

Logistics business segment

Lufthansa Cargo has benefited from extraordinarily strong demand for airfreight and achieved record results. | Cost-cutting measures have led to structural savings. | Fleet modernisation was completed. | Entry to the short-haul freight segment. | Ground infrastructure is being modernised.

T041 KEY FIGURES LOGISTICS

		2021	2020	Change in %
Revenue	€m	3,800	2,757	38
of which traffic revenue	€m	3,644	2,596	40
Total operating income	€m	3,865	2,826	37
Operating expenses	€m	2,396	2,082	15
Adjusted EBITDA	€m	1,642	950	73
Adjusted EBIT	€m	1,493	772	93
EBIT	€m	1,497	717	109
Adjusted EBIT margin	%	39.3	28.0	11.3 pts
Adjusted ROCE	%	47.2	26.2	21.0 pts
Segment capital expenditure	€m	164	222	-26
Employees as of 31 Dec	number	4,162	4,373	-5
Average number of employees	number	4,210	4,436	-5

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. Cross-border eCommerce shipments are the fastest-growing airfreight segment. These include

the transport of live animals, valuable cargo, post and hazardous goods, as well as meeting growing market demand for the carriage of temperature-controlled cargo. The company has specialised infrastructure at Frankfurt Airport to handle these goods, including the Animal Lounge and the Lufthansa Cargo Pharma Hub.

In addition to eleven of our own Boeing 777F freighters, Lufthansa Cargo uses the belly capacities of Lufthansa German Airlines, Austrian Airlines, Brussels Airlines, Eurowings Discover and SunExpress to transport freight.

In addition, the AeroLogic joint venture in Leipzig operates 20 777F freighters on behalf of the two shareholders, Lufthansa Cargo and DHL Express. Lufthansa Cargo is responsible for marketing the capacities of four of these aircraft.

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

Course of business

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

As part of the "ProFlex" cost savings programme, a range of measures were implemented that aim to achieve sustainable savings. These include unifying the fleet, further development of handling processes, sales and slimming down the head office. The programme was successfully concluded at the end of the reporting year. The cost base for Lufthansa Cargo, relating to material and staff costs, is therefore being reduced permanently by more than EUR 70m from 2022.

Fleet modernisation and unification is complete

In the 2021 financial year, two additional 777F aircraft were added to the Lufthansa Cargo fleet; one of which was purchased and the other leased. By retiring the last five MD-11F freighters, the fleet modernisation and unification was completed successfully. Lufthansa Cargo now operates a uniform fleet of eleven highly efficient 777F freighters. [Fleet, p. 24ff.](#)

Lufthansa Cargo opens up new growth potential with the use of medium-haul freighters

Lufthansa Cargo is investing in future growth potential in the fast-growing eCommerce segment. With the ongoing conversion of, initially, two Airbus A321 passenger aircraft to freighters, the rising demand for airfreight connections within Europe will be better served starting in 2022 in order to secure short delivery times. The two aircraft will in future be operated by Lufthansa CityLine.

Leading position to be expanded further through digitalisation

The leading position of Lufthansa Cargo in the airfreight industry is to be expanded by building up digital services. In addition to developing digital sales channels, the focus in 2021 was on improving data quality and therefore the associated increase in the efficiency of the handling processes. This offers massive opportunities to make the cooperation with all partners along the entire supply chain more efficient and therefore make airfreight even faster. The implementation of the Lufthansa Cargo “mobile digital handling” initiative is an important step towards replacing paper-based processes with digital solutions.

Ground infrastructure being modernised at the Frankfurt hub

Over the 2021 financial year we started a comprehensive infrastructure programme that includes the development and renovation of the logistics centre at the home Frankfurt hub. The programme was designed so that we can finally respond flexibly to market developments and the changing needs of customers.

The complete modernisation of the Lufthansa Cargo Center began in January 2021 and should be completed in 2028. In the reporting year, the conversion to a new production planning and control system (PPC) was completed.

Lufthansa Cargo is reducing carbon emissions and developing sustainable logistics solutions

In April 2021, Lufthansa Cargo included the first freight flight with sustainable fuels, making it the first carbon-neutral freight flight in the flight plan. In addition, Lufthansa Cargo has been one of the first customers since October 2021 to utilise the world’s first power-to-liquid fuel site in Emsland, Lower Saxony.

All Lufthansa Cargo customers have been able to transport their freight in a carbon-neutral manner since September 2021 by selecting the “Sustainable Choice” service.

In order to further reduce the fleet’s carbon footprint, from 2022 all 777Fs will be equipped with an innovative surface technology. The “AeroSHARK” film, which imitates sharkskin, reduces aircraft air resistance and thus reduces fuel consumption. ➔ Combined non-financial declaration, p. 94ff.

Personnel changes in the Executive Board of Lufthansa Cargo

Dorothea von Boxberg has been the 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. Her predecessor, Peter Gerber, moved to become Chief Executive Officer at Brussels Airlines. Ashwin Bhat followed her in the role of Chief Commercial Officer. He had previously led the cargo business of SWISS.

On 1 March 2022 Dietmar Focke joined the Executive Board at Lufthansa Cargo AG, where his is responsible for Operations and HR. He previously headed up Engine Services at Lufthansa Technik AG. His predecessor Harald Gloy left the company.

Operating performance

Lufthansa Cargo responds to the challenges of the coronavirus pandemic with flexibility and shows strong operating performance

In the reporting year, the market for airfreight continued to be characterised by extreme shortages in belly capacities due to the coronavirus pandemic. Lufthansa Cargo was also lacking a large part of the belly capacities of the Group airlines that would normally transport half of the total freight volume. Flexible network planning, the use of passenger aircraft as pure freighters and the delayed retirement of the Boeing MD-11F fleet were only able to partially compensate for these effects.

As demand for the remaining freight capacities increased significantly due to global supply bottlenecks and disruptions in ocean freight traffic, it was possible to achieve average prices and high load factors that were unprecedented in a historical comparison. Revenue and earnings therefore achieved new record levels.

Lufthansa Cargo doubles yields compared with the levels before the crisis

Lufthansa Cargo expanded its offering in the 2021 financial year by 9% over the previous year. When compared with the year before the crisis, 2019, the capacity was 30% lower. Belly capacities in the reporting year have gradually recovered, whereas freighter capacities were maintained at virtually the same levels through the inclusion of two 777Fs to compensate for the retirement of the last remaining MD-11Fs. Sales climbed by 11% compared with the previous year.

T042 TRAFFIC FIGURES AND OPERATING FIGURES LOGISTICS

		2021	2020	Change in %
Available cargo tonne-kilometres ¹⁾	millions	10,134	9,319	9
Revenue cargo tonne-kilometres	millions	7,198	6,461	11
Cargo load factor ¹⁾	%	71.0	69.3	1.7 pts
Yields	€ cent	50.6	40.2	25.9 ²⁾

¹⁾ Previous year’s figures have been adjusted.

²⁾ Exchange rate-adjusted change: 26.6%.

T043 TRENDS IN TRAFFIC REGIONS

Lufthansa Cargo

	Net traffic revenue external revenue		Available cargo tonne-kilometres		Revenue cargo tonne-kilometres		Cargo load factor	
	2021 in €m	Change in %	2021 in millions	Change in %	2021 in millions	Change in %	2021 in %	Change in pts
Europe	236	28	490	3	249	-2	50.8	-2.8
America	1,722	55	4,958	14	3,384	16	68.2	0.9
Asia/Pacific	1,451	24	3,891	-2	3,054	3	78.5	4.1
Middle East/Africa	235	82	795	53	511	60	64.4	2.9
Total	3,644	40	10,134	9	7,198	11	71.0	1.7

The cargo load factor improved by 1.7 percentage points to 71.0% (previous year: 69.3%). Yields adjusted for exchange rate effects increased in all Lufthansa Cargo traffic regions and were 26.6% higher than the previous year. Compared with the pre-crisis level in 2019, yields were 100.4% higher.

Traffic revenues increased due to the higher sales and yields by a total of 40% to EUR 3,644m (previous year: EUR 2,596m). Traffic revenues rose in all traffic regions.

Asia/Pacific and the Americas remain Lufthansa Cargo's main traffic regions. The two regions account for nearly 90% of capacity and sales. Capacity was expanded in the Europe, the Americas and Middle East/Africa travel regions; sales and cargo load factors rose in the Americas, Asia/Pacific and Middle East/Africa traffic regions.

Financial performance

Revenue increased by 38% year-on-year due to prices and quantities

Revenue in the Logistics segment rose by 38% to EUR 3,800m in 2021 (previous year: EUR 2,757m). Higher yields due to capacity reductions across the industry were responsible for the increase. Operating income went up by 37% to EUR 3,865m (previous year: EUR 2,826m).

Expenses up by 15%

Operating expenses rose by 15% to EUR 2,396m in the reporting year (previous year: EUR 2,082m).

The cost of materials and services increased year-on-year by 28% to EUR 1,665m (previous year: EUR 1,300m). The fuel expenses rose by 44% to EUR 251m due to higher load factors on the fleet and pricing (previous year: EUR 174m). Charter expenses increased due the rising capacities in the bellies of passenger aircraft. This also meant an increase in belly expenses paid to Group companies by 43% to EUR 945m (previous year: EUR 660m).

Staff costs went down by 2% to EUR 369m in 2021 (previous year: EUR 377m). The fall in average employee numbers by 5% was countered by the end of short-term working in Germany.

Depreciation and amortisation decreased by 16% year-on-year to EUR 149m (previous year: EUR 178m).

Other operating expenses decreased by 6% to EUR 213m, mainly due to currency effects (previous year: EUR 227m).

T044 OPERATING EXPENSES LOGISTICS

	2021 in €m	2020 in €m	Change in %
Cost of materials and services	1,665	1,300	28
of which fuel	251	174	44
of which fees	259	250	4
of which charter expenses	945	660	43
of which MRO services	95	98	-3
Staff costs ¹⁾	369	377	-2
Depreciation and amortisation ²⁾	149	178	-16
Other operating expenses ³⁾	213	227	-6
Total operating expenses	2,396	2,082	15

¹⁾ Without past service costs/settlement.

²⁾ Without impairment losses.

³⁾ Without book losses.

Lufthansa Cargo generates another record result totalling EUR 1,493m

Adjusted EBIT increased accordingly by 93% in 2021 to EUR 1,493m (previous year: EUR 772m). Lufthansa Cargo thus further improved on the record earnings generated in the previous year. The Adjusted EBIT margin improved by 11.3 percentage points to 39.3% (previous year: 28.0%). EBIT came to EUR 1,497m at the end of the reporting year (previous year: EUR 717m).

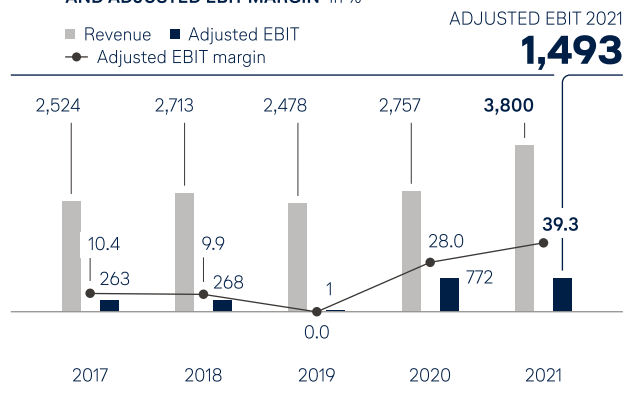
Segment capital expenditure down 26% on the year

Investment in the Logistics segment declined in the reporting period by 26% to EUR 164m (previous year: EUR 222m). This mainly related to the arrival of a 777F freighter during the reporting period.

Staff numbers decline by 5%

The number of employees at the end of the year declined by 5% to 4,162 due to productivity improvements (previous year: 4,373).

C20 LOGISTICS: DEVELOPMENT OF REVENUE, ADJUSTED EBIT AND ADJUSTED EBIT MARGIN in €m and in %



MRO business segment

Operational development of Lufthansa Technik improves over the year. | Comprehensive restructuring measures were implemented. | Range of digital and sustainable products is being expanded. | Earnings up significantly on previous year.

T045 KEY FIGURES MRO

		2021	2020	Change in %
Revenue	€m	4,003	3,747	7
of which with companies of the Lufthansa Group	€m	886	1,023	-13
Total operating income	€m	4,408	4,184	5
Operating expenses	€m	4,173	4,502	-7
Adjusted EBITDA	€m	384	-186	
Adjusted EBIT	€m	210	-383	
EBIT	€m	163	-508	
Adjusted EBIT margin	%	5.2	-10.2	15.4 pts
Adjusted ROCE	%	4.2	-6.3	10.5 pts
Segment capital expenditure	€m	95	152	-38
Employees as of 31 Dec	number	20,569	22,745	-10
Average number of employees	number	21,328	23,519	-9
Fully consolidated companies	number	25	25	

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 35 plants offering technical aviation services worldwide. The company also holds direct and indirect stakes in 61 companies. Lufthansa Technik AG serves more than 800 customers worldwide, including OEMs, aircraft leasing companies and operators of VIP jets, as well as airlines. Around 80% of the business relates to external customers.

Course of business and operating performance

MRO business recovers significantly in the reporting year

Lufthansa Technik benefited from the increasing recovery in passenger traffic during the 2021 financial year. Flight hours and capacity utilisation improved as of the end of the year to around 80% of the level before the crisis.