

## 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

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.

### 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.

### 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.

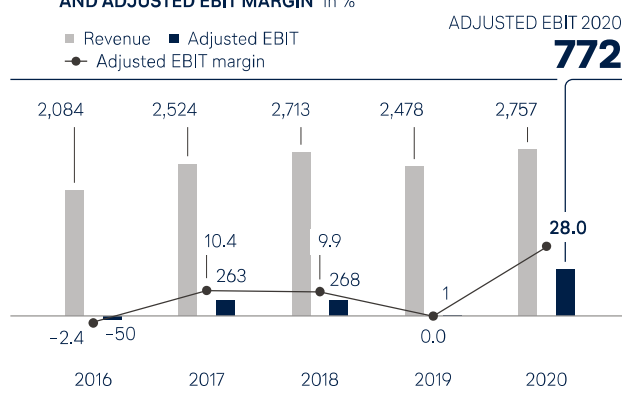
Depreciation and amortisation rose year-on-year by 11% to EUR 178m (previous year: EUR 160m).

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 €m



### 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).