilities	1,030	908
Current financial liabilities (except trade and other payables and provisions)	137	256
Non-current financial liabilities (except trade and other payables and provisions)	1,002	880
<b>Shareholders' equity</b>	<b>41</b>	<b>61</b>
Share of equity	17	25
Other	-	-
<b>Carrying amount</b>	<b>17</b>	<b>25</b>

#### T102 INCOME STATEMENT DATA TERMINAL 2 GESELLSCHAFT MBH & CO. OHG, MUNICH AIRPORT, GERMANY

in €m	2020	2019
Revenue	123	357
Depreciation and amortisation	83	84
Interest income	-	-
Interest expenses	31	36
Income tax expense or income	-	10
<b>Profit or loss from continuing operations</b>	<b>-97</b>	<b>78</b>
Profit or loss after tax from discontinued operations	-	-
Other comprehensive income	11	16
<b>Total comprehensive income</b>	<b>-86</b>	<b>94</b>
Share of profit or loss from continuing operations	-39	31
Share of comprehensive income	-34	38
Dividends received	12	38

The following table contains summarised aggregated data from the income statements and carrying amounts for the individually immaterial joint ventures accounted for using the equity method.

**T103 INCOME STATEMENTS DATA AND CARRYING AMOUNTS OF JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD**

in €m	2020	2019
Profit or loss from continuing operations	-30	1
Profit or loss after tax from discontinued operations	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>-30</b>	<b>1</b>
Depreciation and amortisation	-66	-43
<b>Carrying amount</b>	<b>138</b>	<b>233</b>

The following table shows condensed earnings data and carrying amounts for the individual immaterial associated companies accounted for using the equity method.

**T104 INCOME STATEMENTS DATA AND CARRYING AMOUNTS OF ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD**

in €m	2020	2019
Profit or loss from continuing operations	-40	74
Profit or loss after tax from discontinued operations	-	-
Other comprehensive income	3	-1
<b>Total comprehensive income</b>	<b>-37</b>	<b>73</b>
<b>Carrying amount</b>	<b>171</b>	<b>236</b>

**24 Other equity investments and non-current securities**

**T105 OTHER EQUITY INVESTMENTS AND NON-CURRENT SECURITIES**

in €m	31 Dec 2020	31 Dec 2019
Investments in affiliated companies	218	223
Investments	34	33
<b>Other investments</b>	<b>252</b>	<b>256</b>
Non-current securities	54	53

Shares in related parties include shares in affiliated companies, joint ventures and associates that are not consolidated for reasons of materiality. These shares are carried at amortised cost. Disclosures on the equity investments and non-current securities can be found in [Note 45, p. 205ff.](#)

**25 Non-current loans and receivables**

**T106 NON-CURRENT LOANS AND RECEIVABLES**

in €m	31 Dec 2020	31 Dec 2019
Loans to and receivables from affiliated companies	104	104
Loans to and receivables from other equity investments	-	-
Other loans and receivables	169	241
Emissions certificates	167	124
	<b>440</b>	<b>469</b>

Non-current loans and receivables are carried at amortised cost.

CO<sub>2</sub> emissions certificates valued at EUR 275m were sold and simultaneously repurchased on the market on a forward basis in what are known as repo agreements so that economic ownership of the certificates is maintained. Appropriate other liabilities were recognised in the amount of the consideration received. For the impairment test for emissions certificates, we refer to the disclosures on the cash-generating units (CGUs) Lufthansa German Airlines, SWISS, Austrian Airlines, Eurowings and Brussels Airlines in [Note 17, p. 165ff.](#)

Other receivables include expected reimbursements for obligations for which provisions have been made amounting to EUR 1m (previous year: EUR 2m). Of the non-current receivables, EUR 1m (previous year: EUR 1m) serve as collateral for liabilities.

**26 Inventories**

**T107 INVENTORIES**

in €m	31 Dec 2020	31 Dec 2019
Raw materials, consumables and supplies	650	888
Finished goods and work in progress	75	88
Advance payments	1	4
	<b>726</b>	<b>980</b>

No inventories have been pledged as collateral for loans. EUR 571m of the inventories (previous year: EUR 782m) consist of non-repairable spare parts for aircraft.

The gross value of written-down inventories as of 31 December 2020 was EUR 938m (previous year: EUR 998m). Inventories with a carrying amount of EUR 542m (previous year: EUR 716m) are held at net realisable value. Write-downs to net realisable value of EUR 276m were made at the beginning

of the financial year (previous year: EUR 259m). New impairment losses of EUR 129m were recognised in the reporting year (previous year: EUR 41m), most of which relate to the MRO segment. Write-downs of EUR 8m made in the previous year were reversed (previous year: EUR 18m).

## 27 Contract assets

The Lufthansa Group recognised the following contract assets in 2020:

### T108 CONTRACT ASSETS

in €m	31 Dec 2020	31 Dec 2019
Contract assets from MRO and IT services	146	278
Impairment of contract assets	-4	-1
<b>Total contract assets</b>	<b>142</b>	<b>277</b>

## 28 Trade receivables and other receivables

### T109 TRADE RECEIVABLES AND OTHER RECEIVABLES

in €m	31 Dec 2020	31 Dec 2019
<b>Trade receivables</b>		
Trade receivables from affiliated companies	60	58
Trade receivables from other equity investments	1	2
Trade receivables from third parties	1,516	3,802
	<b>1,577</b>	<b>3,862</b>
<b>Other receivables</b>		
Receivables from affiliated companies	54	89
Receivables from other equity investments	1	1
Other receivables	1,161	1,370
Emissions certificates	50	95
	<b>1,266</b>	<b>1,555</b>
<b>Total</b>	<b>2,843</b>	<b>5,417</b>

For the impairment test for emissions certificates, we refer to the disclosures on the cash-generating units (CGU) Lufthansa German Airlines, SWISS, Austrian Airlines, Eurowings and Brussels Airlines in [Note 17, p. 165ff.](#)

As in the previous year, there is no collateral for trade receivables. Other receivables include expected reimbursements for obligations for which provisions have been made amounting to EUR 1m (previous year: EUR 1m).

For disclosures on impairment losses, credit risks and term structures, we refer to [Note 45, p. 205ff.](#)

Other receivables include claims of EUR 140m (previous year: EUR 149m) against insurers in connection with the accident involving the Germanwings aircraft on 24 March 2015. As of the reporting date, these receivables are offset by provisions of EUR 132m for outstanding obligations relating to this accident (previous year: EUR 135m).

Other receivables of EUR 2m (previous year: EUR 0m) serve to secure negative market values of derivatives.

## 29 Deferred charges and prepaid expenses

Deferred charges and prepaid expenses consist of various services paid for in advance for subsequent periods.

## 30 Current securities

Current securities are fixed income securities, participation certificates, shares and investments in money market funds.

## 31 Cash and cash equivalents

This item includes fixed-term deposits in the amount of EUR 2m (previous year: EUR 0m) with terms of four to twelve months. As of 31 December 2020, bank balances in the amount of EUR 12m are pledged to lending banks. Other bank balances of EUR 70m are pledged subject to a condition precedent.

Bank balances in foreign currencies are translated at the exchange rate on the balance sheet date.

## 32 Assets held for sale

Assets held for sale include 40 aircraft with a carrying amount of EUR 130m. These assets consist of three Boeing 767s, two Boeing 747s, 16 Airbus A320/321s, eight Dash 8-400s, six Bombardier CRJ9s and five Boeing MD-11 freighters. A further EUR 3m relates to one building.

In the previous year, EUR 358m related to the assets in the disposal group "European activities of the LSG group".

**T110 ASSETS AND LIABILITIES IN THE DISPOSAL GROUP  
"EUROPEAN BUSINESS OPERATIONS OF THE LSG GROUP"  
AFTER CONSOLIDATION AS OF 31 DECEMBER 2019  
AND OTHER RECEIVABLES**

in €m	31 Dec 2019
<b>Assets</b>	
Intangible assets	1
Property, plant and other equipment	151
Other non-current assets	13
Deferred tax assets	31
Inventories	80
Other current assets	82
<b>Total</b>	<b>358</b>
<b>Shareholders' equity and liabilities</b>	
Pension provisions	289
Other non-current provisions	16
Other non-current liabilities	32
Other current provisions	11
Trade payables and other non-financial liabilities	175
Other current liabilities	17
<b>Total</b>	<b>540</b>

The closing of the sale to gategroup on 2 December 2020 marked the disposal of the related assets and liabilities. In addition, three cargo aircraft and one building were available for sale.

## Shareholders' equity and liabilities

### 33 Issued capital

#### SHARE CAPITAL

By resolution of the extraordinary general meeting on 25 June 2020, the issued capital of Deutsche Lufthansa AG was increased by EUR 306,044,326.40 to EUR 1,530,221,624.32 by issuing 119,548,565 registered shares excluding shareholders' subscription rights. The shares were subscribed by the Economic Stabilisation Fund at the nominal amount of EUR 2.56 per share. The capital increase took effect on 2 July 2020 when it was entered in the commercial register. Issued capital is divided into 597,742,822 registered shares, with each share representing EUR 2.56 of issued capital.

#### AUTHORISED CAPITAL

A resolution passed at the Annual General Meeting on 7 May 2019 authorised the Executive Board until 6 May 2024, subject to approval by the Supervisory Board, to increase the Company's issued capital by up to EUR 450,000,000 by issuing new registered shares on one or more occasions for

payment in cash or in kind (Authorised Capital A). In certain cases, the shareholders' subscription rights can be excluded with the approval of the Supervisory Board.

A resolution passed at the Annual General Meeting on 7 May 2019 authorised the Executive Board until 6 May 2024, subject to approval by the Supervisory Board, to increase the issued capital by up to EUR 30,000,000 by issuing new registered shares to employees (Authorised Capital B) for payment in cash. Existing shareholders' subscription rights are excluded. As of 31 December 2020, shares with a nominal amount of EUR 7,637,832.68 were issued under this authorization, so that Authorised Capital B still amounted to EUR 22,362,168.32 as of the reporting date.

#### CONTINGENT CAPITAL

A resolution of the Annual General Meeting on 5 May 2020 increased the company's contingent capital by up to EUR 122,417,728. The contingent capital increase serves to issue up to 47,819,425 shares to the holders or creditors of conversion and/or option rights from convertible bonds with a total nominal value of up to EUR 1.5bn that may be issued by the Company or its Group companies until 4 May 2025 in accordance with the resolution of the Annual General Meeting on 5 May 2020. In certain cases, the shareholders' subscription rights can be excluded with the approval of the Supervisory Board.

A resolution of the extraordinary general meeting on 25 June 2020 increased the contingent capital of Deutsche Lufthansa AG by up to EUR 102,014,776.32. The contingent capital increase serves to provide up to 39,849,522 shares for the exercise of conversion rights granted to the Economic Stabilisation Fund created by the Stabilisation Fund Act as a silent shareholder for Silent Participation II-A at a strike rate of EUR 2.56 per share by resolution of the extraordinary general meeting on 25 June 2020. The rights can be exercised if a decision is published to make a takeover offer pursuant to Section 10 Securities Acquisition and Takeover Act (WpÜG) or if control is acquired pursuant to Sections 35 and 29 WpÜG. The buyer can exercise the conversion rights at any time if the Silent Participation II-A is sold to a private purchaser.

A resolution of the extraordinary general meeting on 25 June 2020 increased the contingent capital of Deutsche Lufthansa AG by up to EUR 897,985,223.68. The contingent capital increase serves to provide up to 350,775,478 shares for the exercise of conversion rights granted to the Economic Stabilisation Fund created by the Stabilisation Fund Act as a silent shareholder for antidilution and/or coupon protection for Silent Participation II-B by resolution of the extraordinary general meeting on 25 June 2020. If the conversion right is exercised to protect against dilution, the new shares will be issued at the current market price on the conversion date, less 10%. If the conversion right is exercised to protect the

coupon, they are issued at the current market price on the conversion date, less 5.25%. The conversion rights expire if Silent Participation II-B is assigned to a third party.

#### AUTHORISATION TO PURCHASE TREASURY SHARES

A resolution passed at the Annual General Meeting held on 7 May 2019 authorised the Executive Board pursuant to Section 71 Paragraph 1 No. 8 Stock Corporation Act (AktG) to purchase treasury shares until 6 May 2024. The authorisation is limited to 10% of current issued capital, which can be purchased on the stock exchange or by a public purchase offer to all shareholders. The authorisation states that the Executive Board can use the shares, in particular, for the purposes defined in the resolution passed at the Annual General Meeting. According to the resolution of the Annual General Meeting held on 7 May 2019, the Executive Board is also authorised to purchase treasury shares by means of derivatives and to conclude corresponding derivative transactions.

At various points in 2020, Deutsche Lufthansa AG bought back 1,299,165 of its own shares at an average price of EUR 7.27. This corresponds to 0.22 % or EUR 3,325,862.40 of share capital.

The shares purchased were used as follows:

- 1,296,504 shares were transferred to the employees of Deutsche Lufthansa AG and to 33 other affiliated companies and equity investments as part of the profit-sharing for 2019, at a share price of EUR 7.56.
- 517 shares were transferred for employees of Deutsche Lufthansa AG and another affiliated company as part of the profit-sharing for 2018, at a share price of EUR 14.18.
- 2,144 shares were resold at a price of EUR 11.14.

On the balance sheet date, treasury shares were no longer held.

#### CAPITAL MANAGEMENT

After overcoming the coronavirus pandemic, the Lufthansa Group continues to aim for a sustainable equity ratio of 25% in order to ensure long-term financial flexibility and stability as a basis for the Group's growth targets. As of 31 December 2020 and 2019, equity and total assets were as follows:

#### T111 EQUITY AND LIABILITIES

in €m	31 Dec 2020	31 Dec 2019
Shareholders' equity	1,387	10,256
In % of total assets	3.5	24.0
Liabilities	38,097	32,403
In % of total assets	96.5	76.0
<b>Total capital</b>	<b>39,484</b>	<b>42,659</b>

In the financial year 2020, the equity ratio declined by 20.5 percentage points compared with the figure for the previous year to 3.5%.

Deutsche Lufthansa AG's Articles of Association do not stipulate any capital requirements.

#### 34 Reserves

Capital reserves only include the share premium paid on capital increases and a convertible bond that was redeemed in full in previous years. The legal reserve contained in retained earnings of Deutsche Lufthansa AG is unchanged at EUR 26m; other reserves consist of other retained earnings.

The following table shows changes in other neutral reserves in 2020:

#### T112 NOTES ON OTHER COMPREHENSIVE INCOME

in €m	2020	2019
<b>Other comprehensive income after income taxes</b>		
Currency translation differences		
Profit/loss for the period	-107	115
Reclassification adjustments recognised in profit or loss	-	-
Subsequent measurement of financial assets at fair value (with recycling)	-29	10
Subsequent measurement of financial assets at fair value (without recycling)	1	7
Profit/loss for the period	-	-
Reclassification adjustments recognised in profit or loss	-	-
Subsequent measurement of hedges - cash flow hedge reserve	-655	258
Subsequent measurement of hedges - costs of hedging	143	476
Profit/loss for the period	-1,119	1,278
Reclassification adjustments recognised in profit or loss	607	-544
<b>Other comprehensive income from investments accounted for using the equity method</b>		
Profit/loss for the period - reclassifiable	4	13
Profit/loss for the period - non-reclassifiable	-	-
Revaluation of defined-benefit pension plans	-2,584	-1,108
Other expenses and income recognised directly in equity (with recycling)	-4	15
Other expenses and income recognised directly in equity (without recycling)	-	-1
Income taxes on items in other comprehensive income	747	163
<b>Other comprehensive income after income taxes</b>	<b>-2,484</b>	<b>-52</b>

**T113 NOTE ON INCOME TAXES RECOGNISED FOR OTHER COMPREHENSIVE INCOME**

in €m	2020			2019		
	Amount before income taxes	Tax expenses/ income	Amount after income taxes	Amount before income taxes	Tax expenses/ income	Amount after income taxes
Currency translation differences	-107	-	-107	115	-	115
Subsequent measurement of financial assets at fair value (with recycling)	-29	-7	-36	10	-	10
Subsequent measurement of financial assets at fair value (without recycling)	1	-	1	7	-	7
Subsequent measurement of hedges – cash flow hedge reserve	-655	166	-489	258	-64	194
Subsequent measurement of hedges – costs of hedging	143	-34	109	476	-118	358
Other comprehensive income from investments accounted for using the equity method – reclassifiable	4	-	4	13	-	13
Revaluation of defined-benefit pension plans	-2,584	622	-1,962	-1,108	345	-763
Other expenses and income recognised directly in equity (with recycling)	-4	-	-4	15	-	15
Other expenses and income recognised directly in equity (without recycling)	-	-	-	-1	-	-1
<b>Other comprehensive income</b>	<b>-3,231</b>	<b>747</b>	<b>-2,484</b>	<b>-215</b>	<b>163</b>	<b>-52</b>

The overall change in equity is shown in [T060 Consolidated statement of changes in shareholders' equity](#), p. 138.

**35 Pension provisions**

The Lufthansa Group's pension obligations comprise both defined benefit and defined contribution plans and include both obligations to make current payments and entitlements to future pension payments.

Obligations under defined benefit pension plans for employees of the Lufthansa Group related mostly to pension obligations in Germany, Switzerland, Austria and the USA. Various commitments have been made to different groups of employees.

For the employees in Germany and for expatriate staff who joined the Company before 1995, the supplementary pension scheme for state employees (VBL) was retained as the Company's pension scheme after the Lufthansa Group's privatisation. Employees who joined after 1994 received a retirement benefit commitment based on an average salary plan, which provided for pension units to be granted annually, with the size of these components depending on the employee's age and salary. In 2003, the VBL pension scheme was changed to the average salary plan applicable to the employees recruited after 1995. Between 2015 and 2017, the existing domestic retirement benefit commitments to the individual groups of employees have been converted successively into defined contribution schemes.

The Lufthansa collective agreement on benefits for ground staff established a new company retirement benefit plan in the form of a defined-contribution benefit commitment for the ground staff in Germany, in particular those at Deutsche Lufthansa AG, Lufthansa Cargo AG, the Lufthansa Technik group and the LSG group. For employees recruited before 1 January 2016, the entitlements vested up until 31 December 2015 are maintained. For service periods starting from 1 January 2016, employees can reach the same level of benefits by making contributions from their own pocket. For employees recruited from 1 January 2016, the contributions to the new model will be invested on the capital market. When the employee reaches retirement age, the entire account balance is converted into an annuity on the basis of the applicable BilMoG interest rate, subject to a pension adjustment of 1% per annum and while guaranteeing the contributions that were originally made.

On 17 March 2017, the "Lufthansa Pension Cabin" wage agreement was signed with the trade union UFO for cabin crew at Deutsche Lufthansa AG (DLH). It replaces the agreements on the "Lufthansa Company Pension" for cabin crew and the "Lufthansa Transitional Benefit for Cabin Crew".



For employees recruited up to 5 July 2016, the pension entitlements vested up until 30 June 2016 are maintained. For service periods from 1 July 2016, these employees receive employer contributions to the Company pension scheme depending on their eligible gross salary. An initial contribution to the transitional benefit scheme was calculated for the staff concerned as of 30 June 2016 on the basis of parameters and valuation methods defined by the collective bargaining partners. This initial transitional benefit contribution will replace all existing claims by the employees concerned under the collective agreement on “Transitional Benefit for Cabin Crew” and will be switched to a contribution commitment with a minimum guaranteed payment. All employees are free to make their own contributions on a voluntary basis. Contributions from both employer and employee, as well as the initial transitional benefit contribution, are invested on the capital markets with a capital guarantee. When the employee reaches retirement age, the available account balance is converted into an annuity on the basis of the applicable BilMoG interest rate, subject to a pension adjustment of 1% per annum.

On 21 December 2017, the “Lufthansa Pension Cockpit” wage agreement for cockpit staff was signed with the Vereinigung Cockpit pilots’ union. At the same time, a new “Transitional Benefit Cockpit” wage agreement was signed.

For employees recruited before 1 January 2017, the pension entitlements vested up until 31 December 2016 are maintained. For service periods from 1 January 2017, the employees receive employer contributions to the Company pension scheme depending on their eligible gross salary. All employees are free to make their own contributions on a voluntary basis. The capital is invested on capital markets with a capital guarantee and the guaranteed interest rate offered by the life insurance companies (currently 0.9% per annum) as an additional commitment. When the employee reaches retirement age, the available account balance is converted into an annuity on the basis of the applicable BilMoG interest rate, subject to a pension adjustment of 1% per annum.

In the new Company retirement benefit scheme for ground, cabin and cockpit staff, the obligations from the capital market-oriented components are recognised at the time value of the corresponding assets, insofar as the assets exceed the minimum guaranteed amount. Plan assets and benefit obligations are presented on a net basis. The employer contributions constitute service expense.

Cockpit staff are still additionally entitled to a transitional pension arrangement covering the period from the end of their active in-flight service until the beginning of their statutory/ Company pension plans. Benefits depend on the number of years of service and the final salary before retirement (final salary plans). Pension entitlements continue to accrue while transitional benefits are being received.

Generally speaking, the previous rules for transitional benefits continue to apply, whereby in the latest version the benefits have been extended to cover cockpit staff at Germanwings who were recruited before 1 January 2005. The collective retirement age for pilots increases gradually from 58 to 60 by 2021. In connection with the forecast long-term staff surplus among cockpit crew, the Company has proposed a temporary suspension of the clause relating to the collective retirement age. A corresponding agreement has not yet been reached on a change to the wage settlement as part of an overall agreement. This results in an increase of EUR 41m in the transitional benefit obligation in the reporting year.

Temporary reductions in employer contributions were agreed for the collective defined benefit plans for cockpit and cabin crew in 2020. These reductions will continue to apply until 2022.

Defined-benefit Company pension schemes and transitional pension arrangements for Germany are funded by plan assets, while amounts that have not yet been transferred are covered by pension provisions.

There are no minimum funding requirements in Germany. Contributions for German defined benefit plans were suspended from the second quarter of 2020 onwards. In addition, reimbursements for pension payments made were withdrawn from the plan assets for the plans of Deutsche Lufthansa AG, Lufthansa Cargo AG and Lufthansa Technik AG for the first time.

Pension obligations in Switzerland are largely based on statutory obligations. The retirement benefits are funded via pension funds known as collective foundations. In addition to retirement benefits, the plans cover invalidity and dependent persons’ benefits. Beneficiaries can choose between an annuity and a lump sum payment. The retirement age for the plans lies between 58 and 63 years. Contributions to the pension funds are made by employers and employees, whereby the Company contributions must be at least equal to the employee contributions defined in the terms of the plan. Contributions are deducted from the qualifying salary according to a sliding scale. If there is a deficit of plan assets, employer and employee contributions can be increased, a lower return can be determined or other steps permissible by law can be taken. The decision is taken by the trustees of the pension fund concerned. The trustees’ strategies for making good a deficit are based on the report by a pension fund expert and must be presented to the regulatory authority. The approval of the authority is not required, however.



In the context of the coronavirus crisis, SWISS has for the first time offered employees voluntary early retirement packages from the age of 58 until the end of 2023. This is intended to implement the socially responsible reduction of the surplus staff capacity in all groups of employees.

The pension obligations for employees of Austrian Airlines AG are mostly on a defined contribution basis and have been outsourced to a pension fund. They consist of retirement, invalidity and dependant persons' benefits.

Obligations under defined benefit plans at Austrian Airlines AG relate to former directors and Executive Board members and others already receiving their pensions. Obligations under defined benefit plans for ground staff are now contribution-free and are determined by converting plan assets into an annuity. There are no defined benefit plans but only defined contribution pension obligations for active pilots, flight attendants and members of the top management level.

The defined benefit pension plans at LSG Sky Chefs in the USA are largely closed to new entrants and no further benefits are being granted to beneficiaries still in service. Benefit payments are based on average salary and the years of service acquired before the plan was closed or frozen. The retirement age is 65. Pension payments are funded externally. Retirement benefits have been switched to defined contribution plans.

Other staff abroad are also entitled to minor retirement benefits and in some cases to medical care based mainly on length of service and salary earned. As a rule, benefits are financed by means of external funds.

Contributions for defined contribution retirement benefit commitments came to EUR 409m in 2020 (previous year: EUR 499m). These mainly consist of contributions to statutory pension funds, but also include contributions under collective bargaining agreements or voluntary contributions to other pension funds.

In the financial year 2004, work began on building up plan assets to fund and safeguard future pension payments. The aim was to fund the pension obligations under existing plans in Germany in full. Contractual trust arrangements (CTAs) in the form of a mutual two-stage trusteeship were set up for this purpose.

The main trustee is Lufthansa Pension Trust e.V., a separate legal entity subject to German regulations. Deutsche Lufthansa AG and the trustees/other trustors agree on contributions and, if such a contribution is determined, make a payment to Lufthansa Pension Trust e.V. Deutsche Lufthansa AG and its subsidiaries Lufthansa Technik AG and Lufthansa Cargo AG are parties to the contractual trust arrangement. The trust assets have largely been held by a Maltese corporate vehicle since 2007. The Investment Board of Lufthansa Malta Pension Holding decides on the fund's asset allocation. The asset management itself is delegated to fund management companies, who invest the assets in accordance with the general investment principles defined by the Investment Board.

Assets to fund pension obligations for other German subsidiaries have been invested with Deutsche Treuinvest Stiftung with the same investment strategy.

The assets to fund pension obligations in the new Lufthansa Pension Ground, Lufthansa Pension Cabin and Lufthansa Pension Cockpit capital market-based benefits system were transferred to an external trustee, Deutsche Treuinvest Stiftung, as part of a contractual trust arrangement. Capital is invested in what are known as age group funds, whose investment strategy is based on a life cycle model. As employees get older, less and less is invested in asset classes with a higher risk-return profile and a greater percentage in more conservative asset classes. The Company has set up an Investment Committee that is responsible for defining and monitoring the investment strategy, e.g. how the age group funds are composed and how the asset allocation changes over time.

EUR 85m was contributed to plan assets for employees in Germany in 2020 (previous year: EUR 250m). No further contributions have been made to Deutsche Lufthansa AG since the beginning of the crisis in March.

Amounts shown in the statement of financial position for defined benefit commitments are made up as follows:

**T114 DEFINED-BENEFIT RETIREMENT COMMITMENTS**

	31 Dec 2020				31 Dec 2019			
	Defined-benefit obligations (DBO)	Fair value of plan assets	Effect of asset ceiling	Net carrying amount for defined-benefit obligations	Defined-benefit obligations (DBO)	Fair value of plan assets	Effect of asset ceiling	Net carrying amount for defined-benefit obligations
in €m								
Retirement benefits Germany	19,506	-12,165	-	7,341	18,227	-13,135	-	5,092
Transitional benefits Germany	1,528	-337	-	1,191	1,462	-441	-	1,021
Switzerland	4,188	-3,606	-	582	3,840	-3,434	2	408
Austria	444	-180	-	264	450	-183	-	267
USA	342	-306	-	36	369	-327	-	42
Other countries	520	-443	-	77	517	-440	-	77
<b>Carrying amounts</b>	<b>26,528</b>	<b>-17,037</b>	<b>-</b>	<b>9,491</b>	<b>24,865</b>	<b>-17,960</b>	<b>2</b>	<b>6,907</b>
of which pension provisions	-	-	-	9,531	-	-	-	6,658
of which other assets	-	-	-	40	-	-	-	40
of which shown under liabilities for disposal	-	-	-	-	-	-	-	289

Reconciliation between the funding status and the amounts shown in the consolidated balance sheet is as follows:

**T115 RECONCILIATION FUNDING STATUS**

in €m	2020	2019
Present value of funded pension obligations	25,984	24,374
Plan assets	-17,037	-17,960
<b>Funding status (net)</b>	<b>8,947</b>	<b>6,414</b>
<b>Present value of unfunded pension obligations</b>	<b>544</b>	<b>491</b>
Adjustment for asset ceiling	-	2
<b>Carrying amounts</b>	<b>9,491</b>	<b>6,907</b>
of which pension provisions	9,531	6,658
of which other assets	40	40
of which shown under liabilities for disposal	-	289

During the reporting period, the present value of defined benefit pension obligations changed as follows:

**T116 CHANGE IN PRESENT VALUE OF PENSION OBLIGATIONS**

in €m	2020	2019
Balance on 1 Jan	24,865	21,412
on which shown under liabilities for disposal	-755	-
Current service costs	502	514
Interest expenses	319	418
Past service cost/effects of curtailments	32	11
Effects of settlements	-1	-
Revaluations		
Actuarial gains/losses from changes in demographic assumptions	24	-64
Actuarial gains/losses from changes in financial assumptions	2,433	2,461
Experience adjustments	-308	281
Currency translation differences	-51	154
Changes in the group of consolidated companies	-772	-
Plan contributions - employees	96	116
Pension payments	-602	-449
Settlement payments	-10	-
Other <sup>1)</sup> /reclassifications	1	11
<b>As of 31 Dec</b>	<b>26,528</b>	<b>24,865</b>
of which shown under liabilities for disposal	-	-755

<sup>1)</sup> The amounts are partly for benefit obligations which were measured in accordance with IAS 19 for the first time.

The changes in the group of consolidated companies relate to the pension obligations disposed of with the sale of the LSG group's European business.

Actuarial gains/losses from changes in financial assumptions include losses due to the renewed fall in the discount rate for Germany, Austria and Switzerland compared with the previous year. Adjustments to obligations regarding capital market-based pension plans, which are due to changes in exchange rates, are shown in adjustments based on past experience.

The following table provides a detailed reconciliation of changes in the fair value of plan assets:

#### T117 CHANGE IN FAIR VALUE OF PLAN ASSETS

in €m	2020	2019
Balance on 1 Jan	17,960	15,576
on which shown under liabilities for disposal	-466	-
Interest income	222	299
Revaluations		
Income from plan assets, without amounts included in interest	-443	1,571
Currency translation differences	-46	139
Changes in the group of consolidated companies	-431	-
Plan contributions – employers	235	394
Plan contributions – employees	61	111
Pension payments	-510	-138
Settlement payments	-10	-
Administrative costs related to obligations	-3	-3
Other <sup>1)</sup> /reclassifications	2	11
<b>As of 31 Dec</b>	<b>17,037</b>	<b>17,960</b>
of which shown under liabilities for disposal	-	-466

<sup>1)</sup> The amounts are partly for benefit obligations which were measured in accordance with IAS 19 for the first time.

The outflows of plan assets due to pension payments of EUR 510m included, among other things, the financing of pensions in Germany from the CTA assets for the first time in the amount of EUR 288m.

In the financial years 2020 and 2019, pension provisions developed as follows:

#### T118 PENSION PROVISIONS

in €m	2020	2019
Balance on 1 Jan	6,947	5,865
on which shown under liabilities for disposal	-289	-
Currency translation differences carried forward	-5	15
Changes in the group of consolidated companies	-341	-
Pensions payments	-92	-311
Current service costs	502	514
Interest expenses	319	418
Interest income	-222	-299
Effects of amendments incl. curtailments, settlements and administrative costs	34	14
Revaluations		
Actuarial gains/losses and experience adjustments	2,149	2,678
Income from plan assets, without amounts included in interest	443	-1,571
Net effect of adjustments for asset ceiling	-3	2
Plan contributions/reclassifications	-200	-378
<b>As of 31 Dec</b>	<b>9,531</b>	<b>6,947</b>
of which shown under liabilities for disposal	-	-289

Expenses and income for defined-benefit plans are made up as follows:

#### T119 EXPENSES AND INCOME FOR DEFINED-BENEFIT PENSION PLANS

in €m	2020	2019
Current service costs	502	514
Past service cost/effects of curtailments	32	11
Income from settlements	-1	-
Accrued interest on projected pension obligations	319	418
Interest income on plan assets	-222	-299
Administrative costs related to obligations	3	3
<b>Balance of expenses and income recognised in the income statement</b>	<b>633</b>	<b>647</b>
Income from plan assets, without amounts included in interest	443	-1,571
Actuarial gains and losses	2,149	2,678
Net effect of adjustment for asset ceiling	-3	2
<b>Other comprehensive income</b>	<b>2,589</b>	<b>1,109</b>
	<b>3,222</b>	<b>1,756</b>

Interest expenses on pension provisions and interest income on plan assets are shown in the financial result. Current service expense and past service expense are recognised in staff costs.

Past service expenses incurred in the reporting year stem mainly from forecast future expenses in connection with measurement effects from the temporary suspension proposed by the Company of the clause defining the average retirement age for pilots in the context of transitional benefits at Deutsche Lufthansa AG. A corresponding accord to change the respective collective labor agreement has not been reached yet and will be part of an overall agreement.

A loss of EUR 221m was generated from plan assets in the financial year 2020. This amount is made up of the interest income recognised in the income statement and the revaluation component for plan assets. Capital appreciation of EUR 1,870m was recognised in the previous year.

There were no significant effects from the asset ceiling defined in IAS 19.64.

The main actuarial assumptions used to calculate pension obligations and the corresponding plan assets are shown below:

#### T120 MAIN ACTUARIAL ASSUMPTIONS FOR GERMAN COMPANIES

in %	31 Dec 2020	31 Dec 2019
Interest rate		
Retirement benefits	0.8	1.4
Transitional benefits	0.8	1.4
Salary increase		
Retirement benefits	2.5	2.5
Transitional benefits	2.5	2.5
Pension increase		
Retirement benefits	1.0	1.0
Transitional benefits	1.0	1.0

The Heubeck Actuarial Tables 2018 G were used in the biometric calculations for the German companies in the Group.

#### T121 MAIN ACTUARIAL ASSUMPTIONS FOR FOREIGN COMPANIES

in %	31 Dec 2020	31 Dec 2019
Interest rates		
Austria	0.8	1.4
Switzerland	0.1	0.3
USA	2.3	3.2
Salary increase		
Austria	1.6	1.8
Switzerland	1.5	1.5
USA	-	-
Pension increase		
Austria	1.6	2.0
Switzerland	0.0	0.0
USA	-	-

The BVG 2015 generation tables are used for the biometric calculations for Switzerland. Country-specific mortality tables are used in the other countries.

The following table shows how the present value of defined benefit obligations would have been affected by changes in the relevant actuarial assumptions for the main pension plans described above:

#### T122 CHANGE IN ACTUARIAL ASSUMPTIONS, AS OF 2020

	Effect on the defined-benefit contribution as of 31 Dec 2020 in €m	Change in %
Present value of the obligation <sup>1)</sup>	26,528	-
Interest rate		
Increase by 0.5 percentage points	24,257	-8.6
Decrease by 0.5 percentage points	29,241	+10.2
Salary trend		
Increase by 0.5 percentage points	26,668	+0.5
Decrease by 0.5 percentage points	26,396	-0.5
Pension trend		
Increase by 0.5 percentage points	26,825	+1.1
Decrease by 0.5 percentage points	26,483	-0.2

<sup>1)</sup> Present value of the obligation using the assumptions shown in the "Actuarial assumptions" tables.

**T122 CHANGE IN ACTUARIAL ASSUMPTIONS, AS OF 2019**

	Effect on the defined-benefit contribution as of 31 Dec 2019 in €m	Change in %
Present value of the obligation <sup>1)</sup>	24,865	-
Interest rate		
Increase by 0.5 percentage points	22,862	-8.1
Decrease by 0.5 percentage points	27,201	+9.4
Salary trend		
Increase by 0.5 percentage points	25,022	+0.6
Decrease by 0.5 percentage points	24,717	-0.6
Pension trend		
Increase by 0.5 percentage points	25,140	+1.1
Decrease by 0.5 percentage points	24,606	-1.0

<sup>1)</sup> Present value of the obligation using the assumptions shown in the "Actuarial assumptions" tables.

A reduction of 10% in the mortality rates used to calculate the pension obligations increases the life expectancy of the beneficiaries by a given amount depending on their individual ages. It roughly corresponds to an increase of one year in the life expectancy of a male employee who is 55 years old today. A 10% reduction in the mortality rate would therefore increase the present value of the main benefit obligations in Germany and Switzerland by EUR 189m as of 31 December 2020 (previous year: EUR 176m).

The sensitivity analysis examines changes in one assumption and leaves the other assumptions unchanged compared with the original calculation. The effects of any correlation between the individual assumptions are therefore not taken into account.

Plan assets for funded defined benefit pension obligations consist mainly of fixed-income securities, equities and cash and cash equivalents. They do not include financial instruments issued by companies in the Group nor properties used by Group companies.

Plan assets serve solely to meet the defined benefit obligations. Funding these benefit obligations with assets provides security for future payments. In some countries, this takes place on the basis of statutory regulations, while in others (Germany, for example), this takes place on a voluntary basis.

The Lufthansa Group aims to completely cover its German pension obligations by means of cover assets and positive capital market returns in the medium to long term. Additional capital is transferred to the trustees for this purpose. Investment performance plays a crucial role in meeting this target.

The investment strategy for the capital market-based pension plans is initially defined by the Company and is regularly reviewed in the course of an allocation study. Where necessary, it is adjusted by the Investment Committee to reflect changes in capital market requirements. This may result in changes to the investment strategy for amounts that have already been invested.

The Lufthansa Group manages and monitors the financial risks that arise from outsourcing the defined benefit pension obligations. There was no change in the risk management and monitoring processes compared with the previous year. Derivative financial instruments are used, especially to manage foreign exchange risks.

The allocation of the funds to asset classes (e.g. equities) for the defined benefit plans is carried out on the basis of asset-liability matching (ALM) studies performed by the Lufthansa Group. The ALM study is conducted every three years with an external adviser in order to review the funding strategy on a regular basis and to make adjustments as necessary. The results of the study should indicate what combination of investments (annuities, equities, etc.) can be used to cover the long-term pension obligations. Step one of this process is for the actuary to draft a long-term forecast charting how the pension obligations will develop.

In addition to this, target figures are needed for the relative return and relative risk as regards coverage of the obligations. Last but not least, a risk budget must also be defined.

A simulation is used to test all permissible investment allocations for their future compliance with these objectives. Those which do not fulfil the criteria are eliminated. Preference is given to allocations that are return-oriented yet conservative and that have a high probability of achieving the investment target.

The results of the ALM study show whether there will be strategic shifts in the existing allocation. Alternative investments (e.g. property, private equity, infrastructure) are currently being further developed.

Plan assets are made up as follows:

**T123 COMPOSITION OF PLAN ASSETS**

	31 Dec 2020				31 Dec 2019			
	Listed price in an active market in €m	No listed price in an active market in €m	Total  in €m	in %	Listed price in an active market in €m	No listed price in an active market in €m	Total  in €m	in %
Equities			<b>5,626</b>	<b>33.0</b>			5,189	28.9
Europe	2,152	-			3,299	-		
Other	3,470	4			1,890	-		
Fixed-income securities			<b>6,060</b>	<b>35.6</b>			6,111	34.0
Government bonds	3,159	8			3,053	-		
Corporate bonds	2,890	3			3,058	-		
Share funds	153	-	<b>153</b>	<b>0.9</b>	847	-	847	4.7
Fixed-income funds	723	-	<b>723</b>	<b>4.2</b>	1,482	-	1,482	8.3
Mixed funds <sup>1)</sup>	77	-	<b>77</b>	<b>0.5</b>	247	-	247	1.4
Money market investments	1,298	-	<b>1,298</b>	<b>7.6</b>	1,039	-	1,039	5.8
Property			<b>1,225</b>	<b>7.2</b>			1,015	5.7
Direct investments	-	7			-	7		
Indirect investments	863	355			744	264		
Insurance contracts	-	151	<b>151</b>	<b>0.9</b>	-	133	133	0.7
Bank balances	345	184	<b>529</b>	<b>3.1</b>	334	191	525	2.9
Other investments <sup>2)</sup>	207	988	<b>1,195</b>	<b>7.0</b>	288	1,084	1,372	7.6
<b>Total</b>	<b>15,337</b>	<b>1,700</b>	<b>17,037</b>	<b>100.0</b>	<b>16,281</b>	<b>1,679</b>	<b>17,960</b>	<b>100.0</b>

<sup>1)</sup> Includes equities and interest-bearing securities.

<sup>2)</sup> Other investments include, in particular, alternative investments such as hedge funds, commodities and private equity funds.

In addition to various actuarial risks such as interest rate risk, life expectancy risk and the risk of salary increases, the pension plans expose the Group primarily to financial risks in connection with plan assets.

The return on plan assets is assumed at the beginning of the period to be the discount rate, which is determined on the basis of investment grade corporate bonds. For the old pension plans, if the actual return on plan assets is less than the discount rates applied, the net obligation from the pension plan goes up. With the new capital market-based pension plans, a gross obligation is recognised for the time value of the corresponding plan assets, taking the minimum guaranteed amount into account.

The share price risk that arises from the proportion of plan assets invested in equities is considered to be reasonable. The risk of default by bond issuers is limited, because investments are only made in investment grade bonds.

The amount of the net obligation under the old pension plans depends to a large extent on the rates of interest, whereby the current low-interest environment results in a relatively high net obligation. If yields on corporate bonds continue to decline, this would lead to a further increase in defined benefit obligations, which could probably only be partly offset by positive developments in the market values of the corporate bonds held in plan assets.

Based on current knowledge, it can be assumed that only EUR 178m will be transferred to pension plans in the 2021 financial year due to the crisis situation (previous year: EUR 808m). The transfers are made up of planned allocations and benefit payments that are not covered by equivalent reimbursements from plan assets. The weighted duration of pension obligations was 20 years as of 31 December 2020 (previous year: 18 years).

Over the next ten years, the following pension payments are forecast for the defined benefit commitments in existence as of the reporting date:

<b>T124 FORECAST MATURITIES OF UNDISCOUNTED PENSION PAYMENTS, AS OF 2020</b>		<b>T124 FORECAST MATURITIES OF UNDISCOUNTED PENSION PAYMENTS, AS OF 2019</b>	
in €m	Forecast pension payments 31 Dec 2020	in €m	Forecast pension payments 31 Dec 2019
2021	524	2020	574
2022	689	2021	596
2023	626	2022	612
2024	605	2023	637
2025	627	2024	656
2026 - 2030	3,699	2025 - 2029	3,828

### 36 Other provisions

Other provisions disclosed in the statement of financial position as non-current and current other provisions are made up as follows:

in €m	31 Dec 2020			31 Dec 2019		
	Total	Non-current	Current	Total	Non-current	Current
Obligations under partial retirement contracts	32	32	-	20	18	2
Other staff costs	209	169	40	202	159	43
Obligation to return emissions certificates	50	-	50	95	-	95
Onerous contracts	88	38	50	49	20	29
Environmental restoration	31	28	3	30	27	3
Legal proceedings	65	12	53	77	11	66
Restructuring/severance payments	221	47	174	171	79	92
Maintenance of lease aircraft	323	162	161	293	139	154
Warranties	47	-	47	46	-	46
Other provisions	323	70	253	301	37	264
<b>Total</b>	<b>1,389</b>	<b>558</b>	<b>831</b>	<b>1,284</b>	<b>490</b>	<b>794</b>

The obligations from partial retirement agreements result from collective bargaining agreements in Germany. Obligations were measured in 2020 using an interest rate of 0.00% (previous year: 0.01%). The interest effects shown in the following table on the development of other provisions resulted from the changes in the market value of the plan assets.

A total of EUR 133m (previous year: EUR 132m) has been transferred to an external trust fund as insolvency insurance for employer's performance arrears as part of partial retirement agreements under which the employee at first works full-time for less pay and then retires early on the same reduced pay. These assets, which fulfil the requirements for plan assets and therefore reduce the gross amount of obligations accordingly, are measured at market value on the balance sheet date.

The funding status for provisions for obligations to employees under partial retirement agreements is as follows:

<b>T126 FUNDING STATUS</b>		
in €m	2020	2019
Present value of funded obligations under partial retirement agreements	149	146
External plan assets	-130	-141
	<b>19</b>	<b>5</b>
of which other provisions	32	20
of which other assets	13	15



Provisions for other staff costs mainly relate to staff anniversary bonuses and other current obligations.

A provision for the obligation to submit CO<sub>2</sub> emissions certificates to the relevant authorities is recognised for an amount equivalent to the carrying amount of the capitalised CO<sub>2</sub> certificates. If the obligation is not fully covered by available certificates, the outstanding amount of the provision is measured using the market price of the emissions certificates as of the reporting date.

Expected losses from onerous contracts result from ongoing obligations or other contractual relationships in which performance and consideration are out of balance.

Provisions for environmental restoration are based on surveyors' findings and the assumption that all contamination is removed within ten years without any further legal requirements.

Provisions for ongoing legal proceedings were based on an assessment of the likely outcome of the proceedings.

The provisions for restructuring and severance payments are based on existing termination agreements or proposed contract terminations which the Lufthansa Group can no longer avoid.

The provisions for the overhaul of leased aircraft mainly relate to obligations for the maintenance, overhaul and repair of aircraft.

Other provisions of EUR 132m (previous year: EUR 135m) relate to outstanding obligations in connection with the accident involving the Germanwings aircraft on 24 March 2015.

Changes in groups of individual provisions in 2020 were as follows:

#### T127 CHANGES IN OTHER PROVISIONS 2020

in €m	Obligations under partial retirement contracts	Other staff costs	Obligation to return emissions certificates	Expected losses from onerous contracts	Environmental restoration	Legal proceedings
As of 1 Jan 2020	20	202	95	49	30	77
Changes in the group of consolidated companies	-	-	-	-	-	-
Currency translation differences	-	-2	-	-	-	-1
Utilisation	-52	-42	-64	-11	-2	-4
Increase/addition	58	49	67	61	3	19
Interest added back	11	2	-	-	-	-
Reversal	-1	-3	-48	-11	-	-22
Transfers	-4	3	-	-	-	-4
<b>As of 31 Dec 2020</b>	<b>32</b>	<b>209</b>	<b>50</b>	<b>88</b>	<b>31</b>	<b>65</b>

#### T127 CHANGES IN OTHER PROVISIONS 2020 (continued)

in €m	Restructuring/ severance payments	Maintenance of lease aircraft	Warranties	Other provisions	Total
As of 1 Jan 2020	171	293	46	301	1,284
Changes in the group of consolidated companies	-	-	-	-	-
Currency translation differences	-1	-10	-	-2	-16
Utilisation	-68	-89	-13	-62	-407
Increase/addition	124	132	21	97	631
Interest added back	-	-	-	-	13
Reversal	-2	-2	-7	-9	-105
Transfers	-3	-1	-	-2	-11
<b>As of 31 Dec 2020</b>	<b>221</b>	<b>323</b>	<b>47</b>	<b>323</b>	<b>1,389</b>

Changes in groups of individual provisions in the previous year were as follows:

**T127 CHANGES IN OTHER PROVISIONS 2019**

in €m	Obligations under partial retirement contracts	Other staff costs	Obligation to return emissions certificates	Expected losses from onerous contracts	Environmental restoration	Legal proceedings
As of 1 Jan 2019	31	196	63	64	27	85
Changes in the group of consolidated companies	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-
Utilisation	-57	-30	-73	-11	-2	-14
Increase/addition	54	42	104	16	5	28
Interest added back	-7	2	-	-	-	-
Reversal	-	-1	-	-19	-	-22
Transfers	-1	-7	1	-1	-	-
<b>As of 31 Dec 2019</b>	<b>20</b>	<b>202</b>	<b>95</b>	<b>49</b>	<b>30</b>	<b>77</b>

**T127 CHANGES IN OTHER PROVISIONS 2019 (continued)**

in €m	Restructuring/severance payments	Maintenance of lease aircraft	Warranties	Other provisions	Total
As of 1 Jan 2019	210	281	49	425	1,431
Changes in the group of consolidated companies	-	-	-	-	-
Currency translation differences	-	4	-	-	4
Utilisation	-77	-95	-10	-85	-454
Increase/addition	45	127	14	84	519
Interest added back	-	-	-	1	-4
Reversal	-6	-24	-6	-34	-112
Transfers	-1	-	-1	-90	-100
<b>As of 31 Dec 2019</b>	<b>171</b>	<b>293</b>	<b>46</b>	<b>301</b>	<b>1,284</b>

The following cash outflows are estimated for the non-current portion of the other groups of provisions:

**T128 CASH OUTFLOWS FOR NON-CURRENT PROVISIONS, AS OF 2020**

in €m	2022	2023	2024	2025 and thereafter
Expected losses from onerous contracts	13	6	6	12
Environmental restoration	3	3	3	19
Restructuring/severance payments	29	6	1	11
Maintenance of aircraft on leases	25	6	8	35
Other provisions	17	9	14	48

At the end of 2019, the corresponding cash outflows were estimated as follows:

**T128 CASH OUTFLOWS FOR NON-CURRENT PROVISIONS, AS OF 2019**

in €m	2021	2022	2023	2024 and thereafter
Expected losses from onerous contracts	11	3	-	7
Environmental restoration	3	3	3	18
Restructuring/severance payments	54	23	9	5
Maintenance of aircraft on leases	87	16	12	29
Other provisions	15	6	4	44

### 37 Financial liabilities

Financial liabilities consist of a non-current portion with a residual term of more than one year and a current portion of less than one year, which is shown under current liabilities. The following table shows the total amount of borrowings:

#### T129 FINANCIAL LIABILITIES 31 DEC 2020

in €m	Total	Non-current	Current
Bonds	2,907	2,707	200
Liabilities to banks	4,938	2,867	2,071
Leasing liabilities	2,637	2,183	454
Other loans	4,886	4,495	391
	<b>15,368</b>	<b>12,252</b>	<b>3,116</b>

#### T129 FINANCIAL LIABILITIES 31 DEC 2019

in €m	Total	Non-current	Current
Bonds	1,094	996	98
Liabilities to banks	2,110	1,453	657
Leasing liabilities	2,872	2,384	488
Other loans	3,954	3,563	391
	<b>10,030</b>	<b>8,396</b>	<b>1,634</b>

Lufthansa pursues an interest rate risk strategy of converting fixed-interest financial liabilities in all currencies into variable-interest financial liabilities in euros by means of interest rate derivatives.

The outstanding bonds comprise with a fixed redemption amount and one convertible bond. The bonds are denominated exclusively in EUR and were issued at a fixed interest rate of between 0.25% and 5.125%. They are set to mature between February 2021 and May 2026. The convertible bond was issued with a nominal volume of EUR 600m. Unless previously converted, the bond will be redeemed at its nominal value on 17 November 2025. Investors also have the option of converting the bond into new and/or existing registered shares of Deutsche Lufthansa AG. The initial conversion price was set at EUR 12.96.

Of the liabilities to banks, EUR 1,712m related to state-guaranteed loans secured by shares, company shares and aircraft of various consolidated companies (↗ Note 2, p. 140ff., and Note 19, p. 170). In addition, EUR 248m was attributable to loans from banks secured by three aircraft, which were concluded in 2020. Liabilities to banks in the amount of EUR 2m were collateralised in the previous year.

Under other loans, EUR 3,378m (previous year: EUR 3,524m) was attributable to structured leasing companies and other aircraft financing models (↗ Note 19, p. 170). This amount was collateralised with the respective financed aircraft. A total of four additional aircraft financing arrangements were concluded in 2020. EUR 133m related to a loan and profit-sharing rights as part of the Belgian state aid. Interest on the loan was determined to be below market rates with a total amount of EUR 8m. The loan was collateralised with shares and profit-sharing rights of the Belgian SN Airholding SA/NV.

Other loans also include Silent Participation II of the Economic Stabilisation Fund (EUR 1,000m) and loans to the LSG companies under the US CARES Act (EUR 65m).

In both the 2020 financial year and the 2019 financial year, all payment obligations and requirements from the loan agreements described have been fulfilled.

The Lufthansa Group's lease liabilities have the following term structure: The disclosures are based on contractual, undiscounted payments.

#### T130 MATURITY ANALYSIS OF LEASE LIABILITIES

in €m	31 Dec 2020	31 Dec 2019
1st quarter	133	146
Up to 1 year <sup>1)</sup>	376	392
1 – 5 years	1,309	1,350
Later	1,409	1,461

<sup>1)</sup> Without payments in 1st quarter.

### 38 Non-current contract liabilities

#### T131 NON-CURRENT CONTRACT LIABILITIES

in €m	31 Dec 2020	31 Dec 2019
Non-current contract liabilities	36	25
	<b>36</b>	<b>25</b>

Non-current contract liabilities consist of long-term deferrals for construction contracts where the payments received exceed the performance to date.

**39 Non-current advance payments received, deferred income and other non-financial liabilities**

**T132 NON-CURRENT ADVANCE PAYMENTS RECEIVED, DEFERRED INCOME AND OTHER NON-FINANCIAL LIABILITIES**

in €m	31 Dec 2020	31 Dec 2019
Advance payments received	8	7
Deferred income	14	13
Other non-financial liabilities	11	12
	<b>33</b>	<b>32</b>

Deferred income includes EUR 6m (previous year: EUR 7m) for government grants and subsidies for capital expenditure, which are realised over the useful life of the assets in the following years.

Other non-financial liabilities include obligations under share-based remuneration agreements for Executive Board members, managers and non-payscale employees. As part of the share-based remuneration agreements, the Lufthansa Group and other consolidated and non-consolidated Group companies participating in the programme offer a 50% discount on employee investment in Lufthansa shares to Executive Board members, managers and non-payscale employees. The option packages granted in 2017, 2018, 2019 and 2020 consist of an outperformance option and a performance option. At the end of the programme, the participants receive a cash payment if the conditions are met.

The outperformance option is linked to the performance of the Lufthansa share compared with a notional index of shares in European competitors. When the beneficiary exercises the outperformance option, they receive a cash payment for every percentage point of outperformance, with a hurdle rate of 1%. The cash payment is capped at an outperformance of more than 20%.

The performance option is linked to the absolute performance of the Lufthansa share. The amount of the payment depends on meeting defined performance targets, whereby both a hurdle rate and a cap apply.

The programmes are scheduled to run for four years. The performance and the outperformance in all programmes are calculated on the principle of total shareholder return. The shares invested in personally may not be sold until the option is exercised.

**T133 OUTPERFORMANCE OPTION - OVERVIEW**

	€ per outperformance level	Maximum per tranche in €
Board member	1,000 per percentage point from 1%	20,000
Managers	400 per percentage point from 1%	8,000
Non-payscale staff	200 per 5 percentage points from 1%	1,000

**T134 PERFORMANCE OPTION - PERFORMANCE TARGETS**

Performance option per year	Hurdle rate	Cap
2017	23%	35%
2018	22%	33%
2019	22%	33%
2020	20%	35%

**T135 PERFORMANCE OPTION - PAYMENT AMOUNTS**

	€ per performance level	Maximum per tranche in €
Board member	10,000 + 1,000 per performance unit	20,000
Managers	4,000 + 500 per performance unit	8,000
Non-payscale staff	500 + 100 per performance unit	1,000

A different system of variable remuneration has applied to the Executive Board since 2019. Under this system, one of the financial targets for the share-based remuneration compares the performance of the Lufthansa share, expressed as the total shareholder return (TSR), to other DAX companies. The performance period is still four years. To calculate the TSR in the performance period, the arithmetic mean closing prices in XETRA trading at Deutsche Börse for shares in Deutsche Lufthansa AG and its peer group over the 30 days immediately preceding the beginning of the performance period are compared with the prices over the 30 days immediately preceding the end of the performance period.

The performance of all the companies in the DAX index at the beginning and end of the period is ranked and the relative position of Deutsche Lufthansa AG is determined by its achieved percentile. Performance against the target and the amount of the payment in the 2019 programme depend on the percentile position of Deutsche Lufthansa AG. Target achievement is adjusted on a linear basis for positions between the 25th and 50th percentile and between the 50th and 75th percentile.

**T136 RELATIVE TSR – PERFORMANCE AND PAYMENT PROGRAMME 2019**

Position of Lufthansa share compared with peer group	Target achievement	Payment in € for Executive Board members	Payment in € for Executive Board Chairman
≤ 25th percentile	0%	-	-
≥ 50th percentile	100%	467,500	888,250
≥ 75th percentile	200%	935,000	1,776,500

As a result of the regulations in the stabilisation agreement with the WSF, the 2020 management programme was only offered with a contribution of shares. The 50% discount applies only to a portion of the potential tranches to be agreed and will only be granted at the end of the programme. The payments from the 2020 Executive Board and management programme are subject to the completion of the stabilisation measures.

Starting in 2020, the TSR approach for the Executive Board programme has been adjusted so that 85% of performance is now measured by financial parameters and 15% by sustainability parameters. The financial targets are the relative total shareholder return (TSR) of the Lufthansa share compared with the DAX and the average adjusted return on capital employed (Adjusted ROCE) during the performance period, both in equal parts (42.5% each). For the TSR component, the 60 trading days immediately preceding the beginning of the performance period and the 60 trading days immediately preceding the end of the performance period are used in the performance period. The positioning of the share in relation to the peer group remains identical for performance against the target. Performance against the target for average Adjusted ROCE is based on a comparison of the average Adjusted ROCE for the four-year performance period against a strategic target set in the grant year, which has a lower weighted average cost of capital (WACC). The sustainability parameters are set by the Supervisory Board for each performance period. For both of the non-market-dependent performance targets, Adjusted ROCE and sustainability parameters, an expected performance against each target of 100% was assumed for the purposes of the valuation. At the beginning of each performance period, a further innovation is the allocation of a number of virtual shares, which is calculated by dividing the individual target amount of the long-term variable remuneration by the average price of Deutsche Lufthansa AG shares during the 60 trading days immediately following the beginning of each performance period. The payment is calculated by multiplying the degree of target achievement for this performance target by the number of virtual shares at the beginning of the performance period and the average price of Deutsche Lufthansa AG shares during the 60 trading days immediately preceding the end of the last year of each performance period.

Over the financial years 2020 and 2019, the number of options changed as follows:

**T137 CHANGE IN NUMBER OF OPTIONS**

	2020			2019	
	Number of options	Number of virtual shares in € thousands	Cash settlement in € thousands	Number of options	Cash settlement in € thousands
Outstanding on 1 Jan	22,313	-	-	20,546	-
Issued	2,243	571,106	-	7,420	-
Expired or unused	1,017	-	-	1,110	-
Exercised	3,957	-	17,062	4,543	31,726
Outstanding on 31 Dec	19,582	571,106	-	22,313	-

The performance and outperformance option of the share programme 2016, which has now expired, resulted in a payment of EUR 17m (previous year: EUR 32m). No new shares were issued for the share programme 2020 in the financial year due to the changed structure. As a result, no staff costs arose from the issue of new shares in the financial year. Participants in the programme hold 3,126,854 shares as of the reporting date (previous year: 3,594,679 shares).

The fair values of the option rights in the share programmes still running were calculated using Monte Carlo simulations. This involves simulating the future returns of the shares in the comparative index and of Deutsche Lufthansa AG and calculating the value of the option rights as the forecast amount of a dividend.

The following fair values were measured in total:

**T138 FAIR VALUE OF OPTION RIGHTS AS OF 31 DEC 2020**

	Number of options/ virtual shares	Fair value per option in €	Proportional vested benefit	Total fair value in €
<b>Board member</b>				
Options 2017	181	2,940	0.74	395,259
Options 2018	181	3,224	0.51	295,390
Options 2019	6	25,067	0.44	66,117
Virtuelle Aktien 2020	571,106	3.19	0.23	419,020
<b>Managers</b>				
Options 2017	2,172	1,176	0.79	2,022,132
Options 2018	2,386	1,301	0.54	1,681,434
Options 2019	2,922	3,212	0.29	2,737,427
Options 2020	2,243	5,326	0.02	248,880
<b>Non-payscale staff</b>				
Options 2017	2,291	158	0.79	286,566
Options 2018	3,154	168	0.54	287,014
Options 2019	4,046	400	0.29	472,033
Options 2020	-	-	-	-
<b>Total options and virtual shares</b>	<b>590,688</b>			<b>8,911,272</b>
of which options	19,582			
of which virtual shares	571,106			

**T138 FAIR VALUE OF OPTION RIGHTS AS OF 31 DEC 2019**

	Number of options	Fair value per option in €	Proportional vested benefit	Total fair value in €
<b>Board member</b>				
Options 2016	135	31,582	0.70	2,980,551
Options 2017	181	5,376	0.58	559,576
Options 2018	165	5,770	0.36	342,594
Options 2019	6	281,633	0.25	422,450
<b>Managers</b>				
Options 2016	2,062	12,628	0.79	20,614,158
Options 2017	2,173	2,148	0.54	2,528,286
Options 2018	2,525	2,354	0.29	1,733,623
Options 2019	3,071	5,479	0.04	701,084
<b>Non-payscale staff</b>				
Options 2016	2,470	1,579	0.79	3,087,603
Options 2017	2,301	274	0.54	341,507
Options 2018	3,164	286	0.29	263,930
Options 2019	4,060	659	0.04	111,481
<b>Total</b>	<b>22,313</b>			<b>33,686,841</b>

Staff fluctuation of 5.35% is again assumed when accounting for the liability resulting from the valuation of option rights, so that the recognised liability is less than their calculated time value. An additional provision of EUR 2.7m was made for a discount on the purchase price that is only payable at the end of the management programme 2020. This one-time provision and the measurement of option rights therefore resulted in a total provision of EUR 11.0m as of the reporting date (previous year: EUR 32.3m), of which EUR 9m (previous year: EUR 7m) is shown under non-current liabilities. The payment of EUR 17m in the financial year on the basis of option rights that have now expired reduced the previously recognised provisions, so that the change in option rights in the reporting year decreased staff costs by EUR 4.2m.

The weighted average share prices at the calculation date (excluding the Executive Board TSR programme) were used in the Monte Carlo simulation. As stated in the terms of the programme, these are 50-day averages for the shares of Deutsche Lufthansa AG and the competitors included in the comparative index. The volatilities and correlations used are forecasts for a specific date and maturity on the basis of current market estimates.

Swap rates were used as the interest rate for the remaining term of the outperformance option in each case. The maximum term of the programmes was used for measurement purposes.

Time values for the Executive Board TSR programme were also measured using a Monte Carlo simulation based on historical and current market data for the relevant peer group of DAX companies. Forecast volatilities are based on the historic TSR data. The share prices for the past four years were used to calculate historical volatility. The measurement for the programme 2019 took into account a remaining term of 25 months and a risk-free interest rate of -0.77%, for the programme 2020 a remaining term of 37 months and a risk-free interest rate of -0.79%.

The parameters used by the external service provider for the notional airline peer group index are shown in the following table:

**T139 REFERENCE PRICE**

		Options 2017	Options 2018	Options 2019	Options 2020
Lufthansa	EUR	23.00	21.18	14.84	8.39
Air France-KLM	EUR	13.12	8.56	9.90	3.54
IAG	GBP	612.70	646.28	480.37	182.21
Ryanair	EUR	17.25	12.82	11.00	13.31
easyJet	GBP	1,240.72	1,340.31	1,131.63	622.96
Norwegian	NOK	218.45	236.70	37.49	-
WIZZair	GBP	2,991.52	2,858.46	3,667.66	3,701.91
Turkish	TRY	-	-	-	10.71

**T140 PROJECTED VOLATILITIES**

in % for:	Options 2017 as of 31 Dec 2020	Options 2017 as of 31 Dec 2019	Options 2018 as of 31 Dec 2020	Options 2018 as of 31 Dec 2019	Options 2019 as of 31 Dec 2020	Options 2019 as of 31 Dec 2019	Options 2020 as of 31 Dec 2020	Options 2020 as of 31 Dec 2019
Lufthansa	64.13	31.05	50.16	29.94	44.85	31.40	41.23	-
Air France-KLM	68.98	38.66	56.19	38.07	50.83	37.73	47.74	-
IAG	99.59	27.42	73.90	26.76	61.77	32.51	54.96	-
Ryanair	56.54	34.01	47.08	31.16	42.83	32.59	39.04	-
easyJet	86.64	34.95	67.31	33.35	57.57	36.06	52.02	-
Norwegian	141.14	81.10	119.94	70.93	105.57	64.75	-	-
WIZZair	67.61	32.96	51.89	32.14	47.38	33.70	43.74	-
Turkish	-	-	-	-	-	-	40.88	-
Risk-free interest rate	Options 2017: -0.72% for euro zone (previous year: -0.66%) -0.02% for UK (previous year: 0.55%) 0.31% for Norway (previous year: 1.25%)				Options 2019: -0.79% for euro zone (previous year: -0.64%) -0.02% for UK (previous year: 0.48%) 0.31% for Norway (previous year: 1.24%)			
	Options 2018: -0.77% for euro zone (previous year: -0.66%) -0.02% for UK (previous year: 0.50%) 0.31% for Norway (previous year: 1.25%)				Options 2020: -0.80% for euro zone 0.00% for UK 15.00% für Turkey			
Fluctuation	5.35% (previous year: 4.9%)				5.35% (previous year: 4.9%)			



#### 40 Current contract liabilities

The Lufthansa Group recognised the following contract liabilities:

<b>T141 CONTRACT LIABILITIES</b>		
in €m	31 Dec 2020	31 Dec 2019
<b>Contract liabilities from unused flight documents</b>	<b>2,064</b>	<b>4,071</b>
Liabilities from customer loyalty programmes	2,220	2,200
Liabilities from MRO and IT services	297	196
Miscellaneous contract liabilities	460	279
<b>Other contract liabilities</b>	<b>2,977</b>	<b>2,675</b>
<b>Liabilities from contracts with customers</b>	<b>5,041</b>	<b>6,746</b>
<b>Revenue recognised in the reporting period</b>		
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Revenue from unused flight documents	2,873	3,768
Revenue from customer loyalty programmes	210	576
Revenue from MRO and IT services	148	76
Other	226	50
<b>Total</b>	<b>3,457</b>	<b>4,470</b>

The decline in contract liabilities for unused flight documents is caused by the temporary nearly complete cancellation of flights since the beginning of March 2020 and lower ticket sales in 2020, and partly from higher refunds in connection with cancellations by passengers or airlines. EUR 1,045m of the contract liabilities as at 31 December 2019 could not be realised and were refunded to customers. Total ticket refunds of EUR 3,851m were made in connection with flights cancelled as a result of the pandemic. Only a small amount of expiry is currently assumed with regard to potentially unused tickets relating to flights during the crisis period. Consequently, no material revenue realisation was recognised for breakage for this period as part of the estimation assumptions in the measurement of the obligation.

Liabilities under customer loyalty programmes as of 31 December 2020 included 228 billion miles from bonus miles programmes (previous year: 225 billion miles). As a rule, the

miles that are expected to expire are recognised pro rata over the general validity period of three years. The pro rata revenue realisations were reduced in accordance with the declining total redemptions in the financial year due to the severely restricted redemption options for air travel in connection with the coronavirus pandemic when measuring the scope of the obligation. This is in line with the assumption that the proportion of expiring miles will not fundamentally increase due to the effects of the pandemic, but will merely shift to later periods.

The unsatisfied performance obligation under existing long-term service contracts came to EUR 6.1bn in total, assuming that the services are performed as agreed, of which EUR 1.1bn relate to the next twelve months. These essentially consist of maintenance contracts in the MRO segment for the long-term maintenance and overhaul of airline sub-fleets. To calculate the outstanding performance obligations, the number of maintenance events derived from the respective flight plans and agreed in the contracts are taken into account, along with the expected revenue and fixed prices for certain services (VIP and cabin modifications). Around 61% of performance obligations beyond twelve months are expected to have been fulfilled by 2026.

As in the previous year, no revenue was recognised in 2020 for performance obligations fulfilled in prior financial years.

In line with the simplification rules of IFRS 15 disclosures are not made on performance obligations as of 31 December 2020 or 31 December 2019 that have a forecast original term of one year or less. The option of rebooking flights means that there may be a period of time between the conclusion of the contract and the provision of the service that exceeds one year, although this cannot be foreseen when the contract is concluded. Due to the advance booking period of a maximum of one year and short-term rebooking possibilities, the Lufthansa Group assumes that the application of the simplification rule is justified. Award miles can be redeemed for at least three years, but may also be redeemed at short notice and for this reason are also reported as current.

The Lufthansa Group applies the simplification rule defined in IFRS 15.94, which allows contract initiation costs to be expensed if the amortisation period otherwise to be taken into account would be twelve months or less.

**41 Trade payables and other current financial liabilities**

**T142 TRADE PAYABLES AND OTHER CURRENT FINANCIAL LIABILITIES**

in €m	31 Dec 2020	31 Dec 2019
<b>Trade payables</b>		
Trade payables to affiliated companies	55	42
Trade payables to other equity investments	-	2
Trade payables to third parties	2,032	3,678
	<b>2,087</b>	<b>3,722</b>
<b>Other liabilities</b>		
Liabilities to banks	14	17
Other liabilities to affiliated companies	316	260
Other liabilities to equity investments	-	-
Liabilities from equity investments	61	356
Other financial liabilities	843	996
	<b>1,234</b>	<b>1,629</b>
<b>Total</b>	<b>3,321</b>	<b>5,351</b>

The carrying amount of these liabilities corresponds to their fair value. Other liabilities of EUR 38m (previous year: EUR 109m) serve as collateral for positive market values of derivatives.

**42 Current advance payments received, deferred income and other non-financial liabilities**

**T143 CURRENT ADVANCE PAYMENTS RECEIVED, DEFERRED INCOME AND OTHER NON-FINANCIAL LIABILITIES**

in €m	31 Dec 2020	31 Dec 2019
Advance payments received	21	17
Deferred income	88	59
Other non-financial liabilities	1,186	306
	<b>1,295</b>	<b>382</b>

As of 31 December 2020, deferred income includes a balance of EUR 43m from grants received by catering and MRO companies in the USA under the CARES Act totalling USD 157m. Deferred income and prepaid expenses are written back in accordance with the use of the funds received.

The increase in other non-financial liabilities is mainly due to tax liabilities. To support affected companies during the crisis in Germany and Austria, tax and levy deferments were granted by state institutions in the amount of EUR 918m. These are mainly import VAT and air traffic tax. Other non-financial liabilities also include the current portion of obligations under share-based remuneration agreements measured at fair value (➔ Note 39, p. 192ff.). In addition, EUR 193m (previous year: EUR 279m) relates to deferred amounts for outstanding holiday allowance and overtime.

## NOTES TO THE SEGMENT REPORTING

### 43 Notes to the reportable segments and segment data

#### NOTES TO THE REPORTABLE SEGMENTS

As of 31 December 2020, the Lufthansa Group operates in five reporting segments, which make up its Group activities. The segments are defined in line with the internal reporting and management structure.

The airline activities were combined in their respective reporting segments based on the similarity between the economic characteristics of the individual airlines, such as network and sales structures, as well as customers and services. The Network Airlines segment comprises Lufthansa German Airlines, SWISS, Austrian Airlines, Brussels Airlines and Germanwings. Further information about the individual airlines can be found in the Group management report [starting on p. 51](#).

The Eurowings segment comprises the airlines under the Eurowings brand and the equity investment in SunExpress.

The Logistics segment comprises the scheduled airfreight activities of the Lufthansa Cargo group. Lufthansa Cargo is Europe's leading cargo airline.

The MRO segment is a leading global provider of maintenance, repair and overhaul services for civil and commercial aircraft and is represented by Lufthansa Technik group.

The Catering segment, represented by the LSG Lufthansa Service/Sky Chefs group, is a leading airline caterer and also offers catering services in the retail segment as well as service and logistics services.

Business activities not allocated to a reportable segment are presented in the "Additional Businesses and Group Functions" column of the segment reporting along with the income and expenses of central Group functions. They include income and expenses of Lufthansa Commercial Holding GmbH, Lufthansa AirPlus group, the Lufthansa Systems group, the Lufthansa Aviation Training group and other Group companies.

#### NOTES TO SEGMENT DATA AND INTERNAL MANAGEMENT

The accounting policies of the reportable segments are the same as those described in [Note 3, p. 143ff](#).

Segmentation has been changed compared with the financial statements as of 31 December 2019. Brussels Airlines, Germanwings and the Eurowings long-haul business are managed by the Network Airlines group as of the start of financial year 2020 and have therefore been allocated to the Network Airlines segment. As of 1 January 2020, the line maintenance business of Lufthansa Technik was transferred to Deutsche Lufthansa AG, which will carry out the work itself from this point on, and is now part of the Network Airlines segment. The figures for the previous year have been adjusted accordingly. The segmentation changes increased previous-year revenue for the Network Airlines segment by EUR 1,972m and reduced its Adjusted EBIT by EUR 29m. In the Eurowings segment, the previous year's revenue fell by EUR 1,812m, while Adjusted EBIT increased by EUR 44m. The figures for the previous year in the MRO segment for revenue and Adjusted EBIT fell by EUR -349m and by EUR -30m, respectively.

The Lufthansa Group measures the performance of its segments using both segment result indicators: EBIT and Adjusted EBIT. EBIT is made up of the IFRS operating result and the result from equity investments. Adjusted EBIT is obtained by correcting EBIT for gains and losses on the disposal of assets, write-downs and write-backs and earnings attributable to other periods in connection with pension obligations (plan adjustments and plan settlements).

Sales and revenue between reportable segments are based on arm's length prices. Administrative services are charged as cost allocations.

For information on external traffic revenue [Note 4, p. 157](#).

Capital employed largely comprises segment assets, adjusted for derivative financial instruments, and deferred tax items less non-interest-bearing debt.

The result of the equity valuation for the segment's equity investments is part of its segment result. However, from a Group perspective, it is not attributed to the operating result, but rather to the financial result.

**T144 SEGMENT INFORMATION FOR THE 2020 REPORTING SEGMENTS**

in €m	Network Airlines	Eurowings	Logistics	MRO	Catering	Total reportable operating segments	Additional Businesses and Group Functions	Reconciliation		Group
								Not allocated	Consolidation	
External revenue	6,167	589	2,733	2,724	1,064	13,277	312	-	-	13,589
of which traffic revenue	5,488	579	2,596	-	-	8,663	-	415	-	9,078
Inter-segment revenue	455	9	24	1,023	241	1,752	158	-	-1,910	-
<b>Total revenue</b>	<b>6,622</b>	<b>598</b>	<b>2,757</b>	<b>3,747</b>	<b>1,305</b>	<b>15,029</b>	<b>470</b>	<b>-</b>	<b>-1,910</b>	<b>13,589</b>
Other operating income	994	147	69	437	143	1,790	1,571	-	-1,356	2,005
<b>Total operating income</b>	<b>7,616</b>	<b>745</b>	<b>2,826</b>	<b>4,184</b>	<b>1,448</b>	<b>16,819</b>	<b>2,041</b>	<b>-</b>	<b>-3,266</b>	<b>15,594</b>
<b>Operating expenses</b>	<b>12,258</b>	<b>1,346</b>	<b>2,082</b>	<b>4,502</b>	<b>1,698</b>	<b>21,886</b>	<b>2,361</b>	<b>-</b>	<b>-3,401</b>	<b>20,846</b>
of which cost of materials and services	5,101	699	1,300	2,372	545	10,017	203	-	-1,767	8,453
of which staff costs	3,340	176	377	1,113	742	5,748	660	-	-3	6,405
of which depreciation and amortisation	1,814	199	178	197	117	2,505	124	-	-68	2,561
of which other operating expenses	2,003	272	227	820	294	3,616	1,374	-	-1,563	3,427
<b>Results of equity investments<sup>1)</sup></b>	<b>-32</b>	<b>-102</b>	<b>28</b>	<b>-65</b>	<b>-34</b>	<b>-205</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-199</b>
of which result of investments accounted for using the equity method	-39	-102	17	-52	-34	-210	-	-	-	-210
<b>Adjusted EBIT<sup>2)</sup></b>	<b>-4,674</b>	<b>-703</b>	<b>772</b>	<b>-383</b>	<b>-284</b>	<b>-5,272</b>	<b>-314</b>	<b>-</b>	<b>135</b>	<b>-5,451</b>
<b>Reconciliation items</b>	<b>-1,425</b>	<b>-99</b>	<b>-55</b>	<b>-125</b>	<b>-147</b>	<b>-1,851</b>	<b>-49</b>	<b>-</b>	<b>-2</b>	<b>-1,902</b>
Impairment losses/gains	-1,398	-97	-55	-108	-201	-1,859	-43	-	32	-1,870
Effects from pension provisions	-27	-	-	-3	1	-29	-2	-	-	-31
Results of disposal of assets	-	-2	-	-14	53	37	-4	-	-34	-1
<b>EBIT</b>	<b>-6,099</b>	<b>-802</b>	<b>717</b>	<b>-508</b>	<b>-431</b>	<b>-7,123</b>	<b>-363</b>	<b>-</b>	<b>133</b>	<b>-7,353</b>
Other financial result										-1,278
Profit/loss before income taxes										-8,631
Capital employed <sup>3)</sup>	12,171	950	2,287	3,467	943	19,818	3,399	-	-131	23,086
of which from investments accounted for using the equity method	17	77	49	173	86	402	2	-	-1	403
Segment capital expenditure <sup>4)</sup>	958	106	222	152	28	1,466	48	-	-202	1,312
of which from investments accounted for using the equity method	-	-	-	31	-	31	-	-	-	31
Number of employees at end of period	57,363	3,088	4,373	22,745	13,227	100,796	9,269	-	-	110,065
Average number of employees	59,191	3,203	4,436	23,519	25,288	115,637	9,570	-	-	125,207

<sup>1)</sup> The result from equity investments does not include any impairment losses on investments accounted for using the equity method.

<sup>2)</sup> For reconciliation from Adjusted EBIT to EBIT → T021, p. 40, in the Group management report.

<sup>3)</sup> The capital employed results from total assets adjusted for non-operating items (deferred taxes, positive market values, derivatives) less non-interest bearing liabilities (including trade payables and liabilities from unused flight documents).

<sup>4)</sup> Investment in intangible assets and property, plant and equipment, as well as in loans to and shares in companies. Investment is shown without capitalised borrowing costs.

**T144 SEGMENT INFORMATION FOR THE 2019 REPORTING SEGMENTS<sup>1)</sup>**

in €m	Network Airlines	Eurowings	Logistics	MRO	Catering	Total reportable operating segments	Additional Businesses and Group Functions	Reconciliation		Group
								Not allocated	Consolidation	
External revenue	24,111	2,321	2,437	4,378	2,623	35,870	554	-	-	36,424
of which traffic revenue	23,055	2,307	2,318	-	-	27,680	-	456	-	28,136
Inter-segment revenue	967	-10	41	2,194	737	3,929	239	-	-4,168	-
<b>Total revenue</b>	<b>25,078</b>	<b>2,311</b>	<b>2,478</b>	<b>6,572</b>	<b>3,360</b>	<b>39,799</b>	<b>793</b>	<b>-</b>	<b>-4,168</b>	<b>36,424</b>
Other operating income	1,014	176	103	256	95	1,644	1,939	-	-1,068	2,515
<b>Total operating income</b>	<b>26,092</b>	<b>2,487</b>	<b>2,581</b>	<b>6,828</b>	<b>3,455</b>	<b>41,443</b>	<b>2,732</b>	<b>-</b>	<b>-5,236</b>	<b>38,939</b>
<b>Operating expenses</b>	<b>24,362</b>	<b>2,633</b>	<b>2,621</b>	<b>6,425</b>	<b>3,355</b>	<b>39,396</b>	<b>2,971</b>	<b>-</b>	<b>-5,243</b>	<b>37,124</b>
of which cost of materials and services	13,843	1,861	1,778	3,902	1,441	22,825	287	-	-3,285	19,827
of which staff costs	4,801	259	406	1,448	1,290	8,204	913	-	-6	9,111
of which depreciation and amortisation	1,927	233	160	191	119	2,630	107	-	-45	2,692
of which other operating expenses	3,791	280	277	884	505	5,737	1,664	-	-1,907	5,494
<b>Results of equity investments</b>	<b>46</b>	<b>24</b>	<b>41</b>	<b>60</b>	<b>28</b>	<b>199</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>211</b>
of which result of investments accounted for using the equity method	31	24	18	34	24	131	-	-	-	131
<b>Adjusted EBIT<sup>2)</sup></b>	<b>1,776</b>	<b>-122</b>	<b>1</b>	<b>463</b>	<b>128</b>	<b>2,246</b>	<b>-227</b>	<b>-</b>	<b>7</b>	<b>2,026</b>
<b>Reconciliation items</b>	<b>-52</b>	<b>-4</b>	<b>-34</b>	<b>9</b>	<b>-30</b>	<b>-111</b>	<b>6</b>	<b>-</b>	<b>-64</b>	<b>-169</b>
Impairment losses/gains	-26	-	-38	12	-42	-94	7	-	-52	-139
Effects from pension provisions	-3	-	-1	-2	-1	-7	-4	-	1	-10
Results of disposal of assets	-23	-4	5	-1	13	-10	3	-	-13	-20
<b>EBIT</b>	<b>1,724</b>	<b>-126</b>	<b>-33</b>	<b>472</b>	<b>98</b>	<b>2,135</b>	<b>-221</b>	<b>-</b>	<b>-57</b>	<b>1,857</b>
Other financial result										3
Profit/loss before income taxes										1,860
Capital employed <sup>3)</sup>	12,957	1,480	2,135	5,607	1,513	23,692	1,904	-	-561	25,035
of which from investments accounted for using the equity method	25	178	49	279	139	670	5	-	-3	672
Segment capital expenditure <sup>4)</sup>	2,738	127	286	313	127	3,591	107	-	-32	3,666
of which from investments accounted for using the equity method	-	-	-	49	28	77	-	-	-	77
Number of employees at end of period	60,913	3,432	4,539	23,855	35,636	128,375	9,978	-	-	138,353
Average number of employees	60,594	3,666	4,543	23,077	35,904	127,784	10,000	-	-	137,784

<sup>1)</sup> Previous year's figures have been adjusted.

<sup>2)</sup> For reconciliation from Adjusted EBIT to EBIT → T021, p. 40, in the Group management report.

<sup>3)</sup> The capital employed results from total assets adjusted for non-operating items (deferred taxes, positive market values, derivatives) less non-interest bearing liabilities (including trade payables and liabilities from unused flight documents).

<sup>4)</sup> Investment in intangible assets and property, plant and equipment, as well as in loans to and shares in companies. Investment is shown without capitalised borrowing costs.

The reconciliation column includes both the effects of consolidation activities and the amounts resulting from different definitions of segment item contents compared with the corresponding Group items.

The amounts in the reconciliation column for Group EBIT include the effects of consolidation procedures on profit or loss in which income and expense do not figure for two companies at the same amount, or in the same period.

Eliminated segment revenue generated with other consolidated segments is shown in the reconciliation column for revenue.

#### NOTES ON GEOGRAPHICAL REGIONS IN 2020

The allocation of traffic revenue to geographic regions is based on the original location of sale. Non-current assets are allocated according to the location of the relevant asset. The allocation of other revenue to the individual regions is based on the geographical location of the customer.

The regions are defined on a geographical basis. As an exception to this rule, traffic revenue generated in Turkey is attributed to Europe.

The Lufthansa Group controls its air traffic operations on the basis of network results and not on the basis of regional earnings contributions. The same applies to the Catering segment. Consequently, the presentation of regional segment results is of no informational value for the Lufthansa Group.

A presentation of traffic revenue generated in the Network Airlines, Eurowings and Logistics segments by traffic region, rather than by original location of sale, is included in the information on the respective segments in the management report.

External revenue, non-current assets and capital expenditure are as follows:

#### T145 EXTERNAL REVENUE AND NON-CURRENT ASSETS BY REGION FOR 2020

in €m	Europe	North America	Central and South America	Asia/Pacific	Middle East	Africa	Group
Traffic revenue <sup>1)</sup>	5,852	1,113	222	1,541	166	184	9,078
Other revenue	1,875	1,474	160	704	179	119	4,511
Non-current assets <sup>2) 3) 4)</sup>	20,123	777	37	201	2	11	21,151
Capital expenditure on non-current assets <sup>3)</sup>	1,224	33	-	10	-	1	1,268

<sup>1)</sup> Traffic revenue is allocated according to the original location of sale.

<sup>2)</sup> Non-current assets include property, plant and equipment and intangible assets with the exception of repairable spare parts for aircraft.

<sup>3)</sup> Aircraft are allocated according to their location of registration.

<sup>4)</sup> Including rights of uses in accordance with first-time application of IFRS 16.

The figures for the main countries are as follows:

#### T146 EXTERNAL REVENUE AND NON-CURRENT ASSETS BY COUNTRIES FOR 2020

in €m	Germany	USA
Traffic revenue <sup>1)</sup>	2,691	1,005
Other revenue	677	1,200
Non-current assets <sup>2) 3) 4)</sup>	14,183	527
Capital expenditure on non-current assets <sup>3)</sup>	991	27

<sup>1)</sup> Traffic revenue is allocated according to the original location of sale.

<sup>2)</sup> Non-current assets include property, plant and equipment and intangible assets with the exception of repairable spare parts for aircraft.

<sup>3)</sup> Aircraft are allocated according to their location of registration.

<sup>4)</sup> Including rights of uses in accordance with first-time application of IFRS 16.

#### NOTES ON GEOGRAPHICAL REGIONS IN 2019

External revenue, non-current assets and capital expenditure are as follows:

##### T145 EXTERNAL REVENUE AND NON-CURRENT ASSETS BY REGION FOR 2019

in €m	Europe	North America	Central and South America	Asia/Pacific	Middle East	Africa	Group
Traffic revenue <sup>1)</sup>	18,586	4,707	615	3,073	621	534	28,136
Other revenue	3,437	2,557	463	1,394	281	156	8,288
Non-current assets <sup>2) 3)</sup>	23,385	564	48	305	4	26	24,332
Capital expenditure on non-current assets <sup>3)</sup>	3,434	50	6	17	-	3	3,510

<sup>1)</sup> Traffic revenue is allocated according to the original location of sale.

<sup>2)</sup> Non-current assets include property, plant and equipment and intangible assets with the exception of repairable spare parts for aircraft.

<sup>3)</sup> Aircraft are allocated according to their location of registration.

The figures for the main countries are as follows:

##### T146 EXTERNAL REVENUE AND NON-CURRENT ASSETS BY COUNTRIES FOR 2019

in €m	Germany	USA
Traffic revenue <sup>1)</sup>	8,610	4,233
Other revenue	1,077	2,097
Non-current assets <sup>2) 3)</sup>	16,207	533
Capital expenditure on non-current assets <sup>3)</sup>	2,913	45

<sup>1)</sup> Traffic revenue is allocated according to the original location of sale.

<sup>2)</sup> Non-current assets include property, plant and equipment and intangible assets with the exception of repairable spare parts for aircraft.

<sup>3)</sup> Aircraft are allocated according to their location of registration.

In 2020 and in the previous year, no more than 10% of Lufthansa Group revenue was generated with any one customer.



## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### 44 Notes to cash flow from operating, investing and financing activities

The cash flow statement shows how cash and cash equivalents have changed over the reporting period at the Lufthansa Group. In accordance with IAS 7, cash flows are divided into cash inflows and outflows from operating activities, from investing activities and from financing activities. The cash and cash equivalents shown in the cash flow statement comprise the statement of financial position items bank balances and cash-in-hand, without fixed-term deposits with terms of four to twelve months, amounting to EUR 2m (previous year: EUR 0m). The amount of liquidity in the broader sense is reached by adding securities that can be liquidated at short notice.

Interest paid and interest income from the corresponding interest rate hedges are netted to avoid overemphasising the items interest income and interest paid in the cash flow statement.

#### ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

##### Cash flow from operating activities

Cash flow from operating activities is derived from profit/loss before income taxes using the indirect method. It is adjusted for non-cash income and expenses as well as changes in trade working capital and in other assets/liabilities that are not attributable to investing or financing activities.

Lease accounting in line with IFRS 16 means that payments under operating leases are presented as capital repayments or interest payments within cash flow from financing activities. In the financial year this had a positive impact of EUR 432m on cash flow from operating activities (of which EUR 379m capital repayment) and a corresponding negative effect in cash flow from financing activities.

In the current financial year, the Group primarily recognised the following non-cash income and expenses:

#### T147 SIGNIFICANT NON-CASH INCOME AND EXPENSES

in €m	2020	2019
Result of miscellaneous financial items	306	84
Write-down on receivables	248	120
Reversal of write-downs on receivables	-36	-27
Income from the reversal of provisions and accruals	-338	-321
Adjustments to retirement and transitional benefit systems	32	10
<b>Total</b>	<b>212</b>	<b>-134</b>

Trade working capital consists of changes in the carrying amounts of inventories, trade receivables and payables, contract assets and down payments, other current assets and other current liabilities, contract liabilities and current deferrals and prepaid expenses.

Other assets/liabilities mainly include corrections between pensions expenses and payments, changes in other provisions, accruals/deferrals and corrections for non-cash effects from currency translation.

Special effects from other activities to strengthen the Group's liquidity included the realisation and repeat purchase of existing exchange rate hedges with positive market values (known as restriking). This generated cash inflows of EUR 428m. Emissions certificates were also used in repo transactions to generate cash inflows (EUR 275m). Liquidity was improved by a total of EUR 918m thanks to deferrals of taxes and charges (mainly import VAT and air traffic tax) in Germany and Austria.

##### Cash flow from investing (and cash management) activities

Cash flows from investing and financing activities are calculated on the basis of payments.

Cash flow from investing activities results mainly from investments and disinvestments in non-current assets. The negative cash effect from disposals of consolidated companies results from the net total of the purchase price received and the decrease in cash and cash equivalents through the sale of the LSG group's European business.

The Lufthansa Group contributed EUR 235m to pension assets in 2020 (previous year: EUR 394m). These payments were categorised as cash flow from investing and cash management activities. By contrast, pension payments from fund assets led to cash inflows from investments (EUR 510m; previous year: EUR 138m). They correspond to cash outflows from operating activities.

#### Cash flow from financing activities

Cash flow from financing activities now also includes capital repayments and interest payments on lease liabilities.

Borrowing and the instruments used to hedge it changed as follows in the financial year:

#### T148 FINANCIAL LIABILITIES 2020

	31 Dec 2019	Cash effective	Non-cash effective					Changes in fair value	31 Dec 2020
			Addition due to changes in consoli- dation	Addition due to lease liabilities	Currency translation differences	Accrued interest	Reclassi- fication/ Reclassi- fication in held for sale		
in €m									
Non-current borrowings	8,396	5,547	-	340	-278	25	-2,022	244	12,252
Current borrowings	1,634	-532	-	2	-19	-	2,036	-5	3,116
Other borrowings <sup>1)</sup>	17	-1	-	-	-2	-	-	-	14
<b>Total financial liabilities</b>	<b>10,047</b>	<b>5,014</b>	<b>-</b>	<b>342</b>	<b>-299</b>	<b>25</b>	<b>14</b>	<b>239</b>	<b>15,382</b>
Interest rate swaps and currency futures used for hedging – assets	-205	69	-	-	-	-	-	-20	-156
Interest rate swaps and currency futures used for hedging – liabilities	27	-	-	-	-	-	-	17	44

<sup>1)</sup> Mainly relate to bank overdrafts.

Changes in borrowing in the previous year were as follows:

#### T148 FINANCIAL LIABILITIES 2019

	31 Dec 2018	Cash effective	Non-cash effective					Changes in fair value	31 Dec 2019
			Addition due to changes in consoli- dation	Addition due to lease liabilities <sup>1)</sup>	Currency translation differences	Accrued interest	Reclassi- fication/ Reclassi- fication in held for sale		
in €m									
Non-current borrowings	5,008	2,688	-	2,410	66	21	-1,867	70	8,396
Current borrowings	1,677	-2,236	-	359	3	-	1,833	-2	1,634
Other borrowings <sup>2)</sup>	39	-22	-	-	-	-	-	-	17
<b>Total financial liabilities</b>	<b>6,724</b>	<b>430</b>	<b>-</b>	<b>2,769</b>	<b>69</b>	<b>21</b>	<b>-34</b>	<b>68</b>	<b>10,047</b>
Interest rate swaps and currency futures used for hedging – assets	-154	89	-	-	-	-	-	-140	-205
Interest rate swaps and currency futures used for hedging – liabilities	49	-	-	-	-	-	-	-22	27

<sup>1)</sup> This includes additions from the first-time application of IFRS 16 (non-current borrowings: EUR 1,599m and current borrowings: EUR 359m).

<sup>2)</sup> Mainly relate to bank overdrafts.

## OTHER DISCLOSURES

### 45 Additional disclosures on financial instruments

#### FINANCIAL ASSETS BY MEASUREMENT CATEGORY

As of the current reporting date, the financial assets can be broken down into measurement categories with the following carrying amounts:

#### T149 FINANCIAL ASSETS IN THE BALANCE SHEET AS OF 31 DEC 2020

in €m	Amortised cost	At fair value through profit or loss	At fair value through other comprehensive income (with recycling)	At fair value through other comprehensive income (without recycling)	Derivative financial instruments which are an effective part of a hedging relationship	Total
Other equity investments	-	34	-	-	-	34
Non-current securities	31	-	-	23	-	54
of which equity instruments	-	-	-	23	-	23
of which debt instruments	31	-	-	-	-	31
Loans	121	-	-	-	-	121
Non-current receivables	318	-	-	-	-	318
Non-current derivative financial instruments	-	-	-	-	363	363
Trade receivables and other current receivables	2,793	-	-	-	-	2,793
Current derivative financial instruments	-	2	-	-	258	260
Current securities	-	3,654	-	-	-	3,654
of which equity instruments	-	3,654	-	-	-	3,654
of which debt instruments	-	-	-	-	-	-
Cash and cash equivalents	1,806	-	-	-	-	1,806
<b>Total</b>	<b>5,069</b>	<b>3,690</b>	<b>-</b>	<b>23</b>	<b>621</b>	<b>9,403</b>

#### T149 FINANCIAL ASSETS IN THE BALANCE SHEET AS OF 31 DEC 2019

in €m	Amortised cost	At fair value through profit or loss	At fair value through other comprehensive income (with recycling)	At fair value through other comprehensive income (without recycling)	Derivative financial instruments which are an effective part of a hedging relationship	Total
Other equity investments	-	33	-	-	-	33
Non-current securities	31	-	-	22	-	53
of which equity instruments	-	-	-	22	-	22
of which debt instruments	31	-	-	-	-	31
Loans	154	-	-	-	-	154
Non-current receivables	316	-	-	-	-	316
Non-current derivative financial instruments	-	6	-	-	899	905
Trade receivables and other current receivables	5,322	-	-	-	-	5,322
Current derivative financial instruments	-	6	-	-	452	458
Current securities	-	360	1,610	-	-	1,970
of which equity instruments	-	360	-	-	-	360
of which debt instruments	-	-	1,610	-	-	1,610
Cash and cash equivalents	1,415	-	-	-	-	1,415
<b>Total</b>	<b>7,238</b>	<b>405</b>	<b>1,610</b>	<b>22</b>	<b>1,351</b>	<b>10,626</b>

The category “At fair value through other comprehensive income” includes derivatives that do not meet the requirements for applying hedge accounting and so are accounted for as stand-alone derivatives. This category also includes equity instruments, consisting of money market funds and equity investments, for which the instrument-specific option of fair value through other comprehensive income without recycling has not been exercised. As of the reporting date, the fair-value option without effect on profit and loss and without recycling was chosen for one share position, in order to avoid the recognition of changes in market value through profit or loss. The item includes shares in VISA Inc. (market value: EUR 23m, dividend payments: EUR 0.1m in the 2020 financial year) whose market valuation reserve increased by EUR 1m in 2020 (cumulative EUR 15m). The decline in debt instruments designated as at fair value (with recycling) without effect on profit and loss was due to the release of bonds in the financial year. This and other liquid funds are being invested in the current year in money market funds, which are equity instruments at fair value through profit or loss.

#### FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY

The financial liabilities can be divided into measurement categories with the following carrying amounts, whereby the category “at fair value through profit or loss” includes derivatives that do not meet the requirements for applying hedge accounting and so are accounted for as stand-alone derivatives. In addition, the instrument-specific option to designate the convertible bond issued in the reporting year as “at fair value through profit or loss” was also exercised; its fair value as of the reporting date was EUR 712m. The total change of EUR 118m in the market value of the convertible bond was therefore split into a credit-risk-induced share of EUR 22m, which is recognised as an expense in OCI, and a price-induced share of EUR 96m, which is recognised as an expense in the trading result.

#### T150 FINANCIAL LIABILITIES IN THE BALANCE SHEET AS OF 31 DEC 2020

in €m	Liabilities at fair value through profit or loss	Derivative financial instruments which are an effective part of a hedging relationship	Other financial liabilities at cost	Total
Borrowings (without IFRS 16 lease liabilities)	712	-	12,020	12,732
Derivative financial instruments	85	738	-	823
Trade payables	-	-	2,087	2,087
Other financial liabilities	-	-	1,320	1,320
<b>Total</b>	<b>797</b>	<b>738</b>	<b>15,427</b>	<b>16,962</b>

#### T150 FINANCIAL LIABILITIES IN THE BALANCE SHEET AS OF 31 DEC 2019

in €m	Liabilities at fair value through profit or loss	Derivative financial instruments which are an effective part of a hedging relationship	Other financial liabilities at cost	Total
Borrowings (without IFRS 16 lease liabilities)	-	-	7,158	7,158
Derivative financial instruments	67	199	-	266
Trade payables	-	-	3,722	3,722
Other financial liabilities	-	-	1,705	1,705
<b>Total</b>	<b>67</b>	<b>199</b>	<b>12,585</b>	<b>12,851</b>

The net result of the different categories of financial assets and liabilities is made up as follows:

**T151 NET RESULT 2020 FOR FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY**

in €m	Interest expenses	Interest income	Depreciation	Result from valuation and sale	Currency result	Net result
Assets at amortised cost	-	3	-213	-	-11	<b>-221</b>
At fair value through other comprehensive income (with recycling)	-3	4	-	15	-2	<b>14</b>
At fair value through other comprehensive income (without recycling)	-	-	-	1	-	<b>1</b>
Assets at fair value through profit or loss	-	-	-	24	-	<b>24</b>
Liabilities at amortised cost	-169	-	-	-	39	<b>-130</b>
Liabilities at fair value through profit or loss	-1	-	-	-886	-	<b>-887</b>
<b>Total</b>	<b>-173</b>	<b>7</b>	<b>-213</b>	<b>-846</b>	<b>26</b>	<b>-1,199</b>

For the result of measurement and disposal of assets at fair value through profit or loss, see ↗ Note 14, p. 162.

**T151 NET RESULT 2019 FOR FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY**

in €m	Interest expenses	Interest income	Depreciation	Result from valuation and sale	Currency result	Net result
Assets at amortised cost	-	8	-94	-	8	-78
At fair value through other comprehensive income (with recycling)	-10	21	-	13	5	29
At fair value through other comprehensive income (without recycling)	-	-	-	-8	-	-8
Assets at fair value through profit or loss	-	-	-	411	-	411
Liabilities at amortised cost	-123	-	-	-	-22	-145
Liabilities at fair value through profit or loss	-	-	-	-52	-	-52
<b>Total</b>	<b>-133</b>	<b>29</b>	<b>-94</b>	<b>364</b>	<b>-9</b>	<b>157</b>

The table to the right shows the carrying amounts and market values for individual classes of financial liabilities. The stated market values of bonds reflect their stock market listings (Level 1 of the fair value hierarchy). The market values for other types of financial liability have been calculated using the applicable interest rates for the remaining term to maturity and repayment structures at the balance sheet date based on the available market information (Bloomberg) (Level 2 of the fair value hierarchy). For other assets and liabilities, non-current receivables, trade receivables and cash-in-hand carried at amortised cost, the carrying amount is deemed to be a reasonable approximation of the fair value.

**T152 FINANCIAL LIABILITIES**

in €m	31 Dec 2020		31 Dec 2019	
	Carrying amount	Market value	Carrying amount	Market value
Bonds	2,707	2,643	995	1,026
Commercial Paper to banks	200	199	98	98
Borrower's note loans	1,900	1,894	2,073	2,129
Credit lines	763	740	-	-
State-guaranteed loans	2,907	3,147	-	-
Aircraft financing	3,603	3,590	3,887	3,682
Other borrowings	651	705	104	124
Leasing liabilities <sup>1)</sup>	2,637	-	2,873	-
<b>Total</b>	<b>15,368</b>	<b>12,918</b>	<b>10,030</b>	<b>7,059</b>

<sup>1)</sup> With the introduction of IFRS 16, declaration of market value no longer applies as of 1 January 2019.

**FINANCIAL ASSETS HELD AT FAIR VALUE BY LEVEL OF FAIR VALUE HIERARCHY**

The following table shows financial assets and liabilities held at fair value by level of fair value hierarchy. The levels are defined as follows:

Level 1: Financial instruments traded on active markets, the quoted prices for which are taken for measurement unchanged.

Level 2: Measurement is made by means of valuation methods with parameters derived directly or indirectly from observable market data.

Level 3: Measurement is made by means of valuation methods with parameters not based exclusively on observable market data.

In the financial year 2020, the fair value hierarchy for assets and liabilities held at fair value was as follows:

**T153 FAIR VALUE HIERARCHY OF ASSETS AS OF 31 DEC 2020**

in €m	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit and loss</b>	<b>3,654</b>	<b>2</b>	<b>-</b>	<b>3,656</b>
Financial derivatives classified as held for trading	-	2	-	2
Securities	3,654	-	-	3,654
<b>Derivative financial instruments which are an effective part of a hedging relationship</b>	<b>-</b>	<b>620</b>	<b>-</b>	<b>620</b>
<b>Financial assets at fair value through other comprehensive income</b>	<b>11</b>	<b>12</b>	<b>-</b>	<b>23</b>
Equity instruments	11	12	-	23
Debt instruments	-	-	-	-
<b>Total assets</b>	<b>3,665</b>	<b>634</b>	<b>-</b>	<b>4,299</b>

**T154 FAIR VALUE HIERARCHY OF LIABILITIES AS OF 31 DEC 2020**

in €m	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	-	-712	-	-712
Derivative financial instruments at fair value through profit or loss	-	-85	-	-85
Derivative financial instruments which are an effective part of a hedging relationship	-	-738	-	-738
<b>Total liabilities</b>	<b>-</b>	<b>-1,535</b>	<b>-</b>	<b>-1,535</b>

In the previous year, the hierarchy was as follows:

**T153 FAIR VALUE HIERARCHY OF ASSETS AS OF 31 DEC 2019**

in €m	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit and loss</b>	<b>359</b>	<b>13</b>	<b>-</b>	<b>372</b>
Financial derivatives classified as held for trading	-	12	-	12
Securities	359	1	-	360
<b>Derivative financial instruments which are an effective part of a hedging relationship</b>	<b>-</b>	<b>1,352</b>	<b>-</b>	<b>1,352</b>
<b>Financial assets at fair value through other comprehensive income</b>	<b>-</b>	<b>1,632</b>	<b>-</b>	<b>1,632</b>
Equity instruments	-	22	-	22
Debt instruments	-	1,610	-	1,610
<b>Total assets</b>	<b>359</b>	<b>2,997</b>	<b>-</b>	<b>3,356</b>

**T154 FAIR VALUE HIERARCHY OF LIABILITIES AS OF 31 DEC 2019**

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	-	-67	-	-67
Derivative financial instruments which are an effective part of a hedging relationship	-	-199	-	-199
<b>Total liabilities</b>	<b>-</b>	<b>-266</b>	<b>-</b>	<b>-266</b>

### NETTING OF FINANCIAL ASSETS AND LIABILITIES

The following financial assets and liabilities are subject to global netting agreements and other agreements.

#### T155 NETTING OF FINANCIAL ASSETS AS OF 31 DEC 2020

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Cash collateral	Net amount
Trade receivables and other current receivables	2,837	44	2,793	-	2	2,793
Derivative financial instruments - assets	623	-	623	39	38	546
Cash and cash equivalents	1,822	16	1,806	-	-	1,806
<b>Total assets</b>	<b>5,282</b>	<b>60</b>	<b>5,222</b>	<b>39</b>	<b>40</b>	<b>5,145</b>

#### T156 NETTING OF FINANCIAL LIABILITIES AS OF 31 DEC 2020

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Cash collateral	Net amount
Trade payables and other financial liabilities	2,144	60	2,084	-	38	2,084
Derivative financial instruments - liabilities	823	-	823	39	2	782
<b>Total liabilities</b>	<b>2,967</b>	<b>60</b>	<b>2,907</b>	<b>39</b>	<b>40</b>	<b>2,866</b>

In the previous year, the net balances were as follows:

#### T155 NETTING OF FINANCIAL ASSETS AS OF 31 DEC 2019

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Cash collateral	Net amount
Trade receivables and other current receivables	5,478	156	5,322	-	-	5,322
Derivative financial instruments - assets	1,364	-	1,364	-37	92	1,309
Cash and cash equivalents	1,445	30	1,415	-	-	1,415
<b>Total assets</b>	<b>8,287</b>	<b>186</b>	<b>8,101</b>	<b>-37</b>	<b>92</b>	<b>8,046</b>

#### T156 NETTING OF FINANCIAL LIABILITIES AS OF 31 DEC 2019

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Cash collateral	Net amount
Trade payables and other financial liabilities	3,908	186	3,722	-	92	3,722
Derivative financial instruments - liabilities	266	-	266	-37	-	303
<b>Total liabilities</b>	<b>4,174</b>	<b>186</b>	<b>3,988</b>	<b>-37</b>	<b>92</b>	<b>4,025</b>



### PRINCIPLES OF HEDGING POLICY

As an aviation group with worldwide operations, the Lufthansa Group is exposed to exchange rate, interest rate and fuel price movement risks, as well as to credit and liquidity risks. Limiting these risks by means of systematic financial management is part of Company policy.

#### Market risk

The major market and price risks to which the Lufthansa Group is exposed are exchange rate fluctuations between the euro and other currencies, interest rate fluctuations in international money and capital markets, and price fluctuations in the crude oil and oil products markets. Hedging policy for limiting these risks is laid down by the Executive Board and documented by internal Group guidelines. It also provides for the use of financial derivatives. The corresponding financial transactions are concluded only with first-rate counterparties.

#### Foreign exchange risk

For US dollars, the Lufthansa Group is in a net payer position as regards currency risks from its operating business, since fuel payments are dollar-denominated. There is always a net surplus for other currencies. The main risks in this respect stem from the Chinese renminbi, the Swiss franc, British pound sterling, the Japanese yen and the Indian rupee. Depending on market liquidity, currency risks from projected operational exposure are hedged gradually over a period of 24 months by means of futures contracts, which are accounted for as cash flow hedges. The target hedging level is defined in the Group's internal guidelines. The volume of hedging was reduced following the outbreak of the coronavirus crisis.

At the end of the financial year 2020, exposure from operations for the next 24 months was as follows:

#### T157 CURRENCY EXPOSURE, AS OF 2020

in millions	USD	CNY	JPY	GBP	INR
Exposure (currency)	-3,971	4,212	56,644	530	30,819
Exposure (EUR at spot rate)	-3,236	525	448	589	344
Hedges (currency)	706	-1,439	-19,113	-180	-3,690
Hedging level	18%	34%	34%	34%	12%
Hedging rate	1.13	8.26	120.35	0.90	88.81

50% of currency risks from capital expenditure on aircraft are hedged when the contract is signed. The hedging level is reviewed and increased, where necessary, if, over the lifetime of the contract, the exchange rate goes significantly above or below that used to calculate the investment. In the last 24 months before payment, the hedging level is increased in half-yearly steps of 10%, reaching 90% by the end. These investment hedges are therefore also accounted for as cash flow hedges. Capital expenditure on aircraft takes place in US dollars and is hedged in euros or in Swiss francs, depending on the functional currency of the Group company making the purchase. There was no exposure in Swiss francs as of the reporting date.

US dollar exposure for capital expenditure as of year-end 2020 was as follows, broken down by the hedged currency:

#### T158 USD INVESTMENT EXPOSURE, HEDGED IN EUR

in millions	2021	2022	2023	2024	2025	2026	2027	2028	2029
Exposure from net capital expenditure (USD)	-2,157	-2,717	-3,578	-1,607	-1,325	-947	-269	-213	-168
Exposure from net capital expenditure (EUR at spot rate)	-1,755	-2,211	-2,912	-1,308	-1,078	-770	-219	-173	-137
Hedges (USD)	1,904	2,151	2,303	895	754	496	75	-	-
Hedging level	88%	79%	64%	56%	57%	52%	28%	0%	0%
Hedging rate EUR/USD	1.20	1.20	1.22	1.28	1.30	1.28	1.36	-	-

The following sensitivity analysis shows how net profit and equity would change if the currencies identified as price risk variables had been different from those at the balance sheet date.

#### T159 SENSITIVITY ANALYSIS BY CURRENCY

in €m	Effects on earnings after taxes <sup>1)</sup>	Effects on equity <sup>1)</sup>
<b>Currency – USD</b>		
+10%	-199	589
-10%	165	-482
<b>Currency – JPY</b>		
+10%	-5	-14
-10%	5	12
<b>Currency – CHF</b>		
+10%	39	-3
-10%	-31	2
<b>Currency – GBP</b>		
+10%	4	-19
-10%	-3	16
<b>Currency – CNY</b>		
+10%	9	-16
-10%	-7	13
<b>Currency – INR</b>		
+10%	2	-4
-10%	-1	3

<sup>1)</sup> All amounts after deferred tax effects; +/- signs relate to net profit and/or equity.

#### Interest rate risk

The Lufthansa Group aims to pay interest on 100% of its financial liabilities in euros at floating rates of interest. To do so, interest rate swaps are arranged for interest-bearing, fixed-rate financial debt and leasing liabilities. Financial liabilities denominated in euros are hedged using “plain vanilla” interest rate swaps, while cross-currency interest rate swaps are used to hedge financial liabilities in foreign currencies. Depending on the interest rate structure of the exposure to be hedged, hedges are either classified as fair value hedges or cash flow hedges. The interest rate risk is monitored constantly; strategic interest rate hedges are used as needed in response to different market situations. Depending on the counterparties and the instruments used, cash collateral for interest rate swaps is either deposited with or received from counterparties (➔ T155, T156, p. 209).

The tables below describe the floating/fixed ratio for non-current borrowing as of financial year-end 2020 after taking into consideration interest rate hedging, as well as the distribution of the nominal volume of interest rate hedges.

#### T160 INTEREST RATE EXPOSURE AFTER HEDGING

in €m	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Fix	2,613	1,997	1,936	1,875	1,820	1,142	145	41	34	27	20
Variable	6,101	4,657	3,835	3,243	1,956	1,554	1,179	969	697	456	198
Float/Fix-Ratio	70%	70%	66%	63%	52%	58%	89%	96%	95%	94%	91%

#### T161 NOMINAL VOLUME OF INTEREST RATE HEDGES

in €m	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Fix	-3,105	-2,067	-1,676	-652	-457	-169	-493	34	27	20	12
Variable	3,227	2,196	1,800	771	567	258	558	697	456	198	36

The sensitivity analysis to the right shows how net profit and equity would change if the interest rate identified as a price risk variable had been different from the perspective of the balance sheet date. In view of the current low interest rates, a reduction of more than 50 basis points is not considered likely, which is why the analysis was limited to this figure. Only stand-alone interest rate derivatives have been included, because in fair value hedge accounting, interest rate derivatives offset the movements in the underlying hedged items.

#### T162 SENSITIVITY ANALYSIS BY INTEREST RATE

in €m	Effects on earnings after taxes <sup>1)</sup>	Effects on equity <sup>1)</sup>
<b>Interest</b>		
+100 basis points	31	-
-50 basis points	-48	-

<sup>1)</sup> All amounts after deferred tax effects; +/- signs relate to net profit and/or equity.

### Effects of the EU benchmark regulation of global reference interest rates

In terms of the financial instruments used by the Lufthansa Group, the global reform of variable reference interest rates means that the variable reference interest rates for transactions that are available today will no longer be so in future or will be calculated differently. As of 31 December 2020, the Lufthansa Group held EUR 6.8bn in outstanding financial transactions, floating rate liabilities and hedging instruments based on variable interest rates. The following table shows the absolute nominal volume of the transactions as of the reporting date.

#### T163 NOMINAL VOLUME OF FLOATING RATE FINANCIAL INSTRUMENTS IN HEDGING RELATIONSHIPS

Reference floating interest rate by currency	Nominal volume of floating interest rate derivatives in €m	Nominal volume of floating interest rate financial liabilities (without derivatives) in €m
EUR - EURIBOR	5,001	1,085
USD - LIBOR	331	336
CHF - LIBOR	11	-
<b>Total</b>	<b>5,343</b>	<b>1,421</b>

EURIBOR's calculation method was adjusted in 2019 to ensure that it complies with the rules of the EU benchmark regulation. The change therefore has no effect on the Lufthansa Group for financial instruments based on EURIBOR. Since October 2019, the European Central Bank has also published €STR, a benchmark-compliant overnight interest rate. Clearing houses switched their mark-to-market accounting to the new overnight reference rates €STR (EUR) and SOFR (USD) in the course of 2020. The current status is that USD LIBOR rates will be published for the last time as of 31 December 2021, so another reference interest rate will have to be used from 2022 at the latest but none has yet become established in the market. However, the outstanding changes to USD and CHF LIBOR will not have any significant impact on the Group portfolio due to the small volume of transactions.

The Lufthansa Group has opted for the early application of the "Amendments to IFRS 9, IAS 39 and IFRS 7, Reform of Reference Interest Rates" of Phase 1 published in September 2019 and the pronouncements on Phase 2 of the reform of reference interest rates "Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16" from January 2021, which include transitional provisions and accounting exemptions for interest rate hedges. The outstanding changes to the benchmarks will not have any impact on the USD and CHF hedging relationships designated by the Lufthansa Group. Contracts for

derivatives and for financial liabilities have been analysed by the Lufthansa Group and fallback clauses added if necessary. Systematic adjustments will also be made to the extent required.

#### Fuel price risk

In 2020, fuel costs accounted for 9.0% of the Lufthansa Group's operating expenses (previous year: 18.1%). Significant changes in fuel prices can therefore have a significant effect on the Lufthansa Group's result.

Fuel price risk is limited by the use of crude oil hedges. The hedging level and the time horizon depend on the risk profile, which is derived from the business model of a Group company. As a rule, up to 5% of exposure is hedged monthly for up to 24 months by spread options and other combinations of hedges. Executive Board approval may be obtained to extend the hedging period and to increase the monthly hedging volume in order to exploit market opportunities. The target hedging level is up to 85%. No new fuel exposure was hedged from March 2020 following the outbreak of the coronavirus crisis.

From a year-end perspective, fuel exposure was as follows:

#### T164 FUEL EXPOSURE

		2021	2022
Fuel requirement	in 1,000 tonnes	5,687	8,541
Hedges	in 1,000 tonnes	3,901	128
Hedging level	%	69	1
Hedging rate	USD/bbl	59.29	55.65

The following sensitivity analysis shows how equity would have been affected by changes in the market value of hedging instruments held as of the reporting date if the fuel price, the identified risk variable, had been different. Since hedge accounting rules mean that changes in the market value of the instruments are only recognised directly in equity without effect on profit and loss, the change in the fuel price of the hedges alone has no effect on earnings. The impact on earnings results from stand-alone derivative as of the current reporting date:

#### T165 SENSITIVITY ANALYSIS BY FUEL PRICE

in €m	Effects on earnings after taxes <sup>1)</sup>	Effects on equity <sup>1)</sup>
<b>Fuel price</b>		
+10%	-	66
-10%	-	-73

<sup>1)</sup> All amounts after deferred tax effects; +/- signs relate to net profit and/or equity.

### Market values of the derivative financial instruments used for hedging

Hedging instruments in designated hedging relationships are used to hedge exchange rate, interest rate and fuel price risks as of the reporting date. They changed as follows in the financial year:

#### T166 DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGING AS OF 31 DEC 2020

in €m	Positive market value	Negative market value	Change in fair value of hedging instrument – designated risk	Change in fair value of hedging instrument – non-designated risk	Basis adjustment of hedged items	OCI – cash flow hedge reserve	OCI – cost of hedging	Ineffective portion of hedges – designated risk	Ineffective portion of hedges – non-designated risk
<b>Fair value hedge</b>									
Interest rate hedges – interest rate swaps	131	-41	-41	-	60	-	-	19	-
<b>Cash flow hedge</b>									
Fuel hedging – options	6	-42	-61	6	-	-63	7	2	-1
Exchange rate hedging – forward transactions	458	-651	-1,151	129	-	-1,019	140	-132	-10
Interest rate hedges – interest rate swaps	26	-3	-21	-	-	-19	-	-2	-
<b>Total</b>	<b>621</b>	<b>-737</b>	<b>-1,274</b>	<b>135</b>	<b>60</b>	<b>-1,101</b>	<b>147</b>	<b>-113</b>	<b>-11</b>
of which current	258	-354							

#### T166 DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGING AS OF 31 DEC 2019

in €m	Positive market value	Negative market value	Change in fair value of hedging instrument – designated risk	Change in fair value of hedging instrument – non-designated risk	Basis adjustment of hedged items	OCI – cash flow hedge reserve	OCI – cost of hedging	Ineffective portion of hedges – designated risk	Ineffective portion of hedges – non-designated risk
<b>Fair value hedge</b>									
Interest rate hedges – interest rate swaps	156	-27	89	-	-90	-	-	-1	0
<b>Cash flow hedge</b>									
Fuel hedging – options	185	-39	404	163	-	402	164	2	-1
Exchange rate hedging – forward transactions	963	-133	-386	315	-	-380	319	-6	-4
Interest rate hedges – interest rate swaps	49	-	4	-	-	8	-	-4	0
<b>Total</b>	<b>1,353</b>	<b>-199</b>	<b>111</b>	<b>478</b>	<b>-90</b>	<b>30</b>	<b>483</b>	<b>-9</b>	<b>-5</b>
of which current	452	-135							

In terms of exchange hedging, the change of EUR –309m in the market value of the reserve for cash flow hedges relates to derivatives that are still in the portfolio. Other changes result from the realisation of derivatives, in particular EUR 560m that remain in OCI due to the postponement of hedged transactions. The market values stated for financial derivatives correspond to the price at which an independent third party would assume the rights and/or obligations from the financial instrument. The fair values of interest rate derivatives correspond to their respective market values, which are measured using appropriate mathematical methods, such as discounting expected future cash flows. Discounting takes market standard interest rates and the residual term of the respective instruments into account. Currency forward transactions and interest rate swaps are individually discounted to the balance sheet date based on their respective forward rates and the appropriate interest rate curve. The market prices of options used to hedge fuel prices are determined using acknowledged option pricing models.

Depending on the hedged exposure, the Lufthansa Group designates interest rate hedges as both fair value hedges and cash flow hedges and accounts for them accordingly. Interest rate swaps are designated as part of a hedging relationship and are not broken down into individual components. Ineffectiveness in these hedging relationships mainly occurs as a result of the subsequent designation of cross currency swaps in hedges as of 1 January 2018. Other reasons for ineffectiveness in hedging relationships are different parameters in the hedged item and the hedging instrument and the basis spread in cross currency swaps. Ineffectiveness in fair value hedges and cash flow hedges are recognised and presented as part of the financial result, below the other financial items.

Derivatives used in the context of fuel hedging to hedge future kerosene purchases are designated as cash flow hedges. Since 1 January 2018, the Lufthansa Group has applied the IFRS 9 component approach, using crude oil, based on Brent Crude ICE, as the designated risk component of the hedging instrument. The hedged item is composed of a global mix of crude oil types. The base risk between individual crude oil components in the hedging instrument and the crude oil mix in the hedged item is reduced by rebalancing the volumes that make up the hedged item on a quarterly basis. In 2020, the quarterly rebalancing factors for adjusting the hedged item were as follows: 1.022 (Q1), 1.021 (Q2), 1.02 (Q3) and 1.017 (Q4). The Lufthansa Group generally uses options and combinations of options to hedge fuel prices. The intrinsic value of the option is designated as the hedging instrument, so that effective changes in the intrinsic values are recog-

nised in other comprehensive income in the cash flow hedge reserve. The time value of an option is not designated as a hedging instrument and effective changes in the time value are therefore recognised as a cost of hedging. This rule was applied for the first time retroactively. Ineffectiveness in fuel price hedges results from the base risk between the crude oil component and the crude oil mix in the component approach. Ineffectiveness in hedges is recognised and presented as part of the financial result, below the other financial items.

Since 1 January 2018, the Lufthansa Group has prospectively applied the spot-to-spot method for exchange rate forward transactions designated as cash flow hedges. The spot components of a forward contract are designated as a hedging instrument and effective value changes are recognised in the cash flow hedge reserve. The other effective components of a forward contract, the forward component and the cross-currency basis spread are presented in a separate OCI component in line with the legal requirements for the cost of hedging. Ineffectiveness in hedging relationships results from changes in the timing of the planned aircraft purchases. Ineffectiveness is presented as part of the financial result, below the other financial items (➔ **Note 14, p. 162**).

The decline in flight traffic due to the coronavirus crisis meant that fuel prices and foreign currencies were and still are “overhedged”, meaning hedging relationships previously designated under hedge accounting rules had to be terminated early. The corresponding hedges are therefore accounted for as stand-alone derivatives. As of 31 December 2020, the realised result of expired, stand-alone derivatives was EUR –730m, which was recognised in the financial result. Fuel hedges accounted for expenses of EUR 758m and foreign currency hedges for earnings of EUR 28m. In addition, changes in the market value of outstanding “de-designated” hedges reduced the financial result by EUR –21m, of which fuel hedging accounted for EUR –22m and operating exchange rate hedges for EUR 1m. Overall, de-designated hedging relationships therefore had an earnings impact of EUR –752m. EUR 639m has been paid out in cash to date to settle the underlying transactions.

Long-term foreign currency hedges were also realised early in the financial year, generating cash proceeds of EUR 428m. The amounts will remain in the market valuation reserve until the hedged transactions are added and will then be allocated to the corresponding investments. In general, the same accounting method also applies to hedging transactions in which the hedged items (aircraft purchases) have been deferred due to the crisis.

The Lufthansa Group uses the hypothetical derivative method to calculate changes in the value of hedged items designated as being part of a hedging relationship.

**T167 DESIGNATED HEDGED ITEMS IN HEDGING RELATIONSHIPS 2020**

in €m	Carrying amount of liabilities	Change in fair value of hedged items – designated risk	Change in fair value of hedged items – non-designated risk	Basis adjustment of hedged items from fair value hedges – cumulative
<b>Fair value hedge</b>				
Interest rate hedges – interest rate swaps	-4,920	60	-	-18
<b>Cash flow hedge</b>				
Fuel hedging – options	-	63	-7	-
Exchange rate hedging – forward transactions	-	770	-148	-
Interest rate hedges – interest rate swaps	-	-25	-	-
<b>Total</b>	<b>-4,920</b>	<b>868</b>	<b>-155</b>	<b>-18</b>

**T167 DESIGNATED HEDGED ITEMS IN HEDGING RELATIONSHIPS 2019**

in €m	Carrying amount of liabilities	Change in fair value of hedged items – designated risk	Change in fair value of hedged items – non-designated risk	Basis adjustment of hedged items from fair value hedges – cumulative
<b>Fair value hedge</b>				
Interest rate hedges – interest rate swaps	-7,330	-90	-	-99
<b>Cash flow hedge</b>				
Fuel hedging – options	-	-407	-164	-
Exchange rate hedging – forward transactions	-	390	-301	-
Interest rate hedges – interest rate swaps	-	9	-	-
<b>Total</b>	<b>-7,330</b>	<b>-98</b>	<b>-465</b>	<b>-99</b>

**T168 STATEMENT OF EQUITY RECONCILIATION FOR CASH FLOW HEDGES 2020**

in €m	As of 1 Jan 2020	Gains or losses from effective hedging relationships	Reclassification to profit or loss	Reclassification to acquisition costs of inventories	Reclassification to acquisition costs of aircraft	As of 31 Dec 2020
<b>OCI – cash flow hedge reserve</b>						
Fuel hedging – options	43	-1,169	-943	-163	-	-21
Exchange rate hedging – futures	440	-309	132	-	41	-42
Interest rate hedges – interest rate swaps	-6	15	-	-	-	9
<b>OCI – cost of hedging</b>	<b>326</b>	<b>142</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>468</b>
Fuel hedging – options	-70	2	-	-	-	-68
Exchange rate hedging – futures	396	140	-	-	-	536
<b>Total</b>	<b>803</b>	<b>-1,321</b>	<b>-811</b>	<b>-163</b>	<b>41</b>	<b>414</b>

**T168 STATEMENT OF EQUITY RECONCILIATION FOR CASH FLOW HEDGES 2019**

in €m	As of 1 Jan 2019	Gains or losses from effective hedging relationships	Reclassification to profit or loss	Reclassification to acquisition costs of inventories	Reclassification to acquisition costs of aircraft	As of 31 Dec 2019
<b>OCI – cash flow hedge reserve</b>	<b>451</b>	<b>803</b>	<b>544</b>	<b>89</b>	<b>146</b>	<b>477</b>
Fuel hedging – options	-360	491	-	89	-	43
Exchange rate hedging – futures	820	310	544	-	146	440
Interest rate hedges – interest rate swaps	-9	2	-	-	-	-6
<b>OCI – cost of hedging</b>	<b>-151</b>	<b>476</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>326</b>
Fuel hedging – options	-227	157	-	-	-	-70
Exchange rate hedging – futures	76	319	-	-	-	396
<b>Total</b>	<b>300</b>	<b>1,279</b>	<b>544</b>	<b>89</b>	<b>146</b>	<b>803</b>

Derivative financial instruments that do not meet the requirements for applying hedge accounting are measured at fair value through profit or loss. As a rule, these derivatives were originally in an economic hedging relationship with a particular exposure, but the exposure can either not be measured for hedge accounting purposes or no longer exists.

Fair values are all calculated solely on the basis of recognised financial and mathematical methods, using publicly available market information.

Changes in the market values of derivatives that do not qualify as effective hedging transactions under IFRS 9 can be seen in the income statement and in the overview of other financial items, ↗ **Note 14, p. 162.**

**Liquidity risk**

Complex financial planning systems enable the Lufthansa Group to identify its future liquidity position at an early stage. Based on the results of the Group strategy and planning processes, a monthly rolling liquidity plan differentiated by currency is drawn up with a planning horizon of 24 months. This planning method offers an up-to-date picture of anticipated liquidity developments within the Company and corresponding currency effects.

The Lufthansa Group had no free credit lines as of 31 December 2020 (previous year: EUR 774m). Other funds are nonetheless available as of the reporting date from guaranteed government loans. For details see ↗ **Note 2, p. 140ff.**

The Group has taken specific and general measures to safeguard and manage its liquidity to avoid any future potential liquidity restrictions that could result from the coronavirus pandemic. They include the implementation of monitoring on

the basis of detailed, rolling short-term cash plans in order to manage liquidity effectively and track the current financing requirement closely. Specific liquidity risks resulting from reimbursements for cancelled flights were also analysed and managed. In addition, liquidity management in connection with current orders for goods and services was also optimised, greater transparency was achieved across the Group, including an early warning system and an escalation process for outstanding receivables, additional signatures were required to place orders and monitoring concerning short-time working requirements was introduced.

A maturity analysis for the financial liabilities and the derivative financial instruments based on undiscounted gross cash flows including the relevant interest payments shows the following projected cash inflows and outflows from the perspective of the balance sheet date 31 December 2020. As a result of the hedges used, there are generally direct connections between the cash inflows and outflows for the derivative financial instruments shown.

**T169 MATURITY ANALYSIS OF LIABILITIES FROM DERIVATIVE FINANCIAL INSTRUMENTS**

in €m	From fuel derivatives	Cash inflow from gross settlement of interest rate and exchange rate derivatives	Cash outflow from gross settlement of interest rate and exchange rate derivatives	<b>Net</b>
1st quarter	12	-1,349	1,424	87
Up to 1 year <sup>1)</sup>	11	-3,275	3,508	244
1–5 years	1	-5,470	5,813	344
Later	-	-530	567	37

<sup>1)</sup> Without payments in 1st quarter.



**T170 MATURITY ANALYSIS OF LIABILITIES FROM  
NON-DERIVATIVE FINANCIAL INSTRUMENTS**

in €m	Outflows
1st quarter	-5,404
Up to 1 year <sup>1)</sup>	-3,460
1-5 years	-5,468
Later	-5,648

<sup>1)</sup> Without payments in 1st quarter.

**Credit risk**

The sale of passenger travel and freight documents mostly takes place via agencies. These agencies are mostly connected to national clearing systems for billing passenger and freight sales. The credit rating of the agents is reviewed by the responsible clearing systems. Due to the broad diversification, credit risk for the agencies is relatively low worldwide. Nonetheless, credit terms for agents in some markets were tightened significantly in cooperation with the International Air Transport Association (IATA) in order to reduce credit risks even further.

Receivables and liabilities between airlines are offset through bilateral arrangements or via the IATA clearing house, insofar as the contracts underlying services do not explicitly specify otherwise. Systematic settlement of weekly receivables and liability balances significantly reduces the default risk. Fidelity guarantee insurance also covers partial risks within a certain range. Service contracts occasionally require collateral for miscellaneous transactions. All other contractual relationships are subject to credit rules, which, depending on the type and volume of the contract involved, require collateral, credit ratings/references or historical data from prior dealings, particularly payment history, in order to avoid defaults. Credit risks from the MRO business are monitored and managed with a separate credit risk management system. It comprises the calculation, authorisation and monitoring of customer-specific credit limits and the daily monitoring of payments received and receivables past due.

Counterparty risks in connection with credit card companies are monitored closely and incoming payments are reviewed daily. To reduce risks even further, a permanent analysis

process examines whether to further tighten credit terms for some settlement partners. In addition to the monitoring of receivables at the Company or segment level, there is also counterparty monitoring at Group level, with individually assigned limits, in order to identify the accumulation of portfolio risks across the entire Group and take appropriate action where necessary. The maximum credit risk for financial assets from the potential insolvency of customers is their carrying amount.

In addition to individual write-downs on receivables if a default event occurs, IFRS 9 requires risk provisions to be recognised for expected losses. The Lufthansa Group's trade receivables are exposed to external credit risks for which expected losses have already been taken into consideration in accordance with IFRS 9, in addition to individual write-downs. A simplified impairment model based on an impairment matrix is used for the portion of the receivables portfolio that does not consist of credit card receivables but is subject to external credit risks. The portfolio is divided into clusters based on customer groups, regions and days past due date. On the basis of historical default events in the Lufthansa Group's receivables portfolio, a default matrix is calculated and supplemented by forward-looking, publicly available insolvency forecasts. This impairment matrix is applied to trade receivables that are exposed to external credit risk and are not credit card receivables. An impairment matrix is also used for trade and other receivables in the MRO segment. It entails dividing the customer portfolio into four risk classes, with a low, medium, high and very high risk of default. Customers are assigned to each category using the MRO segment's own credit risk management system, which is based on fundamental data, market information and payment history. Probabilities of default are derived from historic default events and current market information. Available collateral is taken into account. In addition, the receivables portfolio includes credit card receivables for which the Lufthansa Group is the credit card issuer. Expected losses for these credit card receivables are calculated in a separate model, based on counterparty-specific external ratings and default probabilities. The Lufthansa Group uses a definition of default of 90 days past due for receivables, which are written off in full if the default event occurs. Exceptions are permitted in justified cases, however.

In the following tables, Levels 1 and 2 describe expected credit losses, whereas Level 3 shows individual impairment losses on the basis of actual default events.

**T171 STATEMENT OF RISK PROVISIONS 2020**

in €m	Opening balance risk provision as of 1 Jan 2020	Additions through profit or loss	Reversals through profit or loss	Utilisation	Closing balance risk provision as of 31 Dec 2020	Opening balance gross carrying amount as of 1 Jan 2020	Closing balance gross carrying amount as of 31 Dec 2020
Trade receivables and other receivables (simplified approach)	398	217	-23	-41	551	2,457	1,475
of which from expected losses	12	61	-10	0	63	2,066	926
of which from individual loss allowances	386	156	-13	-41	488	391	549
Trade receivables and other receivables (credit card receivables)	17	4	-4	-4	14	1,060	210
of which Level 1	14	0	-3	0	12	1,051	204
of which Level 2	0	0	0	0	0	0	1
of which Level 3	3	4	-1	-4	2	9	5
<b>Total</b>	<b>415</b>	<b>221</b>	<b>-27</b>	<b>-45</b>	<b>565</b>	<b>3,517</b>	<b>1,685</b>

**T171 STATEMENT OF RISK PROVISIONS 2019**

in €m	Opening balance risk provision as of 1 Jan 2019	Additions through profit or loss	Reversals through profit or loss	Utilisation	Closing balance risk provision as of 31 Dec 2019	Opening balance gross carrying amount as of 1 Jan 2019	Closing balance gross carrying amount as of 31 Dec 2019
Trade receivables and other receivables (simplified approach)	314	102	-10	-8	398	2,540	2,457
of which from expected losses	9	6	-3	0	12	2,234	2,066
of which from individual loss allowances	305	96	-7	-8	386	306	391
Trade receivables and other receivables (credit card receivables)	24	6	-5	-8	17	1,052	1,060
of which Level 1	17	1	-4	0	14	1,041	1,051
of which Level 2	0	0	0	0	0	0	0
of which Level 3	7	5	-1	-8	3	11	9
<b>Total</b>	<b>338</b>	<b>108</b>	<b>-15</b>	<b>-16</b>	<b>415</b>	<b>3,592</b>	<b>3,517</b>

An expected loss of EUR 4m was recognised for contract assets as of the reporting date.

The outbreak of the coronavirus pandemic caused a significant rise in credit risk and in expected and actual losses in the financial year. The customer portfolio in the MRO segment was particularly affected. Although the gross amount of

receivables declined significantly, individual loss allowances in the non-credit card business increased by EUR 100m, mainly due to airline insolvencies. Loss allowances for future credit losses under the simplified approach rose by EUR 52m, particularly due to the special risks in the customer portfolio of Lufthansa Technik AG, which were reflected by business-specific risk clustering.

In the reporting year, the Lufthansa Group used the following default rates for each past due category in the impairment matrix for the simplified approach of the impairment model.

**T172 IMPAIRMENT MATRIX FOR TRADE RECEIVABLES 2020**

		Not overdue	1 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	More than 90 days overdue	Total
Default rate	%	3.0	6.0	6.7	10.0	22.0	-
Carrying amounts for trade receivables	€m	610	117	30	10	159	926
Expected loss	€m	18	7	2	1	35	63

**T172 IMPAIRMENT MATRIX FOR TRADE RECEIVABLES 2019**

		Not overdue	1 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	More than 90 days overdue	Total
Default rate	%	0.3	0.8	1.3	1.6	1.8	-
Carrying amounts for trade receivables	€m	1,419	393	47	41	166	2,066
Expected loss	€m	4	3	1	1	3	12

In order to determine expected losses of credit card receivables according to IFRS 9, the off-balance sheet exposure must be considered, in addition to the on-balance sheet exposure. The off-balance sheet exposure describes the portion of a credit card's unused or free limit. The following overview shows the risk data for the credit card portfolio. Expected losses are calculated at the level of the individual credit card, so that the sizes of the average default probability and the average loss relate to the individual credit card.

**T173 CONCENTRATION OF CREDIT RISK FROM CREDIT CARD RECEIVABLES**

Internal credit rating	Probability of default according to external credit rating	Average probability of default	Average expected loss per concerned credit card in €	Exposure Level 1 impairment model in €m	Exposure Level 2 impairment model in €m	Exposure Level 3 impairment model in €m
<b>On-balance sheet exposure</b>						
Low risk	≤ 2%	1.4%	16	193	-	-
Medium risk	> 2.0% bis ≤ 6.5%	3.1%	16	10	-	-
High risk	> 6.5%	41.2%	1,516	1	1	5
<b>Total</b>				<b>204</b>	<b>1</b>	<b>5</b>
<b>Off-balance sheet exposure</b>						
Low risk	≤ 2%	1.3%	70	1,259	4	-
Medium risk	> 2.0% bis ≤ 6.5%	3.1%	193	135	-	-
High risk	> 6.5%	42.1%	4,863	143	-	-
<b>Total</b>				<b>1,537</b>	<b>4</b>	<b>-</b>

Securities representing debt instruments are rated as follows (Standard & Poor's):

**T174 SECURITIES RATINGS - DEBT INSTRUMENTS**

in €m	
AAA	-
AA+	-
AA	-
AA-	19
A+	-
A	-
A-	4
BBB+	-
BBB	-
Below BBB or unrated	8
<b>Total</b>	<b>31</b>

The credit risk for derivative financial instruments and securities held at fair value through or without effect on profit and loss is the risk that a counterparty defaults. The maximum credit risk from these instruments is their carrying amount. The counterparty default risk for financial market transactions is limited by defining a maximum risk, taking the credit score given by recognised rating agencies into account.

**46 Contingencies and events after the reporting period**

**T175 CONTINGENT LIABILITIES**

in €m	31 Dec 2020	31 Dec 2019
From guarantees, bills of exchange and cheque guarantees <sup>1)</sup>	664	935
From warranty contracts	192	378
From providing collateral for third-party liabilities	16	47
	<b>872</b>	<b>1,360</b>

<sup>1)</sup> Previous year's figures have been adjusted.

Warranties include an amount of EUR 68m (previous year: EUR 248m) relating to contingent liabilities towards creditors of joint ventures. Liabilities under collateral agreements included contingent liabilities of EUR 4m (previous year: EUR 6m) towards creditors of joint ventures. Of the total, EUR 721m (previous year: EUR 1,035m) relates to joint and several guarantees and warranties taken on. These are matched by compensatory claims against the other co-debtors amounting to EUR 692m (previous year: EUR 974m). Insofar as annual financial statements have yet to be published, these figures are preliminary.

Otherwise, provisions for other risks could not be made because utilisation was not sufficiently probable. The potential financial effect of these provisions on the result would have been EUR 61m (previous year: EUR 55m).

Contracts signed for the sale of aircraft are expected to generate cash inflows of EUR 25m in subsequent years (previous year: EUR 0).

**LEGAL RISKS**

The Lufthansa Group is exposed to a number of legal risks in the course of its normal business. Based on current knowledge, the assumption is that these will not have any major, lasting effects on the net assets, financial and earnings position, beyond those for which provisions for litigation risks have been made, ↗ **Note 36, p. 188ff.**

Legal disputes and other claims made against the Group are always subject to uncertainty, however. Management estimates of these risks may also change over time. The actual outcome of these legal disputes may differ from earlier management estimates, which could have significant effects on the net assets, financial and earnings position and the reputation of our Company.

Due to the existing uncertainties and to those described below, we cannot make an assessment of the amount of the respective contingent liabilities or of the group of contingent liabilities. The legal disputes that these statements refer to include:

**Risk of successful claims for damages in ongoing antitrust proceedings**

Various cargo airlines, including Lufthansa Cargo AG and Swiss International Air Lines AG, were involved in a cargo cartel in the period between December 1999 and February 2006. Deutsche Lufthansa AG, Lufthansa Cargo AG and Swiss International Air Lines AG are at risk of civil claims for damages in Norway, Israel, Korea and the Netherlands. The lawsuits have been brought by both direct and indirect customers and are addressed to the airlines as co-debtors.

All litigation in Germany and the United Kingdom was ended by a settlement in the previous year.

At present, it is not possible to give a concrete assessment of the outcome of the lawsuits still pending or of the number and amount of any other claims. When evaluating the risk, it should nonetheless be borne in mind that the European Commission's decision on the cargo cartel, which the claimants in the civil lawsuits refer to, among others, is still not legally binding. Following the reversal of this 2010 decision by the European Court of Justice (ECJ) in December 2015, the European Commission sent revised penalty notices in March 2017 in which the content was the same but the reasoning had been altered. The airlines concerned, including Lufthansa, again contested them, so the penalty notices are still not effective.

Moreover, an expert economic opinion commissioned by Lufthansa Cargo AG and Swiss International Air Lines AG has come to the conclusion that the cartel did not inflict any actual damage on customers. Even if there were damages (i.e. allegedly higher cartel prices), the court would have to examine whether the claimants passed them on to their own customers (in the case of the freight forwarders) or whether they were passed on to the claimants (in the case of the final customers). Nonetheless, significant effects on the net assets, financial and earnings position of the Group cannot be ruled out if it should lose any of these legal proceedings.

#### **Investigations in connection with work and service contracts**

The investigations by the customs authorities in previous years into possible breaches of the German Law on Labour Leasing (Arbeitnehmerüberlassungsgesetz – AÜG) concerning the procurement of services by the Lufthansa Group have been concluded amicably. No penalties were imposed on individual employees of the Lufthansa Group nor on companies in accordance with Section 30 of the Administrative Offences Act (Gesetz über Ordnungswidrigkeiten – OWiG). Administrative proceedings with the German Statutory Pension Insurance Scheme concerning the legal status of two workers have been submitted for judicial review to the Higher Social Court in Berlin.

#### **Legal action by Ryanair against the European Commission's decision on state aid**

Ryanair DAC has appealed to the European Court of Justice against the decisions by the European Commission approving stabilisation measures for companies in the Lufthansa Group. Stabilisation measures of around EUR 7.6bn in total are affected for Deutsche Lufthansa AG, Austrian Airlines and Brussels Airlines SA/NV. The Lufthansa Group believes the chances of success are slim. If the appeals are successful, however, the decisions by the European Commission would be declared null and void. If the respective public-sector agencies are prevented from continuing to grant the stabilisation measures, the funds concerned would have to be

cancelled and repaid. The companies will probably make use of the possibility to join the proceedings as interveners alongside the respective member states on the side of the European Commission.

#### **TAX RISKS**

Tax risks exist largely because of differences in legal opinions between the German tax authorities and the Company. In tax audits for the financial years 2003 to 2015, the tax authorities came to a number of different conclusions to those on which the Company had based its tax returns, relating, in particular, to partial write-downs on shareholder loans, the treatment of various lease structures and the acquisition of a foreign subsidiary, as well as the recognition and measurement of certain provisions and assets. The Lufthansa Group has appealed against the resulting tax assessments. Without abandoning its legal position, almost all the disputed matters were settled in the past by paying the back taxes demanded by the authorities. The Federal Finance Court adopted a different position on partial write-downs in 2019, which led to a more negative assessment of the current proceedings. However, no final decision on this matter has yet been taken. One previously disputed matter concerning the recognition of a provision for long-term MRO contracts has since been decided in the Company's favour. To the extent that success in the remaining points is considered to be more likely than not, the corresponding receivables against the tax authorities have been recognised in accordance with IFRIC 23. The corresponding provisions were recognised for other potentially disputed matters to the extent that their use was probable. No provisions were recognised for matters which in the Company's opinion are more likely than not to be decided in its favour. They could give rise to back payments of around EUR 200m in total. The assessment of the amount is subject to uncertainty.

#### **EVENTS AFTER THE REPORTING PERIOD**

##### **Eurowings and ver.di reach crisis agreement**

On 12 January 2021, Eurowings and the trade union ver.di reached a crisis agreement for cabin crew. Under the agreement, employees are protected against dismissal until 31 December 2021. In exchange, reductions in Christmas and holiday bonuses were agreed, among other things.

##### **Lufthansa issues another bond and repays KfW loan**

Deutsche Lufthansa AG again successfully issued a bond with a total volume of EUR 1.6bn on 4 February 2021. The first tranche has a volume of EUR 750m and pays interest of 2.875% p.a. over a term of four years. The second tranche of EUR 850m matures in seven years and pays interest at 3.75% p.a.

Together with the funds of approximately EUR 2bn raised in the second half of 2020, the Lufthansa Group has thereby secured the refinancing of the financial liability of EUR 2.6bn due in 2021 and repaid the KfW loan of EUR 1bn ahead of schedule on 11 February 2021.

#### EU Parliament adopts new slot rules

On 10 February 2021, the European Parliament passed a resolution amending the slot rules for summer 2021 in response to the pandemic. The regulation stipulates that airlines can return up to 50% of their slot series in full before the season begins and that they only have to operate half the remaining slot series in order to secure them for the coming season.

Based on its capacity outlook (➤ [Forecast, p. 118ff.](#)), the Lufthansa Group expects that it will be able to obtain all of the slots for which it has rights, including beyond the 2021 summer season.

#### 47 Other financial obligations

As of 31 December 2020, there were order commitments of EUR 13.0bn for capital expenditure on property, plant and equipment, including repairable spare parts, and for intangible assets (previous year: EUR 14.6bn). There were also capital and shareholder loan commitments of EUR 228m towards equity investments (previous year: EUR 335m).

#### 48 Auditors' fees

The fees paid to the auditors in the financial year and charged to expenses in accordance with Section 314 Paragraph 1 No. 9 HGB are made up as follows:

##### T176 AUDITORS' FEES

in €m	2020	2019
Annual audit	3.2	4.4
Other assurance services	0.2	1.0
Tax advisory services	0.1	0.9
Other services	1.6	1.9
<b>Total</b>	<b>5.1</b>	<b>8.2</b>

In the financial year 2020, the audit was carried out for the first time by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. In 2019, the fees were paid to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

The auditing services mainly consist of fees for auditing the consolidated financial statements, the review of the half-yearly financial statements and the audit of the financial statements of Deutsche Lufthansa AG and its consolidated subsidiaries. Tax advisory services mainly relate to tax advice on tax declarations, transfer pricing, international taxes and inspections by tax authorities. Other services particularly relate to advisory services in connection with the sale of the LSG group's European activities.

The following fees from entities in the worldwide EY network, particularly abroad, were also recognised as expenses (the figures for the previous year relate to the worldwide PwC network).

##### T177 ADDITIONAL AUDITORS' FEES

in €m	2020	2019
Annual audit	2.3	3.8
Other assurance services	-	0.1
Tax advisory services	0.5	0.3
Other services	0.1	0.2
<b>Total</b>	<b>2.9</b>	<b>4.4</b>

The auditor at Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft responsible for the Lufthansa Group is Siegfried Keller. He held this position for the first time in financial year 2020.

## COMPOSITION OF THE GROUP

### 49 Group of consolidated companies

The consolidated financial statements of Deutsche Lufthansa AG include all major subsidiaries, joint ventures and associated companies.

Subsidiaries are entities over which Deutsche Lufthansa AG has rights that give it the ability to control the entity's relevant activities. Relevant activities are those activities that have a significant influence on the entity's return. Deutsche Lufthansa AG therefore only has control over a company when it is exposed to variable returns from the company and its power over the company's relevant activities enables it to influence these returns. This definition of control also applies to structured entities that are identified as such in the list of significant Group companies. In general, the ability to control subsidiaries arises when Deutsche Lufthansa AG holds a direct or indirect majority of voting shares. In structured entities, the ability to control does not come from holding the majority of voting shares, but rather from contractual agreements. Entities are consolidated from the time that the ability to control begins. They cease to be consolidated when the ability to control ends.

Joint arrangements are classified either as joint ventures or as joint operations. A joint arrangement exists for when the Lufthansa Group carries on joint business activities with third parties on the basis of a contractual agreement. Joint management or control only exists when decisions on activities that have a significant effect on the returns from an agreement require the unanimous approval of the parties sharing control.

Significant interests in companies that are managed jointly with one or more partners (joint ventures) are accounted for using the equity method. Joint operations are defined by the fact that the parties exercising joint control over the arrangement have rights to the assets attributed to the arrangement and are liable for its debts. Assets and liabilities, revenue and expenses from the significant joint operations are recognised in the consolidated financial statements of the Lufthansa Group in proportion to these rights and obligations.

Associated companies are companies in which Deutsche Lufthansa AG has the opportunity to exercise major influence over financial and operating policy based on an interest of between 20% and 50%. Significant associated companies are accounted for in the consolidated financial statements using the equity method.

A list of major subsidiaries, joint arrangements and associated companies can be found in ↗ T184 – T187, p. 229 – 235, and the list of shareholdings in ↗ T188, p. 236 – 239.

In addition to Deutsche Lufthansa AG as the parent company, the group of consolidated companies includes 50 domestic and 242 foreign companies, including structured entities (previous year: 66 domestic and 267 foreign companies).

One material joint operation was also included in the consolidated financial statements on a pro rata basis in accordance with IFRS 11. It consists of a German cargo airline operated jointly by Deutsche Post AG and Deutsche Lufthansa AG, which each hold 50% of the share capital and voting rights. The two shareholders are also customers of the company and use the capacities of its cargo aircraft. In contrast to its capital and voting rights, the company's assets and liabilities, as well as its income and expenses, are allocated based on the user relationship of the shareholders according to their contracts.



Changes in the group of consolidated companies during the 2020 financial year are shown in the following table. One material change was the sale of the European catering activities to gategroup. These entities accounted for revenue

of EUR 366m in 2020 until their disposal on 2 December 2020. Some 8,000 employees left the Group when the disposal was completed.

**T178 CHANGES IN THE GROUP OF CONSOLIDATED COMPANIES FROM 1 JAN 2020 TO 31 DEC 2020**

Name, registered office	Additions	Disposals	Reasons
<b>Network Airlines business segment</b>			
Austrian Asset Holding GP S. à r.l., Luxembourg, Luxembourg	19 Jun 2020		Acquisition
Austrian Asset Holding S.C.S., Luxembourg, Luxembourg	25 Jun 2020		Established
Raft Co., Ltd., Tokyo, Japan	18 Dec 2020		Established
Swiss Global Air Lines AG, Basel, Switzerland		11 May 2020	Liquidation
Soir Leasing Co. Ltd., Tokyo, Japan		25 Jun 2020	Liquidation
FI Beauty Leasing Ltd., Tokyo, Japan		29 Jun 2020	Liquidation
Jour Leasing Co. Ltd., Tokyo, Japan		31 Aug 2020	Liquidation
<b>Eurowings business segment</b>			
LeaseAir GmbH & Co. Verkehrsflugzeuge V KG		30 Jun 2020	Fusion
<b>Catering business segment</b>			
MIM IFE Limited, Dublin, Ireland		2 Dec 2019	Fusion
LSG Sky Chefs Danmark A/S, Dragør, Denmark		14 Sep 2020	Liquidation
Evertaste GmbH, Alzey		2 Dec 2020	Disposal
Evertaste Limited, Hounslow, UK		2 Dec 2020	Disposal
Evertaste Oy, Vantaa, Finland		2 Dec 2020	Disposal
Evertaste S.r.l., Fiumicino, Italy		2 Dec 2020	Disposal
LSG France SAS, Paris, France		2 Dec 2020	Disposal
LSG Helvetia SAS, Paris, France		2 Dec 2020	Disposal
LSG Linearis S.A.S., Paris, France		2 Dec 2020	Disposal
LSG Lufthansa Service Catering- und Dienstleistungsgesellschaft mbH, Neu-Isenburg		2 Dec 2020	Disposal
LSG Sky Chefs - First Catering Schweiz AG, Bassersdorf, Switzerland		2 Dec 2020	Disposal
LSG Sky Chefs Belgium N.V., Zaventem, Belgium		2 Dec 2020	Disposal
LSG Sky Chefs Berlin GmbH, Neu-Isenburg		2 Dec 2020	Disposal
LSG Sky Chefs Czechia spol. s.r.o. i. L., Bor, Czech Republic		2 Dec 2020	Disposal
LSG Sky Chefs Düsseldorf GmbH, Neu-Isenburg		2 Dec 2020	Disposal
LSG Sky Chefs Europe GmbH, Neu-Isenburg		2 Dec 2020	Disposal
LSG Sky Chefs Frankfurt International GmbH, Neu-Isenburg		2 Dec 2020	Disposal
LSG Sky Chefs Frankfurt ZD GmbH, Neu-Isenburg		2 Dec 2020	Disposal
LSG Sky Chefs Köln GmbH, Neu-Isenburg		2 Dec 2020	Disposal
LSG Sky Chefs Lounge GmbH, Neu-Isenburg		2 Dec 2020	Disposal
LSG Sky Chefs Lounge, Inc., Wilmington, USA		2 Dec 2020	Disposal
LSG Sky Chefs München GmbH, Neu-Isenburg		2 Dec 2020	Disposal
LSG Sky Chefs Objekt- und Verwaltungsgesellschaft mbH, Neu-Isenburg		2 Dec 2020	Disposal
LSG Sky Chefs S.p.A., Fiumicino, Italy		2 Dec 2020	Disposal
LSG Sky Chefs Schweiz AG, Bassersdorf, Switzerland		2 Dec 2020	Disposal
LSG Sky Chefs Spain, S.A., Madrid, Spain		2 Dec 2020	Disposal
LSG Sky Chefs Verwaltungsgesellschaft mbH, Neu-Isenburg		2 Dec 2020	Disposal
LSG Transalpino SAS, Paris, France		2 Dec 2020	Disposal
LSG-Food & Nonfood Handel GmbH, Neu-Isenburg		2 Dec 2020	Disposal
RISTO RAIL PORTUGAL, LDA, Lisbon, Portugal		2 Dec 2020	Disposal
SkylogistiX GmbH, Neu-Isenburg		2 Dec 2020	Disposal
Spiriant Asia Pacific Limited, Hong Kong, China		2 Dec 2020	Disposal
Spiriant Bahrain Limited W.L.L., Manama, Bahrain		2 Dec 2020	Disposal
Spiriant GmbH, Neu-Isenburg		2 Dec 2020	Disposal
SPIRIANT North America, Inc., Wilmington, USA		2 Dec 2020	Disposal
Supply Chain S.à.r.l., Contern, Luxembourg		2 Dec 2020	Disposal
<b>Additional Businesses and Group Functions</b>			
AirPlus Air Travel Card Vertriebsgesellschaft mbH i.L., Vienna, Austria		8 Jan 2020	Liquidation
AirPlus Holding GmbH, Vienna, Austria		4 Feb 2020	Liquidation
Airplus International NV/SA, Brussels, Belgium		26 Nov 2020	Fusion

### USE OF EXEMPTION PROVISIONS

The following fully consolidated German Group companies made use of the exemption provisions in Section 264 Paragraph 3 and Section 264b HGB in 2020.

#### T179 USE OF EXEMPTION PROVISIONS

Company name	Registered office
Eurowings Aviation GmbH	Cologne
Eurowings Digital GmbH	Cologne
Eurowings GmbH	Düsseldorf
Eurowings Technik GmbH	Cologne
Germanwings GmbH	Cologne
Jettainer GmbH	Raunheim
LSG Asia GmbH	Neu-Isenburg
LSG Lufthansa Service Europa/Afrika GmbH	Neu-Isenburg
LSG Lufthansa Service Holding AG	Neu-Isenburg
LSG South America GmbH	Neu-Isenburg
LSY GmbH	Norderstedt
Lufthansa AirPlus Servicekarten GmbH	Neu-Isenburg
Lufthansa Asset Management GmbH	Frankfurt/Main
Lufthansa Asset Management Leasing GmbH	Frankfurt/Main
Lufthansa Aviation Training Berlin GmbH	Berlin
Lufthansa Aviation Training Germany GmbH	Frankfurt/Main
Lufthansa Aviation Training GmbH	Hallbergmoos
Lufthansa Cargo AG	Frankfurt/Main
Lufthansa CityLine GmbH	Munich Airport
Lufthansa Commercial Holding GmbH	Frankfurt/Main
Lufthansa Global Business Services GmbH	Frankfurt/Main
Lufthansa Industry Solutions AS GmbH	Norderstedt
Lufthansa Industry Solutions BS GmbH	Raunheim
Lufthansa Industry Solutions GmbH & Co. KG	Norderstedt
Lufthansa Process Management GmbH	Neu-Isenburg
Lufthansa Seeheim GmbH	Seeheim-Jugenheim
Lufthansa Systems GmbH & Co. KG	Raunheim
Lufthansa Technik AERO Alzey GmbH	Alzey
Lufthansa Technik AG	Hamburg
Lufthansa Technik Immobilien- und Verwaltungsgesellschaft mbH	Hamburg
Lufthansa Technik Logistik GmbH	Hamburg
Lufthansa Technik Logistik Services GmbH	Hamburg
Lufthansa Technik Maintenance International GmbH	Frankfurt/Main
Miles & More GmbH	Frankfurt/Main
Retail in Motion GmbH	Neu-Isenburg
time:matters GmbH	Neu-Isenburg
time:matters Holding GmbH	Neu-Isenburg
time:matters Spare Parts Logistics GmbH	Neu-Isenburg

The companies are affiliated with Deutsche Lufthansa AG by means of direct or indirect profit and loss transfer agreements.

Furthermore, LHBD Holding Limited, London, UK, registration number 06939137, is exempt from the obligation to have its individual financial statements audited pursuant to Section 479a of the 2006 Companies Act, United Kingdom.

The consolidated financial statements include equity investments in 29 joint ventures and 35 associates (previous year: 35 joint ventures and 39 associates), of which ten joint ventures (previous year: eleven) and 14 associates (previous year: 15) were accounted for using the equity method. The other joint ventures and associated companies were valued at amortised cost due to their minor overall significance.

#### 50 Related party disclosures

According to the notification on voting rights from 6 July 2020, the Federal Republic of Germany has held an indirect equity interest of 20.05% in Deutsche Lufthansa AG via the Economic Stabilisation Fund (WSF) since 2 July 2020. The WSF can exercise significant influence and represents a related party of Deutsche Lufthansa AG. The stabilisation measures in 2020 are significant transactions with the WSF.

➤ **Note 2, p. 140ff.**

Balances and transactions between the Company and its fully consolidated subsidiaries, which constitute related parties, have been eliminated in the course of consolidation and are not commented on in this Note. Details of transactions between the Lufthansa Group and other related parties are disclosed below.

The Lufthansa Group segments render numerous services to related parties within the scope of their ordinary business activities. Conversely, the companies in question provide services to the Lufthansa Group as part of their normal business. These extensive supply and service relationships take place on the basis of market prices.

In addition, the Lufthansa Group and certain non-consolidated subsidiaries have concluded numerous billing agreements, partly governing the joint use of services. In these cases, the administrative services provided are charged as cost allocations.

The Lufthansa Group's cash management is centralised, and, in this respect, the Lufthansa Group also performs a "banking function" vis-à-vis the non-consolidated companies of the Group. Non-consolidated Group companies included in the Group's cash management invest their available cash with the Group or borrow funds from the Group and carry out their derivative hedging transactions with the Group. All transactions take place at market conditions.

Due to geographical proximity in many cases, a large number of subletting contracts exists between the Lufthansa Group and related parties. In these cases, the Lufthansa Group usually charges the rental costs and incidental expenses incurred to the companies in question on a pro rata basis.

The following table shows the volume of significant services provided to or by related parties:

**T180 VOLUME OF SIGNIFICANT SERVICES PROVIDED TO OR BY RELATED PARTIES**

in €m	Volume of services rendered		Volume of services received	
	2020	2019	2020	2019
<b>Non-consolidated subsidiaries</b>				
Albatros Versicherungsdienste GmbH, Germany	0	0	40	50
Austrian Airlines Technik-Bratislava, s.r.o., Slovakia	1	2	15	10
Austrian Airlines Tele Sales Service GmbH, Austria	0	0	3	5
Cargo Future Communications (CFC) GmbH, Germany	0	0	5	4
Delvag Versicherungs-AG, Germany	5	6	4	3
DLH Fuel Company mbH, Germany	0	0	131	508
Global Load Control (PTY) LTD, South Africa	0	0	4	8
handling counts GmbH, Germany	0	0	9	9
LGSP Lufthansa Ground Service Portugal, Unipessoal Lda., Portugal	0	1	5	6
Lufthansa Aviation Training Austria GmbH, Austria	2	1	7	6
Lufthansa Aviation Training Operations Germany GmbH, Germany	2	3	13	16
Lufthansa Aviation Training Pilot Academy GmbH, Germany	1	1	6	3
Lufthansa Aviation Training USA Inc., USA	1	1	11	14
Lufthansa Consulting GmbH, Germany	1	2	3	9
Lufthansa Engineering and Operational Services GmbH, Germany	3	4	26	32
Lufthansa Global Business Services Hamburg GmbH, Germany	6	7	26	29
Lufthansa Global Business Services Sp. z o. o., Poland	2	2	30	33
Lufthansa Global Tele Sales GmbH, Germany	3	7	57	60
Lufthansa Group Business Services New York LLC, USA	0	0	5	0
Lufthansa Group Security Operations GmbH, Germany	1	0	6	0
Lufthansa Industry Solutions SHPK, Albania	0	0	6	0
Lufthansa Industry Solutions TS GmbH, Germany	2	1	13	13
Lufthansa Services (Thailand) Ltd., Thailand	0	0	5	7
Lufthansa Services Philippines, Inc., Philippines	1	0	4	5
Lufthansa Systems FlightNav AG, Switzerland	0	1	22	25
Lufthansa Systems Hungaria Kft, Hungary	0	1	24	25
Lufthansa Systems Poland Sp. z o.o., Poland	1	2	33	32
Lufthansa Technical Training GmbH, Germany	5	6	15	19
Lufthansa Technik Brussels N.V., Belgium	1	5	3	2
Lufthansa Technik Component Services Asia Pacific Limited, China	2	1	6	6
Lufthansa Technik Middle East FZE, United Arab Emirates	3	1	10	8
Lufthansa Technik Milan s.r.l., Italy	1	6	2	3
Lufthansa Technik Miskolc Kft., Hungary	2	0	7	0
Lufthansa Technik Services India Private Limited, India	2	1	4	5
Lufthansa Technik Shenzhen Co. Ltd., China	15	22	26	34
Lufthansa Technik Turbine Shannon Limited, Ireland	3	3	9	19
LZ-Catering GmbH, Germany	3	5	11	12
Reservation Data Maintenance India Private Ltd., India	0	0	2	5
time:matters (Shanghai) International Freight Forwarding Ltd., China	17	0	12	0
time:matters Austria GmbH, Austria	25	1	0	0
time:matters Courier Terminals GmbH, Germany	1	1	9	8
ZeroG GmbH, Germany	1	1	3	7

**T180 VOLUME OF SIGNIFICANT SERVICES PROVIDED TO OR BY RELATED PARTIES** (continued)

in €m	Volume of services rendered		Volume of services received	
	2020	2019	2020	2019
<b>Joint ventures</b>				
Airfoil Services Sdn. Bhd., Malaysia	0	1	2	7
EME Aero Sp. z o.o., Poland	0	0	18	0
LG-LHT Aircraft Solutions GmbH, Germany	3	6	0	0
N3 Engine Overhaul Services GmbH & Co. KG, Germany	1	5	0	0
Shanghai Pudong International Airport Cargo Terminal Co. Ltd., China	1	1	6	6
Spairliners GmbH, Germany	30	59	36	46
Star Alliance Services GmbH, Germany	1	2	5	8
Terminal 2 Gesellschaft mbH & Co oHG, Germany	0	1	11	13
Terminal One Group Association, L.P., USA	0	7	7	7
XEOS Sp. z o.o., Poland	10	4	16	7
<b>Associated companies</b>				
Aircraft Maintenance and Engineering Corp., China	4	10	6	3
Airmail Center Frankfurt GmbH, Germany	0	1	9	9
AviationPower GmbH, Germany	0	0	7	29
HEICO Aerospace Holdings Corp., USA	0	0	5	13
<b>Other affiliated companies</b>				
Shanghai Pudong International Airport Public Cargo Terminal Co. Ltd. (West), Shanghai, China	0	0	17	97
SunExpress Deutschland GmbH, Germany	7	26	65	93

The following tables show receivables owed by and liabilities to related parties:

**T181 RECEIVABLES FROM AFFILIATED COMPANIES**

in €m	2020	2019
Trade receivables from non-consolidated subsidiaries	39	30
Trade receivables from joint ventures	11	22
Trade receivables from associated companies	5	5
Trade receivables from other affiliated companies	5	1
<b>Total trade receivables</b>	<b>60</b>	<b>58</b>
Other receivables from non-consolidated subsidiaries	19	30
Other receivables from joint ventures	19	49
Other receivables from associated companies	11	10
Other receivables from other affiliated companies	5	-
<b>Total other receivables</b>	<b>54</b>	<b>89</b>
Loans to non-consolidated subsidiaries	99	99
Loans to joint ventures	5	5
Loans to associated companies	-	-
<b>Total non-current receivables</b>	<b>104</b>	<b>104</b>

**T182 LIABILITIES TO AFFILIATED COMPANIES**

in €m	2020	2019
Trade payables to non-consolidated subsidiaries	37	29
Trade payables to joint ventures	15	8
Trade payables to associated companies	2	3
Trade payables to other affiliated companies	1	2
<b>Total trade payables</b>	<b>55</b>	<b>42</b>
Other liabilities to non-consolidated subsidiaries	282	260
Other liabilities to joint ventures	26	0
Other liabilities to associated companies	0	0
Other liabilities to other affiliated companies	8	0
<b>Total other liabilities</b>	<b>316</b>	<b>260</b>

No individual shareholders of Deutsche Lufthansa AG exercise significant influence over the Group. For transactions involving members of the Executive Board and Supervisory Board (“directors’ dealings”), ↗ Note 51, p. 228.

## 51 Supervisory Board and Executive Board

The disclosure of remuneration for key managers required by IAS 24 includes the remuneration of the active members of the Executive Board and Supervisory Board.

The members of the Executive Board and the Supervisory Board as well as the other offices that they hold are named in the combined management report in the section [Corporate governance, p. 122ff.](#)

The principles of the remuneration system and the amount of remuneration paid to Executive Board and Supervisory Board members are shown and explained in detail in the remuneration report. The remuneration report forms part of the Annual Report 2020.

Total Executive Board remuneration under IFRS was EUR 9.7m (previous year: EUR 14.8m) including current service costs for pensions of EUR 3.2m (previous year: EUR 3.3m).

The active members of the Executive Board in past reporting years were remunerated as follows:

### T183 EXECUTIVE BOARD REMUNERATION (IFRS)

in € thousands	2020	2019
Basic salary	5,226	5,934
Other <sup>1)</sup>	58	110
One-year variable remuneration	1,058	2,091
<b>Total short-term remuneration</b>	<b>6,342</b>	<b>8,135</b>
Long-term variable remuneration <sup>2)</sup>	-1,339	1,299
Share-based remuneration	-1,976	-1,945
Current service cost for retirement benefits	3,179	3,291
<b>Total long-term remuneration</b>	<b>-136</b>	<b>2,645</b>
Severance payments	3,500	4,055
<b>Total</b>	<b>9,706</b>	<b>14,835</b>

<sup>1)</sup> Other remuneration includes in particular benefits from the use of company cars, discounts in connection with cash outflows from share programmes ([Note 39, p. 192ff.](#)) and concessionary travel in accordance with the relevant IATA regulations.

<sup>2)</sup> Expenses recognised in the reporting year for long-term variable remuneration for the financial years 2018 to 2020.

Pension provisions for Executive Board members active in the 2020 financial year came to EUR 17.9m (previous year: EUR 16.7m).

In addition to the provisions for the one-year variable remuneration of EUR 1,058k (previous year: EUR 2,091k), the value of the provisions recognised for the future payment of long-term variable remuneration for the Executive Board members active in the financial year 2020 was reduced by a total of EUR -1,339k (previous year: EUR 1,299k additionally recognised). In addition, provisions of EUR 519k were recognised for the future payment of long-term, share-based remuneration for the Executive Board members active as of 31 December 2020 (previous year: EUR 3,706k).

Total remuneration (HGB) paid to the Executive Board of Deutsche Lufthansa AG in the financial year 2020 came to EUR 12,078k (previous year: EUR 13,967k). The above remuneration includes the share-based remuneration component Total Shareholder Return (TSR) of EUR 4,305k as part of the long-term variable remuneration incentive.

Current payments and other benefits for former members of the Executive Board and their surviving dependants came to EUR 6.9m (previous year: EUR 6.4m). This includes payments by subsidiaries as well as benefits in kind and concessionary travel.

Pension obligations towards former Executive Board members and their surviving dependants amount to EUR 71.6m (previous year: EUR 69.1m). They are included in pension provisions ([Note 35, p. 180f.](#)).

Expenses for the fixed remuneration of Supervisory Board members came to EUR 1,887k in 2020 (previous year: EUR 2,170k). Other remuneration, mainly attendance fees, amounted to EUR 23k (previous year: EUR 62k). The Deutsche Lufthansa AG Supervisory Board members were also paid EUR 16k for work on supervisory boards of Group companies (previous year: EUR 2k).

In the reporting year, as in the previous year, no loans or advance payments were made to members of the Executive Board and to members of the Supervisory Board.

In addition to their Supervisory Board remuneration, employee representatives on the Supervisory Board received compensation for their work in the form of wages and salaries including pension entitlements amounting to EUR 1.1m in total in 2020 (previous year: EUR 1.1m).

## Major subsidiaries

### T184 MAJOR SUBSIDIARIES AS OF 31 DEC 2020

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
<b>Network Airlines business segment</b>			
Air Dolomiti S.p.A. Linee Aeree Regionali Europee, Dossobuono di Villafranca (Verona), Italy	100.00	100.00	
AirNavigator Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
AirTrust AG, Zug, Switzerland	100.00	100.00	June
ALIP No. 4 Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
ALIP No. 5 Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
ALIP No. 6 Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
ALIP No. 7 Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
AUA Beteiligungen Gesellschaft m.b.H., Vienna Airport, Austria	100.00	100.00	
Aura Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Auslese Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Austrian Airlines AG, Vienna Airport, Austria	100.00	100.00	
Austrian Airlines Lease and Finance Company Ltd. i.L., Guernsey, UK	100.00	100.00	
Austrian Asset Holding GP S.à r.l., Luxembourg, Luxembourg	100.00	100.00	
Austrian Asset Holding S.C.S., Luxembourg, Luxembourg	100.00	100.00	
Bayern Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Bremen Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Brussels Airlines SA/NV, Brussels, Belgium	100.00	100.00	
CASTOR Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Celine Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
CRANE LTD., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Dia Adler Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Dia Bach Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Dia Falke Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Dia Flamingo Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Dia Hausen Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Dia Himmel Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Dia Ibis Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Dia Orff Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Dia Vogel Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Dia Wagner Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Doppeladler Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Dunkel Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Edelweiss Air AG, Zurich, Switzerland	100.00	100.00	
Eifel Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Ellen Finance 2010 S.N.C., Puteaux, France	0.00	0.00 <sup>1)</sup>	
Empyrée S.A.S., Paris-Cedex, France	0.00	0.00 <sup>1)</sup>	
Evans Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
FG Honest Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
FG Unity Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
FG Vision Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
FK Yocasta Leasing Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
FL Falcon Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
FL Uranus Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Gabriela Finance 2012 Limited, Dublin, Ireland	0.00	0.00 <sup>1)</sup>	
Germanwings GmbH, Cologne	100.00	100.00	
Gina Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Global Brand Management AG, Basel, Switzerland	100.00	100.00	
Heike LH8 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Helles Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Ingrid Finance 2010 S.N.C., Puteaux, France	0.00	0.00 <sup>1)</sup>	
Lahm Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	

**T184 MAJOR SUBSIDIARIES AS OF 31 DEC 2020** (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
LHBD Holding Limited, London, UK	100.00	100.00 <sup>2)</sup>	
Lufthansa CityLine GmbH, Munich Airport	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 10, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 12, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 14, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 15, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 16, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 17, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 18, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 20, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 21, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 22, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 24, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 25, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 26, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 27, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 28, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 29, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 30, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 32, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 33, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 34, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 35, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 36, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 37, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 38, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 39, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 40, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 41, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 42, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 43, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 44, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 45, Salzburg, Austria	100.00	100.00	
Lufthansa Malta Aircraft-Leasing Ltd., St. Julians, Malta	100.00	100.00	
Lufthansa Process Management GmbH, Neu-Isenburg	100.00	100.00	
Miles & More GmbH, Frankfurt/Main	100.00	100.00	
Muller Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
NBB Cologne Lease Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
NBB Harz Lease Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
NBB Koblenz Lease Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
NBB Rhine Valley Lease LLC, Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
NBB Rothenburg Lease Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
NBB Saxon Lease Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
ÖLB Österreichische Luftverkehrs-Beteiligungs GmbH, Vienna Airport, Austria	100.00	100.00	
ÖLH Österreichische Luftverkehrs-Holding GmbH, Vienna Airport, Austria	100.00	100.00 <sup>3)</sup>	
ÖLP Österreichische Luftverkehrs-Privatstiftung, Vienna Airport, Austria	0.00	0.00 <sup>4)</sup>	
ORIX Aquila Corporation, Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
ORIX Himalia Corporation, Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
ORIX Lysithea Corporation, Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
ORIX Miranda Corporation, Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
ORIX Telesto Corporation, Tokyo, Japan	0.00	0.00 <sup>1)</sup>	



**T184 MAJOR SUBSIDIARIES AS OF 31 DEC 2020** (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
Raft Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Schloss Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
SL Aurora Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
SL Prairie Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
SL Victoria Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
SMFL Y Lease Nin-i-Kumiai, Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
SMFL Y Lease Nin-i-Kumiai Two, Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
SN Airholding SA/NV, Brussels, Belgium	100.00	100.00	
Swiss Aviation Software AG, Basel, Switzerland	100.00	100.00	
Swiss International Air Lines AG, Basel, Switzerland	100.00	100.00	
Sylvaner Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
TI DC Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
TI DD Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
TimBenNico Finance 2011 S.N.C., Puteaux, France	0.00	0.00 <sup>1)</sup>	
TLC Amaryllis Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
TLC Petunia Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
TLC Salvia Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Tusker Leasing Co. Ltd., Tokyo, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH9 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH10 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH11 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH12 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH13 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH14 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH15 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH16 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH17 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH18 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH19 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH20 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH21 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH22 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
Yamasa Aircraft LH23 Kumiai, Okayama, Japan	0.00	0.00 <sup>1)</sup>	
<b>Eurowings business segment</b>			
Eurowings Aviation GmbH, Cologne	100.00	100.00	
Eurowings Digital GmbH, Cologne	100.00	100.00	
Eurowings Europe GmbH, Vienna Airport, Austria	100.00	100.00	
Eurowings GmbH, Dusseldorf	100.00	100.00	
Eurowings Technik GmbH, Cologne	100.00	100.00	
Lufthansa Asset Management Leasing GmbH, Frankfurt/Main	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 19, Salzburg, Austria	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 31, Salzburg, Austria	100.00	100.00	
<b>Logistics business segment</b>			
Jettainer Americas, Inc., East Meadow, USA	100.00	100.00	
Jettainer GmbH, Raunheim	100.00	100.00	
Lufthansa Cargo AG, Frankfurt/Main	100.00	100.00	
Lufthansa Leasing Austria GmbH & Co. OG Nr. 50, Salzburg, Austria	100.00	100.00	
time:matters GmbH, Neu-Isenburg	100.00	100.00	
time:matters Holding GmbH, Neu-Isenburg	100.00	100.00	
time:matters Spare Parts Logistics GmbH, Neu-Isenburg	100.00	100.00	

**T184 MAJOR SUBSIDIARIES AS OF 31 DEC 2020** (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
<b>MRO business segment</b>			
BizJet International Sales & Support, Inc., Tulsa, USA	100.00	100.00	
Hamburger Gesellschaft für Flughafenanlagen mbH, Hamburg	100.00	100.00	
Hawker Pacific Aerospace, Sun Valley, USA	100.00	100.00	
JASEN Grundstücksgesellschaft mbH & Co. oHG, Grünwald	100.00	50.00 <sup>1)</sup>	
Lufthansa Industry Solutions AS GmbH, Norderstedt	100.00	100.00	
Lufthansa Industry Solutions BS GmbH, Raunheim	100.00	100.00	
Lufthansa Industry Solutions GmbH & Co. KG, Norderstedt	100.00	100.00	
Lufthansa Technik AERO Alzey GmbH, Alzey	100.00	100.00	
Lufthansa Technik AG, Hamburg	100.00	100.00	
Lufthansa Technik Airmotive Ireland Holdings Ltd., Dublin, Ireland	100.00	100.00	
Lufthansa Technik Airmotive Ireland Leasing Ltd., Dublin, Ireland	100.00	100.00	
Lufthansa Technik Budapest Repülögép Nagyjavító Kft., Budapest, Hungary	100.00	100.00	
Lufthansa Technik Component Services LLC, Tulsa, USA	100.00	100.00	
Lufthansa Technik Immobilien- und Verwaltungsgesellschaft mbH, Hamburg	100.00	100.00	
Lufthansa Technik Landing Gear Services UK Ltd., Kestrel Way, Hayes, UK	100.00	100.00	
Lufthansa Technik Logistik GmbH, Hamburg	100.00	100.00	
Lufthansa Technik Logistik Services GmbH, Hamburg	100.00	100.00	
Lufthansa Technik Maintenance International GmbH, Frankfurt/Main	100.00	100.00	
Lufthansa Technik Malta Limited, Luqa, Malta	92.00	92.00	
Lufthansa Technik North America Holding Corp., Tulsa, USA	100.00	100.00	
Lufthansa Technik Objekt- und Verwaltungsgesellschaft mbH, Hamburg	100.00	100.00	
Lufthansa Technik Philippines, Inc., Manila, Philippines	51.00	51.00	
Lufthansa Technik Puerto Rico LLC, San Juan, Puerto Rico	100.00	100.00	
Lufthansa Technik Shannon Limited, Claire, Ireland	100.00	100.00	
Lufthansa Technik Sofia OOD, Sofia, Bulgaria	75.10	75.10	
<b>Catering business segment</b>			
Aerococina S.A. de C.V., Mérida City, Mexico	51.98	100.00	
AIRO Catering Services Eesti OÜ, Tallinn, Estonia	100.00	100.00	
Airo Catering Services Latvija SIA, Marupe, Latvia	100.00	100.00	
AIRO Catering Services Sweden AB, Upplands Väsby, Sweden	100.00	100.00	
AIRO Catering Services - Ukraine, Boryspil, Ukraine	100.00	100.00	
Arlington Services Mexico, S.A. de C.V., Mexico City, Mexico	100.00	100.00	
Arlington Services Panama S.A., Panama City, Panama	100.00	100.00	
AVIAPIT-SOCHI OOO, Sotschi, Russia	100.00	100.00	
Bahia Catering Ltda., Sao Cristovao (Salvador), Brazil	100.00	100.00	
Belém Serviços de Bordo Ltda., Maracangalha, Belém, Brazil	70.00	70.00	
Capital Gain International (1986) Ltd., Hong Kong, China	100.00	100.00	
Cater Suprimento de Refeicoes, Ltda., Rio de Janeiro, Brazil	100.00	100.00	
Caterair Servicos de Bordo e Hotelaria Ltda., Ilha do Governador, Brazil	100.00	100.00	
Charm Food Service Co. Ltd., Incheon, South Korea	80.00	100.00	
CLS Catering Services Ltd., Vancouver, British Columbia, Canada	70.00	70.00	
Comercializadora de Servicios Limitada, ENEA, Pudahuel, Santiago, Chile	100.00	100.00	
Comisariato de Baja California, S.A. de C.V., Tijuana, Mexico	51.00	51.00	
Comisariatos Gotre, S.A. de C.V., Terecotepec, Mexico	51.00	51.00	
Constance Food Group, Inc., New York, USA	100.00	100.00	
Fortaleza Serviços de Bordo Ltda., Fortaleza, Brazil	70.00	70.00	
Inflight Catering (Pty) Ltd., Johannesburg, South Africa	100.00	100.00	
Inflight Catering Services Limited, Dar es Salaam, Tanzania	61.99	61.99	
International Food Services Ltd., Hong Kong, China	100.00	100.00	
LSG Asia GmbH, Neu-Isenburg	100.00	100.00	

**T184 MAJOR SUBSIDIARIES AS OF 31 DEC 2020** (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
LSG Catering China Ltd., Hong Kong, China	100.00	100.00	
LSG Catering Guam, Inc., Guam, USA	100.00	100.00	
LSG Catering Hong Kong Ltd., Hong Kong, China	100.00	100.00	
LSG Catering Saipan, Inc., Saipan, Micronesia	100.00	100.00	
LSG Catering (Thailand) Ltd., Bangkok, Thailand	100.00	100.00	
LSG Holding Asia Ltd., Hong Kong, China	86.88	80.00	
LSG Lufthansa Service Asia Ltd., Hong Kong, China	100.00	100.00	
LSG Lufthansa Service Cape Town (Pty) Ltd., Boksburg, South Africa	100.00	100.00	
LSG Lufthansa Service Enterprises Ltd., Hong Kong, China	100.00	100.00	
LSG Lufthansa Service Europa/Afrika GmbH, Neu-Isenburg	100.00	100.00	
LSG Lufthansa Service Guam, Inc., Tamuning, Guam, USA	100.00	100.00	
LSG Lufthansa Service Holding AG, Neu-Isenburg	100.00	100.00	
LSG Lufthansa Service Hong Kong Ltd., Hong Kong, China	41.62	50.00 <sup>4)</sup>	
LSG Lufthansa Service Saipan, Inc., Saipan, Micronesia	100.00	100.00	
LSG Lufthansa Service - Sky Chefs do Brasil Catering, Refeições Ltda., Guarulhos, Brazil	100.00	100.00	
LSG Sky Chefs Argentina S.A., Ezeiza, Argentina	100.00	100.00	
LSG Sky Chefs de Venezuela C.A., Caracas, Venezuela	99.99	99.93	
LSG Sky Chefs Havacilik Hizmetleri A.S., Bakirköy/Istanbul, Turkey	100.00	100.00	
LSG Sky Chefs (India) Private Ltd., Bangalore, India	100.00	100.00	March
LSG Sky Chefs Istanbul Catering Hizmetleri A.S., Istanbul, Turkey	100.00	100.00 <sup>6)</sup>	
LSG Sky Chefs Kenya Limited, Nairobi, Kenya	50.20	50.20	
LSG Sky Chefs Korea Co Ltd., Incheon, South Korea	80.00	80.00	
LSG Sky Chefs Malmö AB, Kungsör, Sweden	100.00	100.00	
LSG Sky Chefs New Zealand Limited, Auckland, New Zealand	100.00	100.00	
LSG Sky Chefs Norge AS, Gardermoen, Norway	100.00	100.00	
LSG Sky Chefs North America Solutions, Inc., Wilmington, USA	100.00	100.00	
LSG Sky Chefs (Qingdao) Co., Ltd., Laixi City, China	100.00	100.00	
LSG Sky Chefs Rus, Moscow, Russia	100.00	100.00	
LSG Sky Chefs South Africa (Proprietary) Ltd., Johannesburg, South Africa	100.00	100.00	
LSG Sky Chefs Supply Chain Solutions, Inc., Wilmington, USA	100.00	100.00	
LSG Sky Chefs Sverige AB, Kungsör, Sweden	100.00	100.00	
LSG Sky Chefs TAAG Angola S.A., Luanda, Angola	40.00	40.00 <sup>4)</sup>	
LSG Sky Chefs (Thailand) Ltd., Bangkok, Thailand	64.30	100.00	
LSG Sky Chefs UK Ltd. i.L., Sidcup, UK	100.00	100.00	
LSG Sky Chefs USA, Inc., Wilmington, USA	100.00	100.00	
LSG South America GmbH, Neu-Isenburg	100.00	100.00	
LSG/Sky Chefs Europe Holdings Ltd., Hounslow, UK	100.00	100.00	
Myanmar LSG Lufthansa Service Ltd., Yangon, Myanmar	100.00	100.00	September
Natal Catering Ltda., Aeroporto São Gonçalo do Amarante, Brazil	70.00	70.00	
Oakfield Farms Solutions, L.L.C., Wilmington, USA	100.00	100.00	
Retail In Motion Asia Limited, Hong Kong, China	100.00	100.00	
Retail in Motion GmbH, Neu-Isenburg	100.00	100.00	
Retail in Motion Latin America SpA, ENEA, Pudahuel, Santiago, Chile	100.00	100.00	
Retail in Motion Limited, Dublin, Ireland	100.00	100.00	
Retail In Motion Mexico S. de R.L. de C.V., Mexico City, Mexico	51.00	100.00	
Retail in Motion Middle East L.L.C., Abu Dhabi, United Arab Emirates	100.00	100.00	
SCIS Air Security Corporation, Wilmington, USA	100.00	100.00	
ServCater Internacional Ltda., Guarulhos, Brazil	90.00	90.00	
Servicios Complementarios de Cabina, S.A. de C.V., Mexico City, Mexico	51.88	99.80	
Siam Flight Services Ltd., Bangkok, Thailand	49.00	66.67	
Silver Wings Bulgaria OOD, Sofia, Bulgaria	28.75	28.75 <sup>5)</sup>	
Sky Chefs Chile SpA, ENEA, Pudahuel, Santiago, Chile	100.00	100.00	

**T184 MAJOR SUBSIDIARIES AS OF 31 DEC 2020** (continued)

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
Sky Chefs De Mexico, S.A. de C.V., Mexico City, Mexico	51.00	51.00	
Sky Chefs de Panama, S.A., Panama City, Panama	100.00	100.00	
Sky Chefs Things Remembered Services FZE, Lagos, Nigeria	51.00	51.00	
Sky Chefs Things Remembered Services Limited, Lagos, Nigeria	51.00	51.00	
Sky Chefs, Inc., Wilmington, USA	100.00	100.00	
Western Aire Chef, Inc., Wilmington, USA	100.00	100.00	
ZAO AeroMEAL, Yemelyanovo, Russia	100.00	100.00	
<b>Additional Businesses and Group Functions</b>			
AirPlus International AG, Kloten, Switzerland	100.00	100.00	
AirPlus International, Inc., Alexandria, USA	100.00	100.00	
AirPlus International Limited, London, UK	100.00	100.00	
AirPlus International S.r.l., Bologna, Italy	100.00	100.00	
AirPlus Payment Management Co. Ltd., Shanghai, China	100.00	100.00	
Crane Strategic Investment S.C.S., Grevenmacher, Luxembourg	100.00	100.00	
LCH Grundstücksgesellschaft Berlin mbH, Frankfurt/Main	100.00	100.00	
LHAMI LEASING LIMITED, Dublin, Ireland	100.00	100.00	
LHAMIH LIMITED, Dublin, Ireland	100.00	100.00	
LSG Sky Chefs Bremen GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Hamburg GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Leipzig GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs RPC West GmbH, Neu-Isenburg	100.00	100.00	
LSY GmbH, Norderstedt	100.00	100.00	
Lufthansa AirPlus Servicekarten GmbH, Neu-Isenburg	100.00	100.00	
Lufthansa Asset Management GmbH, Frankfurt/Main	100.00	100.00	
Lufthansa Aviation Training Berlin GmbH, Berlin	100.00	100.00	
Lufthansa Aviation Training Germany GmbH, Frankfurt/Main	100.00	100.00	
Lufthansa Aviation Training GmbH, Hallbergmoos	100.00	100.00	
Lufthansa Aviation Training Switzerland AG, Opfikon, Switzerland	100.00	100.00	
Lufthansa Commercial Holding GmbH, Frankfurt/Main	100.00	100.00	
Lufthansa Global Business Services GmbH, Frankfurt/Main	100.00	100.00	
Lufthansa Leasing Austria 1. Beteiligungs GmbH, Salzburg, Austria	100.00	100.00	
Lufthansa Malta Blues LP, St. Julians, Malta	99.99	99.99	
Lufthansa Malta Corporate Finance Limited, St. Julians, Malta	100.00	100.00	
Lufthansa Malta Finance Holding Limited, St. Julians, Malta	100.00	100.00	
Lufthansa Malta Treasury Services Limited, St. Julians, Malta	100.00	100.00	
Lufthansa Seeheim GmbH, Seeheim-Jugenheim	100.00	100.00	
Lufthansa Systems Americas, Inc., Miami Lakes, USA	100.00	100.00	
Lufthansa Systems GmbH & Co. KG, Raunheim	100.00	100.00	
MARDU Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, Grünwald	100.00	50.00 <sup>1)</sup>	
MUSA Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, Grünwald	100.00	50.00 <sup>1)</sup>	
Quinto Grundstücksgesellschaft mbH & Co. oHG, Grünwald	99.73	49.75 <sup>1)</sup>	
TGV DLH, Dusseldorf	100.00	100.00	

<sup>1)</sup> Fully consolidated structured entity in accordance with IFRS 10.

<sup>2)</sup> The Companies House registration number is: 06939137.

<sup>3)</sup> 50.20% of the equity stakes and voting rights are attributed via ÖLP.

<sup>4)</sup> Management responsibility for the company lies with the Group.

<sup>5)</sup> 28.75% equity shares and voting rights are attributed via a call option.

<sup>6)</sup> 33.34% of the equity stakes and 50.01% voting rights are attributed via a call option.

**T185 MAJOR JOINT VENTURES AS OF 31 DEC 2020<sup>1)</sup>**

Name, registered office	Equity stake in %	Voting share in %	Different reporting period
<b>Network Airlines business segment</b>			
Terminal 2 Gesellschaft mbH & Co oHG, Munich Airport	40.00	40.00	
<b>Eurowings business segment</b>			
Günes Ekspres Havacilik Anonim Sirketi (Sun Express), Antalya, Turkey	50.00	50.00	
<b>Logistics business segment</b>			
Shanghai Pudong International Airport Cargo Terminal Co. Ltd., Shanghai, China	29.00	22.22	
<b>MRO business segment</b>			
EME Aero Sp. z o.o., Jasionka, Poland	50.00	50.00	
LG-LHT Aircraft Solutions GmbH, Hamburg	51.00	50.00	
LG-LHT Passenger Solutions GmbH, Hamburg	51.00	50.00	
N3 Engine Overhaul Services GmbH & Co. KG, Arnstadt	50.00	50.00	
Spairliners GmbH, Hamburg	50.00	50.00	
XEOS Sp. z o.o., Warsaw, Poland	51.00	50.00	
<b>Additional Businesses and Group Functions</b>			
Diners Club Spain S.A., Madrid, Spain	25.00	25.00	

**T186 JOINT OPERATIONS AS OF 31 DEC 2020<sup>2)</sup>**

Aerologic GmbH, Leipzig	50.00	50.00	
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**T187 MAJOR ASSOCIATED COMPANIES AS OF 31 DEC 2020<sup>1)</sup>**

<b>MRO business segment</b>			
Aircraft Maintenance and Engineering Corp., Beijing, China	25.00	28.57	
HEICO Aerospace Holdings Corp., Florida, USA	20.00	20.00	October
<b>Catering business segment</b>			
Cosmo Enterprise Co. Ltd., Narita City, Japan	20.00	20.00	March
Gansu HNA LSG Sky Chefs Co. Ltd., Lanzhou, China	49.00	40.00	
Hong Kong Beijing Air Catering Ltd., Hong Kong, China	45.00	40.00	
Hong Kong Shanghai Air Catering Ltd., Hong Kong, China	45.00	40.00	
Inflite Holdings (Cayman) Ltd., Grand Cayman, Cayman Islands	49.00	49.00	September
Inflite Holdings (St. Lucia) Ltd., Castries, St. Lucia	49.00	49.00	September
Nanjing Lukou International Airport LSG Catering Co. Ltd., Nanjing City, China	40.00	40.00	
Tolmachevo Catering OOO, Novosibirsk, Russia	26.00	26.00	
Wenzhou Longwan International Airport LSG Sky Chefs Co. Ltd., Wenzhou City, China	40.00	40.00	
Xian Eastern Air Catering Co. Ltd., Xian, China	30.00	28.57	
Yunnan Eastern Air Catering Co. Ltd., Kunming, China	24.90	28.57	
ZAO Aeromar, Moscow region, Russia	49.00	49.00	

<sup>1)</sup> Accounted for using the equity method.

<sup>2)</sup> Included on a pro rata basis in accordance with IFRS 11.

## Miscellaneous equity investments

### T188 MISCELLANEOUS EQUITY INVESTMENTS AS OF 31 DEC 2020

Name, registered office	Equity stake	Voting share
	in %	in %
<b>Subsidiaries, not consolidated</b>		
26. INCORPORATION, Inc., East Meadow, USA	100.00	100.00
ACS Aircontainer Services Gesellschaft m.b.H. in Liqu., Fischamend, Austria	100.00	100.00
Air Dolomiti Deutschland GmbH, Munich	100.00	100.00
AIRBEL N.V./S.A., Brussels, Belgium	50.50	50.50
Airline Marketing Services India Private Limited, Mumbai, India	100.00	100.00
AirPlus International Soluções de Pagamento Limitada, Sao Paulo, Brazil	100.00	100.00
Airport Services Dresden GmbH, Dresden	100.00	100.00
Airport Services Leipzig GmbH, Schkeudiz	100.00	100.00
Albatros Service Center GmbH, Cologne	100.00	100.00
Albatros Versicherungsdienste GmbH, Cologne	100.00	100.00
Austrian Airlines Technik-Bratislava, s.r.o., Bratislava, Slovakia	100.00	100.00
Austrian Airlines Tele Sales Service GmbH, Innsbruck, Austria	100.00	100.00
AVIATION Data Hub GmbH, Hamburg	100.00	100.00
Aviation Quality Services GmbH, Frankfurt/Main	100.00	100.00
Aviation Services Network GmbH, Friedrichshafen	100.00	100.00
Avionic Design GmbH, Hamburg	49.00	49.00
Cargo Future Communications (CFC) GmbH, Büchenbeuren	100.00	100.00
Caterair Portugal - Assistencia A Bordo, Lda., Sacavém, Portugal	100.00	100.00
CB Customs Broker GmbH, Kelsterbach	100.00	100.00
Delvag Versicherungs-AG, Cologne	100.00	100.00
Deutsche Lufthansa Unterstützungswerk GmbH, Frankfurt/Main	100.00	100.00
DLH Fuel Company mbH, Hamburg	100.00	100.00
DLH Malta Pension Ltd., St. Julians, Malta	100.00	100.00
DLH Malta Transition Limited, St. Julians, Malta	100.00	100.00
FLYdocs Inc. (Delaware Corp.), City of Wilmington, New Castle, USA	100.00	100.00
FLYdocs Systems India Private Ltd., Vadoora, India	100.00	100.00
FLYdocs Systems Limited, Tamworth, Staffordshire, UK	100.00	100.00
FLYdocs Systems (MIDCO) Limited, Tamworth, Staffordshire, UK	100.00	100.00
Flydocs Systems (TOPCO) Limited, Staffordshire, UK	100.00	100.00
Gen2 Systems Limited, Tamworth, UK	100.00	100.00
Global Load Control (PTY) LTD, Cape Town, South Africa	100.00	100.00
Global Tele Sales (PTY) Ltd., Cape Town, South Africa	100.00	100.00
Global Tele Sales Brno s.r.o., Brno, Czech Republic	100.00	100.00
Global Tele Sales Ltd., Dublin, Ireland	100.00	100.00
Global Telesales of Canada, Inc., Peterborough, Canada	100.00	100.00
handling counts GmbH, Frankfurt/Main	100.00	100.00
help alliance gGmbH, Frankfurt/Main	100.00	100.00
heyworld GmbH, Frankfurt/Main	100.00	100.00
Hinduja Lufthansa Cargo Holding B.V., Amsterdam, Netherlands	100.00	100.00
Idair GmbH, Hamburg	100.00	100.00
In-Flight Management Solutions Latin America, S.A. de C.V., Mexico City, Mexico	100.00	100.00
IND Beteiligungs GmbH, Raunheim	100.00	100.00
LCAG Malta Pension Ltd., St. Julians, Malta	100.00	100.00
LCAG Malta Transition Limited, St. Julians, Malta	100.00	100.00
LGSP Lufthansa Ground Service Portugal, Unipessoal Lda., Maia/Oporto, Portugal	100.00	100.00
LHT Malta Pension Ltd., St. Julians, Malta	100.00	100.00
LSG Malta Pension Ltd., St. Julians, Malta	100.00	100.00
LSI Malta Pension Ltd., St. Julians, Malta	100.00	100.00

**T188 MISCELLANEOUS EQUITY INVESTMENTS AS OF 31 DEC 2020** (continued)

Name, registered office	Equity stake	Voting share
	in %	in %
Lufthansa Aviation Training Austria GmbH, Vienna Airport, Austria	100.00	100.00
Lufthansa Aviation Training Crew Academy GmbH, Frankfurt/Main	100.00	100.00
Lufthansa Aviation Training Operations Germany GmbH, Berlin	100.00	100.00
Lufthansa Aviation Training Pilot Academy GmbH, Frankfurt/Main	100.00	100.00
Lufthansa Aviation Training USA Inc., Goodyear, USA	100.00	100.00
Lufthansa Blues Beteiligungs GmbH, Frankfurt/Main	100.00	100.00
Lufthansa Cagri Merkezi ve Müsteri Hizmetleri A.S., Istanbul, Turkey	100.00	100.00
Lufthansa Cargo India (Priv) Ltd. i.L., New-Delhi, India	100.00	100.00
Lufthansa Cargo Servicios Logisticos de Mexico, S.A. de C.V., Mexico City, Mexico	100.00	100.00
Lufthansa City Center International GmbH, Frankfurt/Main	50.00	50.00
Lufthansa Consulting Brasil Ltda., Rio de Janeiro, Brazil	99.90	99.90
Lufthansa Consulting GmbH, Frankfurt/Main	100.00	100.00
Lufthansa Engineering and Operational Services GmbH, Frankfurt/Main	100.00	100.00
Lufthansa Global Business Services Hamburg GmbH, Hamburg	100.00	100.00
Lufthansa Global Business Services Ltd., Bangkok, Thailand	100.00	100.00
Lufthansa Global Business Services S.A. de C.V., Mexico City, Mexico	100.00	100.00
Lufthansa Global Business Services Sp. z o.o., Krakow, Poland	100.00	100.00
Lufthansa Global Tele Sales GmbH, Berlin	100.00	100.00
Lufthansa Group Business Services Hong Kong Limited, Hong Kong, China	100.00	100.00
Lufthansa Group Business Services Johannesburg (pty) Ltd., Gauteng, South Africa	100.00	100.00
Lufthansa Group Business Services New York LLC, Wilmington, Delaware, USA	100.00	100.00
Lufthansa Group Business Services Wien GmbH, Vienna, Austria	100.00	100.00
Lufthansa Group Security Operations GmbH, Frankfurt/Main	100.00	100.00
Lufthansa Industry Solutions SHPK, Tirana, Albania	100.00	100.00
Lufthansa Industry Solutions TS GmbH, Oldenburg	100.00	100.00
Lufthansa Innovation Hub GmbH, Berlin	100.00	100.00
Lufthansa International Finance (Netherlands) N. V., Amsterdam, Netherlands	100.00	100.00
Lufthansa Job Services Norderstedt GmbH, Norderstedt	100.00	100.00
Lufthansa Malta Blues General Partner GmbH & Co. KG, Frankfurt/Main	100.00	100.00
Lufthansa Malta Pension Holding Ltd., St. Julians, Malta	100.00	100.00
Lufthansa Pension Beteiligungs GmbH, Frankfurt/Main	100.00	100.00
Lufthansa Pension GmbH & Co. KG, Frankfurt/Main	100.00	100.00
Lufthansa Services Philippines, Inc., Manila, Philippines	100.00	100.00
Lufthansa Services (Thailand) Ltd., Bangkok, Thailand	100.00	100.00
Lufthansa Super Star Gesellschaft mit beschränkter Haftung i.L., Berlin	100.00	100.00
Lufthansa Systems 25. GmbH, Raunheim	100.00	100.00
Lufthansa Systems Asia Pacific Pte. Ltd., Singapore, Singapore	100.00	100.00
Lufthansa Systems FlightNav AG, Opfikon, Switzerland	100.00	100.00
Lufthansa Systems Hungaria Kft, Budapest, Hungary	100.00	100.00
Lufthansa Systems Poland Sp. z o.o., Danzig, Poland	100.00	100.00
Lufthansa Systems Verwaltungs GmbH, Raunheim	100.00	100.00
Lufthansa Technical Training GmbH, Hamburg	100.00	100.00
Lufthansa Technik Brussels N.V., Steenokkerzeel-Melsbroek, Belgium	100.00	100.00
Lufthansa Technik Component Services Asia Pacific Limited, Hong Kong, China	100.00	100.00
Lufthansa Technik Intercoat GmbH, Kaltenkirchen	51.00	51.00
Lufthansa Technik Middle East FZE, Dubai, United Arab Emirates	100.00	100.00
Lufthansa Technik Milan s.r.l., Somma Lombardo (VA), Italy	100.00	100.00
Lufthansa Technik Miskolc Kft., Budapest, Hungary	100.00	100.00
Lufthansa Technik Services India Private Limited, New-Delhi, India	100.00	100.00
Lufthansa Technik Shenzhen Co. Ltd., Shenzhen, China	80.00	67.00
Lufthansa Technik Turbine Shannon Limited, Shannon, Ireland	100.00	100.00



<b>T188 MISCELLANEOUS EQUITY INVESTMENTS AS OF 31 DEC 2020</b> (continued)		
Name, registered office	Equity stake in %	Voting share in %
Lufthansa Technik Vostok Services OOO, Moscow, Russia	100.00	100.00
Lufthansa UK Pension Trustee Limited, West Drayton, Middlesex, UK	100.00	100.00
LZ-Catering GmbH, Hamburg	100.00	100.00
Malta Pension Investments, St. Julians, Malta	0.00	100.00
Marriott Export Services, C.A., Caracas, Venezuela	99.99	100.00
Marriott International Trade Services, C.A., Caracas, Venezuela	99.99	100.00
Ocean GmbH, Frankfurt/Main	100.00	100.00
Oscar Bravo GmbH, Munich	100.00	100.00
Quinto Grundstücks-Verwaltungsgesellschaft mbH, Grünwald	94.80	94.80
Reservation Data Maintenance India Private Ltd., New-Delhi, India	51.00	51.00
Retail inMotion Asia Pacific Limited, San Po Kong, Kowloon, China	100.00	100.00
Shared Services International India Private Limited, New-Delhi, India	100.00	100.00
Shared Services International, Singapore PTE. LTD, Singapore, Singapore	100.00	100.00
Skeyos GmbH, Hamburg	100.00	100.00
Star Risk Services Inc., Southlake, USA	100.00	100.00
Swiss WorldCargo (India) Private Limited, Mumbai, India	100.00	100.00
TATS – Travel Agency Technologies & Services GmbH, Frankfurt/Main	100.00	100.00
time:matters Americas, Inc., Miami, USA	100.00	100.00
time:matters Asia Pacific Pte. Ltd., Singapore, Singapore	100.00	100.00
time:matters Austria GmbH, Vienna Airport, Austria	100.00	100.00
time:matters Belgium BVBA, Mechelen, Belgium	100.00	100.00
time:matters Courier Terminals GmbH, Frankfurt/Main	100.00	100.00
time matters GmbH, Zurich, Switzerland	100.00	100.00
time:matters Netherlands B.V., Schiphol-Rijk, Netherlands	100.00	100.00
time:matters (Shanghai) International Freight Forwarding Ltd., Shanghai, China	100.00	100.00
VPF Malta Pension Ltd., St. Julians, Malta	100.00	100.00
Yilu Travel Services GmbH, Berlin	100.00	100.00
ZeroG GmbH, Raunheim	100.00	100.00
<b>Other equity investments</b>		
Aerexchange Ltd., Wilmington, USA	11.36	0.00
AFS Aviation Fuel Services GmbH, Hamburg	33.33	33.33
Airfoil Services Sdn. Bhd., Kuala Lumpur, Malaysia	50.00	50.00
Airline Tariff Publishing Co., Dulles, USA	9.77	9.77
Airmail Center Frankfurt GmbH, Frankfurt/Main	40.00	40.00
ATLECON Fuel LLC, Atlanta, USA	13.85	13.85
AUS Fuel Company, LLC, Austin, USA	6.67	6.67
AviationPower GmbH, Hamburg	49.00	49.00
Beijing Lufthansa Center Co. Ltd., Beijing, China	11.23	12.50
Berlin Fuelling Services GbR, Berlin	12.50	12.50
Cargo One GmbH, Berlin	16.22	16.22
Charlotte Fuel Facilities LLC, Wilmington, USA	11.11	11.11
Chelyabinsk Catering Service OOO, Chelyabinsk, Russia	26.00	26.00
Düsseldorf Fuelling Services (DFS) GbR, Dusseldorf	33.33	33.33
EFM – Gesellschaft für Enteisen und Flugzeugschleppen am Flughafen München mbH, Freising	51.00	51.00
Egyptian Aviation Services Company (S.A.E.), Cairo, Egypt	5.83	5.83
Entebbe Handling Services Limited (ENHAS), Entebbe, Uganda	5.00	5.00
FFS Frankfurt Fuelling Services (GmbH & Co.) OHG, Hamburg	33.33	33.33
Finairport Service S.r.l. i.L., Turin, Italy	100.00	100.00
Fleet Logistics Inc. i.L., Wilmington, USA	18.33	18.33
Flight Training Alliance GmbH, Frankfurt/Main	50.00	50.00
Flughafen München Baugesellschaft mbH, Munich Airport	40.00	40.00
FraAlliance GbR, Frankfurt/Main	50.00	50.00

**T188 MISCELLANEOUS EQUITY INVESTMENTS AS OF 31 DEC 2020** (continued)

Name, registered office	Equity stake in %	Voting share in %
FraCareServices GmbH, Frankfurt/Main	49.00	49.00
FSH Flughafen Schwechat-Hydranten-Gesellschaft GmbH & Co OG, Vienna Airport, Austria	14.29	14.29
GOAL German Operating Aircraft Leasing GmbH, Munich	40.00	40.00
GOAL German Operating Aircraft Leasing GmbH & Co. KG, Grünwald	40.00	39.99
Guangzhou Baiyun International Airport LSG Sky Chefs Co. Ltd., Guangzhou, China	30.00	28.57
Hamburg Fuelling Services GbR, Hamburg	25.00	25.00
Hamburg Tank Service GbR, Hamburg	33.30	33.30
Hangzhou Xiaoshan Airport LSG Air Catering Co. Ltd., Hangzhou, China	25.00	28.57
Hookers Point Fuel Facilities LLC., Orlando, USA	9.09	9.09
Hydranten-Betriebs OHG, Frankfurt/Main	49.00	20.00
INAIRVATION GmbH, Edlitz-Thomasberg, Austria	50.00	50.00
Kulinary Holding AG, Opfikon, Switzerland	40.00	40.00
LSG Sky Chefs Catering Egypt S.A.E., Cairo, Egypt	15.00	15.00
Luftfahrzeugverwaltungsgesellschaft GOAL mbH i.L., Grünwald	40.00	40.00
Lufthansa HNA Technical Training Co. Ltd., Meilan Airport, Hainan, China	50.00	1.00
Lufthansa Leasing GmbH, Grünwald	49.00	49.00
Lumics GmbH & Co. KG, Hamburg	50.00	50.00
Lumics Verwaltungs GmbH, Hamburg	50.00	50.00
Montreal International Fuel Facilities Corporation, Dorval, Canada	11.20	11.20
N3 Engine Overhaul Services Verwaltungsgesellschaft mbH, Hamburg	50.00	50.00
ORD Fuel Company, LLC, Wilmington, USA	6.67	6.67
Orlando Fuel Facilities LLC, Wilmington, USA	5.88	5.88
PHL Fuel Facilities LLC, Pittsburgh, USA	10.00	10.00
Rydes GmbH i.Gr., Berlin	8.00	8.00
SAN Fuel Company, LLC, Fort Worth, USA	5.56	5.56
Sanya LSG Air Catering Co. Ltd., Sanya, China	45.00	40.00
SCA Schedule Coordination Austria GmbH, Vienna Airport, Austria	25.00	25.00
Shenzhen Airport International Cargo Terminal Company Limited, Shenzhen, China	50.00	50.00
Sichuan Airlines LSG Air Catering Co. Ltd., Chengdu, China	40.00	40.00
Tanklager-Gesellschaft Tegel GbR, Tegel	12.50	12.50
Terminal One Group Association, L.P., New York, USA	24.75	0.00
Terminal One Management Inc., New York, USA	25.00	25.00
THBG BBI GmbH, Schönefeld	46.45	46.45
Turbo Fuel Services Sachsen (TFSS) GbR, Hamburg	20.00	20.00
UBAG Unterflurbetankungsanlage Flughafen Zürich AG, Rümlang, Switzerland	12.00	12.00
Universal Air Travel Plan, Inc., Washington, USA	5.26	5.26
Vancouver Airport Fuel Facilities Corporation, Dorval, Canada	5.71	5.71
Verimi GmbH, Frankfurt/Main	5.91	5.91
Xinjiang HNA LSG Sky Chefs Co. Ltd., Urumqi, China	49.00	40.00
Zentrum für Angewandte Luftfahrtforschung GmbH, Hamburg	20.00	20.00

## Declaration by the legal representatives

We declare that, to the best of our knowledge and according to the applicable accounting standards, the consolidated financial statements give a true and fair view of the net assets, the financial and earnings positions of the Group, and that the Group management report, which has been combined with the management report for Deutsche Lufthansa AG, includes a fair view of the course of business, including the business result, and the situation of the Group, and suitably presents the principal opportunities and risks to its future development.

Frankfurt, 26 February 2021  
Executive Board



Carsten Spohr  
Chief Executive Officer



Christina Foerster  
Chief Customer Officer



Harry Hohmeister  
Chief Commercial Officer



Detlef Kayser  
Chief Operations Officer



Michael Niggemann  
Chief HR & Legal Officer



Remco Steenbergen  
Chief Financial Officer

The following Auditor's Report also includes a "Report on the audit of the electronic reproductions of the financial statements and the management report prepared for the purpose of disclosure in accordance with Section 317 Paragraph 3b HGB" ("ESEF Report"). The subject matter on which the ESEF Report is based (ESEF documents to be audited) is not included. The audited ESEF documents can be viewed in or retrieved from the German Federal Gazette (in German language only).

## Independent auditor's report

To Deutsche Lufthansa Aktiengesellschaft

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

#### Opinions

We have audited the consolidated financial statements of Deutsche Lufthansa Aktiengesellschaft, Cologne, and its subsidiaries (the "Group" or "Lufthansa Group"), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2020, and the consolidated statement of financial position as at 31 December 2020, consolidated statement of changes in shareholders' equity and consolidated cash flow statement for the fiscal year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of Deutsche Lufthansa Aktiengesellschaft, which is combined with the management report of Deutsche Lufthansa Aktiengesellschaft, for the fiscal year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the Group corporate governance declaration pursuant to Sec. 315d HGB which is published on the website stated in the "Corporate Governance" section of the combined management report and the Group non-financial declaration pursuant to Sec. 315b HGB included in the "Combined non-financial declaration" section. In addition, we have not audited the content of the other information extending beyond the prior year in the tables with multi-year comparisons of the combined management report (information pertaining to fiscal years 2015, 2016, 2017 and 2018). Other information in the combined management report relates to any information whose disclosure in the management report is not required pursuant to Secs. 315, 315a or Secs. 315b to 315d HGB or GAS 20.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the

Group as at 31 December 2020 and of its financial performance for the fiscal year from 1 January to 31 December 2020, and

- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Group management report does not cover the content of the aforementioned Group corporate governance declaration, the content of the aforementioned Group non-financial declaration or the aforementioned multi-year comparisons included in the Group management report.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

#### Basis for the opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

### **Key audit matters in the audit of the consolidated financial statements**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

#### **1. Implications of the COVID-19 pandemic for the going concern basis**

##### **Reasons why the matter was determined to be a key audit matter**

The COVID-19 pandemic has had a particularly strong impact on the airline industry. Since the outbreak of the pandemic in spring 2020, national and international travel restrictions have led to a significant reduction in air travel. The restrictions have had a major impact on the operations and liquidity of the Lufthansa Group.

To safeguard the solvency of the Lufthansa Group, stabilization measures and loans of up to EUR 9b were agreed with the Economic Stabilization Fund in the Federal Republic of Germany as well as with the governments of Switzerland, Austria and Belgium. Lufthansa has also made use of other support measures provided by other governments around the world, such as the US.

The Lufthansa Group has significantly reduced available flight capacity and also initiated measures to reduce costs and capital expenditure. The Executive Board has prepared the Group operational planning for the fiscal years 2021 to 2024, together with a liquidity forecast for the same period, and thereby mapped out the possible effects from national and international travel restrictions in connection with the COVID-19 pandemic on the available flight capacity, taking into account the countermeasures. The result of the planning depends to a large extent on the assumptions that the executive directors have made regarding future business developments and the cash inflows and outflows derived from them. The planning for 2021 and subsequent years is based on the assumption that a vaccine will be widely available or an established testing strategy will be in place. Significant cost savings were also assumed based on initiated restructuring measures.

The review of the implications of the COVID-19 pandemic for the going concern basis of accounting was a key audit matter due to the wide range of political, medical and global economic effects and due to the measures taken by the executive directors in this connection to mitigate risk and their consideration in the business planning.

##### **Auditor's response**

We discussed what influence the COVID-19 pandemic, with its national and international travel restrictions, could have on Deutsche Lufthansa Aktiengesellschaft and its subsidiaries with the executive directors, both direct and indirect and short and medium term. We discussed what different assumptions and scenarios were used by the executive directors in their assessment.

We analyzed, with the support of internal specialists from Strategy and Transactions, the group operational planning prepared by the executive directors, including the liquidity forecast, and discussed this with the responsible management level. We assessed the plausibility (transparency, consistency, lack of contradiction) of management's disclosures on the key planning assumptions, strategic objectives, expected developments and operational measures and their inclusion/reflection in the cash flows.

We also checked the clerical accuracy, completeness and consistency of the planning model, the conceptual design and in particular the derivation of the cash flows and their individual components. In this connection, we also reviewed the implementation of the measures adopted under the restructuring programs to reduce the outflow of liquidity on the basis of resolutions, internal and external publications and observed facts for the implementation of capacity adjustments and their impact on the fleet as well as on personnel. We also checked the capital expenditures reflected in the financial planning on the basis of purchase commitments and framework agreements.

In order to assess the cash inflows included in the liquidity planning we, among other things, reviewed the agreements on state stabilization measures and other financing schemes, checked incoming payments and assessed the terms and conditions. The defined overarching objectives of the financing strategy and the suitability of the measures underlying them were also assessed. In addition, we examined the key planning assumptions taking into account historical developments and our understanding of the business and performed plausibility tests on the basis of various external information. Our assessment was based on analyst estimates, both for the Lufthansa Group as well as in relation to comparable companies, along with other external forecasts on the development of the airline industry (market studies) and macroeconomic forecasts.

In addition, the updated assessments of the executive directors concerning the availability of a COVID-19 vaccine, a testing strategy, the current travel restrictions as well as the current booking behavior and the consideration of these factors in the group planning were discussed with the executive directors and management of the Company and examined on the basis of the Group's internal assessments.

We also discussed other potential measures to secure liquidity which are not reflected in the liquidity planning due to a lack of necessity with the management and assessed their risk coverage potential.

In addition, we checked whether the consolidated financial statements and Group management report contain disclosures on the implications of the COVID-19 pandemic for the going concern basis and in particular the measures taken by the executive directors to mitigate risk.

Our audit procedures did not lead to any reservations relating to the going concern basis/the application of the going concern basis of accounting.

#### Reference to related disclosures

With regard to the assessment of the executive directors on the Company's ability to continue as a going concern and the related recognition and measurement policies applied, we refer to the disclosure in the notes to the consolidated financial statements in section "2 Going concern," and with regard to the related information on judgment by the Executive Board and sources of estimation uncertainty, we refer to the disclosure in the notes to the consolidated financial statements "3 New international accounting standards in accordance with IFRS and interpretations and summary of the significant accounting policies and valuation methods."

Please also refer to the "Opportunities and risk report" as well as the "Forecast" in the Group management report and there, in particular, to the section "Overall statement by the Executive Board on the expected development of the Lufthansa Group."

## 2. Recoverability of own and leased aircraft

#### Reasons why the matter was determined to be a key audit matter

The aircraft reported in the consolidated financial statements of Deutsche Lufthansa Aktiengesellschaft represent a significant portion of the assets of Deutsche Lufthansa Aktiengesellschaft and its subsidiaries. The aircraft reported includes aircraft which is legally owned and used by Deutsche Lufthansa Aktiengesellschaft and its subsidiaries as well as leased aircraft.

In response to the impact of the COVID-19 pandemic, the Executive Board resolved to permanently reduce the fleet. The executive directors were thus tasked with determining the fair value, taking into consideration the future use of the aircraft (for example via sale or abandonment) and thus also assessing the need to recognize an impairment charge.

From our perspective, the recoverability of aircraft was a key audit matter in our audit as the measurement and resulting impairment of these items significant in amount are based to a large extent on the estimates and assumptions of the executive directors, particularly in light of the impact of the COVID-19 pandemic.

#### Auditor's response

With regard to the assessment of the recoverability of the aircraft in the economic ownership of the Lufthansa Group and earmarked for continued use in flight operations, we examined the fleet planning in connection with the Group operational planning for internal consistency and analyzed whether these are in line with industry forecasts. In this connection, we checked the impairment test prepared by the executive directors and the assumptions underlying this test in relation to the various cash-generating units to which these aircraft are allocated for internal and external consistency (e.g., comparison with internal planning documents and industry forecasts) and checked whether impairment is required.

With regard to the assessment of the decisions made by the executive directors on the continued use of aircraft in the economic ownership of the Lufthansa Group and which is not due to be used further in flight operations, we assessed whether the measures included in the resolutions made by the executive directors on the abandonment or deep storage were reflected in full in the financial statements. In addition, in relation to the aircraft earmarked for abandonment or deep storage, we assessed the measurement assumptions with regard to for the underlying sale or scrap value used by the executive directors for the purpose of determining the impairment of the aircraft, taking into account the available information. In this connection, we assessed whether the assumptions made by the executive directors were transparently derived from observable market data on prices, taking into account a market price overview published regularly by Aircraft Value Analysis Company Ltd., comparable purchase agreements from the past or from purchase agreements already concluded.

Our audit procedures did not lead to any reservations relating to the recoverability of own and leased aircraft.

### Reference to related disclosures

With regard to the accounting for aircraft, we refer to the disclosure in the notes to the consolidated financial statements in sections "19 Aircraft and reserve engines including right-of-use assets," "22 Leases" and "10 Depreciation, amortisation and impairment."

### 3. Accounting for state aid/stabilization measures

#### Reasons why the matter was determined to be a key audit matter

To safeguard the ability of the Lufthansa Group to continue as a going concern, stabilization measures and state guaranteed loans of up to EUR 9b were agreed with the Economic Stabilization Fund in the Federal Republic of Germany (WSF) as well as with the governments of Switzerland, Austria and Belgium. The state aid and stabilization measures include various instruments, of both an equity and debt nature. In addition to syndicated loans and subordinated loans as well as silent participations, the stabilization measures include a 20% stake of WSF in Deutsche Lufthansa Aktiengesellschaft (EUR 306m), a further silent participation classified as equity (EUR 4.7b, Silent Participation I) and a loan from COFAG (COVID-19-Finanzierungsagentur des (österreichischen) Bundes GmbH) (EUR 150m). The loan is recognized as a grant in profit or loss after certain requirements are met and is offset against Silent Participation I, which is thus reduced to EUR 4.5b.

The audit of the accounting for state aid/stabilization measures was deemed a key audit matter as there is an elevated risk of misstatement due to the number of individual measures and the wide range of complex contractual conditions. Due to the complexity of accounting regulations and their interpretation, this relates in particular to the classification of Silent Participation I in the WSF framework agreement as equity, the accounting for contractual components as separate transactions and the recognition of the aid in Austria in profit or loss in the correct period.

#### Auditor's response

In the course of our audit procedures, with the support of our internal specialists from the Financial Instruments Expert Group, among other things, we analyzed the contracts underlying the respective measures; in particular we examined the WSF framework agreement to determine if the accounting applied by the Executive Board for the individual agreements contained therein as separate transactions meets the criteria of IAS 32, Financial Instruments. In addition, on the basis of the equity criteria defined in IAS 32 and using the documents on the Group planning and liquidity forecast along with discussions with the responsible management, we examined whether the arrangements made in relation to the separate transactions meet the requirements for qualification as equity.

In addition to the participation of WSF in Deutsche Lufthansa Aktiengesellschaft, we reviewed the notarized minutes (Sec. 130 AktG ["Aktiengesetz": German Stock Corporation Act]) certifying the resolution of the Extraordinary General Meeting of Deutsche Lufthansa Aktiengesellschaft on the approval of the stabilization measures, including the capital increase and reviewed the entry of this capital increase in the commercial register as well as checked the related incoming payment.

In addition, we checked whether the loan of EUR 150m from COFAG was recognized in fiscal year 2020 in profit or loss as a government grant in accordance with IAS 20. The waiver of repayment of the loan is subject to the condition that Austrian Airlines AG suffered economic damages of at least EUR 150m in fiscal year 2020 due to COVID-19. In this connection, we obtained an understanding of the method used for calculating the damages determined by the management of Austrian Airlines AG for the period from 9 March 2020 to 14 June 2020 and assessed the recognition of COVID-19 crisis-induced expenses on the basis of comparative values (budget/actual and prior year).

We reconciled all incoming payments from the stabilization measures agreed with the WSF and the governments of Switzerland, Austria and Belgium with the bank statements. We also checked the calculation of the fixed and variable interest expenses and their recognition in profit or loss on the basis of the underlying contracts.

In addition, we assessed the disclosures required by IAS 20 in the notes to the consolidated financial statements on government grants.

Our audit procedures did not lead to any reservations relating to the accounting for state aid/stabilization measures.

#### Reference to related disclosures

The disclosures on the accounting for state aid/stabilization measures are mainly included in the sections "2 Going concern," "7 Other operating income," "19 Aircraft and reserve engines including right-of-use assets," "33 Issued capital" and "37 Financial liabilities" of the notes to the consolidated financial statements.

Furthermore, we refer to the "Economic report" in the Group management report and there to the information on "Financing" in the "Earnings, assets and financial position" section, subsection "Financial position."



#### 4. Accounting for short-time working allowances as well as corresponding social security contributions and the reimbursement thereof

##### Reasons why the matter was determined to be a key audit matter

The COVID-19 pandemic had a significant impact on the global operations of the Lufthansa Group in fiscal year in 2020. The executive directors of various Group companies of the Lufthansa Group introduced short-time working arrangements as one of the measures to limit the financial fallout from the ongoing crisis. In this connection, the executive directors applied to the relevant competent state authorities for a reimbursement of the short-time pay within the legally prescribed scope.

Approval of the reimbursements of short-time pay requested monthly is, depending on the specific state, handled partly by way of formal benefit notices or official decrees before payment is made, partly also by way of direct payment of the reimbursements by the competent state authority if its review of the payroll reports or reimbursement lists does not lead to any reservations. However, as this generally only relates to approvals subject to a subsequent review to assess compliance of the submitted reimbursement claims with the respective legal requirements by the same or other state authority after the end of the period of short-time work, the reimbursement amounts received represent an uncertainty until this time for the relevant group companies of the Lufthansa Group.

In order to reflect this special matter in payroll accounting, the underlying IT systems were adjusted and special measures for monitoring were implemented in the accounting-related internal control system. These modifications of the underlying personnel accounting systems as well as the accounting-related internal control system ("ICS") of the Group companies represent an elevated risk of material misstatement of the reimbursement claims in the consolidated financial statements, as mistakes in payroll accounting as well as weaknesses in the monitoring activities of the ICS could lead to incorrectly calculated amounts of reimbursement claims, which could give rise to negative financial effects for the Group.

With regard to the reimbursable amounts from the state authorities, a legally fundamental distinction must be made between claims asserted by the Group companies of the Lufthansa Group and claims asserted by individual employees against the former. The claims asserted by the companies against the competent state authorities must be, as they are subject to the fulfillment of certain legally defined conditions, classified as income-related government grants and deducted from the related expense. Reimbursements from the competent state authorities to the group companies of the Lufthansa Group resulting from claims of individual employees against the former, such as in the case in Germany for short-time pay, merely constitute a transitory item for the employer which

is recognized outside of profit or loss in the consolidated financial statements of the Lufthansa Group as receivables against the corresponding state authorities. The different accounting for the two types of reimbursement claims underscores in particular the risk of an incorrect valuation due to differing assessment bases. As of the reporting date, receivables from the competent state authorities are estimated based on the amounts already paid or transferred but not yet reimbursed by the competent state authorities, taking into account historical data of the past months.

In light of these differences in accounting and due to the quantitative significance of reimbursements of short-time working allowances and social security contributions for the consolidated financial statements of the Lufthansa Group as well as the complexity of the legal requirements and the process-related uncertainty, the accounting for short-time working allowances as well as the corresponding social security contributions constitute a key audit matter in our audit.

##### Auditor's response

In the course of our audit procedures, we assessed, partly with the support of our internal specialists from People Advisory Services, the accounting for short-time working allowances and the corresponding social security contributions as well as the reimbursement thereof by the competent state authorities in terms of merit and amount. In the course of this, we evaluated on the basis of evidence in samples whether there was a legal basis for the introduction of short-time working arrangements. This included the advance declarations or applications for the first grant, some of which are regularly repeated, to the competent state authorities by the executive directors of the group companies which contain a notification of the reduction in working hours or the introduction of short-time work in the operation, as well as the documentation demonstrating compliance with the legal conditions for the introduction of short-time work and, consequently, the receipt of short-time working allowances. We also obtained the approval notices or official orders confirming compliance with the relevant legal conditions for the introduction of short-time working and approval for the receipt of short-time working allowances and subsequent reimbursements thereof and the related social security contributions based on merit.

Our audit procedures included the assessment of the accounting for the reimbursements of the short-time working allowances by the competent state authorities as well as the corresponding – in some cases payable solely by the employer – social security contributions by the competent state authorities in accordance with IAS 20 as income-related government grants. Taking account of the approved individual short-time working arrangements and the arrangements differentiated by operating area, by carrying out sample-based checks we obtained an understanding of the process for calculating and accounting for the reimbursement amounts particularly in order to assess the results of the modifications to the underlying payroll accounting system related to the

short-time (work scheme) working arrangements. In this connection, we compared the absence times due to short-time working arrangements displayed in the time logging systems against the individual payslips of the sample-based check and against the reimbursement lists or payroll reports completed by the responsible employees of the companies and which are the basis of the monthly reimbursement claims. Furthermore, by performing sample-based checks we verified the clerical accuracy and methods used for calculating and determining the short-time working allowances stated in these reimbursement claims as well as the corresponding social security contributions. Furthermore, we gained an understanding during our process walkthrough of the measures of the accounting-related internal control system and assessed these in the course of a test of design.

We also tested the plausibility of the amount of receivables recognized as of the reporting date taking into account historical data from retroactively calculated discrepancies between the monthly reimbursement claims and benefit notices or official decrees issued by the competent state authorities as well as the actual reimbursement amounts.

Furthermore, we performed analytical audit procedures regarding the amount of short-time working allowances as well as the corresponding social security amounts. In doing so, we tested the plausibility of correlations, fluctuations and trends on the basis of our expectations based on surveys and the claim applications and notices presented above. This included, among other things, the analysis of the development of the reimbursed short-time working allowances and the corresponding social security contributions as well as the reimbursement amounts as a percentage of total staff costs and the total social security expenses taking into account the number of employees.

Our audit procedures did not lead to any reservations with regard to the accounting for short-time working allowances and the corresponding social security contributions or their reimbursement.

#### Reference to related disclosures

We refer to the disclosure in the notes to the consolidated financial statements under "3 New international accounting standards in accordance with IFRS and interpretations and summary of the significant accounting policies and valuation methods" and "9 Staff costs" for information on the accounting for short-time working allowances and government grants in the form of a reimbursement of social security contributions by the competent state authorities in the context of the reimbursement of short-time working allowances.

## 5. Accounting for derivative financial instruments in hedging relationships

### Reasons why the matter was determined to be a key audit matter

Deutsche Lufthansa Aktiengesellschaft uses a variety of derivative financial instruments to hedge against currency, fuel price and interest rate risks arising from its ordinary business activities. The Lufthansa Group experienced significant restrictions in terms of flight volumes in fiscal year 2020 as a result of the COVID-19 pandemic, resulting in lower cash flows in foreign currency as well as a significant decline in purchases of kerosene. As a result, forecast transactions and thus hedged items in hedging relationships were not carried out. In our view, these matters constituted one of the key audit matters due to the significant volume in terms of amount, the high complexity and number of hedging transactions as well as the extensive accounting requirements.

### Auditor's response

In the course of our audit, we analyzed, with the support of our internal specialists from the Financial Instruments Experts Group, among other things, the contractual and economic basis of the hedging relationship between the forecast transactions as hedged items and the derivative financial instruments as hedging instruments as well as the accounting, including earnings effects. Our focus was on testing the controls that address the existence and completeness of the derivative financial instruments and of the designated hedges in the IT systems used for the accounting for the hedging relationships. We also obtained bank confirmations as audit evidence.

We obtained an understanding of the valuation of the hedged items and hedging transactions (including option premiums) by the executive directors in particular in the areas of fuel and foreign currency by reperforming valuations in our own valuation systems. For interest rate derivatives, we performed audit procedures in relation to the software used for valuation purposes. We reviewed the access restrictions, the approval process for software changes as well as the archiving of software changes and subsequently reperfomed the valuation of significant interest rate derivatives on a sample basis.

We assessed, together with our specialists, compliance with the requirements for the accounting for the hedging relationships using the designation documents prepared by the executive directors and the internal risk management guidelines. On the basis of business plans and inquiries of management, we checked whether only such forecast transactions constitute a hedged item of a hedging relationship that

are considered highly probable on the basis of the current business plan. We traced the accounting for hedging relationships and their (potentially premature) terminations in terms of value and reconciled them with the respective items in the statement of financial position and income statement. With regard to fuel price hedges, we also checked the clerical accuracy of the calculation of the recognition of the option premiums that are a component of the designated derivatives.

Our audit procedures did not lead to any reservations regarding the accounting for derivative financial instruments in hedging relationships.

#### Reference to related disclosures

The disclosures on the recognition and measurement policies applied for derivative financial instruments in hedging relationships are included in the sections "3 New international accounting standards in accordance with IFRS and interpretations and summary of the significant accounting policies and valuation methods," "14 Other financial items" and "45 Additional disclosures on financial instruments" in the notes to the consolidated financial statements.

#### Other information

The Supervisory Board is responsible for the report of the Supervisory Board in the "Report of the Supervisory Board" section. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code, which is part of the Group corporate governance declaration. In all other respects, the executive directors are responsible for the other information. The other information comprises the aforementioned Group corporate governance declaration, the aforementioned Group non-financial declaration and the aforementioned other information included in the Group management report. The other information also comprises parts to be included in the annual report, of which we received a version prior to issuing this auditor's report, in particular:

- The letter from the Executive Board to the shareholders in the "Letter from the Executive Board" section of the annual report
- The explanations on the Deutsche Lufthansa Aktiengesellschaft share in the "Lufthansa share" section of the annual report
- The declaration by the executive directors in "General remarks," section "1 Company information" of the notes to the consolidated financial statements
- The remuneration report in the "Remuneration report" section of the annual report

- The Ten-year overview in the "Ten-year overview" section of the annual report.

but not the consolidated financial statements, not the management report disclosures whose content is audited and not our auditor's report thereon.

Our opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the Group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

#### **Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the Group management report prepared for publication purposes

### Opinion

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the Group management report (hereinafter the "ESEF documents") contained in the attached electronic file „Deutsche\_Lufthansa\_AG\_KA\_LB\_ESEF-2020-12-31.zip“ and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consol-

idated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the Group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying Group management report for the fiscal year from 1 January to 31 December 2020 contained in the "Report on the audit of the consolidated financial statements and of the Group management report" above.

### Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the Group management report contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the requirements for quality control systems set forth in IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (IDW QS 1).

### Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the Group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and the audited Group management report as well as other documents to be published to the operator of the Bundesanzeiger [German Federal Gazette].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

#### **Group auditor's responsibilities for the assurance work on the ESEF documents**

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited Group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.
- Review of the interim financial statements of Deutsche Lufthansa AG as of 30 June 2020
- Submission of a comfort letter for Deutsche Lufthansa AG in connection with the Euro Medium Term Note (EMTN) program
- Engagement to obtain limited assurance on the non-financial declaration pursuant to Secs. 289b et seq. and 315b et seq. HGB
- Engagement to obtain limited assurance on the report of Deutsche Lufthansa AG on compliance with the conditions and requirements of the parent company and the affected Group companies pursuant to Art. 8 to 17 of the framework agreement for the granting of stabilization measures
- Audit-related services legally prescribed by Sec. 162 (3) AktG in relation to the remuneration report prepared in accordance with the provisions of the AktG
- Voluntary audits of financial statements as of 31 December 2020
- Performance of agreed-upon procedures for Lufthansa Cargo AG, Frankfurt am Main, in relation to the company's registered office
- Project-related audit of a migration of IT-based accounting-related systems pursuant to IDW AuS 850 for Lufthansa AirPlus Servicekarten GmbH, Neu-Isenburg
- Permissible consulting in connection with a report on the expenditure of funds for Lufthansa Technik AG, Hamburg
- Audit of Albatros Service Center GmbH, Cologne, in accordance with Sec. 24 FinVermV ["Finanzanlagenvermittlungsverordnung": German Ordinance on Financial Investment Mediation]
- Agreed-upon procedures relating to a compliance issue of a foreign subsidiary of Deutsche Lufthansa Aktiengesellschaft

#### **Further information pursuant to Art. 10 of the EU Audit Regulation**

We were elected as group auditor by the Annual General Meeting on 5 May 2020. We were engaged by the Supervisory Board on 8 May 2020. We have been the group auditor of Deutsche Lufthansa Aktiengesellschaft since fiscal year 2020.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided or were engaged to provide to Group entities the following services that are not disclosed in the consolidated financial statements or in the Group management report:

#### **GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT**

The German Public Auditor responsible for the engagement is Siegfried Keller.

Eschborn/Frankfurt am Main, 2 March 2021

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Sven Hayn  
Wirtschaftsprüfer  
[German Public Auditor]

Siegfried Keller  
Wirtschaftsprüfer  
[German Public Auditor]



# REMUNERATION REPORT

The remuneration report provides detailed, individualised information about the remuneration awarded and owed to active and former members of the Executive Board and Supervisory Board of Deutsche Lufthansa AG in the 2020 reporting year, as well as the agreed benefits for the financial year. The report satisfies the requirements of Section 162 AktG and the relevant financial reporting standards (HGB, IFRS). A summary of the remuneration system for the Executive Board in financial year 2020 can be found in [T202, p. 261ff.](#) Further detailed information about the remuneration systems for the members of the Executive Board and Supervisory Board of Deutsche Lufthansa AG is provided on the Company's website. [www.lufthansagroup.com](http://www.lufthansagroup.com).

## Remuneration of Executive Board members

The system for remunerating Executive Board members takes account of the Company's size, complexity and economic situation, as well as its prospects. It is also aligned with the Company strategy and so creates an incentive for successful and sustainable business practices. The responsibilities and performance of the Executive Board as a whole and of the individual members are considered simultaneously. For this reason, the remuneration system is based on transparent, performance-related parameters relevant to Company performance and sustainability. The proportion of long-term variable remuneration is significantly higher than that of short-term variable remuneration in order to put the emphasis on the Company's long-term performance.

The Supervisory Board as a whole is responsible for the structure of the remuneration system for Executive Board members and for defining the individual benefits. The Steering Committee assists the Supervisory Board, monitors the appropriateness of the remuneration system and prepares the Supervisory Board's resolutions. In the event of material changes to the remuneration system, but at least every four years, the remuneration system is presented at the Annual General Meeting for approval.

### Important events in remuneration year 2020

The Supervisory Board adopted changes to the remuneration system for the Executive Board in place since 2019, which take effect from 2020. Therefore, they particularly reflected the statutory changes resulting from the Act on Transposition of the Second Shareholder Rights Directive (ARUG II), as well as the revised version of the German Corporate Governance Code. In addition, by making these changes the Supervisory Board has responded to demands from investors and proxy advisers following the Annual General Meeting on 7 May 2019. The main adjustments are summarised below:

#### T189 OVERVIEW OF CHANGES TO THE SYSTEM OF EXECUTIVE BOARD REMUNERATION

Aspect	Change
One-year variable remuneration (annual bonus)	– New financial performance targets Adjusted ROCE (42.5%) Adjusted EBIT margin (42.5%)
Long-term variable remuneration (LTI)	– Transition to a performance share plan, with contingent award of virtual shares
Rules for holding shares	– A four-year vesting period is generally agreed, independent of the variable remuneration – Holding period extended up to four years after the end of the service period, whereby a maximum of 25% of the shareholding may be sold each year
Malus/Clawback	– Introduction of a compliance and performance clawback rule
Maximum remuneration (Total cap)	– Flight benefits granted to Board members included in the cap

The modified remuneration system was presented to the Annual General Meeting on 5 May 2020 for approval in accordance with Section 120a (1) AktG and approved with a majority of 88.22%. The remuneration system applied to all active and former Executive Board members in 2020.



**GREATER TRANSPARENCY IN REMUNERATION REPORTING**

Feedback on the transparency of Executive Board remuneration from the Annual General Meeting 2019 was also acted on, leading to detailed, understandable reporting on targets and performance for financial year 2019.

In addition, reporting for 2020 now covers Executive Board remuneration in accordance with the new Section 162 AktG, whereby the sample Table 1 in the GCGC as amended on 7 February 2017 is also still applied.

**EFFECTS OF THE CORONAVIRUS CRISIS**

In economic terms, the financial year 2020 was defined by the far-reaching impact of the global spread of coronavirus on global air traffic and thus on the business of the Lufthansa Group. The collapse in demand for air travel due to the coronavirus pandemic led to a drastic fall in revenue and thus significantly burdened earnings for the Lufthansa Group. These effects are also visible in the variable remuneration for Executive Board members. In March 2020, they also said that they would voluntarily forego 20% of their basic salary for the period from April to September 2020.

**Remuneration limited for the duration of WSF stabilisation measures**

The framework agreement signed on 29 June 2020 between Deutsche Lufthansa AG and the Economic Stabilisation Fund (WSF) includes significant restrictions on Executive Board remuneration. Subject to contractual claims against the Company arising before 21 June 2020, no bonuses or other variable or similar remuneration components may be awarded to Executive Board members for the duration of the stabilisation measures. The same applies to special payments in the form of share packages, gratuities and other forms of compensation in addition to the fixed salary, other discretionary payments by the Company and severance payments not required by law.

At the same time, no Executive Board member may receive a basic salary (inclusive of any payments for work on executive or supervisory boards of Group companies) which is higher than their basic salary as of 31 December 2019 until at least 75% of the total of Silent Participations I and II (including interest and any additional payment) as well as the equity interest have been satisfied, repaid or redeemed, sold or otherwise settled by means of a capital contribution or otherwise. Analogously, the upper limit for new Executive Board members is set by the lowest fixed salary of an Executive Board member with an equivalent position as of 31 December 2019.

Deutsche Lufthansa AG has signed supplements to the existing service contracts with all Executive Board members to implement the remuneration caps agreed with the WSF.

**CHANGES IN THE COMPOSITION OF THE EXECUTIVE BOARD**

The Executive Board was reduced from seven to six members when Ulrik Svensson stepped down in April 2020. After Thorsten Dirks stepped down in June 2020, the Executive Board intermittently consisted of five members. A new Chief Financial Officer, Remco Steenbergen, was appointed with effect from 1 January 2021 ([➤ Supervisory Board report, p. 7ff.](#)). Since January 2021, the Executive Board once again consists of six members. Mr Steenbergen also agreed with the remuneration restrictions during the stabilisation measures.

**Overview of Executive Board remuneration in 2020**

The following table provides an overview of the components of the remuneration system for Executive Board members for 2020, the structure of the individual remuneration components and the targets on which these are based:

**T190 EXECUTIVE BOARD REMUNERATION SYSTEM 2020**

Component	Objective	Structure
<b>Performance-unrelated remuneration</b>		
Basic salary	Should reflect the role and responsibilities in the Executive Board. Should ensure a reasonable basic income and prevent unreasonable risk-taking	<ul style="list-style-type: none"> <li>– Annual basic salary</li> <li>– Paid in twelve monthly rates</li> <li>– Chairman of the Executive Board and CEO: EUR 1,634,000</li> <li>– Ordinary Executive Board members: EUR 860,000</li> </ul>
Ancillary benefits		<ul style="list-style-type: none"> <li>– Company car with driver, industry-standard concessionary flights for private travel, insurance premiums</li> </ul>
Retirement benefits	Should ensure adequate retirement benefits	<ul style="list-style-type: none"> <li>– Annual allocation of a fixed amount</li> <li>– Chairman of the Executive Board and CEO: EUR 855,000</li> <li>– Ordinary Executive Board members: EUR 450,000</li> </ul>
<b>Performance-related remuneration</b>		
One-year variable remuneration (annual bonus)	Should support profitable growth, reflecting the Executive Board's collective responsibility and the individual performance of Executive Board members	<ul style="list-style-type: none"> <li>– Adjusted EBIT margin versus target (42.5%)</li> <li>– Adjusted ROCE versus target (42.5%)</li> <li>– Total and individual business and sustainability targets (15%)</li> <li>– Individual performance factor (coefficient of 0.8 – 1.2)</li> <li>– Target amount for 100% target achievement 2020: <ul style="list-style-type: none"> <li>– Chairman of the Executive Board and CEO: EUR 1,140,000</li> <li>– Ordinary Executive Board members: EUR 600,000</li> </ul> </li> <li>– Cap: 200% of target amount <ul style="list-style-type: none"> <li>– Chairman of the Executive Board and CEO: EUR 2,280,000</li> <li>– Ordinary Executive Board members: EUR 1,200,000</li> </ul> </li> <li>– Payable in cash or shares</li> </ul>
Long-term variable remuneration (LTI)	Should promote a sustainable absolute and positive relative development of Company value – while aligning the interests of Executive Board members with those of shareholders	<ul style="list-style-type: none"> <li>– Allocation of virtual Lufthansa shares with a four-year duration</li> <li>– Final number of virtual shares dependent on: <ul style="list-style-type: none"> <li>– Average Adjusted ROCE during the performance period versus target (42.5%)</li> <li>– Relative TSR of Lufthansa share versus DAX (42.5%)</li> <li>– Strategic and sustainability goals (15%)</li> </ul> </li> <li>– Performance dependent on 60-day average price of Lufthansa share at end of period and dividend payments during the programme</li> <li>– Target amount for 100% target achievement 2020: <ul style="list-style-type: none"> <li>– Chairman of the Executive Board and CEO: EUR 2,090,000</li> <li>– Ordinary Executive Board members: EUR 1,100,000</li> </ul> </li> <li>– Cap: 200% of target amount <ul style="list-style-type: none"> <li>– Chairman of the Executive Board and CEO: EUR 4,180,000</li> <li>– Ordinary Executive Board members: EUR 2,200,000</li> </ul> </li> <li>– Payable in cash or shares</li> </ul>
<b>End-of-service benefits</b>		
Termination by consent	Should avoid unreasonably high severance payments	<ul style="list-style-type: none"> <li>– Severance payment limited to remainder of service contract or two times annual remuneration (cap)</li> </ul>
Post-contractual non-compete clause	Protects the Company's interests	<ul style="list-style-type: none"> <li>– One-year non-compete clause after leaving the Executive Board, with payment of compensation of 50% of basic salary</li> <li>– Company may waive non-compete clause (with six months' notice)</li> </ul>
Change of control	Should ensure independence in takeover situations	<ul style="list-style-type: none"> <li>– Severance payment consisting of remuneration for the remainder of the service contract, up to a maximum of 150% of cap on severance pay</li> </ul>
<b>Other compensation rules</b>		
Share Ownership Guidelines	Should strengthen the equity culture and align interests of Executive Board members and shareholders	<ul style="list-style-type: none"> <li>– Obligation to invest in Lufthansa shares over a period of four years<sup>1)</sup> <ul style="list-style-type: none"> <li>– Chairman of the Executive Board and CEO: 200% of basic salary</li> <li>– Ordinary Executive Board members: 100% of basic salary</li> </ul> </li> <li>– Holding obligation for the duration of work on the Executive Board: graduated annual reduction of 25% of shareholding after leaving the Executive Board</li> </ul>
Compliance and performance clawback	Should ensure sustainable Company development	<ul style="list-style-type: none"> <li>– Supervisory Board has the right to withhold annual bonus and LTI or recover remuneration already paid</li> </ul>
Maximum remuneration in accordance with Section 87a Paragraph 1 Sentence 2 No. 1 AktG	Should prevent uncontrolled high payments	<ul style="list-style-type: none"> <li>– Reduction in variable remuneration if maximum for a financial year is exceeded: <ul style="list-style-type: none"> <li>– Chairman of the Executive Board and CEO: EUR 9.5m</li> <li>– Ordinary Executive Board members: EUR 5.0m</li> </ul> </li> </ul>

<sup>1)</sup> The four-year ramp-up phase is temporarily suspended during the period of the WSF stabilisation measures. For further information, see below [➤](#) p. 265.

**Variable remuneration in financial year 2020**

The performance criteria for short-term and long-term variable remuneration are derived from the Company’s strategic goals and operational management. They aim to increase profitability and use resources efficiently as well as to optimise the employment of capital. For this reason, Adjusted EBIT and Adjusted ROCE are the relevant performance indicators for the Lufthansa Group and the main performance criteria for variable remuneration. Taking the interests of shareholders and other stakeholders into account, this is intended to ensure the sustainability of the business and reflect the Lufthansa Group’s social and ecological responsibilities.

On the basis of the remuneration system, the Supervisory Board determined the targets and minimum and maximum targets for the financial performance indicators and selected focus topics for the non-financial targets for the variable remuneration for the financial year 2020. The Supervisory Board ensured that the targets are demanding and ambitious.

Despite the uncertainties due to the emerging coronavirus crisis, the Supervisory Board defined the financial targets for the financial year 2020 on the basis of the Group’s medium-term financial planning, i.e. without including any effects of the coronavirus pandemic on the performance of the Lufthansa Group, which could not be foreseen at the time the targets were defined.

The Supervisory Board defined “Customers” and “Employees” as focus topics for the business and sustainability targets in the short-term variable remuneration, and the parameter “Environment” as focus topic for the strategic and sustainability target for long-term variable remuneration in the 2020 financial year. The non-financial performance criteria thus take the interests of key stakeholders into account and provide long-term incentives for the environmental goal of reducing carbon emissions. For both the annual bonus and long-term variable remuneration, the possible range of the target achievement for the financial and non-financial targets is between 0% and 200%.

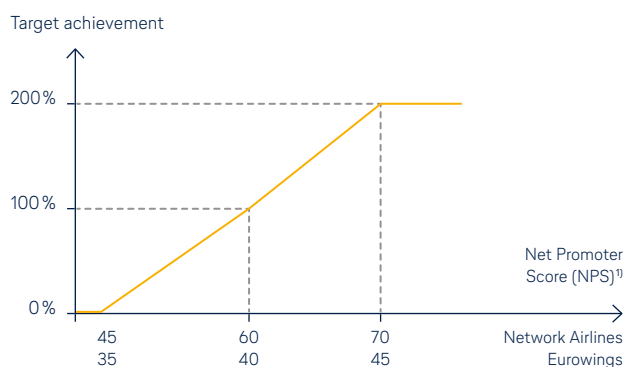
**ONE-YEAR VARIABLE REMUNERATION (ANNUAL BONUS)**

In the sense of value-based management, the Group’s key performance indicators, Adjusted EBIT margin and Adjusted ROCE, each account for 42.5% of the annual bonus. At the same time, this encourages improvements in profitability and the efficient use of capital. In 2020, the target for the Adjusted EBIT margin was 5.4%. The target for Adjusted ROCE was 5.8%. The end points of the range (lower and upper threshold) were each defined by a deviation of +/- 3 percentage points from the target.

As a result of the massive negative impact of the global coronavirus pandemic on the Lufthansa Group’s business, target achievement for the financial targets in the short-term variable remuneration for 2020 was 0%.

For the sustainability parameter “Customers”, the Net Promoter Score (➤ **Combined non-financial declaration, p. 98ff.**), i.e. the proportion of customers recommending the Company, is used. The corresponding results are taken from the Network Airlines (Lufthansa German Airlines, Austrian Airlines, SWISS) and from Eurowings, with three-quarters weighted for the Network Airlines and one-quarter for Eurowings. The performance curve is linear. Interim figures are interpolated on a straight-line basis.

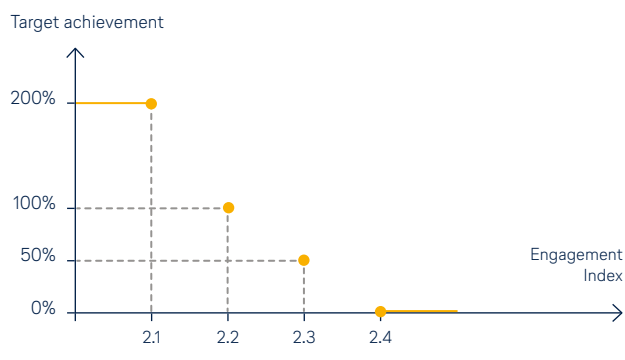
**C32 ANNUAL BONUS 2020: SUSTAINABILITY TARGET “CUSTOMER”**



<sup>1)</sup> The Net Promoter Score is a registered service mark of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

The “Engagement Index” is used for the parameter “Employees” (➤ **Combined non-financial declaration, p. 103ff.**). It measures the extent to which employees identify with the Company, as well as their commitment and willingness to recommend the Company to others. Each index score corresponds to a performance level. The 100% target is based on the average external benchmark.

**C33 ANNUAL BONUS 2020: SUSTAINABILITY TARGET “EMPLOYEE”**



The “Customers” and “Employees” targets each account for 7.5% of the annual bonus. The following table shows performance against the business and sustainability targets for the financial year 2020.

#### T191 ANNUAL BONUS 2020: TARGET ACHIEVEMENT SUSTAINABILITY TARGETS

	Weighting	100% target figure	Actual figure	Level of target achievement
Customer (NPS)	7.5%			140.0%
Network Airlines (3/4)		60	62	120.0%
Eurowings (1/4)		40	50	200.0%
Employee (Engagement index)	7.5%	2.2	2.0	200.0%
<b>Total</b>	<b>15.0%</b>			<b>170.0%</b>

In addition, the Supervisory Board can apply an individual performance factor (bonus/malus factor) of 0.8 to 1.2 when assessing the performance of each individual Executive Board member for the annual bonus. This is based on the individual performance targets agreed annually between the Supervisory Board and the individual Executive Board members. The targets are adapted to the responsibilities of each Executive Board member and cover relevant aspects of all stakeholder groups derived from the Company strategy. At the end of the financial year these are reviewed by the Steering Committee and the Supervisory Board. The following table summarises the topics included in the individual performance targets agreed for the reporting year.

#### T192 INDIVIDUAL PERFORMANCE TARGETS 2020

Executive Board	Topics for individual target agreements
Carsten Spohr	<ul style="list-style-type: none"> <li>– Continued development of long-term Group strategy (10+ years)</li> <li>– Definition of a Corporate Responsibility strategy</li> <li>– Modernisation of leadership culture</li> <li>– Promotion of management succession planning</li> </ul>
Christina Foerster	<ul style="list-style-type: none"> <li>– Improvement of customer focus: buildup of a comprehensive view of all customer interfaces</li> <li>– Corporate responsibility: <ul style="list-style-type: none"> <li>– Design of a sustainable aviation fuel (SAF) strategy</li> <li>– Establishment of clear processes and governance</li> </ul> </li> <li>– Continued development of corporate culture: focus on management culture</li> </ul>
Harry Hohmeister	<ul style="list-style-type: none"> <li>– Multi-traffic system: continued development of commercial and technical integration of different airlines</li> <li>– Continued development of distribution systems</li> <li>– Development of a qualified performance management system to improve commercial management through more number transparency</li> </ul>
Detlef Kayser	<ul style="list-style-type: none"> <li>– Improvement of punctuality and regularity</li> <li>– Erection of a new platform with focus on tourist business</li> <li>– Promotion of digitalisation of operations processes</li> <li>– Implementation of cooperation agreements with airports</li> </ul>
Michael Niggemann	<ul style="list-style-type: none"> <li>– Development of a solution for outstanding collective bargaining topics (cabin crew)</li> <li>– Modernisation of the system of internal rules and policies: development and advancement of processes with the co-determination bodies</li> <li>– Group structure: development of a competitive, modern legal structure</li> </ul>
Ulrik Svensson	<ul style="list-style-type: none"> <li>– Crisis management: <ul style="list-style-type: none"> <li>– Cash management</li> <li>– Rapid cost reduction</li> </ul> </li> <li>– Direction of the medium-term EBIT improvement programme after the coronavirus crisis</li> </ul>

In addition, overarching targets for the whole Executive Board were also agreed to emphasise the collective responsibility of the Executive Board as a body. Since the first effects of the global spread of coronavirus were already visible when the targets were set in early 2020, the Supervisory Board defined coping with the crisis as the overarching goal. The following table provides an overview of the joint targets set for the entire Executive Board by the Supervisory Board for the reporting year.

**T193 OVERARCHING TARGETS FOR THE ENTIRE EXECUTIVE BOARD 2020**

Topic	Targets
Crisis management	<ul style="list-style-type: none"> <li>– Management of effects of the coronavirus crisis</li> <li>– Cash flow management to secure liquidity</li> <li>– Sustainable cost reductions</li> </ul>
Group strategy	<ul style="list-style-type: none"> <li>– Strengthening of the long-term Group strategy</li> <li>– Development of Group portfolio towards airline focus</li> <li>– Definition of a Corporate Responsibility strategy</li> <li>– Promotion of customer-centric developments, digitalisation and innovations</li> </ul>
Leadership and corporate culture	<ul style="list-style-type: none"> <li>– Promotion of lean processes, reduction of complexity, acceleration of decision-making</li> <li>– Enhancement of internal management presence</li> </ul>

The Steering Committee and Supervisory Board assess performance against the individual targets at the end of the financial year. For each Executive Board member, the factor of between 0.8 and 1.2 is then multiplied with the overall target achievement from the financial and the business and sustainability targets.

On the basis of actual target achievement and the individual performance factors determined by the Supervisory Board, this results in an overall performance of 25.5% to 30.6% for the Executive Board members for the 2020 financial year. This results in an annual bonus for the Executive Board members for 2020, as shown in the following table. On 2 March 2021, all active members of the Executive Board have declared to waive the payment of these entitlements.

**T194 AMOUNT OF ANNUAL BONUS 2020**

Supervisory Board	in €
Carsten Spohr	348,840
Christina Foerster	153,000
Harry Hohmeister	168,300
Detlef Kayser	153,000
Michael Niggemann	183,600
Ulrik Svensson (pro rata until 30 Apr 2020)	51,000

**LONG-TERM VARIABLE REMUNERATION (LTI)**

To promote the long-term, sustainable development of the Company, the long-term variable remuneration, and therefore the majority of variable remuneration, depends on the achievement of long-term targets. Taking the absolute and relative share performance into account aligns the interests of Executive Board members closely with those of shareholders as an essential stakeholder group.

The current long-term variable remuneration includes still ongoing programmes from several financial years, which are partly based on remuneration systems in effect before 1 January 2020. They include the long-term variable remuneration agreed in financial year 2019 (LTI 2019) and the amount of variable remuneration carried over for financial year 2018 (Deferral 2018). Until 2018 the Executive Board members also participated in share programmes for Lufthansa Executive Board members and managers (LH-Performance). Entitlements under LTI 2020 and 2019 as well as Deferral 2018 and the still ongoing LH-Performance programmes were established before 21 June 2020 and can therefore be paid during the WSF stabilisation measures.

**Long-term variable remuneration 2020 (LTI 2020)**

Since 2020, the agreed long-term variable remuneration for Executive Board members is share-based. At the beginning of the performance period, the Executive Board members receive a number of virtual shares corresponding to the contractually agreed target amount. The number of virtual shares is determined by reference to the average price of the Lufthansa share in the first 60 trading days after the four-year performance period begins. The average price for the LTI 2020 is EUR 13.29. The number of virtual shares conditionally granted to individual Executive Board members under the LTI in the reporting year is shown in the following table.

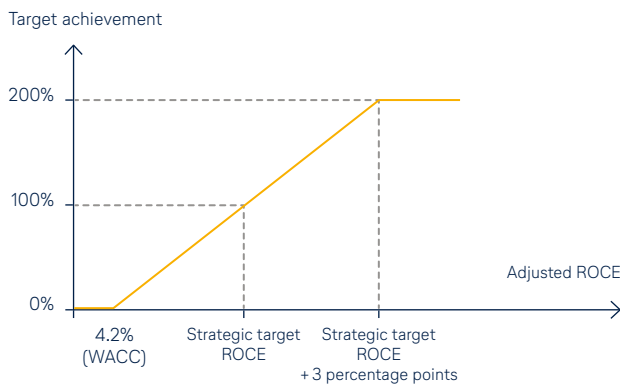
**T195 CONTINGENT SHARE ALLOCATION LTI 2020**

Supervisory Board	Target amount	Number of contingent shares
Carsten Spohr	€ 2,090,000	157,261
Christina Foerster	€ 1,100,000	82,769
Harry Hohmeister	€ 1,100,000	82,769
Detlef Kayser	€ 1,100,000	82,769
Michael Niggemann	€ 1,100,000	82,769
Ulrik Svensson (pro rata until 30 Apr 2020)	€ 91,667	6,897

The final number of virtual shares depends on achievement of the financial performance targets Adjusted ROCE (42.5%) and relative Total Shareholder Return (42.5%), as well as the non-financial strategic and sustainability targets (15%).

Performance against the target of Adjusted ROCE is measured by comparing average Adjusted ROCE over the four-year performance period with a strategic target set by the Supervisory Board at the beginning of the performance period. The Supervisory Board aligns this target with the Group’s four-year operational plans, whereby the lower limit is to cover the weighted average cost of capital (WACC). This is in accordance with the strategic objective of earning a return on capital employed that is higher than the cost of capital.

**C34 LTI 2020: TARGET ACHIEVEMENT ADJUSTED ROCE**

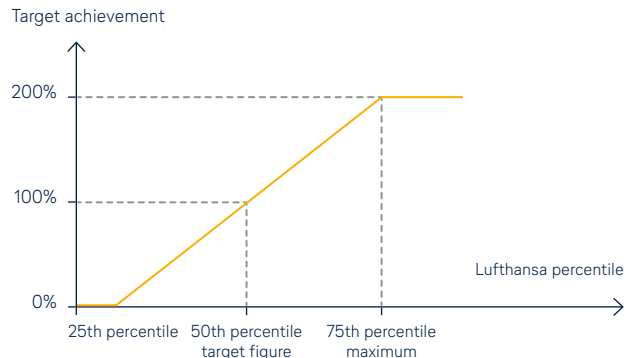


For the LTI 2020, the strategic target ROCE is 7.0%. The actual average Adjusted ROCE reached and the resulting level of target achievement are published in the remuneration report for the financial year at the end of the respective performance period.

TSR performance for the LTI 2020 is calculated at the end of the four-year performance period. This involves comparing the average share price for the last 60 exchange trading days before the start of the performance period with the average share price for the last 60 exchange trading days before the end of the performance period. Dividends are fictitiously assumed to be reinvested. The companies in the DAX are used as the peer group for the relative TSR, both those in the index at the beginning and at the end of the performance period. The TSR performance of all companies is ranked and the relative performance of Deutsche Lufthansa AG determined by its percentile position. Target achievement is 100% if the TSR of Deutsche Lufthansa AG corresponds to the median (50th percentile) for the peer group. A performance on or below the 25th percentile corresponds to a target achievement of 0%. The maximum of 200% is achieved for a TSR on or above the 75th percentile. Interim figures are interpolated along this line.

**C35 LTI 2020: TARGET ACHIEVEMENT RELATIVE TOTAL SHAREHOLDER RETURN**

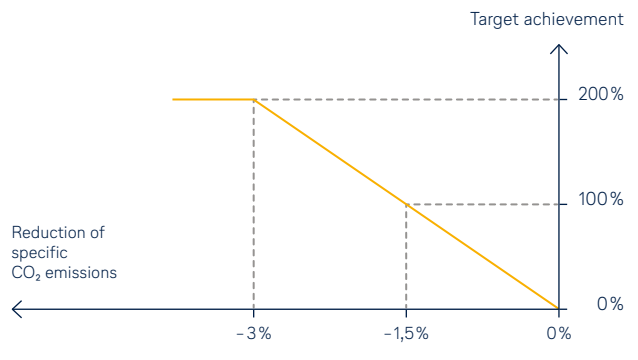
Relative Total Shareholder Return for the Lufthansa share compared with the DAX



For the non-financial target “Environment”, the targets set by IATA for fuel efficiency are used, i.e. the average amount of kerosene consumed to carry a passenger 100 kilometres. The aim is to reduce specific fuel consumption by 1.5% p.a. and so improve specific CO<sub>2</sub> emissions. The LTI 2020 includes emissions from Lufthansa’s own fleet as well as those from wet-lease flights. The end points of the range are defined by a deviation of +/- 1.5 percentage points from the annual target. Interim figures are interpolated on a straight-line basis.

**C36 LTI 2020: TARGET ACHIEVEMENT SUSTAINABILITY TARGET**

Annual reduction of specific CO<sub>2</sub> emissions



To calculate performance, the improvement in specific CO<sub>2</sub> emissions is measured annually over the four-year performance period. This then accounts for one-quarter of the total performance against the sustainability target at the end of the performance period. Specific fuel efficiency (including

wet-lease flights) came to 10.50 kg/100 passenger-kilometres in 2020 (2019: 9.23 kg/100 passenger-kilometres), so that performance in the 2020 financial year for the environmental parameter for the LTI 2020 was 0%.

At the end of the performance period, the number of virtual shares granted conditionally is multiplied by the total target achievement, which results from the target achievement of the financial and non-financial performance targets, in order to obtain the final number of virtual shares. Payment is generally in cash. To calculate the payment amount, the final number of virtual shares is multiplied by the average price of the Lufthansa share over the last 60 trading days of the performance period, plus dividends paid during the performance period.

#### Long-term variable remuneration 2019 (LTI 2019)

The main difference between the LTI 2019 and the programme for 2020 is that for financial year 2019, the agreement was not based on virtual shares. All the other parameters, particularly the underlying performance criteria, are the same as in the LTI 2020. Please see the comments in the remuneration report 2019 for details [Annual report 2019, p. 119ff.](#)

The Supervisory Board also defined the parameter “Environment” as the sustainability target for the LTI 2019, again using the fuel efficiency target adopted by IATA. A target of 100% was therefore defined as an annual improvement of 1.5% in specific fuel consumption. With deviations of +/-1.5 percentage points from the annual target, the performance curve is the same as for the LTI 2020.

Since until 2018 the average specific kerosene consumption figures for a given financial year were only available in the middle of the following financial year the Supervisory Board decided when setting the LTI 2019 to compare the previous year’s fuel efficiency figures with those for the year before that. For 2020, the environmental target is therefore measured on the basis of a comparison between the specific CO<sub>2</sub> emissions in the 2019 and 2018 financial years.

To calculate performance, the achievement of the environmental target is determined by the Supervisory Board annually over the four-year performance period. The individual values each account for one-quarter of the total performance against the sustainability target at the end of the performance period.

The target achievements for the environmental parameter in the LTI 2019 already determined by the Supervisory Board for 2019 and 2020 are shown in the following table

➤ **Combined non-financial declaration, p. 89ff.**

#### T196 ACHIEVEMENT OF ENVIRONMENTAL TARGET IN LTI 2019

Annual reduction in CO<sub>2</sub> emissions

Year of performance period	Reference years	Target achievement	Weighting
2019	2018 compared with 2017	53%	1/4
<b>2020</b>	<b>2019 compared with 2018</b>	<b>0%</b>	<b>1/4</b>

The following table shows the long-term variable remuneration for 2020 and 2019 in accordance with IFRS 2. The LTI component Relative Total Shareholder Return is included pro rata for the LTI 2019.

#### T197 PERFORMANCE OF LTI SHARE PROGRAMMES<sup>1)</sup>

in €	Time value LTI 2020	Time values LTI 2019		
	Financial year 2020	Financial year 2020	Financial year 2019	Change 2020 compared with 2019
Carsten Spohr	125,416	20,769	241,395	-220,626
Thorsten Dirks (until 30 Jun 2020)	-	-	127,050	-127,050
Christina Foerster	66,008	-	-	-
Harry Hohmeister	66,008	10,931	127,050	-116,119
Detlef Kayser	66,008	10,931	127,050	-116,119
Michael Niggemann	66,008	-	-	-
Ulrik Svensson (until 30 Apr 2020)	22,003	7,288	127,050	-119,763
	<b>411,451</b>	<b>49,919</b>	<b>749,595</b>	<b>-699,677</b>

<sup>1)</sup> Time values pro rata temporis for the performance period of four years.



**Deferral from the annual bonus 2018 (Deferral 2018)**

In the remuneration system for Executive Board members in effect until 31 December 2018, the variable remuneration was based on the Lufthansa Group's EBIT margin. For the financial year 2018, 50% of the variable remuneration was paid in the following year, with 50% deferred for two further years. At the end of the full three-year assessment period, the amount carried forward is multiplied by a factor determined on the basis of objective indicators, of which cumulative three-year EACC accounts for 70% and the sustainability parameters of environment, customer satisfaction and employee commitment account for 30%. The factor can vary between 0.0 and 2.0 and is applied uniformly for the entire Executive Board to the amount carried forward before it is paid out. The multiplier based on EACC increases on a linear basis from a value of 0.0, which corresponds to EACC of EUR -1,000m or lower, to a maximum value of 2.0, which is attained when EACC reaches EUR +1,000m. The sustainability factor, which can also vary between 0.0 and 2.0, is determined by the Supervisory Board on the basis of a recommendation from the Steering Committee and represents a discretionary assessment of changes in the figures "Reduction of CO<sub>2</sub> emissions", "Customer satisfaction at Lufthansa German Airlines (CPI)" and "Employee survey indices in the Group". The maximum amount of total variable remuneration that can be paid for a given financial year is capped at 175% of fixed annual salary.

Due to the collapse in business caused by the coronavirus crisis in the reporting year, the EACC factor for the benefit vested and deferred in financial year 2018 is 0 (cumulative three-year EACC 2018-2020: EUR -4,596m). The Supervisory Board has set the sustainability factor at 1.2 on the basis of a recommendation by the Steering Committee in view of the significant improvements in the Customer Profile Index and the Engagement Index. This gives a total multiple of 0.36. The resulting definitive entitlements from variable remuneration deferred from 2018 are shown for the individual Executive Board members in the following table. Messrs Spohr, Hohmeister and Dirks and Ms Volkens have said that they will forego payment of the Deferral 2018 in March 2021 and continue to defer it until further notice.

**T198 AMOUNT OF DEFERRAL 2018**

in €	2018
Carsten Spohr	498,398
Thorsten Dirks	311,499
Harry Hohmeister	311,499
Ulrik Svensson	311,499
Bettina Volkens	311,499

**Share-based remuneration – LH-Performance (until 2018)**

Up to and including 2018, the Executive Board members were also obliged to take part in the share programme for Executive Board members and managers.

Participation in the LH-Performance programme for Executive Board members required a personnel investment in Lufthansa shares in tranches of EUR 4k. The Chairman of the Executive Board and CEO was thereby obliged to hold Lufthansa shares valued at EUR 180k and an ordinary Executive Board member to hold shares valued at EUR 120k, whereby Lufthansa granted a discount of 50% on the share price. The shares invested in personally may not be sold until the end of the respective four-year performance period. The amount of a potential entitlement under the share programmes is linked both to the absolute performance of the Lufthansa share (performance option) and to the performance of the Lufthansa share compared with a notional index of European competitors' shares (outperformance option). The performance and outperformance of the Lufthansa shares are calculated on the principle of total shareholder return. This means that cash dividends, subscription rights, capital rights and other special rights are included in the calculation of performance/outperformance, as well as the change in the share price. The performance option for 2016 results in a cash payment if the share price goes up by more than 27%. The option is capped at a performance of more than 41%. For the outperformance option the participants receive a payment for each percentage point of outperformance. When this is more than 20 percentage points, it is capped at a defined amount. The maximum for both the performance and the outperformance options is EUR 20k per tranche. Further information about the ongoing LH-Performance programmes can be found in [Note 39, p. 192ff.](#)

**T199 SHARE OPTION PROGRAMME 2016: TARGET ACHIEVEMENT**

	Hurdle	Cap	Actual figure	Payment per tranche
Performance Lufthansa share	27%	41%	-15.13%	EUR 0
Outperformance compared with peer group	+1 pts	+20 pts	+30.32 pts	EUR 20k

Payments are only made to Executive Board members under the options if they are still active members of the Executive Board of Deutsche Lufthansa AG at the end of the programme. If the Executive Board member has retired or steps down once his appointment comes to an end, a payment is made pro rata temporis for the portion of the programme during which the participant was still a member of the Executive Board.

Information about the ongoing LH-Performance programmes and the payments made to Executive Board members in 2020 for LH-Performance 2016 are shown in the following tables.

As of 31 December 2020 (2019), the members of the Executive Board held the following shares and option packages from current share programmes under LH-Performance:

#### T200 LH-PERFORMANCE PROGRAMME

	2017 programme		2018 programme	
	Number of shares purchased from own funds	Number of option packages	Number of shares purchased from own funds	Number of option packages
Number of shares				
Thorsten Dirks (until 30 Jun 2020)	4,350 (4,350)	30 (30)	6,750 (6,750)	30 (30)
Harry Hohmeister	4,350 (4,350)	30 (30)	6,750 (6,750)	30 (30)
Carsten Spohr	6,525 (6,525)	45 (45)	10,125 (10,125)	45 (45)
Ulrik Svensson (until 30 Apr 2020)	4,350 (4,350)	30 (30)	6,750 (6,750)	30 (30)
Bettina Volkens (until 31 Dec 2019)	4,350 (4,350)	30 (30)	6,750 (6,750)	30 (30)

The following table shows changes in the ongoing LH-Performance share programmes in 2020.

#### T201 PERFORMANCE OF LH-PERFORMANCE PROGRAMME

	Financial year 2020			Financial year 2019		
	Payments from maturing share programmes	Change in fair value of ongoing share programmes	Total	Payments from maturing share programmes	Change in fair value of ongoing share programmes	Total
in €						
Carsten Spohr	-900,000	-248,558	-1,148,558	-1,485,000	497,447	-987,553
Thorsten Dirks (until 30 Jun 2020)	-	-15,633	-15,633	-	18,243	18,243
Harry Hohmeister	-600,000	-165,705	-765,705	-990,000	331,631	-658,369
Ulrik Svensson (until 30 Apr 2020)	-	-46,453	-46,453	-	18,243	18,243
Bettina Volkens (until 31 Dec 2019)	-600,000	-465,370	-1,065,370	-990,000	654,411	-335,589
	<b>-2,100,000</b>	<b>-941,719</b>	<b>-3,041,719</b>	<b>-3,465,000</b>	<b>1,519,975</b>	<b>-1,945,025</b>

More information on payment caps can be found in the Notes to the consolidated financial statements. ➤ Note 39, p. 192ff.

## Amount of Executive Board remuneration in 2020

### REMUNERATION OF EXECUTIVE BOARD MEMBERS ACTIVE IN THE FINANCIAL YEAR

#### Awarded and due remuneration and contractually agreed benefits in financial year 2020

The following tables show the remuneration awarded and due (paid) to each individual member of the Executive Board in financial year 2020 and the contractually agreed benefits for 2020. Section 162 AktG defines as awarded and due (paid) remuneration that fell due in the reporting period and have already been paid to the individual Executive Board member or which are outstanding but not yet paid. The presentation of contractually agreed benefits in the table [T203, p. 263f.](#), corresponds to the format previously recommended by the German Corporate Governance Code as amended on 7 February 2017 as Model table 1 relating to Section 4.2.5 (3).

The disclosures on payments and contractually agreed benefits are each divided into fixed and variable remuneration components. The allocation to retirement benefits in the financial year is disclosed as part of contractually agreed benefits. The fixed remuneration components include the basic salary and ancillary benefits that are not performance-related. Variable, performance-related remuneration is divided into short-term and long-term variable remuneration.

The following tables show the remuneration awarded or due to active Executive Board members in 2020. This “pay” stated for the reporting year comprises the fixed remuneration components actually paid in the reporting year, plus the variable remuneration due and paid in the financial year (Deferral 2017, plus the one-year variable remuneration for 2019. For details, please refer to the presentation in the remuneration report 2019 ([Annual report 2019, p. 118ff.](#)) including payments under the option programme LH-Performance 2016.

#### T202 AWARDED AND GRANTED BENEFITS (PAID)

in € thousands	Carsten Spohr, Chairman of the Executive Board Chairman since 1 May 2014; Member of the Executive Board since 1 Jan 2011				Thorsten Dirks Member of the Executive Board since 1 May 2017 to 30 Jun 2020 <sup>1)</sup>			
	2020	2020 <sup>2)</sup>	2019	2019 <sup>2)</sup>	2020	2020 <sup>2)</sup>	2019	2019 <sup>2)</sup>
Basic salary <sup>3)</sup>	1,471	38.4%	1,634	32.9%	387	39.3%	860	47.3%
Ancillary benefits	19	0.5%	28	0.6%	11	1.1%	15	0.8%
<b>Total</b>	<b>1,490</b>	<b>38.9%</b>	<b>1,662</b>	<b>33.5%</b>	<b>398</b>	<b>40.4%</b>	<b>875</b>	<b>48.2%</b>
One-year variable remuneration 2019 (2018)	576	15.0%	1,385	27.9%	226 <sup>4)</sup>	23.0%	942	51.8%
Long-term variable remuneration								
Three-year variable remuneration Deferral 2017 (Deferral 2016)	864	22.6%	436	8.8%	360	36.6%	-	-
Option programme (4 years) LH Performance 2016 (LH Performance 2015)	900	23.5%	1,485	29.9%	-	-	-	-
<b>Total</b>	<b>2,340</b>	<b>61.1%</b>	<b>3,306</b>	<b>66.5%</b>	<b>586</b>	<b>59.6%</b>	<b>942</b>	<b>51.8%</b>
Service cost	-	-	-	-	3,500	-	-	-
<b>Total remuneration</b>	<b>3,830</b>	<b>100.0%</b>	<b>4,968</b>	<b>100.0%</b>	<b>4,484</b>	<b>100.0%</b>	<b>1,817</b>	<b>100.0%</b>

<sup>1)</sup> The employment contract with Thorsten Dirks was ended early as of 30 June 2020.

<sup>2)</sup> The relative proportions indicated here relate to the total remuneration shown in the table excluding severance payments.

<sup>3)</sup> Including voluntary waiver of 20% of basic salary for the period from April to September 2020.

<sup>4)</sup> Remuneration of EUR 77k paid the previous year was offset against this.

in € thousands	Christina Foerster Member of the Executive Board since 1 Jan 2020				Harry Hohmeister Member of the Executive Board since 1 Jan 2013			
	2020	2020 <sup>1)</sup>	2019	2019 <sup>1)</sup>	2020	2020 <sup>1)</sup>	2019	2019 <sup>1)</sup>
Basic salary <sup>2)</sup>	774	99.9%	-	-	774	34.7%	860	28.4%
Ancillary benefits	1	0.1%	-	-	15	0.7%	18	0.6%
<b>Total</b>	<b>775</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>	<b>789</b>	<b>35.4%</b>	<b>878</b>	<b>29.0%</b>
One-year variable remuneration 2019 (2018)	-	-	-	-	303	13.6%	865	28.6%
Long-term variable remuneration								
Three-year variable remuneration Deferral 2017 (Deferral 2016)	-	-	-	-	540	24.2%	291	9.6%
Option programme (4 years) LH Performance 2016 (LH Performance 2015)	-	-	-	-	600	26.9%	990	32.7%
<b>Total</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>1,443</b>	<b>64.7%</b>	<b>2,146</b>	<b>71.0%</b>
Service cost	-	-	-	-	-	-	-	-
<b>Total remuneration</b>	<b>775</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>	<b>2,232</b>	<b>100.0%</b>	<b>3,024</b>	<b>100.0%</b>

<sup>1)</sup> The relative proportions indicated here relate to the total remuneration shown in the table excluding severance payments.

<sup>2)</sup> Including voluntary waiver of 20% of basic salary for the period from April to September 2020.

in € thousands	Detlef Kayser Member of the Executive Board since 1 Jan 2019				Michael Niggemann Member of the Executive Board since 1 Jan 2020			
	2020	2020 <sup>1)</sup>	2019	2019 <sup>1)</sup>	2020	2020 <sup>1)</sup>	2019	2019 <sup>1)</sup>
Basic salary <sup>2)</sup>	774	73.6%	860	91.5%	774	99.9%	-	-
Ancillary benefits	6	0.6%	12	1.3%	1	0.1%	-	-
<b>Total</b>	<b>780</b>	<b>74.1%</b>	<b>872</b>	<b>92.8%</b>	<b>775</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>
One-year variable remuneration 2019 (2018)	272 <sup>3)</sup>	25.9%	68	7.2%	-	-	-	-
Long-term variable remuneration								
Three-year variable remuneration Deferral 2017 (Deferral 2016)	-	-	-	-	-	-	-	-
Option programme (4 years) LH Performance 2016 (LH Performance 2015)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>272</b>	<b>25.9%</b>	<b>68</b>	<b>7.2%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
Service cost	-	-	-	-	-	-	-	-
<b>Total remuneration</b>	<b>1,052</b>	<b>100.0%</b>	<b>940</b>	<b>100.0%</b>	<b>775</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>

<sup>1)</sup> The relative proportions indicated here relate to the total remuneration shown in the table excluding severance payments.

<sup>2)</sup> Including voluntary waiver of 20% of basic salary for the period from April to September 2020.

<sup>3)</sup> Remuneration of EUR 68k paid the previous year was offset against this.

in € thousands	Ulrik Svensson Member of the Executive Board since 1 Jan 2017 to 30 Apr 2020 <sup>1)</sup>				Bettina Volkens Member of the Executive Board since 1 Jul 2013 to 31 Dec 2019 <sup>2)</sup>			
	2020	2020 <sup>3)</sup>	2019	2019 <sup>3)</sup>	2020	2020 <sup>3)</sup>	2019	2019 <sup>3)</sup>
Basic salary <sup>4)</sup>	272	24.3%	860	49.4%	-	-	860	28.4%
Ancillary benefits	5	0.4%	15	0.9%	3	0.2%	22	0.7%
<b>Total</b>	<b>277</b>	<b>24.7%</b>	<b>875</b>	<b>50.3%</b>	<b>3</b>	<b>0.2%</b>	<b>882</b>	<b>29.1%</b>
One-year variable remuneration 2019 (2018)	303	27.1%	865	49.7%	303	21.0%	865	28.6%
Long-term variable remuneration								
Three-year variable remuneration Deferral 2017 (Deferral 2016)	540	48.2%	-	-	540	37.3%	291	9.6%
Option programme (4 years) LH Performance 2016 (LH Performance 2015)	-	-	-	-	600	41.5%	990	32.7%
<b>Total</b>	<b>843</b>	<b>75.3%</b>	<b>865</b>	<b>49.7%</b>	<b>1,443</b>	<b>99.8%</b>	<b>2,146</b>	<b>70.9%</b>
Service cost <sup>5)</sup>	-	-	-	-	-	-	4,055	-
<b>Total remuneration</b>	<b>1,120</b>	<b>100.0%</b>	<b>1,740</b>	<b>100.0%</b>	<b>1,446</b>	<b>100.0%</b>	<b>7,083</b>	<b>100.0%</b>

<sup>1)</sup> The employment contract with Ulrik Svensson was ended early as of 30 April 2020.

<sup>2)</sup> The employment contract with Bettina Volkens was ended early as of 31 December 2019. The indicated severance payment amount includes the six-month non-compete compensation payable by the company. See the remuneration report 2019 for further details (Annual Report 2019, p. 125).

<sup>3)</sup> The relative proportions indicated here relate to the total remuneration shown in the table excluding severance payments.

<sup>4)</sup> Including voluntary waiver of 20% of basic salary for the period from April to September 2020.

<sup>5)</sup> Service cost under IFRS and thus not "remuneration awarded and due" within the meaning of Section 162 Paragraph 1 sentence 1 AktG.

Contractually agreed benefits as defined in the model table previously included in the German Corporate Governance Code is presented as "contractual benefits" at their value at the time of the agreement (corresponding to a target achieve-

ment of 100%) for the respective financial year. Individual caps and lower thresholds for these remuneration elements are also shown.

## T203 CONTRACTUAL BENEFITS

in € thousands	Carsten Spohr, Chairman of the Executive Board Chairman since 1 May 2014; Member of the Executive Board since 1 Jan 2011				Thorsten Dirks Member of the Executive Board since 1 May 2017 to 30 Jun 2020 <sup>1)</sup>			
	2020	2019	2020 (min)	2020 (max)	2020	2019	2020 (min)	2020 (max)
Basic salary	1,471	1,634	1,471	1,471	387	860	387	387
Ancillary benefits	19	28	19	19	11	15	11	11
<b>Total</b>	<b>1,490</b>	<b>1,662</b>	<b>1,490</b>	<b>1,490</b>	<b>398</b>	<b>875</b>	<b>398</b>	<b>398</b>
One-year variable remuneration	1,140	1,140	0	2,280	-	600	-	-
Long-term variable remuneration	2,090	2,090	0	4,180	-	1,100	-	-
<b>Total</b>	<b>3,230</b>	<b>3,230</b>	<b>0</b>	<b>6,460</b>	<b>0</b>	<b>1,700</b>	<b>0</b>	<b>0</b>
Service cost	925	920	925	925	251	486	251	251
<b>Total remuneration</b>	<b>5,645</b>	<b>5,812</b>	<b>2,415</b>	<b>8,875</b>	<b>649</b>	<b>3,061</b>	<b>649</b>	<b>649</b>

<sup>1)</sup> In accordance with the severance payment agreement, there is no entitlement to the short-term and long-term remuneration for the financial year 2020.

in € thousands	Christina Foerster Member of the Executive Board since 1 Jan 2020				Harry Hohmeister Member of the Executive Board since 1 Jan 2013			
	2020	2019	2020 (min)	2020 (max)	2020	2019	2020 (min)	2020 (max)
	Basic salary	774	-	774	774	774	860	774
Ancillary benefits	1	-	1	1	15	18	15	15
<b>Total</b>	<b>775</b>	<b>0</b>	<b>775</b>	<b>775</b>	<b>789</b>	<b>878</b>	<b>789</b>	<b>789</b>
One-year variable remuneration	600	-	0	1,200	600	600	0	1,200
Long-term variable remuneration	1,100	-	0	2,200	1,100	1,100	0	2,200
<b>Total</b>	<b>1,700</b>	<b>0</b>	<b>0</b>	<b>3,400</b>	<b>1,700</b>	<b>1,700</b>	<b>0</b>	<b>3,400</b>
Service cost	450	-	450	450	483	486	483	483
<b>Total remuneration</b>	<b>2,925</b>	<b>0</b>	<b>1,225</b>	<b>4,625</b>	<b>2,972</b>	<b>3,064</b>	<b>1,272</b>	<b>4,672</b>

in € thousands	Detlef Kayser Member of the Executive Board since 1 Jan 2019				Michael Niggemann Member of the Executive Board since 1 Jan 2020			
	2020	2019	2020 (min)	2020 (max)	2020	2019	2020 (min)	2020 (max)
	Basic salary	774	860	774	774	774	-	774
Ancillary benefits	6	12	6	6	1	-	1	1
<b>Total</b>	<b>780</b>	<b>872</b>	<b>780</b>	<b>780</b>	<b>775</b>	<b>0</b>	<b>775</b>	<b>775</b>
One-year variable remuneration	600	600	0	1,200	600	-	0	1,200
Long-term variable remuneration	1,100	1,100	0	2,200	1,100	-	0	2,200
<b>Total</b>	<b>1,700</b>	<b>1,700</b>	<b>0</b>	<b>3,400</b>	<b>1,700</b>	<b>0</b>	<b>0</b>	<b>3,400</b>
Service cost	460	450	460	460	450	-	450	450
<b>Total remuneration</b>	<b>2,940</b>	<b>3,022</b>	<b>1,240</b>	<b>4,640</b>	<b>2,925</b>	<b>0</b>	<b>1,225</b>	<b>4,625</b>

in € thousands	Ulrik Svensson Member of the Executive Board since 1 Jan 2017 to 30 Apr 2020 <sup>1)</sup>				Bettina Volkens Member of the Executive Board since 1 Jul 2013 to 31 Dec 2019 <sup>1)</sup>			
	2020	2019	2020 (min)	2020 (max)	2020	2019	2020 (min)	2020 (max)
	Basic salary	272	860	272	272	-	860	-
Ancillary benefits	5	15	5	5	-	22	-	-
<b>Total</b>	<b>277</b>	<b>875</b>	<b>277</b>	<b>277</b>	<b>0</b>	<b>882</b>	<b>0</b>	<b>0</b>
One-year variable remuneration	200	600	-	400	-	600	-	-
Long-term variable remuneration	367	1,100	-	733	-	1,100	-	-
<b>Total</b>	<b>567</b>	<b>1,700</b>	<b>0</b>	<b>1,133</b>	<b>0</b>	<b>1,700</b>	<b>0</b>	<b>0</b>
Service cost	160	471	160	160	678	478	678	678
<b>Total remuneration</b>	<b>1,004</b>	<b>3,046</b>	<b>437</b>	<b>1,570</b>	<b>678</b>	<b>3,060</b>	<b>678</b>	<b>678</b>

<sup>1)</sup> The employment contract with Bettina Volkens was ended early as of 31 December 2019. The severance payment is not included in the "Variable remuneration" table.

In 2020, the members of the Executive Board received no benefits or promises of benefits from third parties relating to their work on the Executive Board.

#### RETIREMENT BENEFITS

The members of the Executive Board receive retirement benefit commitments based on a defined contribution plan. As of the 2019 financial year, a fixed annual amount is made available to every Executive Board member for the duration of their employment – EUR 855k for the CEO and EUR 450k for ordinary members – as a contribution to their retirement benefit account.

The investment guidelines are based on the investment concept for the Lufthansa Pension Trust, which also applies to staff members of Deutsche Lufthansa AG.

Retirement benefits are paid when the beneficiary reaches the retirement age of 60 years (if they are no longer an Executive Board member) or in the event of disability or death. If the service contract ends before retirement age is reached, the beneficiaries or their surviving dependants acquire a retirement benefit credit equivalent to the balance of the pension account at the time. Deutsche Lufthansa AG guarantees the sum of contributions paid.

A supplementary risk capital sum will be added to the pension credit in the event of a claim for a disability pension or a pension for surviving dependants. This sum will consist of the average contributions paid into the pension account over the past three years multiplied by the number of full years by which the claimant is short of the age of 60 from the time a disability pension entitlement arises.

The pension credit is paid out in ten instalments. On application by the Executive Board member or his/her surviving dependants, a payment as a lump sum or in fewer than ten instalments may also be made, subject to approval by the Company. The retirement benefit credit received until 31 December 2018 by Messrs Spohr and Hohmeister may also be paid as an annuity, on application and with the approval of the Company.

Under his contract as a pilot, which is currently not active, Carsten Spohr is entitled to a transitional pension in accordance with the wage agreement “Transitional pensions for cockpit staff”. If Carsten Spohr leaves the Executive Board before he becomes 60 and resumes his employment as a pilot, he is entitled to draw a “Transitional pension for cockpit staff at Lufthansa” once he becomes 60 or on request once he turns 55, in accordance with the provisions of the wage agreement. This additional benefit is paid if certain conditions of eligibility are met and provides for a monthly pension of up to 60% of the last modified salary until the beneficiary reaches the age of 63.

#### Pension entitlements in 2020

The total amount of pension entitlements acquired by active and former Executive Board members in 2020 is EUR 4.0m (previous year: EUR 3.1m) according to HGB and EUR 3.9m (previous year: EUR 3.3m) under IFRS was recognised in staff costs (service cost). The individual current service cost and present values of pension entitlements are as follows:

#### T204 PENSION ENTITLEMENTS ACCORDING TO HGB AND IFRS

in € thousands	HGB		HGB		IFRS		IFRS	
	Current service costs		Settlement amount of pension obligations		Current service costs		Present value of pension obligations	
	2020	2019	31 Dec 2020	31 Dec 2019	2020	2019	31 Dec 2020	31 Dec 2019
Carsten Spohr	797	839	8,018	7,198	925	920	8,024	6,948
Thorsten Dirks (until 30 June 2020)	200	432	1,770	1,534	251	486	1,770	1,497
Christina Foerster	651	-	654	-	450	-	666	-
Harry Hohmeister	427	421	3,572	3,129	483	486	3,573	3,068
Detlef Kayser	434	522	1,304	522	460	450	1,305	450
Michael Niggemann	680	-	684	-	450	-	701	-
Ulrik Svensson (until 30 April 2020)	142	435	1,890	1,715	160	471	1,890	1,707
Bettina Volkens (until 31 December 2019)	651	427	3,768	3,102	698	478	3,768	3,068
	<b>3,982</b>	<b>3,076</b>	<b>21,660</b>	<b>17,200</b>	<b>3,877</b>	<b>3,291</b>	<b>21,697</b>	<b>16,738</b>



### Compliance with remuneration cap

In addition to the caps for short-term and long-term variable remuneration for 2020 in accordance with Section 87a Paragraph 1 Sentence 2 No.1 AktG, there is a cap on total remuneration for the financial year (including ancillary benefits and retirement benefit commitments). This maximum remuneration amounts to EUR 9.5m for the Chairman of the Executive Board and CEO and EUR 5m for an ordinary Executive Board member and relates to actual expenses or the actual payment of remuneration agreed for the financial year. If remuneration for financial year 2020 exceeds this cap, the variable remuneration is reduced accordingly.

Since the four-year performance period means that expenses for the long-term variable remuneration component are only known in the third year after the reporting year, compliance with the remuneration cap for 2020 can only be reported definitively in the remuneration report for financial year 2023.

### SHARE OWNERSHIP GUIDELINES

The Share Ownership Guidelines (SOG) have been an integral part of the remuneration system for the Executive Board since 2019. They oblige the CEO to acquire Lufthansa shares worth twice his basic salary and ordinary Executive Board members to acquire shares worth one year's basic salary and to hold them for their term of office and beyond. Executive Board members must demonstrate annually that they meet this obligation.

The minimum number of Lufthansa shares to be purchased by the Executive Board members is determined when they start their work based on the average share price over the 125 trading days before the service contract begins. Shares are to be acquired over a four-year period. Existing shareholdings are included in the calculation. In connection with the restrictions on Executive Board remuneration for the duration of the WSF stabilisation measures, the Supervisory Board has decided to suspend the four-year acquisition period for as long as the stabilisation measures are in place. It will be resumed as soon as variable remuneration is awarded again.

### T205 SHAREHOLDINGS OF CURRENT EXECUTIVE BOARD MEMBERS

	Number of LH shares according to SOG	Shareholdings as of 31 Dec 2020
Carsten Spohr	155,969	130,000
Christina Foerster	56,126	2,426
Harry Hohmeister	41,044	76,048
Detlef Kayser	41,044	2,320
Michael Niggemann	56,126	21,270

The shares bought in accordance with the SOG are to be held until the end of the service contract of the Executive Board member. After they leave, Executive Board members may sell 25% of their SOG shares per year.

### MALUS AND CLAWBACK RULE

In the event of an intentional or grossly negligent breach of statutory obligations or internal policies (compliance penalty or clawback), or if variable remuneration components dependent on achieving certain targets are paid on the basis of false data (performance clawback), the Supervisory Board has the right to withhold or demand repayment of short-term and long-term variable remuneration.

Enforcement of the withholding or repayment claim is at the professional discretion of the Supervisory Board.

The Supervisory Board did not make use of the right to withhold or demand repayment of variable remuneration components in the 2020 financial year.

### END-OF-SERVICE BENEFITS

#### Cap on severance pay

If a contract is terminated early for reasons other than good cause or a change of control, the Company will not remunerate more than the value of outstanding entitlements for the remainder of the contract, as recommended by the German Corporate Governance Code, whereby these payments may not exceed annual remuneration for two years (severance cap). The cap on severance pay is determined by the annual remuneration, which is made up of basic salary and the target amounts of one-year and long-term variable remuneration; in-kind benefits and ancillary benefits are not considered. This means the maximum severance pay for an ordinary Executive Board member is currently EUR 2,560,000 per annum, or EUR 4,864,000 for the CEO.

### Post-contractual non-compete clause

As a rule, the Executive Board members are subject to a one-year non-competition clause after leaving the Executive Board. The Company pays the Executive Board member compensation of half their annual salary for the duration of the post-contractual non-compete clause. The Company has the option of waiving compliance with the post-contractual non-compete clause up to the end of the service contract with the effect that it is no longer obliged to pay compensation six months after the waiver is entered. To date, only the service contracts with Messrs Hohmeister and Steenbergen, which were signed after the German Corporate Governance Code as amended on 16 December 2019 came into effect, as well as future appointments and reappointments, require severance pay to be offset against the non-compete compensation.

### Change of control

If the contract between an Executive Board member and Deutsche Lufthansa AG is terminated in connection with a change of control at the Company, the Executive Board member is entitled to a payment equivalent to the remuneration outstanding for the remainder of the contract. The amount of payment may not exceed 150% of the contractual cap on severance pay mentioned above. In line with the recommendation of the German Corporate Governance Code as amended on 16 December 2019, the cap on severance pay also applies to a change of control for the service contracts with Messrs Hohmeister and Steenberger, which were signed after GCGC 2019 came into effect, as well as for future appointments and reappointments.

### REMUNERATION OF EXECUTIVE BOARD MEMBERS WHO STEPPED DOWN IN THE REPORTING YEAR

#### Severance agreement with Ulrik Svensson

After Ulrik Svensson stepped down from the Executive Board for health reasons, his service contract was terminated early by resolution of the Supervisory Board on 21 April 2020 and a corresponding severance agreement on 30 April 2020. Mr Svensson waived his right to a severance payment. The Company waived the post-contractual non-compete clause and is not obliged to pay compensation.

Mr Svensson's claims to one-year and long-term variable remuneration for the proportion attributable to the financial year 2020 are not affected. He also retains his rights to the long-term variable remuneration agreed in 2019 for his Executive Board work during the performance period to the extent that the conditions for a payment are met at the end of the performance period.

Mr Svensson also retains his rights to the deferred portion of variable remuneration for 2018 (Deferral 2018, see comments on [p. 259](#)). Payments under the ongoing LH-Performance programme will be made pro rata temporis for the period in which Mr Svensson was still an Executive Board member.

The Company will make an annual contribution of EUR 450k – pro rata for 2020, i.e. until 30 April 2020 (EUR 150k) – for retirement benefits to Mr Svensson's pension account. Existing internal rules for former Executive Board members apply to Mr Svensson's use of concessionary private travel arrangements from the time of his departure.

#### Severance agreement with Thorsten Dirks

The employment contract with Thorsten Dirks was terminated prematurely with effect from 30 June 2020 in accordance with a Supervisory Board resolution of 26 June 2020 and the corresponding severance agreement. In accordance with a severance payment agreement, Mr Dirks will receive a severance payment of EUR 3.5m. The severance payment is less than the contractually agreed cap of two times annual remuneration (EUR 5.12m) and is also less than he would have earned over the remaining 2.5 years of the service contract. The Company waived the post-contractual non-compete clause and is not obliged to pay compensation.

Mr Dirks is not entitled to the short-term and long-term variable remuneration for 2020 or to the long-term variable remuneration for 2019.

However, Mr Dirks does retain his rights to the deferred portion of variable remuneration for 2018 (Deferral 2018, see comments on [p. 259](#)). He has deferred this until further notice. For the purposes of the ongoing LH-Performance programme, Mr Dirks will be treated as if he had fulfilled his employment contract until the original end date of 30 April 2023.

The Company will make an annual contribution of EUR 450k – pro rata for 2020, i.e. until 30 June 2020 (EUR 225k) – for retirement benefits to Mr Dirks' pension account. Existing internal rules for former Executive Board members apply to Mr Dirks' use of concessionary private travel arrangements from the time of his departure.

**BENEFITS PAID TO FORMER EXECUTIVE BOARD MEMBERS**

Current payments and other benefits paid to former Executive Board members (not including the amounts for Ms Volkens and Mr Garnadt) and their surviving dependants came to EUR 5.2m in the reporting year (previous year: EUR 5.7m). This also includes non-cash benefits and concessionary travel. Pension obligations towards former Executive Board members and their surviving dependants amount to EUR 67.8m (previous year: EUR 69.1m).

In the reporting year, Karl Ulrich Garnadt, who left the Executive Board on 30 April 2017, received remuneration of EUR 180k from the Deferral 2017 (previous year: EUR 291k from the Deferral 2016) and payments of EUR 73k from the LH-Performance 2016 option programme (previous year: EUR 402k from LH-Performance 2015).

Remuneration awarded and owed to Bettina Volkens in 2020 is shown in table [T202, p. 261ff.](#), along with the remuneration for Executive Board members active in the reporting year. Ms Volkens left the Executive Board on 31 December 2019.

**Disclosures on relative changes in Executive Board remuneration, the remuneration of the remaining workforce and Company profitability**

The following table shows the relative change in remuneration awarded and owed in the respective financial year for the Executive Board members active in the reporting year, the remuneration of the remaining workforce and year-on-year changes in selected earnings indicators for the Lufthansa Group. In line with the presentation in table [T202, p. 261ff.](#), the remuneration of Executive Board members shown in the table represents the amounts awarded and due in the reporting year.

Profitability is generally shown by reference to revenue and Adjusted EBIT for the Lufthansa Group. The latter is a key performance indicator for the Group and forms the basis for the financial targets in the variable remuneration of the Executive Board.

For the presentation of average remuneration per full-time employee, the relevant workforce is deemed to be the employees of German Group companies in the Lufthansa collective bargaining group (without Lufthansa CityLine GmbH and Germanwings GmbH). The decline in employee remuneration is mainly due to short-time working measures and the corresponding decline in allowances included in basic pay (e.g. shift allowance, extra holiday allowance).

**T206 DEVELOPMENT OF THE REMUNERATION OF THE EXECUTIVE BOARD IN RELATION TO THE REMUNERATION OF THE WORKFORCE AND THE COMPANY'S INCOME TAX TREND**

In %	Change 2020 compared with 2019 <sup>1)</sup>
<b>Executive Board<sup>2)</sup></b>	
Carsten Spohr	-22.9
Harry Hohmeister	-26.2
Detlef Kayser	-11.9
Thorsten Dirks (until 30 Jun 2020) <sup>3)</sup>	-45.8
Ulrik Svensson (until 30 Apr 2020)	-35.6
<b>Earnings indicators</b>	
Adjusted EBIT	-369.1
Revenue	-62.7
<b>Workforce</b>	
Overall workforce in Germany	-14.5
Pay-scale staff in Germany	-13.5

<sup>1)</sup> Figures for Executive Board members and the workforce are based on remuneration awarded and due in 2020 within the meaning of Section 162 Paragraph 1 Sentence 1 AktG. The transitional rule defined in Section 26 of the Introductory Act to the German Stock Corporation Act was applied.

<sup>2)</sup> Figures without Christina Foerster and Michael Niggemann, since both have only been members of the Executive Board since 1 January 2020 and therefore did not receive Executive Board remuneration in 2019.

<sup>3)</sup> Not including severance payments.

**Review of the appropriateness of Executive Board remuneration**

The Supervisory Board also reviewed the amount and structure of Executive Board remuneration in 2020. It confirmed that Executive Board remuneration was appropriate, particularly given that Executive Board members voluntarily waived part of their basic salary and in view of the restrictions imposed by the WSF framework agreement.

When reviewing the appropriateness of Executive Board remuneration, the Supervisory Board also considers whether it is market-standard by examining the amount and structure of Executive Board remuneration at comparable companies. It also takes into account the relationship between Executive Board remuneration and that of senior executives and the workforce as a whole, including over time.

To determine whether it is appropriate and market-standard, the target and maximum remuneration are assessed on the basis of Deutsche Lufthansa AG's position in a comparable market, as defined by reference to revenue, employees and market capitalisation. The comparable market consists of DAX and MDAX companies of a similar size as of the assessment date.

For the vertical appropriateness review, the Supervisory Board looks at the remuneration of both senior executives and the workforce as a whole, with regard to the German Group companies in the Lufthansa collective bargaining group.

## Remuneration of Supervisory Board members

### STRUCTURE OF SUPERVISORY BOARD REMUNERATION

In accordance with the resolution taken at the Annual General Meeting on 8 May 2012, the members of the Supervisory Board have received only fixed remuneration since the financial year 2013.

In accordance with Section 13 Paragraph 1 of the Articles of Association, for each financial year ordinary Supervisory Board members receive remuneration of EUR 80k. The Chair receives EUR 240k, and the Deputy Chair EUR 120k. The Chair of the Audit Committee receives an additional EUR 60k and other members of the Audit Committee receive an additional EUR 30k. Chairs of other committees receive an additional EUR 40k and other members of other committees receive an additional EUR 20k. Remuneration for committee work is subject to the proviso that the committee must have met at least once in the financial year.

If Supervisory Board members leave the Supervisory Board or a post in one of its committees for which additional remuneration is paid during the course of a financial year, they receive their remuneration pro rata temporis. Pro rata temporis remuneration for committee work is subject to the proviso that the committee must have met at least once before their departure.

Fixed remuneration and remuneration for committee work are due at the end of each financial year, attendance fees are due in principle at the end of each meeting. Supervisory Board remuneration and attendance fees for 2020 were paid in January 2021.

### AMOUNT OF SUPERVISORY BOARD REMUNERATION

Expenses for fixed remuneration and work on Supervisory Board committees amounted to EUR 1,887k in the 2020 financial year (previous year: EUR 2,170k).

The following table shows the amounts paid to the individual Supervisory Board members and the relative change in total remuneration compared with the previous year.

Other remuneration, mainly attendance fees, amounted to EUR 23k (previous year: EUR 62k). The Deutsche Lufthansa AG Supervisory Board members were also paid EUR 16k for work on supervisory boards of Group companies (previous year: EUR 2k).

All Supervisory Board members active in 2020 voluntarily waived 25% of their remuneration for the months of April to September 2020, as well as 25% of their attendance fees for the meeting in March and all further meetings from April to September 2020.

## T207 REMUNERATION SUPERVISORY BOARD

	2020					2019					Change 2020 compared with 2019 <sup>2)</sup>
	Fixed remuneration <sup>1)</sup>		Remuneration for committee work		Total Super- visory Board remu- neration	Fixed remuneration <sup>1)</sup>		Remuneration for committee work		Total Super- visory Board remu- neration	
	in € thousands	in %	in € thousands	in %		in € thousands	in %	in € thousands	in %		
Karl-Ludwig Kley	210	79.8	53	20.2	263	240	80.0	60	20.0	300	-12.3
Christine Behle	105	85.4	18	14.6	123	120	85.7	20	14.3	140	-12.1
Alexander Behrens	70	72.9	26	27.1	96	80	72.7	30	27.3	110	-12.7
Jörg Cebulla	70	72.9	26	27.1	96	80	72.7	30	27.3	110	-12.7
Erich Clementi (since 5 May 2020)	44	100.0	-	-	44	-	-	-	-	-	-
Thomas Enders (since 5 May 2020)	44	80.0	11	20.0	55	-	-	-	-	-	-
Herbert Hainer (until 5 May 2020)	26	66.7	13	33.3	39	80	66.7	40	33.3	120	-67.5
Christian Hirsch (until 31 Dec 2020)	70	100.0	-	-	70	80	100.0	-	-	80	-12.5
Jürgen Jennerke (since 8 Dec 2020)	5	100.0	-	-	5	-	-	-	-	-	-
Michael Kerkloh (since 2 Sep 2020)	25	75.8	8	24.2	33	-	-	-	-	-	-
Carsten Knobel	70	72.9	26	27.1	96	80	72.7	30	27.3	110	-12.7
Holger Benjamin Koch	70	100.0	-	-	70	80	100.0	-	0.0	80	-12.5
Martin Koehler (until 31 Aug 2020)	45	80.4	11	19.6	56	80	80.0	20	20.0	100	-44.0
Harald Krüger (since 5 May 2020)	44	100.0	-	-	44	-	-	-	-	-	-
Martina Merz (until 5 May 2020)	26	100.0	-	-	26	80	100.0	-	-	80	-67.5
Michael Nilles (until 5 May 2020)	26	100.0	-	-	26	80	100.0	-	-	80	-67.5
Monika Ribar (until 31 Aug 2020)	45	72.6	17	27.4	62	80	72.7	30	27.3	110	-43.6
Birgit Rohleder	70	100.0	-	-	70	80	100.0	-	-	80	-12.5
Miriam Sapiro	70	100.0	-	-	70	80	100.0	-	-	80	-12.5
Ilja Schulz	70	80.5	17	19.5	87	80	80.0	20	20.0	100	-13.0
Astrid Stange (since 5 May 2020)	44	100.0	-	-	44	-	-	-	-	-	-
Olivia Stelz	70	100.0	-	-	70	80	100.0	-	-	80	-12.5
Stephan Sturm	70	56.9	53	43.1	123	80	57.1	60	42.9	140	-12.1
Angela Titzrath (since 2 Sep 2020)	25	100.0	-	-	25	-	-	-	-	-	-
Christina Weber (until 2 Dec 2020)	74	75.5	24	24.5	98	80	72.7	30	27.3	110	-10.9
Klaus Winkler	70	100.0	-	-	70	80	100.0	-	-	80	-12.5
Matthias Wissmann (until 5 May 2020)	26	100.0	-	-	26	80	100.0	-	-	80	-67.5
<b>Total</b>	<b>1,584</b>	<b>83.9</b>	<b>303</b>	<b>16.1</b>	<b>1,887</b>	<b>1,800</b>	<b>83</b>	<b>370</b>	<b>17.1</b>	<b>2,170</b>	<b>-13.0</b>

<sup>1)</sup> Including voluntary waiver of 25% of salary for the period from April to September 2020.

<sup>2)</sup> The relative proportions indicated here relate to the total Supervisory Board remuneration shown in the table.

# FURTHER INFORMATION

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## Independent Auditor's Limited Assurance Report regarding the Non-Financial Statement

To Deutsche Lufthansa Aktiengesellschaft, Köln

We have performed a limited assurance engagement on the Non-Financial Statement of Deutsche Lufthansa Aktiengesellschaft according to § 289b HGB ("Handelsgesetzbuch": German Commercial Code), which is combined with the Non-Financial Statement of the Lufthansa Group according to § 315b HGB, also consisting of the chapter "Principles of the Group" in the combined management report of Deutsche Lufthansa Aktiengesellschaft being incorporated by reference, for the reporting period from 1 January 2020 to 31 December 2020 (hereafter "Non-Financial Statement"). Our engagement did not include any disclosures for prior years and any references to further information in the Non-Financial Statement.

### Management's responsibility

The legal representatives of the Company are responsible for the preparation of the Non-Financial Statement in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the Non-Financial Statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a Non-Financial Statement that is free from material misstatement, whether due to fraud or error.

### Auditor's declaration relating to independence and quality control

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

### Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the Non-Financial Statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the Non-Financial Statement of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement, the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted mainly between October 2020 and March 2021, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the Non-Financial Statement, the risk assessment and the concepts of Deutsche Lufthansa Aktiengesellschaft and Lufthansa Group for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the Non-Financial Statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of disclosures in the Non-Financial Statement,
- Identification of likely risks of material misstatement in the Non-Financial Statement,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating data in the relevant areas in the reporting period,



- Analytical evaluation of disclosures in the Non-Financial Statement at the level of the parent company and the group,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data and
- Evaluation of the presentation of disclosures in the Non-Financial Statement.

#### **Assurance conclusion**

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Non-Financial Statement of Deutsche Lufthansa Aktiengesellschaft and of Lufthansa Group for the period from 1 January 2020 to 31 December 2020 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. Our engagement did not include any disclosures for prior years and any references to further information in the Non-Financial Statement.

#### **Intended use of the assurance report**

We issue this report on the basis of the engagement agreed with Deutsche Lufthansa Aktiengesellschaft. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

#### **Engagement terms and liability**

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement ([www.de.ey.com/general-engagement-terms](http://www.de.ey.com/general-engagement-terms)). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 2 March 2021

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Nicole Richter	Yvonne Meyer
Wirtschaftsprüferin	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

## Report of the independent auditor on the audit of the remuneration report pursuant to Sec. 162 (3) AktG [“Aktiengesetz”: German Stock Corporation Act]

To Deutsche Lufthansa Aktiengesellschaft

### Opinion

We have audited the remuneration report of Deutsche Lufthansa Aktiengesellschaft, Cologne, for the fiscal year from 1 January to 31 December 2020 to formally verify whether the disclosures required by Sec. 162 (1) and (2) AktG [“Aktiengesetz”: German Stock Corporation Act] have been made. In accordance with Sec. 162 (3) AktG, we have not audited the content of the remuneration report.

In our opinion, the disclosures required by Sec. 162 (1) and (2) have been made in the attached remuneration report in all material respects. Our opinion does not cover the content of the remuneration report.

### Basis for the opinion

We conducted our audit of the remuneration report in accordance with Sec. 162 (3) AktG with due regard to the Exposure Draft of IDW Auditing Standard: Audit of the Remuneration Report in Accordance with Sec. 162 (3) AktG (Draft IDW AsS 870). Our responsibilities under this provision and standard are further described in the “Auditor’s responsibilities” section of our report. As an audit firm, we applied the standards set forth in IDW Standard on Quality Control: Requirements for Quality Control in Audit Firms (IDW QS 1). We have complied with the German professional responsibilities in accordance with the WPO [“Wirtschaftsprüferordnung”: German Law Regulating the Profession of Wirtschaftsprüfer (German Public Auditors)] and the BS WP/vBP [“Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer”: Professional Charter for German Public Accountants/German sworn auditors], including the independence requirements.

### Responsibility of the Executive Board and Supervisory Board

The Executive Board and Supervisory Board are responsible for the preparation of the remuneration report and the related disclosures in compliance with the requirements of Sec. 162 AktG. In addition, they are responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report and the related disclosures that are free from material misstatement, whether due to fraud or error.

### Auditor’s responsibilities

Our objectives are to obtain reasonable assurance about whether the disclosures required by Sec. 162 (1) and (2) AktG are made in the remuneration report in all material respects and express an opinion on this in a report.

We planned and performed our audit so as to determine the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by Sec. 162 (1) and (2) AktG. In accordance with Sec. 162 (3) AktG, we have not audited the accuracy of the content of the disclosures, the completeness of the content of the individual disclosures or the appropriate presentation of the remuneration report.

### Consideration of misrepresentations

In connection with our audit, our responsibility is to read the remuneration report taking into account the knowledge obtained from the audit of the financial statements and, in so doing, remain alert for indications of whether the remuneration report contains misrepresentations in relation to the accuracy of the content of the disclosures, the completeness of the content of the individual disclosures or the appropriate presentation of the remuneration report.

If, based on the work we have performed, we conclude that there is a misrepresentation, we are required to report that fact. We have nothing to report in this regard.

Eschborn/Frankfurt am Main, 2 March 2021

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Sven Hayn  
Wirtschaftsprüfer  
[German Public Auditor]

Siegfried Keller  
Wirtschaftsprüfer  
[German Public Auditor]

## Ten-year overview

### T208 TEN-YEAR OVERVIEW

	2020	2019	2018 <sup>a)</sup>	2017 <sup>b)</sup>	2016	2015	2014 <sup>c)</sup>	2013 <sup>d)</sup>	2012 <sup>e)</sup>	2011	
<b>Income statement</b>											
<b>Lufthansa Group</b>											
Revenue	€m	13,589	36,424	35,542	35,579	31,660	32,056	30,011	30,027	30,135	28,734
<b>Result</b>											
Adjusted EBITDA	€m	-2,890	4,718	5,016	5,009	3,338					
Adjusted EBIT (since 2014)/ Operating result (until 2013)	€m	-5,451	2,026	2,836	2,969	1,752	1,817	1,171	699	839	820
Adjusted EBIT margin (since 2014)/ Operating margin (until 2013)	%	-40.1	5.6	8.0	8.3	5.5	5.7	3.9	2.3	2.8	2.9
EBIT	€m	-7,353	1,857	2,974	3,297	2,275	1,676	1,000	936	1,668	734
Profit/loss before income taxes	€m	-8,631	1,860	2,784	3,158	2,248	2,026	180	546	1,296	446
Income taxes	€m	1,865	-615	-588	-784	-445	-304	-105	-220	-91	-157
Net profit/loss attributable to shareholders of Deutsche Lufthansa AG	€m	-6,725	1,213	2,163	2,340	1,776	1,698	55	313	1,228	-13
<b>Main cost items</b>											
Staff costs	€m	6,436	9,121	8,811	8,172	7,354	8,075	7,335	7,356	6,741	6,678
Fees and charges	€m	1,796	4,523	4,457	6,357	5,736	5,651	5,265	5,167	5,167	5,000
Fuel for aircraft	€m	1,875	6,715	6,087	5,232	4,885	5,784	6,751	7,115	7,392	6,276
Depreciation, amortisation and impairment	€m	4,389	2,776	2,205	2,383	1,769	1,715	1,528	1,767	1,839	1,722
Net interest	€m	-334	-315	-144	-195	-218	-170	-256	-346	-372	-288
<b>Balance sheet Lufthansa Group</b>											
<b>Asset structure</b>											
Non-current assets	€m	29,444	31,374	27,559	24,749	24,504	23,526	22,227	19,419	18,782	18,627
Current assets	€m	10,040	11,285	10,654	11,029	10,193	8,936	8,247	9,689	9,777	9,454
of which liquid assets	€m	5,460	3,385	3,235	3,948	3,937	3,093	2,738	4,698	4,966	3,998
<b>Capital structure</b>											
Shareholders' equity	€m	1,387	10,256	9,573	9,110	7,149	5,845	4,031	6,108	4,839	8,044
of which issued capital	€m	1,530	1,224	1,217	1,206	1,200	1,189	1,185	1,180	1,177	1,172
of which reserves	€m	6,542	7,710	6,083	5,461	4,084	2,881	2,728	4,563	2,374	6,790
Liabilities	€m	38,097	32,403	28,640	26,668	27,548	26,617	26,443	23,000	23,720	20,037
of which pension provisions	€m	9,531	6,659	5,865	5,116	8,364	6,626	7,231	4,718	5,844	2,165
of which borrowing	€m	15,368	10,030	6,685	6,814	6,575	6,370	5,958	6,337	6,910	6,424
Total assets	€m	39,484	42,659	38,213	35,778	34,697	32,462	30,474	29,108	28,559	28,081
<b>Other financial data</b>											
<b>Lufthansa Group</b>											
Capital expenditure	€m	1,312	3,666	3,805	3,529	2,231	2,568	2,773	2,499	2,358	2,560
of which on tangible and intangible assets	€m	1,249	3,486	3,709	3,338	2,160	2,454	2,699	2,444	2,291	2,445
of which on financial investments	€m	63	180	96	191	71	114	74	55	67	115
Cash flow from operating activities	€m	-2,328	4,030	4,109	5,368	3,246	3,393	1,977	3,290	2,842	2,356
(Adjusted) Free cash flow <sup>1)</sup>	€m	-3,669	203	288	2,117	1,138	834	-297	1,307	1,397	713
<b>Indebtedness</b>											
gross	€m	15,382	10,047	6,724	6,832	6,638	6,440	6,156	6,393	6,919	6,440
net	€m	9,922	6,662	3,489	2,884	2,701	3,347	3,418	1,695	1,953	2,328
<b>Lufthansa share</b>											
Share price	€	10.82	16.41	19.70	30.72	12.27	14.57	13.83	15.42	14.24	9.19
Dividends proposed/paid	€m	-	-	380	377	234	232	-	207	-	114
Dividend per share proposed/paid	€	-	-	0.80	0.80	0.50	0.50	-	0.45	-	0.25

**T208 TEN-YEAR OVERVIEW** (continued)

		2020	2019	2018 <sup>a)</sup>	2017 <sup>b)</sup>	2016	2015	2014 <sup>c)</sup>	2013 <sup>d)</sup>	2012 <sup>e)</sup>	2011
<b>Operational ratios</b>											
<b>Lufthansa Group</b>											
Return on sales (Profit/loss before income taxes/revenue)	%	-63.5	5.1	7.8	8.9	7.1	6.3	0.6	1.8	4.3	1.6
Return on capital employed (Profit/loss before income taxes plus interest on liabilities/total assets)	%	-20.8	5.3	7.8	9.9	7.3	7.3	2.0	3.6	6.4	3.3
Return on equity (Profit/loss after income taxes/shareholders' equity)	%	-487.8	12.1	22.9	26.1	25.2	29.5	1.9	5.3	25.6	0.0
Return on equity (Profit/loss before income taxes/shareholders' equity)	%	-622.3	18.1	29.1	34.7	31.4	34.7	4.5	8.9	26.8	5.5
Equity ratio (Shareholders' equity/total assets)	%	3.5	24.0	25.1	25.5	20.6	18.0	13.2	21.0	16.9	28.6
Gearing (Net indebtedness plus pension provisions/shareholders' equity)	%	1,402.5	129.9	97.7	87.8	154.8	170.6	264.2	105.0	161.1	55.9
Leverage (Net indebtedness/total assets)	%	25.1	15.6	9.1	8.1	7.8	10.3	11.2	5.8	6.8	8.3
Internal financing ratio (Cash flow/capital expenditure)	%	-177.4	109.9	108.0	152.1	145.5	132.1	71.3	131.7	120.5	92.0
Adjusted net debt/Adjusted EBITDA (since 2017) Debt repayment ratio (until 2016)	%	-6.6	2.8	1.8	1.5	28.7	30.7	20.8	37.0	34.4	49.7
Revenue efficiency (Cash flow/revenue)	%	-17.1	11.1	11.6	15.1	10.3	10.6	6.6	11.0	9.7	8.8
Adjusted ROCE (Adjusted EBIT plus interest on liquidity less 25% taxes)/average capital employed	%	-16.7	6.6	10.6	11.9	7.0	8.3	5.4			
Net working capital (Current assets less current liabilities)	€bn	-4.6	-4.7	-5.6	1.6	-0.8	-3.5	-2.7	-1.3	0.0	-0.3
Non-current asset ratio (Non-current assets/total assets)	%	74.6	73.5	72.1	69.2	70.6	72.5	72.9	66.7	65.8	66.3
Depreciation ratio for aircraft/reserve engines (Accumulated depreciation/accumulated acquisition costs)	%	55.9	50.7	51.7	52.5	49.7	51.6	51.4	52.6	54.2	54.4
<b>Staff ratios</b>											
Average number of employees	number	125,207	137,784	134,330	128,856	123,287	119,559	118,973	117,414	118,368	119,084
Revenue/employee	€	108,532	264,356	264,587	276,114	256,799	268,119	252,251	255,736	254,587	241,292
Staff costs/revenue	%	47.4	25.0	24.8	23.0	23.2	25.2	24.4	24.5	22.4	23.2
<b>Traffic figures Lufthansa Group</b>											
Passengers	millions	36.4	145.3	141.9	129.3	109.7	107.7	106.0	104.6	103.6	100.6
Available seat-kilometres	millions	109,828	358,803	349,391	322,875	286,555	273,975	268,104	262,682	260,169	258,263
Revenue seat-kilometres	millions	69,462	296,217	284,639	261,149	226,639	220,396	214,643	209,649	205,015	200,376
Passenger load factor	%	63.2	82.6	81.5	80.9	79.1	80.4	80.1	79.8	78.8	77.6
Available cargo tonne-kilometres	millions	10,591	17,379	16,349	15,754	15,117	14,971	14,659	14,893	14,749	16,260
Revenue cargo tonne-kilometres	millions	7,373	10,664	10,896	10,819	10,071	9,930	10,249	10,285	10,240	10,861
Cargo load factor	%	69.6	61.4	66.6	68.7	66.6	66.3	69.9	69.1	69.4	66.8
Number of flights	number	390,900	1,187,728	1,163,565	1,128,745	1,021,919	1,003,660	1,001,961	1,028,260	1,067,362	1,050,728
Aircraft in service	number	757	763	763	728	617	600	615	622	627	696

<sup>1)</sup> Since 2018: Adjusted free cash flow, adjusted for the IFRS 16 effect.

<sup>2)</sup> The figures for the financial year 2012 were adjusted retrospectively due to the application of the revised IAS 19.

<sup>3)</sup> The figures for the financial year 2013 were adjusted retrospectively due to IFRS 11.

<sup>4)</sup> The figures for the financial year 2014 were adjusted retrospectively due to the new reporting method.

<sup>5)</sup> The figures for the financial year 2017 were adjusted retrospectively to reflect the restated capitalisation of engine maintenance events and IFRS 9.

<sup>6)</sup> The figures for the financial year 2018 were adjusted retrospectively to reflect the restated compensation payments for flight cancellations and delays.

## Glossary

### Aviation terminology

**Hub** In air traffic a hub refers to an airline's transfer airport, a central connecting point for different routes. Passengers and goods are transported from the original starting point to the airport's hub. From there they are carried to their destination by a second flight alongside passengers and goods from other departure points.

**IATA** International Air Transport Association – the international trade association for the airline industry.

**Low-cost carrier** Low-cost carrier are airlines which offer largely low ticket prices but with reduced service levels and sometimes additional charges on board and on the ground. Flights are mostly from secondary airports outside the major cities (e.g. Hahn in the Hunsrück area outside Frankfurt).

**MRO** Short for maintenance, repair and overhaul of aircraft.

**Network Airlines** In contrast to low-cost carriers these airlines offer a wide-ranging, normally global route network via one or more hubs, with synchronised connecting flights.

**Passenger-kilometre/tonne-kilometre** Standard output units for air transport. An available seat-kilometre (ASK) denotes one seat offered flown for one kilometre; a revenue passenger-kilometre (RPK) denotes one paying passenger transported for one kilometre. An offered tonne-kilometre (TKO) denotes the offered capacity equivalent of one tonne of load (passengers and/or cargo) for one kilometre; a revenue tonne-kilometre (RTK) denotes one tonne of load (passengers and/or cargo) transported one kilometre.

**Passenger load factor/cargo load factor** Measure of capacity utilisation in per cent. The cargo load factor expresses the ratio of capacity sold to available capacity. The passenger load factor refers to passenger transportation and the cargo load factor to freight transport or total traffic.

**Unit costs/unit revenues** Key performance indicator for air transport. Unit costs (CASK) denote the operating expenses divided by offered seat kilometres. Unit revenue (RASK) denotes the revenue divided by offered seat kilometres.

**Yields** Average traffic revenue earned per unit of output; normally based on total passenger-kilometres or tonne-kilometres sold, but they can also be calculated per unit of traffic volume, e.g. per passenger carried or per kilometre flown.

### Financial terminology

**Adjusted EBIT** Main earnings metric for the Company's forecast. This relates to EBIT adjusted for asset valuations and disposals and for the measurement of pension provisions.

**Adjusted net debt/Adjusted EBITDA** Measure of the Group's debt-servicing capacity. By using adjusted net debt, it also includes pension provisions as well as classic net indebtedness.

**Call option** The right to purchase a specific underlying security within a specified period of time at an agreed price.

**Cash flow** Measure of a company's financial and earnings potential. It is calculated as the difference between the inflow and outflow of cash and cash equivalents generated from ongoing business activities during the financial year.

**Compliance** Institutionalised arrangements for ensuring that a company's management and staff duly comply with all statutory provisions and prohibitions.

**Deferred taxes** A balance sheet item used to show taxable and deductible temporary differences. Deferred taxes reflect the temporary differences between assets and liabilities recognised for financial reporting purposes and such amounts recognised for income tax purposes.

**Directors' dealings** Transactions by members of a company's supervisory, executive or divisional boards, or their family members, involving shares in "their" company.

**Dividend yield** Indicator for assessing the profitability of an investment in shares. It is determined by dividing the dividend by the share price at the close of the reporting year and then multiplying it by 100.

**EBIT** Financial indicator denoting earnings before interest and taxes. From financial year 2015 main earnings indicator. This is calculated from total operating income less operating expenses plus the result from equity investments.

**EBITDA** Financial indicator denoting earnings before interest, taxes, depreciation and amortisation. Depreciation relates to items of property, plant and equipment and amortisation to intangible assets – both terms apply equally to non-current and current assets. The figure also includes impairment losses on equity investments accounted for under the equity method and on assets held for sale.

**Equity method** Accounting method for measuring income derived from a company's investments in associated companies and joint ventures. Under this method, investment income equals a share of net income proportional to the size of the equity investment.

**Equity ratio** Financial indicator expressing the ratio of shareholders' equity to total assets.

**Free cash flow** Financial indicator expressing the cash flow from operating activities remaining in the reporting period after deducting net cash used for investing activities.

**Free float** Shares of a company that are widely held and can be traded on the stock exchange without restrictions

**Group of consolidated companies** Group of subsidiaries included in a company's consolidated financial statements.

**Impairment** Losses recognised on the carrying amount of assets. Impairment charges are recognised when an asset's "recoverable value" (the higher of fair value less costs to sell and value in use) is below its carrying amount. By contrast, depreciation or amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

**Jet fuel crack** Price difference between crude oil and kerosene.

**Net indebtedness/net liquidity** Financial indicator denoting non-current borrowing less cash, cash equivalents and current securities.

**Rating** A standardised measure used on international financial markets to judge and categorise a company's creditworthiness. A rating can enable conclusions to be drawn about whether an issuer is capable of meeting in full its obligations under the terms of the issue.

**Registered shares with transfer restrictions** Registered shares that may only be transferred with the approval of the company.

**Return On Capital Employed – ROCE** Indicator of value creation. EBIT, to which interest income on liquidity has been added and taxes of 25% subtracted, is divided by the average capital employed. The resulting value reflects the relative return on the capital employed.

**Return on sales** Financial indicator expressing the net profit before taxes in relation to sales revenue.

**Total shareholder return** Financial indicator expressing the overall return that an investor earns from the increase in the market capitalisation or share price, plus the dividend payment. The total shareholder return is calculated from the share price at the close of the reporting year plus the dividend paid in respect of the previous year, multiplied by 100 and divided by the share price at the close of the previous year.

**Trade working capital** Financial indicator for assessing a company's liquidity, measured as the difference between its current assets and its current liabilities.

**Traffic revenue** Revenue generated solely from flight operations. It comprises revenue from transporting passengers and cargo as well as related ancillary services.

**Weighted Average Cost of Capital – WACC** The average return required on the capital employed at a company. The return on capital is calculated using the weighted average return required for both debt and equity.

**Wet lease** Lease of an aircraft from another airline, including its cockpit and cabin crew as well as maintenance and insurance.

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## Credits

### Published by

Deutsche Lufthansa AG  
Venloer Str. 151 – 153  
50672 Cologne  
Germany

Entered in the Commercial Register of Cologne  
District Court under HRB 2168

### Editorial staff

Dennis Weber (Editor)  
Patrick Winter  
Pauline Rau

### Photos

Oliver Rösler, Rödermark, Germany  
oro photography  
Stephan Zirwes Photography, Stuttgart, Germany



### Concept, design and realisation

HGB Hamburger Geschäftsberichte GmbH & Co. KG,  
Hamburg, Germany

### Translation by

EnglishBusiness AG, Hamburg, Germany

### Character references

-  Cross references
-  Internet references

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## Financial calendar 2021

- 4. Mar** Release of Annual Report 2020
- 29. Apr** Release of Interim Report January – March 2021
- 4. May** Annual General Meeting
- 5. Aug** Release of Interim Report January – June 2021
- 28. Oct** Release of Interim Report January – September 2021

### Disclaimer in respect of forward-looking statements

Information published in the Annual Report 2020, with regard to the future development of the Lufthansa Group and its subsidiaries consists purely of forecasts and assessments and not of definitive facts. Its purpose is exclusively informational, and can be identified by the use of such cautionary terms as “believe”, “expect”, “forecast”, “intend”, “project”, “plan”, “estimate”, “anticipate”, “can”, “could”, “should” or “endeavour”. These forward-looking statements are based on discernible information, facts and expectations available at the time that the statements were made. They are therefore subject to a number of risks, uncertainties and factors, including, but not limited to, those described in disclosures, in particular in the Opportunities and risk report in the Annual Report. Should one or more of these risks occur, or should the underlying expectations or assumptions fail to materialise, this could have a significant effect (either positive or negative) on the actual results.

It is possible that the Group’s actual results and development may differ materially from the results forecast in the forward-looking statements. Lufthansa does not assume any obligation, nor does it intend, to adapt forward-looking statements to accommodate events or developments that may occur at some later date. Accordingly, it neither expressly nor conclusively accepts liability, nor gives any guarantee, for the actuality, accuracy and completeness of this data and information.

### Note

Unless stated otherwise, all change figures refer to the corresponding period from the previous year. Due to rounding, some of the figures may not add up precisely to the stated totals, and percentages may not precisely reflect the absolute figures.

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