Annual Report 2013

cargolux

2013


CAUTION IMPROPER WIPER RIGGING
MAY CAUSE WINDSHIELD BREAKAGE
SEE MAINTENANCE MANUAL SECT.

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At a glance

Vision, mission, values

Our vision

- To become the undisputed global leader in air cargo

Our mission

- To secure the profitability of our Company by providing freight forwarders with unrivaled competitive advantage in their operations worldwide
- To secure and strengthen the Company's position in a growing and changing air cargo market
- To create value for customers, shareholders and employees

Living our values: dedication, respect, integrity

Dedication

- We act as a team
- We perform to high standards
- We deliver on promises

Respect

- We live diversity and respect
- We respect personal privacy
- We provide a healthy and safe environment for others and ourselves
- We care for the environment
- We live our responsibility as a global corporate citizen

Integrity

- We compete fairly
- We avoid conflicts of interest
- We respect the law and act accordingly
- We protect our assets
- We handle information adequately
- We value our business partners

Chairman's Letter

The woes of the air cargo market persisted during 2013, which was arguably even more challenging than 2012. According to IATA, demand for airfreight remained sluggish in 2013 with a modest 1.2% increase. In contrast, capacity expanded by a more robust 2.6% in the same period on account of additional belly space brought onto the market for the most part by combination carriers, especially from the Middle East and Asia, who continued to increase the size of their wide-body fleets in response to strong demand on the passenger side.

Given the prevailing difficult trading conditions, Cargolux ended 2013 on a high note and posted a full-year net profit of US$ 8.4 million fuelled by an annual production of 5.7 billion FTKs[1] – an increase of 19.2% over 2012 - which allowed the company to be ranked 8th among the world's top ten freighter airlines and to outperform every one of them in terms of year-on-year growth by a comfortable margin.

The rejuvenation of the Cargolux fleet continued during 2013 with the delivery of three additional Boeing 747-8 freighters – including VCA, the 25th freighter delivered by Boeing to Cargolux since our relationship began - transforming our fleet into one of the industry's youngest with an average age of 5.5 years. In February 2014, the Board of Directors approved the order of an additional Boeing 747-8F – taking the total order to 14 units – in order to support the airline's growth on the back of an expected increase in cargo volumes from 2014 onwards.

The purchase of the additional Boeing 747-8 freighter forms part of the airline's 5-year business plan - intended to provide Cargolux with the necessary financial strength in the long term to achieve lasting sustainability - adopted by the Board of Directors in February 2013 and further refined in early 2014. A crucial step towards strengthening the airline's capital base, one of the plan's foremost objectives, took place in March 2013 with the injection of liquidity into Cargolux amounting to US$ 100 million, by way of a mandatorily convertible bond in March 2015, as part of a total of US$ 275 million additional equity foreseen in the business plan. No doubt a strong show of faith in the future of the airline by the shareholders.

This letter would not be complete without a brief review of the developments around the Cargolux shareholding structure. Following Qatar Airways' decision in November 2012 to sell its 35% stake in the company, the Grand-Duchy of Luxembourg acquired the stake with the intention of selling it on to a suitable replacement strategic investor. The process of identifying potential investors began in the first quarter of 2013. In January 2014, the Luxembourg government announced that it would sell the stake to the Chinese investor Henan Civil Aviation Development and Investment Co., Ltd, (HNCA). Still in the same month, the Cargolux Board of Directors agreed to enter into a Commercial Cooperation Agreement with HNCA, hence paving the way for a close and mutually rewarding partnership between the two parties. The closing of the transaction took place on April 23, 2014.

Before I conclude, I would like to express my appreciation to my fellow directors for their contributions over the past year. Also, I am grateful to Richard Forson for safely steering Cargolux through the turbulence at the end of 2012 and in 2013 in the role of interim CEO, and for paving the way for Dirk Reich, who took the helm of Cargolux in March of this year, to usher in a new era of much needed stability. His global industry experience and strong leadership qualities will allow Cargolux to weather future challenges successfully.

I would also like to thank our current and new shareholders for their continued support, particularly for their total investment in the future of Cargolux of US$ 275 million between February 2013 and April 2014. Indeed, this reflects their confidence in the ability of the entire Cargolux team – company leadership and employees – to tackle head-on the challenges ahead. Equally, it is testament to their firm belief in the strength and value of the Cargolux brand.

Luxembourg, April 2014

Paul Helminger

[1] Freight-tonne-kilometers

CEO's Letter

Although we saw some cyclical improvement in the last quarter of 2013, trading conditions overall remained challenging for the year as high fuel prices, intense competition, weak demand and deteriorating yields continued to plague the air cargo industry as a whole.

The sharp decline in yields prompted airlines to park as many as 42 Boeing 747-400 freighters at the end of 2013, 25 units more than in 2012. In contrast, Cargolux bucked the industry trend successfully by introducing additional capacity and increasing volumes in order to maximize contribution.

This initiative allowed us to achieve a US$ 8.4 million net profit despite continued marketplace challenges. This result is a substantial improvement over the US$ 35.1 million loss recorded in 2012. Revenues for 2013 versus 2012 increased by 13.4% from US$ 1,726.3 million to US$ 1,956.8 million.

Thanks primarily to the three Boeing 747-8 freighters and an additional power-by-the-hour leased freighters that joined our fleet in 2013, we achieved a 17.1% increase in total block hours. Capacity, measured in ATKs[2] increased by 20.7% to 8,452 million with an average load factor system-wide of 67.7%. Tonnes sold climbed by 16.7% to 753,848 tonnes. Cargolux continues to be the industry leader in terms of daily utilization of its fleet of B747 freighter aircraft.

With an average price per tonne hovering close to the US$ 1,000 mark, fuel expenditure remained our most significant cost, accounting for 47.6% of total operating costs.

We achieved some major milestones this year, including a record network expansion as we added 12 destinations across five continents to our global portfolio - a logistical achievement in itself. We took action to adapt capacity to changing market conditions and optimized revenues by better aligning our network with customer demand in a sluggish global economy. November 2013, however, notably turned out to be another milestone in our history with 74,000 tonnes of freight carried on our network and revenues in excess of US$ 200 million.

We have forged ahead with flying the first-ever Boeing 747-8 services to a host of new approved destinations for the aircraft, including Xiamen, China; Latacunga, Ecuador; Aguadilla, Puerto Rico; Hanoi, Vietnam; Viracopos, Brazil and Vienna, Austria.

At the end of 2013, our fleet comprised nine 747-8 freighters. The new generation aircraft has provided us considerably lower operating unit costs and the best economics available in its category. According to our latest fleet plan, two deliveries are slated for both 2014 and 2015 while the last aircraft on order is expected to be delivered in 2017. This will result in a core fleet of 14 Boeing 747-8 freighters.

Notwithstanding our efforts to boost the competitiveness of Cargolux, we remain focused on the implementation of efforts aimed at minimizing our impact on the environment. Our fleet renewal program, in particular, is also a reflection of our strong contribution to reducing our CO_2 footprint. Equally, we acknowledge our social responsibilities and pledge to conduct business in a responsible manner as defined in our Ethics Code. We believe that conducting business in a responsible way creates a competitive advantage by enabling us to develop and maintain successful business relationships with all our stakeholders and to support the global communities in which we all live and work.

Trading conditions for freighter operators will remain challenging, but we expect 2014 to be a better year for the airfreight business owing to the recent cyclical economic upturn that has gained momentum. Demand for air cargo, which has essentially been flat for three years, has staged a modest recovery. According to recent IMF projections, world GDP is expected to accelerate from 3.0% in 2013 to 3.6% this year. As a consequence, we anticipate further growth in 2014.

[2] Available-tonne-kilometers

Before I conclude, please allow me to express a few personal thoughts. As a long-time admirer of Cargolux, I have closely followed the airline's developments for many years. The company's many achievements in its 44-year history were a source of satisfaction in spite of the occasional speed bump that may have slowed, but not derailed, the growth path of this proud company.

When taking office as the airline's President and CEO recently, I vowed to continue to build on Cargolux's strengths, to capitalize on the experience and skills of the many talented individuals that form its workforce, as well as on the support and drive of my Executive Committee colleagues in order to build a truly sustainable global airfreight carrier; indeed one that has the ability to offer its shareholders and other stakeholders real, long-term rewards.

Although I have taken up my role only recently, I am fully aware that none of the 2013 achievements would have happened without the personal dedication of our staff worldwide. I therefore take this occasion to express my sincere thanks to each and every Cargolux employee for the hard work they have done in the face of a challenging environment.

Luxembourg, April 2014

D. Reich

Dirk Reich

Consolidated figures – highlights

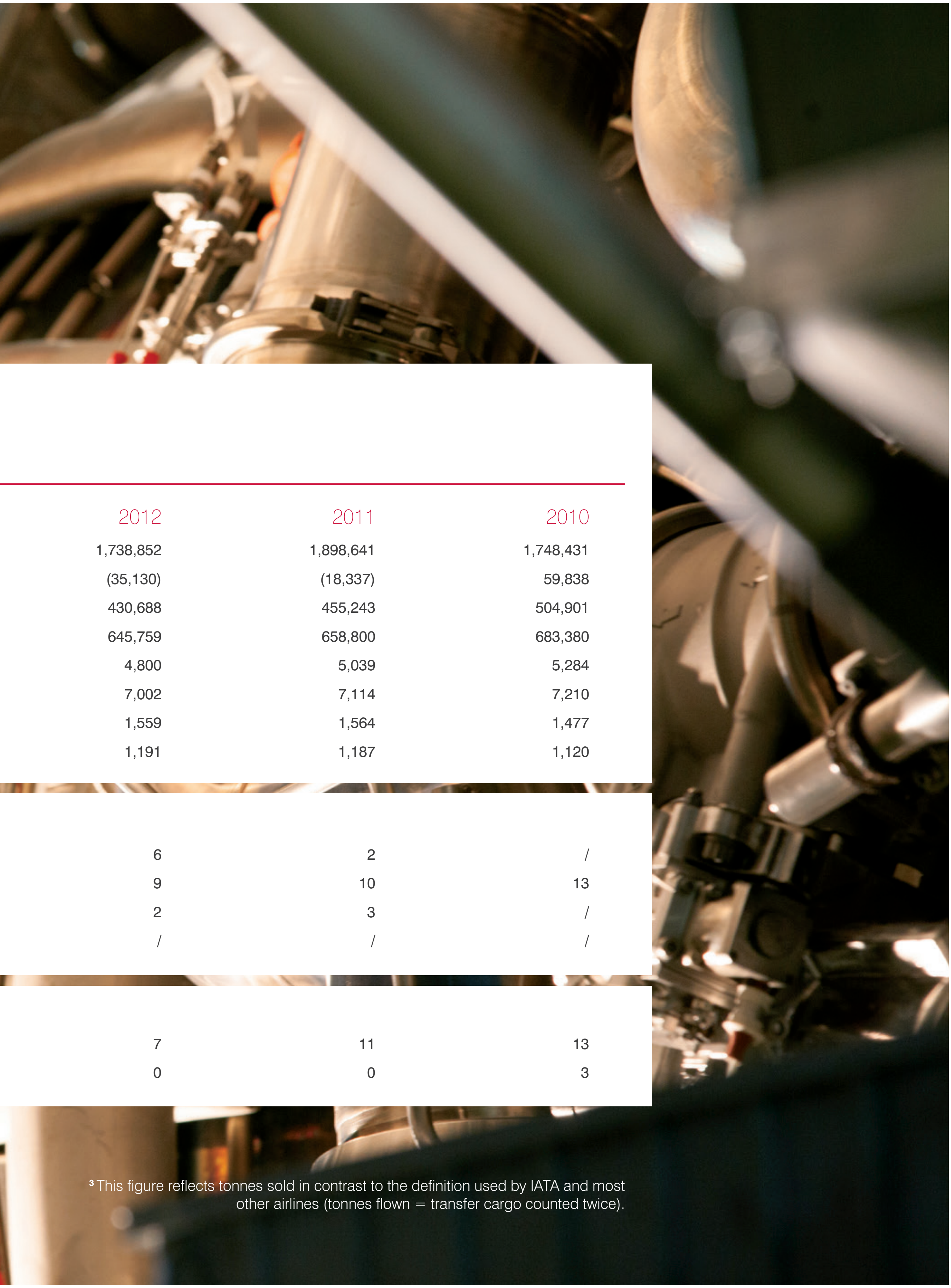
	2013
Total income in US$ ‘000	1,988,508
Profit / loss for the year in US$ ‘000	8,374
Shareholders’ equity in US$ ‘000	468,892
Tonnes sold[3]	753,848
Tonne-kilometers flown (millions)	5,723
Available tonne-kilometers (millions)	8,452
Number of employees worldwide	1,606
Headquarters	1,224

Fleet

Boeing 747-8 Freighter	9
Boeing 747-400 Freighter	8
Boeing 747-400 BCF	2
Boeing 747-400 ERF	1

Aircraft on order

Boeing 747-8 Freighter	4
Aircraft subject to forward sale agreements	0



2012	2011	2010
1,738,852	1,898,641	1,748,431
(35,130)	(18,337)	59,838
430,688	455,243	504,901
645,759	658,800	683,380
4,800	5,039	5,284
7,002	7,114	7,210
1,559	1,564	1,477
1,191	1,187	1,120

6	2	/
9	10	13
2	3	/
/	/	/

7	11	13
0	0	3

[3] This figure reflects tonnes sold in contrast to the definition used by IATA and most other airlines (tonnes flown = transfer cargo counted twice).

Corporate Governance

As at December 31, 2013

Board of Directors

Luxair representatives:

Paul Helminger
Chairman of the Board of Cargolux

Chairman of the Board, LuxairGroup

Director

Adrien Ney
President and Chief Executive Officer, Luxair Group

Director

Françoise Thoma
Executive Vice President, Banque et Caisse d'Epargne de l'Etat

Director

Tom Weisgerber
Premier Conseiller de Gouvernement, Ministère du Développement durable et des Infrastructures

Director

Luxembourg State representatives:

Alphonse Berns
Ambassadeur,
Directeur de la Fiscalité, Ministère des Finances

Director

Paul Mousel[4]
Partner, Arendt & Medernach

Director

BCEE representative:

Jean-Claude Finck
President and Chief Executive Officer, Banque et Caisse d'Epargne de l'Etat

Director

Société Nationale de Crédit et d'Investissement (SNCI)

Director (corporate mandate), represented by

Patrick Nickels

Cargolux staff representatives:

Bettina Faulhaber
Manager Business Support Flight Operations

George Karambilas
Captain

Einar Kristjansson
Captain

David Massaro
Permanent Delegate, Staff Delegation

Armand Seil
Officer Material Repairs

Committees of the BOD

Compensation Committee:

Paul Helminger

Jean-Claude Finck

Alphonse Berns

Paul Mousel

Audit Committee:

Adrien Ney

Francoise Thoma
SNCI, represented by
Patrick Nickels

Tom Weisgerber

Executive Committee

Richard Forson[5]
Interim President
and Chief Executive Officer
Chief Financial Officer

Peter van de Pas[6]
Senior Vice President
and Chief Operating Officer

Robert van de Weg[6]
Senior Vice President Sales and Marketing

Henning zur Hausen
Senior Vice President Legal Affairs and Compliance

[4] until March 24, 2014 | [5] until March 26, 2014; Dirk Reich appointed President and Chief Executive Officer on March 26, 2014
[6] until March 26, 2014

Shareholders[7]

As at December 31, 2013

43.4

Luxair, S.A.

35.0

Luxembourg State

10.9

Banque et Caisse d'Epargne de l'Etat

10.7

Société Nationale de Crédit et d'Investissement

%

[7] As from April 23, 2014: Luxair (Société Luxembourgeoise de Navigation Aérienne) S.A. 35.10%, HNCA (Luxembourg) S.à.r.l 35.00%, Banque et Caisse d'Epargne de l'Etat 10.91%, Société Nationale de Crédit et d'Investissement 10.67%, The Grand-Duchy of Luxembourg 8.32%

Management's report of activities

02

Financial review and analysis

As at December 31, 2013

General

2013 proved to be another extremely challenging year in the industry. Capacity growth continued to outstrip demand, with the exception of the last two months, leading to a continued, industry-wide decline in yields and load factors.

However, not all markets were equally affected; we saw some positive developments in parts of our network, but, overall, conditions remained volatile.

Fuel prices remained fairly stable, especially in the second half of the year, albeit on the high level observed since 2011.

To mitigate these adverse trading conditions, Cargolux introduced additional capacity, contrary to the industry trend, and successfully increased volumes in order to maximize contribution to fixed costs. This helped us to reach a net consolidated profit of US$ 8.4 million for the year under review.

Key performance indicators (including Cargolux Italia)

Capacity, measured in ATK, increased by 20.7% vs. 2012, driven by higher block hours (+17.1%) in addition to the “Boeing 747-8 freighter effect” (134 tonnes capacity versus 113 tonnes for the Boeing 747-400 freighter). 2013 daily utilization (14:57) was down by 1.1% versus 2012 levels. The additional block hours were produced by the three Boeing 747-8 freighters delivered in 2013 (March, May & September), and an additional power-by-the-hour dry lease Boeing 747-ERF (LX-ECV) joining the fleet in November, while the Boeing 747-400 freighter LX-KCV was returned to its lessor in September. In addition, Cargolux continued to operate two Boeing 747-BCFs from Boeing on a power-by-the-hour basis. At the end of December, the fleet consisted of seven Boeing 747-400 freighters, nine Boeing 747-8 freighters, four power-by-the-hour aircraft (two Boeing 747-400 BCFs, one Boeing 747-400 freighter and one Boeing 747-400 ERF).

The Company’s production, measured in FTK, increased by 19.2% vs. 2012.

According to IATA statistics and measured by international scheduled FTKs, Cargolux’s global market share grew to 3.5% in December 2013. This positioned Cargolux as the number 8 airline in the IATA air cargo carriers ranking.

Average system yield (USD/kg) decreased by 2.6% versus 2012. This includes fuel surcharge revenue, which was slightly below 2012 levels due to a lower average cost of jet fuel in 2013. The average underlying yield (excluding fuel surcharge) out of Area 2 (Europe and Central Asia) increased by 1.6%, due to a higher EUR/USD exchange rate (forex adjusted variation: -0.9%). Out of Area 4 (Africa), the average underlying yield dropped by 8.1% and that of Area 3 (Asia-Pacific) dropped by 3.3%.

Area 1 (The Americas) suffered an average underlying yield decrease of 7.0%.

These average yield reductions are either in line with, or slightly better than the average market yield reductions.

Compared to 2012, tonnage sold increased to 753,848 (+16.7%) across the Cargolux network.

Except Area 4 (Africa with +4.6%) and Charter (-4.0%), all areas had a double digit growth in tonnage (Area 1: +17.0%, Area 2: +17.9%, Area 3: +19.2%).

Financial review and analysis

As at December 31, 2013

Markets and network including CV-Italia

2013 was yet another difficult year in the global airfreight market, arguably even more challenging than 2012. Even though demand for international scheduled air cargo (measured in FTK) grew by 1.2% vs. 2012, supply increased by 2.6%, further widening the existing supply/demand gap. Once again, capacity growth was largely driven by belly capacity in particular from combination carriers in the Middle East and Asia, who further grew their passenger fleets. The fact that some airlines grounded freighters during the year or went out of business altogether only provided a partial counterbalance to these capacity additions. On an industry level, the negative supply/demand gap had an adverse impact on load factors, daily utilization and underlying yields. The Company nevertheless managed to achieve significant FTK growth (+19.2% vs. 2012), far above global market growth. This was also possible due to the Company's successful deployment of additional "flexible" capacity, i.e. aircraft operated on a power-by-the-hour basis. Continued traffic flow volatility required a highly dynamic network planning and management. Apart from numerous short-term changes to optimize loads and production, the Company added an unprecedented total of twelve scheduled destinations worldwide, including Buenos Aires, Santiago de Chile, Dallas, Columbus, Tripoli, Bamako, Port Harcourt, Ouagadougou, Muscat, Munich, Vienna and Zaragoza.

Consolidation

As in the prior year, the Company presents consolidated accounts in addition to Parent Company accounts. The consolidated accounts comprise Cargolux RE S.A., a captive reinsurance company, Cargolux Italia S.p.A., an Italian all-cargo airline and an Italian investment company, Italia Aerologistics S.R.L.. The Company's equity accounts its participations in Champ Cargosystems S.A. (49%), 8F Leasing S.A. (33.3%) and a joint venture, Global Aviation Technical Solutions GB (BVI) Ltd (50%).

Income statement

Revenues increased by 13.4% from US$ 1,726.3 million to US$ 1,956.8 million. 33.7% of the revenues, or 659.9 US$ million, was accounted for by the fuel surcharge, up 12.7 % on 2012. On a yearly average, the Euro strengthened versus the US dollar (+3.3 %) which had a positive impact on the revenues.

Other operating income increased to US$ 31.7 million from US$ 12.5 million in 2012, due mainly to compensations received from third party.

Aircraft lease expenses increased by US$ 3.4 million or 11.8% to US$ 32.1 million despite lower lease expenses offset by less return condition releases.

Aircraft maintenance expenses increased by 0.3% to US$ 95.2 million from US$ 94.8 million. The stability of the aircraft maintenance cost, despite an increase of hours flown of 17.1%, is due to higher utilization of Boeing 747-8 freighters, where engine cost per flight hours is lower.

Other aircraft expenses mainly represented premiums paid to insure the Company's fleet and increased by 6.3% to US$ 6.7 million due mainly to the addition of nine Boeing 747-8 freighters over the past 26 months.

Depreciation increased by 48.9% to US$ 123.1 million, due to the addition of three Boeing 747-8 freighters, delivered during the course of 2013 (LX-VCA, LX-VCH, LX-VCI).

Fuel cost (including the result of fuel hedging) increased by 10.8% to US$ 919.1 million and represented 47.6% of total operating costs. US$ 10.3 million of premium spent on 2013 fuel hedges was not recovered. The marked-to-market value of fuel hedging positions acquired to offset the Company's exposure to higher fuel prices in 2014 and 2015 increased by US$ 0.6 million.

Personnel costs and benefits increased by 3.7% to US$ 240.4 million. In Euro terms, the salary of all Luxembourg-based staff went up by 3.5% reflecting a headcount increase, a CWA time unit increase and a mandatory salary indexation which became effective in October 2013.

Handling, landing and overflying costs increased by 18.1% to US$ 286.8 million in 2013.

Handling charges went up by 19.7%. The impact of increased cycles flown (+16.5%) as well as additional tonnes handled (+16.7%) and a negative foreign exchange impact (EUR/USD: +1.8%) was slightly mitigated by a higher unit rate (0.8%). The landing charges increase of 21.2% was driven by increased cycles (+16.5%) and a negative foreign exchange impact (EUR/USD: +1.1%). The landing unit cost increased by 1.8%.

Overflying costs increased by 13.2% mainly driven by a currency impact of 1.0% and additional block hours (+17.1%). Nevertheless, unit rates were reduced by 4.6%.

Trucking, truck handling and interlining costs increased by 12.0% to US$ 111.3 million in 2013.

Trucking and truck handling costs went up by 13.8%. This was due to a negative currency impact (EUR/USD +2.8%) higher tonnage carried (+16.7%), together with a lower unit rate (-3.5%) due mainly to network mix shift. Interlining costs went down by 2.0%, due mainly to a lower unit rate/mix change (-16.1%).

Other operating expenses, including inter alia GSA commissions, IT services, travel & entertainment, office rental and equipment, legal, audit and consulting fees, telecommunication expenses and net worth tax, decreased by 0.5% to US$ 114.3 million.

Taking all of the preceding into account, earnings before interest and taxes (EBIT) for the year was US$ 59.5 million compared to US$ 8.0 million in 2012. The EBIT margin was 3.0%.

Financial income decreased by 22.9% to US$ 8.6 million.

Financial expenses increased by 22.0% to US$ 59.2 million. The movement in financial expenses was due mainly to the acquisition of three Boeing 747-8 freighters.

Net finance costs were US$ 50.5 million (2012: US$ 37.3 million).

The *Gain before tax* was US$ 8.8 million (2012: Loss before tax of US$ 34.7 million) and the net after tax gain was US$ 8.4 million (2012: Loss of US$ 35.1 million).

Tax adjustments

Current tax for the year amounted to US$ 0.4 million (2012: US$ 0.4 million). In 2013, the Company did not account for any adjustment of deferred taxes and did not increase the related deferred tax asset due to the extreme volatility of market conditions.

After these adjustments, the net after tax gain for 2013 was US$ 8.4 million (2012: Loss of US$ 35.1 million).

Financial review and analysis

As at December 31, 2013

Balance sheet

Total assets increased by 14.7% to US$ 2,549.5 million from US$ 2,223.0 million due mainly to the acquisition of three Boeing 747-8 freighter aircraft. *Shareholders' equity* increased by 8.9% to US$ 468.9 million from US$ 430.7 million.

Interest bearing liabilities (including finance leases) increased by 28.1% to US$ 1,572.5 million from US$ 1,228.0 million due mainly to the financing of the three additional Boeing 747-8 freighter aircraft. *Cash and cash equivalents* and *Other investments* increased by 14.2% from US$ 227.9 million to US$ 260.3 million due mainly to the cash contribution from operations, the issuance of a mandatorily convertible bond offset by investing in new aircraft and the repayment of loans. Net financial gearing amounted to 279.9% (2012: 232.2%) and net adjusted gearing (to take into account the present value of future operating lease payments) was 324.9% (2012: 288.6%).

Fleet development

In 2013, Cargolux took delivery of three Boeing 747-8 freighters and returned its last GE-powered Boeing 747-400 freighter to the lessor. At December 31, 2013, Cargolux operated a fleet of twenty aircraft of which nine were Boeing 747-8 freighters, seven Boeing 747-400 freighters and another four Boeing 747-400 freighters under flexible lease arrangements.

In 2014, the Company aims to maintain as much fleet flexibility as possible given the weak and uncertain market conditions.

Two Boeing 747-8 freighters are scheduled for delivery in 2014.

Branch network

The Company operates worldwide through a network of branches established in 29 countries (2012:29).

Outlook and recent developments

Following a positive result in 2013 of US$ 8.4 million, the Company foresees a positive result with a slight improvement in the 2014 Budget. Certain positive exceptional items in 2013, not repeating themselves in 2014, will be offset by an expected slight growth in yields and demand as well as by the enhanced profitability of the additional Boeing 747-8 freighters.

In early 2014, the Company further refined its 5-year business plan reflecting the Company's strategy for the period 2014-2018. This included the purchase order of an additional Boeing 747-8 freighter (14th). The plan has been adopted and endorsed by the Board of Directors.

However, in order to provide for the re-fleeting program and to replace liquidity absorbed by certain non-recurring outflows over the past several years, the directors have requested the shareholders, who have agreed on April 23, 2014, to inject additional equity into the airline, amounting to US$ 175 million to be made available on the same day.

In 2013, all committed credit facilities remained unused. Such committed credit lines amounted in the aggregate to US$ 34.1 million at year-end 2013. The 2014 Budget foresees no breach in financial covenants for that same period.

The Company continuously monitors the environment for such risks and in respect of those under our control, has in place existing safeguards, including legal and operational compliance reviews, aircraft maintenance quality programs and IT security measures to protect against unauthorized entry into our systems. The Company's Aircraft and Third Party Liability insurance coverage is also in line with industry best practice and satisfies specific financing contractual obligations.

As regards instances of events out of our control, such as occurred when volcanic ash clouds disrupted flight operations, these tend to affect the industry as a whole and Cargolux would work together with the relevant authorities, including other airlines, to ensure minimum disruption to normal operations.

Overall business review

The difficult economic conditions, that have severely affected the air cargo industry for a number of years, persisted throughout 2013, although we saw encouraging signs in some areas of our network. In contrast to the industry trend, Cargolux was able to increase its tonnage by 16.7% over 2012 to 753,848 tonnes and grew revenues by 13.4% to US$ 1.9 billion. Our average system-wide load factor reached 67.7% against 68.6% in 2012. That, however, must be seen against a substantial expansion in the Cargolux fleet that consisted of 20 Boeing 747 freighters at the end of year, whereas the budget only foresaw the operation of 16 aircraft.

Cargolux Airlines and Cargolux Italia operated 95,022 block hours, 13,364 hours more than the 2013 budget foresaw. The high amount of operational activities stressed the system considerably, but enabled us to achieve a very satisfactory result that showed a net consolidated gain of US$ 8.4 million, a noteworthy improvement over the originally budgeted loss of US$ 27.1 million for 2013. Our employees achieved this remarkable performance with hard work and unwavering commitment to the company. As a team, we successfully played on our strengths – flexibility and dedication. 2013 was an exemplary year as to how Cargolux could make the most out of a difficult situation.

With a bigger fleet and more operational activities than planned, we saw an average daily aircraft utilization of 14:57 hours, slightly lower than in 2012.

Our market share reached 3.5% and Cargolux ranked at No. 8 among the world's airlines in FTKs.

Network

In 2013, Cargolux grew its network with 12 new destinations; Bamako, Buenos Aires, Columbus, Dallas, Munich, Muscat, Ouagadougou, Port Harcourt, Santiago de Chile, Vienna, Tripoli and Zaragoza. We kept the network as flexible as possible to minimize losses and achieve satisfactory revenues. This helped to soften the impact of the difficult market situation somewhat.

The worldwide Cargolux network registered growth in both FTKs and ATKs. Due to the expanded fleet, ATK growth was particularly strong. Throughout the year, we added three new 747-8Fs and one 747-400ERF that became available. We also retained on a power-by-the-hour basis the two dry-leased 747-400BCFs and one 747-400F that was originally scheduled to leave the fleet.

Our growing 747-8 freighter fleet continued to perform well, both operationally and economically. The aircraft has proven to be a solid and reliable workhorse for Cargolux. In 2014, we expect the delivery of another two units.

The Areas

Overall, our areas put in a respectable performance with above-budget growth. In terms of yield, Areas 1, 2 and 4 performed fairly well, while Area 3 was affected the most by weak markets during the summer. However, it was also the market that enjoyed the fastest recovery at the end of the year, showing a very strong performance between October and December, particularly out of Hong Kong and, to a lesser extent, Shanghai.

Area 1 – The Americas

In a year that offered no shortage of challenges, Cargolux in the Americas managed to outperform the vast majority of its competitors with regards to FTK and market share growth, while maintaining positive yields. The challenges included, but were not limited to, increasingly aggressive competition, flat air cargo demand and continued capacity growth which resulted in significant and continuous downward pressure on yields. With the obvious implications that considerable increases in capacity during tough economic conditions presents, the Cargolux Americas team met the challenges with coordinated and intensified sales efforts at both local and global account management levels. Also contributing to the Americas record-setting performance and facilitating diversification was a more focused engagement with charter, part-charter and some short term wet-lease activities.

Cargolux remains a major supplier of capacity in the North American market and, with its significant growth in 2013, is now providing capacity in excess of 3,000 tonnes per week, an increase of 35% over 2012, from 13 online origins: Atlanta, Calgary, Chicago, Dallas, Guadalajara, Houston, Huntsville, Indianapolis, Los Angeles, Mexico City, Miami, New York, and Seattle. While Cargolux increased frequencies at several established destinations, including more services on the transpacific lane between Asia, the United States and Europe, where frequencies increased from three to seven, such ambitious growth plans would not have been achievable merely by adding frequencies to the same well-established markets. In North America, Dallas and Columbus were brought online in order to nurture and grow those markets for both inbound and outbound customer requirements. Additionally, in order to support the rapidly growing auto industry in the Southeast, a direct Atlanta to Munich flight was introduced. These new or additional services saw an overwhelmingly positive reception from our customers.

The Latin American market continues to be critical for Cargolux. With significant growth in 2013, the region has in no small part facilitated our expansion in the Americas. Cargolux is now providing approximately 800 tonnes of capacity per week, 43% more than at the end of 2012, from nine origins: Aguadilla, Bogota, Buenos Aires, Curitiba, Latacunga, Manaus, Petrolina, Santiago, and São Paulo. The re-launching of services to and from Buenos Aires, Argentina and Santiago de Chile further underlined our commitment to expand our global footprint and diversify the market portfolio in order to meet changing customer requirements.

Collectively, the Americas produced 155,256 tonnes, 22,581 tonnes or +17% more than the previous year, and a total revenue that exceeded US$ 334 million, an increase of 9.7% over 2012. Area 1 experienced a remarkable upward movement in terms of tonnage carried and ultimately raised our market share by 9.4%. Tonnage growth in North America was largely attributable to Atlanta, Dallas, Los Angeles, Miami, and Chicago. Meanwhile, São Paulo, Latacunga, Santiago, and Aguadilla contributed significantly toward tonnage growth in Latin America.

Area 2 – Europe, Middle East and Central Asia

Despite difficult market conditions that affected Cargolux Area 2, European airfreight exports remained steady or showed a minor increase versus the negative trend of 2012. In view of these challenges, we managed double digit tonnage growth, which, in turn, led to an increase in market share in all European markets.

Area 2 generated 341,277 tonnes of freight in 2013, an increase of 18% over the previous year. This was made possible by the significant increase in our scheduled services but also because we kept our average yield stable for the second year running. The area's contribution to the company results, with 42% in revenue and 45% of the overall Cargolux tonnage production, remained on a similar level as in 2012. Overall, Cargolux Area 2 generated revenues of close to US$ 809 million.

With the growing capacity demand in and out of Asia, Area 2 showed a 25% increase in volumes into Asia over 2012. On flights to the Americas, we saw an overall increase of 18%, with Viracopos and Mexico City showing the highest growth and the new destinations Dallas, Santiago di Chile and Buenos Aires, added during 2013, showing good loads as well.

Within Area 2, we added Muscat as a new destination, reintroduced Abu Dhabi to our scheduled operation and added a frequency to Tbilisi, Riyadh and Istanbul each. In addition, we started project-linked feeder flights to Munich and Zaragoza.

Overall business review

In the latter part of 2013, we appointed a new General Sales Agent in Poland, Romania and the Baltic countries. These efforts led to a production increase of 10%.

With new services to Africa and more freight to Kinshasa and N'Djamena, we achieved an 8% increase in volumes from Area 2 destinations to Africa.

Area 3 – Asia Pacific

2013 was a difficult year for Cargolux Asia Pacific. While the first quarter of 2013 still benefited from the upswing at the end of 2012, markets declined considerably from the second quarter on. Demand to Europe remained stagnant and rates started to fall sharply. In the midst of this, however, we experienced stable volumes on our existing three weekly Hong Kong - USA flights, not least because of our efficient and economical 747-8 freighters that fly the transpacific routes. Consequently, we expanded our transpacific services out of Hong Kong from March on and, by July, offered seven weekly flights linking Hong Kong with Los Angeles, Dallas, Ohio, Chicago and New York City. By the third quarter, we saw signs of recovery of the European markets that prompted us to re-introduce a twice weekly Hong Kong – Vienna service.

Vietnam performed exceptionally well in the region. Besides our weekly frequency linking Ho Chi Minh City with Barcelona and Luxembourg, we added an additional Vienna service from Hanoi during the year, for a total of three services with direct connections to Budapest and Vienna.

Overall, the 2013 performance of our Hong Kong, Seoul, Xiamen and Taipei operations remained stable. We operated more than 20 extra Hong Kong flights during the last quarter of the year. Competition in Shanghai remained fierce; however, with the continuing support of our customers, we are able to sustain our daily service in Shanghai. The same applied to our Beijing, Japan and South-East Asia operations.

With the World Cup in Brazil coming up next year, we saw a growing amount of exports to São Paulo from the third quarter of 2013 on, especially from Korea and China. The release of the much anticipated X-Box One, Sony PS4, 4K Ultra HD TVs and iPad Air in the fourth quarter brought a slight but welcomed rise in freight volumes that was good news for the Asian airfreight industry.

Throughout the year, Area 3 produced a total of 196,956 tonnes of cargo, a 19.2% increase compared to 2012. The total revenue increased by 13.7% to US$661 million.

Area 4 – Africa

2013 proved difficult for our African operation, due to the fact that demand from Asian markets had not gone back to pre-crisis levels. Added to that, the market saw significant overcapacity, especially in Kenya and South Africa, with the resulting low yields and load factors.

The little growth we saw in Africa was mostly absorbed by the steady addition of wide-body passenger aircraft that offered enough belly capacity. It is expected that their continuous dominance is pushing out traditional freighter operations in certain niche markets.

In this volatile environment, we concentrated on retaining a close presence to the market and to our customers who helped us to consolidate our foothold in the region and benefited from a reliable delivery service especially at difficult destinations.

We added three new destinations to our African services, Bamako, Ouagadougou and Port Harcourt, that showed promising performances.

In 2013, the area produced 50,812 tonnes of freight, representing a growth of 4.6% versus 2012. Revenues, however, declined by 3.1% to US$ 70 million.

For 2014, we expect to stabilize the African network with additional routes and destinations.

Cargolux Italia

In 2013, Cargolux Italia was able to further improve the leading position of the Cargolux Group in the airfreight market and remain the leading cargo carrier out of Italy.

Cargolux Italia carried 93,106 tonnes of freight, a 29.5% increase over the 71,880 tonnes flown in 2012. FTKs reached 440,397.

Cargolux Italia flew 5,449 block hours, utilizing its own aircraft, LX-KCV, for the first half of the year and its new 747-400F, LX-YCV - which replaced LX-KCV - from July 2013 on. The company also used wet-leased capacity from Cargolux for operations to Brazil, the United States and Mexico. These flights operated another 2,503 block hours for a total of 7,952 Cargolux Italia block hours.

The company's gross turnover reached US$ 143 million, compared to US$ 123 million in 2012.

Cargolux ownership

In December 2012, the Luxembourg government acquired the 35% Cargolux shareholding from Qatar Airways on an interim basis, with the intention of bringing a suitable strategic partner on board. In early 2014, the government of Luxembourg opted for Henan Civil Aviation Development & Investment Co., Ltd., (HNCA), the investment arm of Chinese province Henan to become the future owner of these shares. The share sale and purchase agreement, was closed on April 23, 2014. In addition, the Luxembourg government decided to retain an active role in Cargolux by acquiring a 8.32% stake from Luxair, effective April 22, 2014.

According to a partnership agreement between Cargolux and HNCA, the two companies intend to develop a dual hub strategy, with Luxembourg airport as the key hub in Europe on one side and Zhengzhou Xinzheng International Airport on the other side, spurred by the implementation of a weekly flight program between both hubs.

Well positioned to profit from the trade movements generated by one of the world's most dynamic and fastest developing economies and a country with an accelerating domestic appetite for goods shipped by air, the partnership with HNCA will contribute to the sustainable development of Cargolux by allowing us to grow our business and expand our activities.

Charter

In 2013, a host of new players entered the charter market, including a number of airlines that had no history in that field but proceeded to drive yields down with low offers. Added to that, some forwarders changed from getting direct quotes from airlines to using brokers that collected offers from all over the market.

Cargolux relied on enough charter capacity, operating two 747 freighters at the beginning of the year and, later, four on a power-by-the-hour basis that could offer not only competitive rates but also the required flexibility and short-notice readiness for logistics solutions that charter customers need. Consequently, we flew a number of charters with 24 hours' notice, such as 13 flights with gearboxes to Detroit within the space of 17 days. These and other services made June the busiest charter month of the year with 26 flights.

Half of our 2013 charters were operated for the automotive industry and included test vehicles or racing cars for most of the major European car manufacturers as well as for Formula One.

Overall business review

In contrast to the short-notice flights, other operations required months of careful planning such as the flights for Swiss company Solar Impulse that carried their record-breaking solar-powered craft from a small Swiss airfield barely large enough to accommodate a Boeing 747 to the United States. After a much noticed and successful solar powered flight across the United States, Solar Impulse was safely carried back home to Switzerland in the expert hands of Cargolux.

Despite these successful high-profile and bread-and-butter charter flights, 2013 did not shape up to be a record year for the Cargolux charter activities due to low-ball offers and overcapacity in the market. However, it contributed nicely to the bottom line in a very competitive environment.

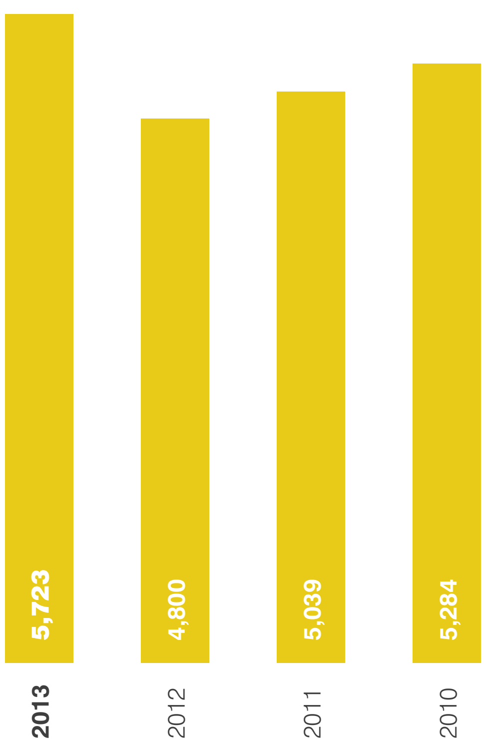
Outlook

In 2014, we expect the supply/demand imbalance to improve somewhat, benefiting from a better market growth at around 4%. Rates and load factors also should stabilize and yields should slightly improve by the end of the year.

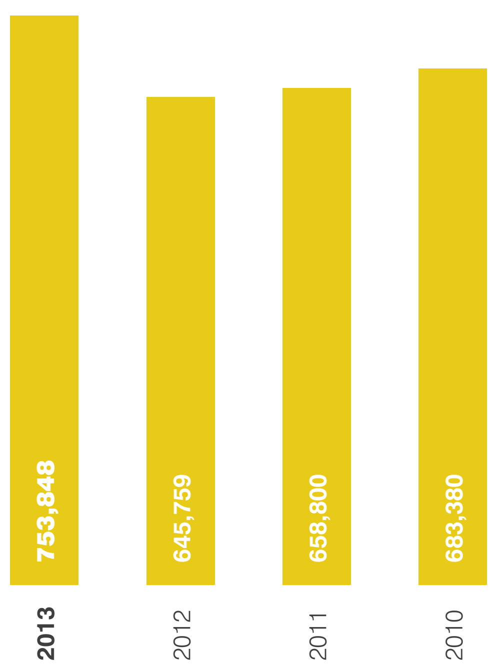
In this environment, Cargolux will continue to grow, albeit to a lesser extent than in 2013. We anticipate continued volume growth, contributing to offset our rising fixed costs. The cooperation with our new Chinese shareholders will help to boost growth and explore new markets and opportunities.

Tonne-kilometers flown

(in millions)



Total metric tonnes sold



Maintenance & Engineering

Fleet support

The main focus of the Maintenance & Engineering Division (M&E) lies on the support of the 747 freighter fleets of Cargolux Airlines and Cargolux Italia. While Cargolux Italia continued to fly its single 747-400F, Cargolux Airlines operated a mixed fleet of 747-8Fs, 747-400Fs and 747-400BCFs. LX-KCV returned from lease to Cargolux Italia in the summer and was replaced at the Italian carrier by LX-YCV. After going through a final maintenance check, LX-KCV left the Cargolux fleet and was returned to the lessor.

As planned, the fleet rollover to the 747-8F continued with three deliveries in 2013. Cargolux started the year with six units and operated nine Boeing 747-8Fs at the end of 2013. The combined Cargolux and Cargolux Italia fleet grew from 17 to 20 aircraft, the largest fleet in the airline's history.

747-8F experience

With nine 747-8 freighters in operation, Cargolux M&E has gained solid expertise and experience with the aircraft type. The Cargolux maintenance staff was able to assist several other 747-8F operators in expediently resolving the technical issues these operators experienced and thus expand M&E's commercial service portfolio.

The teething problems that the aircraft saw in the previous year, mainly related to the new systems and engines, have been overcome and the type has performed extremely well.

Schedule reliability

With a significantly higher operational activity than planned for 2013, Cargolux produced 95,022 block hours, a 17.1% increase compared to 2012. This had a major impact on the workload of M&E and required further productivity improvements. Despite this growth, M&E was able to improve the schedule reliability for the 747-8F throughout the year and achieved an average of 98.3%, while the 747-400F fleet reached a schedule reliability of 98.8%.

In 2014, Cargolux expects to receive another two 747-8 freighters, bringing the total number of this model to 11 units. By the fourth quarter of 2014, the combined Cargolux/Cargolux Italia fleet will comprise 22 aircraft, offering increased flexibility in our operation. It will require the M&E division to continue to search for further productivity improvements.

Hangar maintenance

In its regular maintenance program for 2013, Cargolux M&E performed 89 A-checks and 4 C-checks on the Cargolux and Cargolux Italia fleets, including the first 2 C-checks on the 747-8F. Two D-checks on 747-400 freighters were outsourced to Singapore, supported by our M&E team.

During 2013, we employed 409 staff, roughly on the same level as in 2012, and produced 494,000 man hours.

Caring for customers

Cargolux M&E has a well-deserved reputation for its excellent customer services, offering maintenance checks on various aircraft types. These include, apart from the 747, the 737, 757 and 767. Regular visitors to our maintenance center in 2013 included the aircraft of Silkway Airways, Air Bridge Cargo, Atlas Air, Corsair and Air Atlanta.

Most of these airlines sent their 747-400s to us, however, we also saw an increasing number of 747-8 aircraft that benefited from our quality maintenance work, including the fleets of Air Bridge Cargo and Atlas Air. Our broad range of services was further expanded during 2013, enabling us to perform 44 A-checks and 7 C-checks on customer aircraft. Revenue from third-party work in 2013 was up by 36%, from US$ 25 million in 2012 to US$ 34 million.


cargolux
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02

Flight Operations

Cargolux continued its fleet rollover program with the acceptance of three new Boeing 747-8 freighters during 2013. LX-VCA joined the fleet in March, LX-VCH in May and LX-VCI in September. With more units of the advanced freighter in our fleet, we could further reduce our direct operational costs as well as improve our performance and efficiency. In addition, we continued to operate the two Boeing-owned 747-400BCFs on a power-by-the-hour basis throughout the year. Our 747-400F LX-OCV was scheduled to leave the fleet in July, however, we continued to operate the aircraft on a power-by-the-hour basis for the remainder of the year. Another unplanned addition to the fleet was LX-ECV, a 747-400ERF that became available at favorable conditions and joined the fleet in November.

747-400F LX-KCV returned from lease to Cargolux Italia in July and, after maintenance, was handed back to its owner. Cargolux Italia replaced the aircraft with LX-YCV, the youngest 747-400F in the Cargolux fleet. At the end of 2013, Cargolux operated a fleet of 20 aircraft, composed of 9 Boeing 747-400Fs, 2 Boeing 747-400BCFs and 9 Boeing 747-8Fs. In contrast, the budget for 2013 only foresaw a fleet of 16 aircraft.

High utilization

Cargolux Airlines and Cargolux Italia flew 95,022 block hours, 13,364 hours more than foreseen in the 2013 budget. The additional hours seriously taxed the system and were only possible through the flexibility and hard work of everyone in the organization. It had an impact not only on the flight operations team and crews but also on maintenance, ground operations and the sales organization. The high number of additional hours was achieved through the unplanned fleet additions mentioned above and a higher utilization of the existing fleet.

Cargolux traditionally has one of the highest daily aircraft utilization rates for the 747 in the industry, 2013 was no exception, even though the figures were slightly lower for the 747-400F fleet than in 2012. The 747-8F achieved an average daily utilization of 15:58 hours, while the 747-400F averaged 14:04 hours. The two 747-400BCFs, that only operated when additional capacity was needed, achieved an average daily utilization of 7:35 hours, flying twice as many flight hours as budgeted.

The on-time performance was slightly lower than in 2012 (-0.9%), however, this must be seen against the substantial increase in flight hours and flight sectors. Our network flight sectors increased by 17.5% to 17,461. Flight rotations out of Luxembourg reached 3,655 - an increase of 14.6% against 2012. Flight delays also resulted from network routing changes and ad-hoc sectors to optimize revenues, ground delays related to customer requests and special attention freight, such as offsize loads or live animal handling. Airport curfews, slot restrictions and crew rest delays, resulting from the domino effect that flight delays have on crew rosters, also added to the slight decrease in on-time performance. Cargolux uses cargo-specific key performance indicators (KPIs) for the calculation of its on-time performance that differ from passenger operator related KPIs.

Our Pit Stop Program, designed to recover delays at stations by reducing ground time, was able to recover a total of 844.16 hours throughout the year, or 58.3% of all flights delayed over 1 hour. However, operating a fleet mix of 747-400F, 747-400BCF and 747-8F aircraft makes it difficult to recover additional allocated ground time.

Training

The Cargolux 747-8F flight simulator that operated at Level C since May 2012 was upgraded to Level D and re-certified by Luxembourg's civil aviation authority 'Direction de l'Aviation Civile'. The upgrade necessitated a three-month downtime and the simulator went back into operation on 10 September. The CAE-built unit was the world's first 747-8F full flight simulator in operation and was delivered to Cargolux mid-2011.

On 31 December, Cargolux employed 425 pilots. During the year, 20 pilots, 5 captains and 15 first officers, were hired on one-year contracts to ease the pressure of the additional flight hours operated in 2013. These crews were already type-rated on the 747-400 and went through an operator's conversion course for the 747-8. All other Cargolux pilots are already type-rated for both the 747-400 and the 747-8 and only went through the necessary recurrent trainings in 2013. Nine first officers were promoted to captain.

Cargolux also made its simulators available for external customers, these included Silkway and GSS. In total, the 747-400 simulator recorded 2,752 hours for Cargolux, 446 hours for Cargolux Italia and 860 hours for external customers. The 747-8 simulator recorded 1,577 hours for Cargolux and 60 hours for external customers. The lower utilization for the 747-8 simulator was due to the three-month maintenance period during the Level D upgrade.

747-8 network

In previous years, we experienced network challenges as not every airport we operated to was certified for the 747-8. This has meanwhile been rectified and, in 2013, our 747-8 freighters have operated to 94 airports worldwide, including 89 commercial destinations and 5 alternate airports.

In 2013, we added 12 new scheduled destinations to the network.

Consolidated financial statements

03

3

Consolidated income statement

For the year ended December 31, 2013

In thousands of U.S. Dollar	Notes	2013	2012
Revenues	6	1,956,841	1,726,335
Other operating income	7	31,667	12,517
Aircraft lease expenses	8	(32,141)	(28,749)
Aircraft maintenance expenses	9	(95,152)	(94,829)
Other aircraft expenses	10	(6,683)	(6,286)
Depreciation expenses	15	(123,136)	(82,681)
Fuel		(919,082)	(829,234)
Personnel costs and benefits	11	(240,440)	(231,854)
Handling, landing and overflying		(286,838)	(242,921)
Trucking, truck handling and interlining		(111,254)	(99,355)
Other operating expenses	12	(114,292)	(114,920)
Operating profit before financing costs		**59,490**	**8,023**
Financial income		8,638	11,207
Financial expenses		(59,171)	(48,515)
Net finance costs	**13**	**(50,533)**	**(37,308)**
Share of profit/(loss) of associates		(163)	(5,430)
Profit / (Loss) before tax		**8,794**	**(34,715)**
Current tax	14	(420)	(415)
Deferred tax	14	-	-
Profit / (Loss) for the year		**8,374**	**(35,130)**
Profit / (Loss) attributable to:			
Owners of the Company		8,374	(35,130)
Non-controlling interests		-	-
Profit / (Loss) for the year		**8,374**	**(35,130)**

The note on pages 46 to 81 are an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended December 31, 2013

In thousands of U.S. Dollar	Notes	2013	2012
Profit / (Loss) for the year		**8,374**	**(35,130)**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability / (asset)	23	442	-
Related tax	14	(129)	-
		313	**-**
Items that are or may be reclassified to profit or loss			
Effective portion of changes in fair value of cash flow hedges	5 / 13	41,168	12,636
Net change in fair value of cash flow hedges transferred to profit or loss	5 / 13	(827)	966
Income tax on other comprehensive income	14	(11,951)	(3,523)
Currency translation adjustment		1,127	496
		29,517	**10,575**
Other comprehensive income for the year, net of income tax		**29,830**	**10,575**
Total comprehensive income for the year		**38,204**	**(24,555)**
Total comprehensive income attributable to:			
Owners of the Company		38,204	(24,555)
Non-controlling interests		-	-
Total comprehensive income for the year		**38,204**	**(24,555)**

The note on pages 46 to 81 are an integral part of these financial statements.

Consolidated balance sheet

As at December 31, 2013

In thousands of U.S. Dollar	Notes	2013	2012
Assets			
Aircraft and equipment	15	1,679,602	1,262,996
Other property, plant and equipment	15	89,400	166,721
Derivative assets		8,080	12,085
Investments in associates	16	61,152	55,893
Deposits with third parties	15	66,813	90,604
Deferred tax assets	17	56,887	68,966
Total non-current assets		**1,961,934**	**1,657,265**
Expendable parts and supplies		22,051	22,784
Trade receivables and other receivables	18	305,204	314,985
Other investments	19	96,880	121,515
Cash and cash equivalents	20	163,407	106,411
Total current assets		**587,542**	**565,695**
Total assets		**2,549,476**	**2,222,960**
Equity			
Issued capital		250,007	250,007
Share premium		5,846	5,846
Reserves		211,060	181,543
Retained earnings		(6,395)	28,422
Profit / (Loss) for the year		8,374	(35,130)
Equity	**21**	**468,892**	**430,688**
Non-controlling interest		-	-
Total equity		**468,892**	**430,688**
Liabilities			
Interest-bearing loans and borrowings	22	108,071	39,995
Finance lease liabilities	22	1,238,173	884,715
Employee benefits	23	6,564	7,666
Other payables	25	116,866	123,846
Derivative liabilities		57,578	100,236
Provisions	24	8,352	12,235
Total non-current liabilities		**1,535,604**	**1,168,693**
Interest-bearing loans and borrowings	22	59,851	110,817
Finance lease liabilities	22	166,443	192,488
Trade payables and other payables	25	281,088	281,812
Provisions	24	17,522	18,450
Taxes payable		20,076	20,012
Total current liabilities		**544,980**	**623,579**
Total liabilities		**2,080,584**	**1,792,272**
Total equity and liabilities		**2,549,476**	**2,222,960**

The note on pages 46 to 81 are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended December 31, 2013

In thousands of U.S. Dollar	Notes	2013	2012
Cash flow from operating activities			
Profit / (Loss) for the year		8,374	(35,130)
Adjustments for			
Depreciation	15	123,136	82,681
Unrealized foreign exchange gains		(1,409)	(5,517)
Net finance costs	13	50,533	37,308
Share of profit of associates		163	5,430
Gain on sale of property, plant and equipment	7	(9,787)	(9,713)
Gain on sale of associates		-	(6)
Fuel hedging	5	(631)	5,510
Change in provisions	24	(849)	(15,223)
Tax expenses	12 / 14	3,457	3,522
Use of provisions	24	(4,338)	(14,732)
Operating cash flow before changes in working capital		**168,649**	**54,130**
Changes in working capital		24,664	(69,997)
Cash generated from / (used in) the operations		**193,313**	**(15,867)**
Income tax paid		(1,776)	(1,492)
Interest paid		(45,475)	(34,389)
Net cash from / (used in) operating activities		**146,062**	**(51,748)**
Cash flow from investing activities			
Acquisition of property, plant and equipment	15	(138,231)	(142,058)
Acquisition of associates		-	(8,588)
Acquisition of other investments		(9,433)	(23,868)
Loans granted to associates		(3,750)	(8,639)
Dividends from associates		233	211
Interest received		4,572	6,624
Reimbursement of advance payments		140,696	95,962
Proceeds from sale of property, plant and equipment		11,274	65,034
Proceeds from sale of other investments		36,594	43,737
Proceeds from capital reduction in associates		-	5,433
Deposits with third parties		11,484	41,942
Net cash from investing activities		**53,439**	**75,790**
Cash flow from financing activities			
Repayment of borrowings		(126,855)	(63,779)
Repayment of finance lease liabilities		(161,307)	(79,793)
Proceeds from borrowings		149,549	40,900
Net cash used in financing activities		**(138,613)**	**(102,672)**
Net increase / (decrease) in cash and cash equivalents		60,888	(78,630)
Cash and cash equivalents at January 1		106,411	184,484
Effect of exchange rate fluctuations on cash held		(3,892)	557
Cash and cash equivalents at December 31	**20**	**163,407**	**106,411**

The note on pages 46 to 81 are an integral part of these financial statements.

03

Consolidated statement of changes in equity

For the year ended December 31, 2013

In thousands of U.S. Dollar	Issued capital	Share premium	Non-distributable reserve
2011			
BALANCE AS OF DECEMBER 31, 2011	**250,007**	**5,846**	**135,502**
2012			
Allocation to free reserve	-	-	(13,100)
Total comprehensive income			
Loss for 2012	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income	**-**	**-**	**-**
BALANCE AS OF DECEMBER 31, 2012	**250,007**	**5,846**	**122,402**
2013			
Allocation to free reserve	-	-	(16,500)
Total comprehensive income			
Profit for 2013	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income	**-**	**-**	**-**
BALANCE AS OF DECEMBER 31, 2013	**250,007**	**5,846**	**105,902**

Free reserve	Currency translation reserve	Hedging reserve	Total reserves	Retained earnings	Total equity	Non-controlling interest	Total equity
128,170	**(983)**	**(91,721)**	**170,968**	**28,422**	**455,243**	**-**	**455,243**
13,100	-	-	-	-	-	-	-
-	-	-	-	(35,130)	(35,130)	-	(35,130)
-	496	10,079	10,575	-	10,575	-	10,575
-	**496**	**10,079**	**10,575**	**(35,130)**	**(24,555)**	**-**	**(24,555)**
141,270	**(487)**	**(81,642)**	**181,543**	**(6,708)**	**430,688**	**-**	**430,688**
16,500	-	-	-	-	-	-	-
-	-	-	-	8,374	8,374	-	8,374
-	1,127	28,390	29,517	313	29,830	-	29,830
-	**1,127**	**28,390**	**29,517**	**8,687**	**38,204**	**-**	**38,204**
157,770	**640**	**(53,252)**	**211,060**	**1,979**	**468,892**	**-**	**468,892**

The note on pages 46 to 81 are an integral part of these financial statements.

Notes

to the consolidated financial statements

1. Reporting entity

The parent company, Cargolux Airlines International S.A. (the "Company" or "Cargolux"), was incorporated on March 4, 1970 and is registered as a "société anonyme" under the laws of the Grand Duchy of Luxembourg.

The registered address of the Company is Aéroport de Luxembourg, L-2990 Sandweiler, Grand-Duchy of Luxembourg and the registration number is R.C. Luxembourg B 008.916.

The Company is an all-cargo airline. It also maintains its own aircraft and provides third party maintenance and flight operations assistance (including crew training) to third parties at its Luxembourg headquarters. As at the balance sheet date, operations outside of Luxembourg that relate to the Company's business activities are conducted solely under branch offices, except for Italy, where Cargolux mainly conducts its business through its subsidiary Cargolux Italia S.p.A., an all-cargo airline based in Milan. As at the balance sheet date the Company maintained branches in 29 countries.

The consolidated financial statements of the Company for the year ended December 31, 2013, comprise the Company and its subsidiaries, Cargolux RE S.A., Cargolux Italia S.p.A. and Italia Aerologistics S.R.L. (together referred to as the "Group") and the Group's interest in joint ventures and associates.

2. Basis of preparation

(a) Statement of compliance

The Group prepares its financial statements under International Financial Reporting Standards ("IFRS") as adopted by the EU.

The Board of Directors approved the financial statements for the year ended December 31, 2013 on April, 23, 2014 and authorized the publication of said financial statements on April 30, 2014, following confirmation by the shareholders thereof on that date.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the financial statements:

- derivative financial instruments are measured at fair value,
- the defined benefit liability is recognized as the net total of: fair value of plan assets plus service cost, actuarial losses minus actuarial gains and the present value of the defined benefit obligation.

(c) Going concern

The Group believes that the operating cash flows, the credit facilities in place and the injection of additional cash (US$ 175 million) through a capital increase will secure the liquidity needs of the Group for the foreseeable future and at least 12 months from the date of issuance of these financial statements (see Notes 5 (e), 21, 22 and 32). Consequently, the financial statements have been prepared on the basis of the assumption of the Company's ability to operate as a going concern.

(d) Functional and presentation currency

The consolidated financial statements are presented in United States Dollar ("US dollar" or "US$") as the functional currency US dollars are rounded to the nearest thousand.

(e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

The estimates and related assumptions are based on historical experience and various other factors: these estimates and related assumptions are believed to be reasonable under the circumstances and on their basis judgments about carrying values of assets and liabilities that cannot readily be derived from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are given effect in the period during which the estimate was revised and in any future periods affected.

Judgments made by management in the application of IFRS that have significant effect on the financial statements are discussed in Note 31.

(f) Changes in accounting policies

Except for the changes explained in Note 3 (r), the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

However, certain comparative amounts in the financial statements and in the notes thereto have been reclassified to conform with the current year's presentation.

3. Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Companies in which the Group exercises exclusive control are fully consolidated. Control exists when the Group has the power directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from the entity's activities. In assessing control, potential voting rights that presently are exercisable (e.g. under option agreements) are taken into account. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. Typically associates where the Group controls 20% or more of the equity but does not exercise control and joint ventures are equity accounted. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation to make payments or has made payments on behalf of that investee.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions with fully consolidated entities are eliminated in preparing the consolidated financial statements. Unrealized gains and losses arising from transactions with associates are eliminated to the extent of the Group's interest in the associate.

(iv) Special purpose entities

The Group has established a number of special purpose entities (SPEs) for aircraft financing purposes. Generally the Group does not have any direct or indirect shareholding in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPEs' risks and rewards with respect of the asset in its balance sheet, the Group concludes that it controls the SPEs. SPEs controlled by the Group are always established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving all of the benefits related to the SPEs' operations and net assets.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Group at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the foreign exchange rates applicable at the balance sheet date. The foreign currency gain or loss on monetary items is the difference between the value of the item expressed in the functional currency at the beginning of the period and the value of the item expressed in functional currency at the end of the period, using for translation purposes the exchange rate prevailing at the end of each relevant date. The year-end value reflects, if and as applicable, amortization, payments and interest accruals effected during the year. Non-monetary assets and liabilities that are stated at historical cost less amortization are translated into the functional currency using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency at foreign exchange rates applicable at the date the fair value is determined. Foreign exchange differences arising on translation are recognized in the income statement.

(ii) Financial statements of foreign operations

The assets and liabilities of entities controlled by the Group that have a functional currency other than the US dollar ("foreign operations") are translated into US dollar at foreign exchange rates applicable at the balance sheet date. The rule also applies to goodwill and fair value adjustments arising on consolidation of foreign operations. The revenues and expenses of foreign operations are translated into US dollar at rates applicable at the dates of the transactions. Foreign exchange differences arising on retranslation are recognized directly in a separate component of equity.

(c) Derivative financial instruments, including hedge accounting

The Group uses derivative financial instruments to hedge its exposure to the fluctuation of exchange rates, interest rates and fuel prices arising from operational and financing activities. In accordance with its hedging policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are treated as trading instruments.

The gain or loss in the fair value of the derivative financial instrument is recognized in the income statement unless the derivative qualifies for hedge accounting, in which case the effective part of the derivative financial instrument is recognized in other comprehensive income and presented in the hedging reserve in equity. Any gain or loss with respect to the ineffective part of hedge accounted instruments (as are gains or losses on trading instruments) is recognized in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to profit or loss for the period.

(d) Property, plant and equipment

(i) Aircraft and equipment

B747-400F and B747-8F aircraft (including installed engines) and rotable spare parts (including spare engines) are stated at cost, adjusted for any impairment, less accumulated depreciation.

Borrowing costs related to the acquisition of an aircraft are capitalized as part of the cost of this aircraft.

The initial cost of the aircraft includes the first "D-check" as a separate component. The costs of subsequent "D-checks" are capitalized when the first "D-check" (or second or third "D-check", as the case may be) occurs and the capitalized "D-check" is depreciated over the period to the next scheduled "D-check". The period of depreciation of "D-checks" is set forth in (v) below.

(ii) Other property, plant and equipment

Other items of property, plant and equipment are also stated at cost less accumulated depreciation (see (v) below) and impairment, if applicable (on which see (j)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment (see (v) below).

(iii) Leased assets

1) Finance leases:

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance leases are recognized as non-current assets and are stated at an amount equal to the lower of their fair value and the present value of the minimum future lease payments at inception of the lease, less accumulated depreciation (see (v)) and impairment, if any (on which see (j)). The related liability is included under *Finance lease liabilities*.

In the context of sale and leaseback transactions, the recognition of any gain on the sale is deferred and recognized instead as finance income over the lease term. No loss is recognized unless the asset is impaired.

2) Operating leases:

Leases under the terms of which the Group does not assume the risks and rewards of ownership are classified as operating leases and are not carried on the Group's balance sheet. The net present value of future lease payments under operating leases is disclosed in the notes to these financial statements (see Note 26).

In the context of sale and leaseback transactions, the related gains are accounted for as follows:

- they are immediately recognized as income when the transaction is realized at fair market value,
- they are deferred and amortized over the lease term when the transaction is realized under or over fair value.

(iv) Subsequent costs

The Group outsources the major aircraft overhaul checks, as well as the maintenance and repairs of engines to outside contractors, however performs the major overhaul "C-checks" internally. The cost related to line maintenance, "A-checks" and "C-checks" performed in Luxembourg are expensed when incurred under various line items in the income statement.

(v) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each component or part of aircraft and other property, plant and equipment. The estimated useful lives and residual values of relevant assets are as follows:

	Useful life (average)	Residual value (average)
Components of aircraft:		
• Airframe	20 years	15% of initial cost
• Engines (RB 211, GEnx)	13 years	7% of initial cost
• 1st and 2nd "D-check"	8 years	nil
• Subsequent "D-checks"	6 years	nil
• Rotable spare parts	10 years	nil
Equipment:	5 years	nil

Depreciation methods, useful lives and residual values are reassessed periodically as circumstances warrant. Depreciation is discontinued when the carrying amount of the asset is below its residual or sale value.

(e) Investments in subsidiaries, joint ventures and associates

Subsidiaries, joint ventures and associates are accounted for in accordance with the basis for consolidation (see (a)).

(f) Investments

Treasury instruments are carried at fair value with variations in value flowing through the income statement. These assets are classified as current assets in *Other investments*. Related transaction costs are expensed when incurred.

Financial instruments are recognized / derecognized by the Group on the date it commits to purchase / sell the instruments.

(g) Trade and other receivables

Trade and other receivables are stated at their cost less impairment (on which see (j)).

(h) Expendable parts and supplies

Expendable parts and supplies are stated at the lower of cost and net realizable value. Inventories are carried on a first-in-first-out basis. Net realizable value is the estimated market price in the ordinary course of business, less estimated sales costs. Expendable parts and supplies are charged to *Aircraft maintenance expenses* when used.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call and short term deposits and shares in money market funds. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of *Cash and cash equivalents* in the Statement of Cash Flows.

(j) Impairment

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than expendable parts and supplies (on which see (h) above) and deferred tax assets (on which see (q)), are reviewed at each balance sheet date to determine whether there is any impairment. If any impairment exists, the asset's recoverable amount is estimated and the carrying value adjusted accordingly.

Impairment is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Calculation of recoverable amount:

The recoverable amount of assets is the greater of their fair value (less costs to sell) and value in use. In assessing value in use, the estimated future cash flows to be derived from the use of the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization.

(ii) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets carried at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(k) Interest-bearing liabilities and finance lease liabilities

Interest-bearing liabilities and finance lease liabilities are recognized initially at principal amount less related transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortized amount using the effective interest rate method.

(l) Employee benefits

Retirement benefit costs

The Group maintains defined contribution and defined benefit pension schemes for its Luxembourg-based employees.

Premiums paid to the insurance company in relation to defined contribution retirement benefit plan are charged as an expense as they fall due.

The defined benefit scheme in Luxembourg is accounted for as such under IAS 19, using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date (see Note 23).

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in Other comprehensive income ("OCI"). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(m) Provisions

A provision is recognized in the balance sheet when the Group has a present legal or contractual obligation that can be estimated reliably as a result of a past event and if it is probable that an outflow of economic benefits will be required to settle this obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Accruals related to those provisions are recognized as finance cost over the period.

Heavy maintenance costs ("D-checks") relating to aircraft under operating leases are recognized as provisions on the basis of the heavy maintenance supplier agreement.

The Group accrues for delivery costs related to aircraft under operating leases as soon as it becomes apparent that the asset does not meet the return condition criteria set forth in the lease agreement.

(n) Trade and other payables

Trade and other payables are stated at cost.

(o) Revenue - Services rendered

Cargo sales, net of discounts, are recognized as revenue when the transportation service is provided. Other revenue, primarily third party aircraft maintenance, is also recognized when the service is rendered.

(p) Expenses

(i) Operating lease payments

Rentals paid under operating leases are recognized in the income statement over the term of the lease. Lease incentives received are recognized in the income statement as an integral part of the total lease expense over the term of the lease.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

(iii) Net finance costs

Net finance costs comprise the net result of (i) interest payable on borrowings, and (ii) interest receivable on funds invested (*Cash and cash equivalents* and *Other investments*), and gains and losses (realized and unrealized) on *Other investments* and on interest rate hedging instruments that do not qualify for hedge accounting (see (c)).

Interest income is recognized in the income statement as it accrues, using the effective interest method where appropriate. Dividend income is recognized in the income statement as *Other operating income* on the date the Group's right to receive the payments is established.

(q) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity or in Other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable at the balance sheet date, subject to any adjustment to tax payable in respect of previous years. Taxes that are not assessed on the Group's income (e.g. Net worth tax) are recognized in *Other operating expenses*.

Deferred tax is computed using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. *Deferred tax* is not recognized for temporary differences related to *Investments in subsidiaries* to the extent that they will probably not be reversed in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(r) New and amended standards adopted by the Group

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2013.

a. Presentation of items of Other comprehensive income (Amendments to IAS 1)
b. Post-employment defined benefit plans (IAS 19, 2011)
c. Fair value measurement (IFRS 13)

The nature and effects of the changes are explained below.

a. Presentation of items of Other comprehensive income ("OCI")

As a result of the amendment to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be.

b. Post-employment defined benefit plans

As a result of IAS 19 (2011), the Group has changed its accounting policy (note 3 (l)) with respect to the basis for determining the incomes or expenses related to its post-employment defined benefits plans. The amended standard introduces a requirement to fully recognize changes in the net defined benefit liability (asset) including immediate recognition of defined benefit costs, and requires disaggregation of the overall defined benefit cost into components and requiring the recognition of remeasurements in other comprehensive income (eliminating the 'corridor' approach). The Group did not restate the comparative figures in preparing these financial statements as the impact is not significant.

c. Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosure about fair value measurements when such measurements are required or permitted by other IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group did not have to include additional disclosures in this regard.

(s) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013 and not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these separate financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 'Financial Instruments' (2010), IFRS 9 'Financial Instruments' (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. IFRS 9 (2010) and IFRS 9 (2009) are effective for annual periods beginning on or after January 1, 2015, with early adoption permitted.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Investments in equity securities

The fair value of financial assets is determined by reference to their quoted bid price at the reporting date.

(ii) Derivatives

Fair values of hedging instruments, representing unrealized gains and losses, are determined on the balance sheet date based on third party pricings and valuations, including valuations provided by the Group's counterparties to the hedging transactions. Where feasible any counterparty valuation is verified by the Group using independent sources. The values assume a normal functioning of financial markets. Market volatility will necessarily have an impact on said pricings and valuations as well as the Group's eventual liability with respect of the hedging instruments booked at the balance sheet date.

(iii) Other financial assets/liabilities

The fair value of non-current receivables and payables is determined by discounting future cash flows using current market interest rates. Other financial assets and liabilities are carried at the fair value (on which see Note 3 (j) above).

5. Financial risks and risk management

Risk management framework

The Group has exposure to the following risks with respect of its financial assets and use of financial instruments:

- credit risk
- liquidity risk
- market risk

The objective of risk management is to manage and control risk exposures within acceptable parameters, while optimizing the benefit expected to be derived from the investing and risk management activities, respectively.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument or issuer of a security owned by the Group fails to meet its contractual obligations because of insolvency, bankruptcy or similar event.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's assets or reputation.

Market risk

Market risk is the risk that changes in asset prices resulting from fluctuation in foreign exchange rates. Interest rates or fuel prices will affect the Group's income or the value of its holdings of financial instruments.

General

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, as well as the Group's objectives and policies for the management of excess cash. Where applicable, further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for executing and monitoring the Group's risk management policies. The Risk Management Committee reports on a regular basis to the Board of Directors and its Audit Committee on the committee's activities and on the evolution of the Group's derivative portfolio.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, to determine appropriate instruments to protect the Group against risks and to monitor risks and financial limits. Risk management policies and procedures are reviewed as required to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which employees involved in the risk management activity understand their respective roles and obligations.

Risk management policies

The Group buys derivatives in order to manage market risks. In connection with purchases of derivatives, the

Group sometimes also sells derivatives. Such transactions are carried out within the risk management framework and control mechanisms described below. Where possible the Group seeks to apply hedge accounting for those instruments in order to reduce volatility in profit or loss. The Group's risk management policy prohibits short selling of options.

Investment policy

The primary goal of the Group's investment policy is to maximize investment returns while always protecting the invested capital. To this effect, the Group invests excess cash, subject to limits established in its treasury policy, in investment funds, bank deposits, zero-coupons and structured products with a capital guarantee at maturity. The return on structured products depends on the performance of the underlying used, which may be equities, commodities, indices, currencies, securities or interest rates. Structured products are designated as *Other investments* and recorded at fair value in the balance sheet with any change in value flowing through the income statement. The Group does only purchase securities or structured investment products from a counterparty having a minimum, pre-determined credit rating and which makes a daily market in those securities or financial instruments.

(a) Credit risk

Cash, derivatives and other financial instruments

Generally, the Group limits its exposure to credit risk by only making deposits with, investing in securities issued by and buying protection from counterparties that have a long-term credit rating of at least BBB- from Standard & Poor's and Fitch and Baa1 from Moody's. Any exception to this rule must be approved by the Risk Management Committee and is closely monitored and reported to Excom and the Board of Directors. Credit limits for each counterparty are in place and monitored on an ongoing basis. This enables the Group to cap the maximum amount of business that can be transacted with any given counterparty. Compliance with those credit limits is monitored on a daily basis.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of the customer and the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate. The Group distinguishes between countries considered as low risk and countries of higher risk depending on their geographical and political situation and monitors customers on either list separately.

The Credit Committee has established a credit policy under which each new customer not paying through CASS (Cargo Accounts Settlement Systems) is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount allowed for trading without requiring approval from the Credit Committee; these limits are reviewed regularly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis or if they can offer collateral e.g. bank guarantees or letters of a credit. The creditworthiness of customers paying through CASS is assessed and monitored by IATA which runs this clearing and settlement system on behalf of the cargo carriers.

Not more than 11% (2012: 12%) of the Group's revenue is attributable to sales transactions with a single customer. The five largest customers of the Group represent 42% (2012: 42%) of the net cargo sales. More than 60% (2012: 62%) of the Group's customers have been transacting with the Group for over four years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are standalone entities or part of a larger group, geographic location, aging profile, maturity and credit history. Customers that are graded as "high risk" are closely scrutinized and monitored, and future sales are made on a prepayment or collateral basis with approval of the Credit Committee.

The Group's credit risk exposure is mitigated by a credit risk insurance purchased from a professional and international insurer that retrocedes the risk to the Group's captive reinsurance company to cover delinquent customer payments.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (see Note 18).

The maximum exposure to credit risk for trade receivables at the reporting date by areas was:

In thousands of U.S. Dollar	2013	2012
Area I	38,987	36,802
Area II	120,684	132,949
Area III	87,283	73,949
Area IV	2,924	3,753
	249, 878	**247,453**

Cargolux is a member of the IATA clearing systems CASS (Cargo Accounts Settlement Systems) and ICH (IATA Clearing House) commonly used by forwarders and airlines, respectively, to settle payments. In 2013, 77.57% of receivables were cleared through CASS and ICH (74.29% in 2012). As of December 31, 2013, 98.38% (98.26% in 2012) of the total outstanding trade debtors were within the contractual payment terms. The average DSO of trade receivables was 43.2 days in 2013 (42.6 days in 2012). In 2013 the Group suffered a credit loss of US$ 0.35 million (2012: US$ 0.42 million).

(b) Fuel risk

Fuel price

The price of fuel significantly affects the Group's earnings. At a 2013 average of USD/tonne 987, the jet market price decreased by USD/tonne 45 compared to the preceding year. Although moderate, this marks the first annual decline since 2009, but fuel prices remained at high levels throughout 2013.

Fuel hedges

To manage its fuel price risk, the Group uses derivative instruments, mainly options. The large majority of the protection is provided through call options. To reduce the premiums paid for call options, the Group sometimes combines the purchase of call options with the sale of put options, which creates a potential for the Group to pay out from such positions when the fuel price settles below the put strike price. The balance of selective downside exposure at low fuel prices and sustained protection against high fuel prices is reviewed in regular meetings of the Group's Fuel Risk Management Committee. The Committee works within a Governance framework of Policy and Procedures and actively manages the fuel hedge portfolio.

As at December 31, 2013, a quantity of 119,205 metric tonnes was hedged for the first half of 2014. For the second half of 2014, the coverage amounted to 87,417 metric tonnes. 2015 coverage stood at 35,762 metric tonnes, following the Company's gradual approach to fuel hedging.

As at December 31, 2013, the fair value of fuel derivatives was as follows:

In thousands of U.S. Dollar	2013	2012
Derivative assets	7,097	16,398
Derivative liabilities	(181)	(3,972)
Balance at January 1	**6,916**	**12,426**
Non-qualifying hedges recognized in profit and loss	631	(5,510)
Derivative assets	7,547	7,097
Derivative liabilities	-	(181)
Balance at December 31	**7,547**	**6,916**

None of these positions have been considered for hedge accounting in 2013.

(c) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Group.

Generally, the Group does not incur non-dollar denominated indebtedness to finance its assets stated in US$ in order to eliminate any related volatility in profit or loss.

At the balance sheet date, the Group's exposure to foreign currency risk was as follows:

In thousands of U.S. Dollar	EUR	HKD	OTHER	% of TOTAL
Deposits with third parties	5,289	74	406	8.6
Trade receivables and other receivables	94,119	49,176	60,780	66.9
Cash and cash equivalents	30,326	3,941	32,352	40.8
Interest-bearing loans and borrowings	(32,208)	-	-	19.2
Trade payables and other payables	(126,401)	(2,755)	(28,761)	39.7
Taxes payable	(19,766)	-	(311)	100.0

At the immediately preceding balance sheet date, the Group's exposure to foreign currency risk was as follows:

In thousands of U.S. Dollar	EUR	HKD	OTHER	% of TOTAL
Deposits with third parties	4,099	50	372	5.0
Trade receivables and other receivables	111,452	34,137	65,831	67.1
Cash and cash equivalents	27,068	8,652	16,459	49.0
Interest-bearing loans and borrowings	(61,690)	-	-	40.9
Trade payables and other payables	(131,389)	(2,099)	(23,440)	38.7
Taxes payable	(19,588)	-	(424)	100.0

Relevant foreign exchange rates relative to the US$ were as follows:

	Average rate		Reporting date spot rate	
	2013	**2012**	**2013**	**2012**
EUR	1.32813	1.28585	1.38040	1.32205
HKD	0.12892	0.12891	0.12895	0.12900

The Company hedges the foreign exchange risk related to receivables through the use of forwards and options.

(d) Interest rate risk

The Group is exposed to interest rate risk on interest payments relating to its on balance sheet debt and on rental payments. Additionally, the Group is also exposed to interest rate risk related to future, non-contingent interest bearing liabilities such as financings for aircraft to be delivered outside the current reporting period. The Group adopts a policy of ensuring that its exposure to increases in interest rates on borrowings is capped or reduced while allowing the Group to benefit to a certain extent from a low interest rate environment. Generally, this objective is achieved by buying caps and selling floors. This strategy is generally deemed preferable than fixing the rate at the time the loan is contracted or the payment liability is crystallized, unless at that time interest rates are deemed to be very low and in which case such rates are locked in via a swap or fixed interest loan, strategy that the Group has pursued in 2013 and is likely to continue to pursue in 2014.

Where possible, the Group seeks to apply hedge accounting for those instruments in order to reduce volatility in profit or loss.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In thousands of U.S. Dollar	**2013**	2012
Fixed rate instruments		
Financial liabilities	616,065	349,187
Floating rate instruments		
Financial assets	260,287	227,925
Financial liabilities	1,011,022	915,709
Interest rate derivatives		
Nominal amount of underlying financings in place at the balance sheet date	779,336	942,159

As at December 31, 2013, the fair value of interest rate derivatives was a follows:

In thousands of U.S. Dollar	**2013**	2012
Derivative assets	18,109	18,938
Derivative liabilities	(138,346)	(152,897)
Balance at January 1	**(120,237)**	**(133,959)**
Net change in fair value recognized in equity	40,341	13,602
Non-qualifying hedges recognized in profit and loss	735	120
Derivative assets	9,877	18,109
Derivative liabilities	(89,038)	(138,346)
Balance at December 31	**(79,161)**	**(120,237)**

(e) Liquidity risk

The Group's approach to manage liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Major known 2014 liabilities and how the Group expects to cover same is discussed below.

The Group is subject to loan covenants for some of its borrowing and finance lease arrangements, which in case of breach, unless waived, would entitle the lending parties to demand prepayment of the loan. Financial covenants require the Group to respect certain balance sheet, interest and rental coverage ratios. Under one such covenant EBITDAR (Earnings before interest, tax, depreciation, amortization and rentals) must cover 1.3 times net interest expense plus rentals for the period and under the second covenant the shareholders' equity must represent at least 16.7% of total liabilities. As at December 31, 2013, the Group was in compliance with this and all other contractual financial covenants.

The following are the contractual maturities of liabilities:

In thousands of U.S. Dollar	Carrying amount	Contracted cash flows	2014	2015	2016	Further than 2016
Interest-bearing liabilities	(167,923)	(173,880)	(63,048)	(102,577)	(1,377)	(6,878)
Finance lease liabilities	(1,404,615)	(1,680,774)	(216,622)	(166,107)	(191,236)	(1,106,809)
Trade payables and other payables	(366,201)	(369,603)	(249,645)	(84,988)	(26,440)	(8,530)
Derivative liabilities	(89,330)	(93,290)	(31,487)	(27,501)	(16,086)	(18,216)
	(2,028,069)	**(2,317,547)**	**(560,802)**	**(381,173)**	**(235,139)**	**(1,140,433)**

In addition to routine capital repayment under interest bearing loans, finance lease liabilities and rentals under operating leases, the Group foresees the following payments during the year immediately following the balance sheet date:

- Capital expenditures relating to the acquisition of two B747-8F and related financing fees and aircraft components (approximately US$ 0.4 billion). It should be noted that the Company expects to finance those aircraft under finance lease structures.
- Payment of an anti-trust fine installment of US$ 22.0 million to the Department of Justice (US DoJ).
- US$ 94.2 million of PDPs due to Boeing in 2014 – however, as stated below, Boeing will repay to Cargolux US$ 99.7 million of PDPs.

The Group will be able to meet its financial obligations in 2014 out of a mix of the proceeds of operating cash flows, PDP repayments from Boeing and the facilities mentioned below. Furthermore, the balance sheet and the liquidity of the Group are expected to be significantly strengthened by the following additional measures during 2014:

- A capital increase in the amount of US$ 175 million (see note 32).
- The Group is seeking final commitment from the Ex-Im Bank of the United States in May to guarantee the financing of a B747-8F to be delivered in July 2014.
- The Group is currently finalizing term sheets for commercial financing covering a B747-8F scheduled for delivery in September 2014.
- In the first half of 2014, the Group will close a US$ 45 million refinancing for a B747-400F balloon repayment maturing in June 2014.

- The Group maintains credit lines to ensure that it will be able to face its obligations when they fall due. As at December 31, 2013, the Group had the following committed credit lines (i.e. lines with respect of which the Group pays commitment fees) available for drawing: US$ 34.1 million (US$ 22.4 million and EUR 8.5 million) with a maturity ranging from May to December 2014.
- To finance part of the PDPs due to Boeing in 2014 and 2015, the Group closed a new revolving PDP credit facility of US$ 37 million in January 2014.
- State guaranteed credit:

  On December 18, 2009 the Group signed with the Luxembourg government and six financial institutions a EUR 100 million State guaranteed credit facility under the law of May 29, 2009 enabling the Government to issue its guarantee to undertakings which are temporarily affected by the crisis but are otherwise sound. On January 1, 2011, the Group reduced the credit facility by EUR 30 million and drew the EUR 70 million of the facility in December 2011. Following two repayments each of EUR 23.3 million at year-end 2012 and in 2013, the remaining outstanding of EUR 23.3 million shall be repaid at year end 2014.

(f) Sensitivity analysis

In managing currency, interest rate and fuel price risks, the Group seeks to reduce the impact of short-to-medium term changes in values on the Group's budgeted earnings and cash flows. Over the longer term, however, permanent changes in any or all of the above would have a material impact on earnings and cash flows.

For the year 2013, it is estimated that a general increase/decrease of one percentage point in interest rates would have decreased/increased the Group's profit before tax before marked-to-market of derivative instruments by approximately US$ 4.5 million. Interest rate swaps and other hedging instruments that were in place at that time have been included in this calculation.

It is estimated that a general increase/decrease of one percentage point in the value of the US dollar against other foreign currencies throughout the year would have decreased/increased the Group's profit before tax by approximately US$ 8.1 million. The forward exchange contracts and other hedging instruments that were in place at that time have been included in this calculation. The impact on the Profit and Loss of an increase in the value of the US Dollar can to a large extent be mitigated by cash inflows from currency hedging.

It is estimated that an increase/decrease of USD/tonne 50 in the price of jet fuel (basis barges Rotterdam) over a one-year period would have increased/decreased the Group's fuel bill by around US$ 46 million. The impact on the Income statement of a fuel price increase can to a large extent be mitigated by cash inflows from both fuel hedging and the fuel surcharge program.

(g) Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

In thousands of U.S. Dollar	December 31, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Other investments	17,337	17,337	15,749	15,749
Interest rate transactions through profit and loss	9,877	9,877	18,109	18,109
Fuel derivative contracts through profit and loss	7,547	7,547	7,097	7,097
Forward exchange contracts used for hedging	-	-	131	131
	34,761	**34,761**	**41,086**	**41,086**
Assets carried at amortized costs				
Loans and receivables	295,860	295,860	301,731	301,731
Cash and cash equivalents	163,407	163,407	106,411	106,411
	459,267	**459,267**	**408,142**	**408,142**
Liabilities carried at fair value				
Interest rate transactions used for hedging	(89,038)	(89,038)	(138,346)	(138,346)
Fuel derivative contracts used for hedging	-	-	(181)	(181)
Forward exchange contracts used for hedging	(293)	(293)	(29)	(29)
	(89,331)	**(89,331)**	**(138,556)**	**(138,556)**
Liabilities carried at amortized cost				
Secured bank loans	(35,765)	(33,062)	(59,126)	(55,774)
Unsecured bond issues	(100,000)	(94,857)	-	-
Finance lease liabilities	(1,459,075)	(942,265)	(1,114,074)	(818,530)
Unsecured bank loan	(32,209)	(28,418)	(91,696)	(85,768)
Trade and other payables	(249,335)	(249,335)	(243,493)	(243,493)
	(1,876,384)	**(1,347,937)**	**(1,508,389)**	**(1,203,565)**

The basis for determining fair values is discussed in Note 4.

(h) Fair values hierarchy

In thousands of U.S. Dollar	December 31, 2013			December 31, 2012		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Other investments	12,194	17,337	29,531	10,694	15,749	26,442
Interest rate transactions through profit and loss	-	9,877	9,877	-	18,109	18,109
Fuel derivative contracts through profit and loss	-	7,547	7,547	-	7,097	7,097
Forward exchange contracts used for hedging	-	-	-	-	131	131
	12,194	**34,761**	**46,955**	**10,694**	**41,086**	**51,779**
Interest rate transactions used for hedging	-	(89,038)	(89,038)	-	(138,346)	(138,346)
Fuel derivative contracts used for hedging	-	-	-	-	(181)	(181)
Forward exchange contracts used for hedging	-	(293)	(293)	-	(29)	(29)
	-	**(89,331)**	**(89,331)**	**-**	**(138,556)**	**(138,556)**

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

6. Revenues

In thousands of U.S. Dollar	2013	2012
Cargo sales	1,905,296	1,682,203
Aircraft rental revenues	3,876	-
Maintenance revenues	33,863	25,095
Trucking, handling and other services	13,807	19,037
	1,956,841	**1,726,335**

Cargo sales represent revenues directly related to the Group's core business, i.e. airfreight, net of customer incentives and rebates. The largest contributors to net turnover were Area II (Europe, Middle East & Pakistan) traffic and Area III (Asia & Pacific) traffic, which collectively accounted for 77.1% of net turnover (2012: 75.6%). The third largest contributor to net turnover was Area I (the Americas) traffic, accounting for approximately 17.6% (2012: 18.2%) with the balance accounted for by Area IV (Africa) and charter traffic.

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7. Other operating income

In thousands of U.S. Dollar	2013	2012
Gain on sale of property, plant and equipment	9,787	9,713
Gain on sale of associates	-	6
Miscellaneous	21,880	2,798
	31,667	**12,517**

In 2013 and 2012, the Group realized a capital gain on the sale of four spare engines, respectively one B747-400F aircraft. Miscellaneous includes mainly credits received from third parties.

8. Aircraft lease expenses

In thousands of U.S. Dollar	2013	2012
Aircraft rentals under dry leases	40,582	42,402
Aircraft rentals under wet leases	-	(765)
Fees payable under blockspace agreement	(144)	147
Return conditions provision in respect of dry leased aircraft	(8,297)	(13,035)
	32,141	**28,749**

At the balance sheet date, the Group dry leased the following aircraft: LX-ACV, LX-DCV, LX-ECV, LX-OCV, LX-WCV and LX-VCC.

In 2013, the Group returned LX-KCV to the Lessor. In addition, return cost provisions on certain leased aircraft exiting the fleet in 2012 and 2013 were reviewed and resulted in a release of such provision (see also note 24).

In 2012, the Group sold LX-PCV and returned LX-ZCV to the Lessor. In addition, return cost provisions on certain leased aircraft exiting the fleet in 2011 and 2012 were reviewed and resulted in a release of such provision (see also note 24).

9. Aircraft maintenance expenses

In thousands of U.S. Dollar	2013	2012
Engine repair and overhaul	55,883	58,830
Engine reserve	5,017	5,687
Heavy maintenance (“C-checks” and “D-checks” on dry leased aircraft)	687	(1,714)
Component and brakes repair	9,372	8,557
Stock consumption	10,490	10,016
Line maintenance at stations	6,605	5,050
Other maintenance expenses	7,098	8,403
	95,152	**94,829**

Heavy maintenance cost includes provision releases of aircraft, which exited the fleet during 2013 and 2012.

10. Other aircraft expenses

In thousands of U.S. Dollar	2013	2012
Insurances, including fleet insurance	5,643	5,653
Miscellaneous fees	1,040	633
	6,683	**6,286**

11. Personnel costs and benefits

In thousands of U.S. Dollar	2013	2012
By category of expenses		
Salaries, overtime, 13th month	191,748	181,863
Social security	22,927	22,550
Employee benefits		
- Expenses related to defined benefit plans	540	480
- Expenses related to defined contribution plans	5,371	4,758
- Other (accident and invalidity insurance)	9,134	9,877
Training and sundry personnel charges	10,720	12,326
	240,440	**231,854**
Average number of staff by category		
Active		
Flight Operations (including crews)	528	514
Sales and Marketing	510	504
Maintenance	404	404
Finance and Administration	74	75
General Management (including Human Resources, Public Relations and Internal Audit)	70	66
Operation Management (M&E and Flight Ops Management, Aviation Safety, Quality Assurance)	21	19
Compliance Division	16	17
	1,623	**1,599**
Other		
Reclassified staff	4	3
Employees on early retirement	18	13
Apprentices	14	16
	1,659	**1,631**

As of December 31, 2013, 1,392 (2012: 1,354) employees were based in countries of the European Union, of which 1,224 in Luxembourg (2012: 1,191).

The collective work agreement (CWA) covering Luxembourg based staff other than managers and exempt employees was cancelled on September 28, 2012. The terms and conditions of the CWA remained in force until August 8, 2013, on the date it has been re-instated, and will expire on December 31, 2014.

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12. Other operating expenses

In thousands of U.S. Dollar	2013	2012
GSA commissions	16,297	13,373
IT services	25,343	27,075
Travel & entertainment	23,161	21,362
Office and office equipment (rental and maintenance)	17,308	17,797
Legal, audit and consulting fees	7,959	9,837
Valuation allowance on current assets	748	1,099
Impairment of fixed assets	-	4,807
Telecommunication expenses	2,237	1,947
Net worth tax	3,037	3,107
Foreign exchange loss, net	2,535	2,105
Anti-trust	(384)	(4,559)
Miscellaneous	16,051	16,970
	114,292	**114,920**

GSA commissions represent commissions payable to the Group's general sales agents.

Valuation allowance on current assets relates to doubtful customers and stock obsolescence.

Legal, audit and consulting fees include US$ 2.2 million (in 2012: US$ 1.0 million) related to the anti-trust cases in various jurisdiction which are entirely provisioned (see also Note 24).

Legal, audit and consulting fees also include an amount of US$ 0.5 million (in 2012: US$ 0.4 million) accrued for audit fees and an amount of US$ 0.1 million (in 2012: US$ 0.04 million) paid for tax services to KPMG.

13. Net finance costs

Recognized in profit or loss

In thousands of U.S. Dollar	2013	2012
Net change in fair value of financial instruments	1,286	2,225
Interest income on bank deposits	4,088	5,734
Interest on loans and receivables	2,987	2,952
Other financial income (IATA call day adjustments, discounts eceived)	277	296
Financial income	**8,638**	**11,207**
Interest expense	(53,441)	(40,276)
Net change in fair value of financial instruments	-	(198)
Impairment of financial assets	-	(515)
Accrued interest on net present value of provisions and liabilities	(3,055)	(4,896)
Other financial expenses (bank charges, loan agency fees, CASS commissions)	(2,675)	(2,630)
Financial expenses	**(59,171)**	**(48,515)**
Net finance costs	**(50,533)**	**(37,308)**

Recognized in other comprehensive income

In thousands of U.S. Dollar	2013	2012
Effective portion of changes in fair value of interest cash flow hedges	41,168	12,636
Net change in fair value of cash flow hedges transferred to profit or loss	(827)	966
Income tax on finance income and finance costs recognized in other comprehensive income	(11,951)	(3,523)
Finance income recognized in other comprehensive income, net of tax	**28,390**	**10,079**

14. Income tax expense

In thousands of U.S. Dollar	2013	2012
Current tax expense		
Current year	420	519
Adjustments for prior years	-	(104)
	420	**415**
Deferred tax expense		
Origination and reversal of temporary differences	8,602	7,825
Use / (Benefit) of tax losses	(8,602)	(7,825)
	-	-
Total income tax expense in income statement	**420**	**415**
Income tax expense recognized in other comprehensive income	**12,080**	**3,523**

Origination and reversal of temporary differences mainly relates to different depreciation periods on aircraft and derivative accounting.

Reconciliation of effective tax rate

In thousands of U.S. Dollar	2013	2013	2012	2012
Profit / (Loss) before tax		8,794		(34,715)
Income tax using the domestic rate	29.43 %	2,588	29.05 %	(10,085)
Share of profit of associates		(48)		(1,578)
Effect of current tax in foreign branches		(416)		(280)
Non-deductible expenses / Non-taxable income		(2,254)		6,102
Unrecognized DTA		514		6,657
Tax exempt revenues		(46)		(184)
Effect of investment tax credit		-		-
Effect of change in tax rate		82		(113)
Under / (Over) provided in prior years		-		(104)
Income tax expense		**420**		**415**

The Group is subject to corporate income tax, municipal business tax and net worth tax in Luxembourg. The Group is also subject to certain taxes in foreign tax jurisdictions in which it maintains permanent establishments.

In 2008, the determination of the tax basis of assets and liabilities and the related taxable income were changed and resulted in tax losses which are amortized over a period of six years. The reassessment of investment tax credit is linked to the expiry of investment tax credits (ITC) from 2012 to 2016 which are not expected to be used due to the 2008, the 2009, the 2011 and the 2012 tax losses. As per the latest business plan, nil (in 2012: nil) of ITC amounting to US$ 105.2 million (in 2012: US$ 77.7 million), were recognized as a deferred tax asset. In addition, an amount of US$ 10.6 million (2012: US$ 10.1 million) of deferred tax losses was not recognized (see Note 17).

15. Property, plant and equipment

In thousands of U.S. Dollar	Aircraft and equipement	Land and buildings	Other equipment	Payments on accounts and assets in course of construction	Total
Cost at beginning of year	1,702,261	8,920	60,269	145,920	1,917,370
Acquisitions	531,672	83	1,642	69,653	603,050
Transfer from assets under construction	5,859	346	173	(6,378)	-
Reclassification of advances on leased aircraft	-	-	-	3,339	3,339
Reimbursement of advance payments	-	-	-	(140,696)	(140,696)
Disposals (Note 7)	(15,643)	-	(352)	(2,841)	(18,836)
At end of year	**2,224,149**	**9,349**	**61,732**	**68,997**	**2,364,227**
Accumulated depreciation at beginning of year	(439,265)	(8,228)	(34,688)	(5,472)	(487,653)
Charge for the year	(117,864)	(348)	(4,924)	-	(123,136)
Impairment loss	-	-	-	-	-
Adjustments for disposals	12,582	-	247	2,735	15,563
At end of year	**(544,547)**	**(8,576)**	**(39,365)**	**(2,737)**	**(595,225)**
Net book value as of December 31, 2013	**1,679,602**	**773**	**22,367**	**66,260**	**1,769,002**
Net book value as of December 31, 2012	**1,262,996**	**692**	**25,580**	**140,449**	**1,429,717**

Aircraft subject to finance leases

The Group leases aircraft under finance lease agreements LX-RCV, LX-SCV, LX-TCV, LX-UCV, LX-VCV, LX-YCV, LX-VCB, LX-VCD, LX-VCE, LX-VCF, LX-VCG, LX-VCA, LX-VCH and LX-VCI (2012: LX-RCV, LX-SCV, LX-TCV, LX-UCV, LX-VCV, LX-YCV, LX-VCB, LX-VCD, LX-VCE, LX-VCF and LX-VCG). At the end of each of the leases, the Group has the option to purchase the aircraft at a preferential or favorable price. At December 31, 2013, the net carrying amount of leased aircraft under finance leases was US$ 1,629 million (2012: US$ 1,213 million).

Security

At December 31, 2013, aircraft and equipment with a carrying amount of US$ 1,639 million (2012: US$ 1,225 million) are subject to mortgages to secure the bank loans relating to LX-RCV, LX-SCV, LX-TCV, LX-UCV, LX-VCV, LX-YCV, LX-VCA, LX-VCB, LX-VCD, LX-VCE, LX-VCF, LX-VCG, LX-VCH, LX-VCI and one GEnx spare engine (2012: LX-RCV, LX-SCV, LX-TCV, LX-UCV, LX-VCV, LX-YCV, LX-VCB, LX-VCD, LX-VCE, LX-VCF, LX-VCG and one GEnx spare engine). On May 28, 2008 the Grand-Duchy of Luxembourg ratified the Cape Town Convention on international interests in mobile equipment (Cape Town 2001). The convention was enacted into Luxembourg law effective of December 12, 2008. Some of the Group's aircraft are subject to a mortgage registration in the Cape Town registry.

Capitalized borrowing costs

Assets under construction include capitalization of borrowing costs for an amount of US$ 3.7 million (2012: US$ 5.0 million). The average interest rate used during the year for interest capitalization is 3.8% (2012: 4.1%).

Deposits with third parties

Advance payments to aircraft manufacturers are recorded under *Other property, plant and equipment or Deposits with third parties* depending on whether or not the Group keeps the risks and rewards of the aircraft under the intended financing structure.

The fleet plan anticipates that additional aircraft will be operated under finance leases and advance payments of US$ 3.3 million have been reclassified from *Deposits with third parties* to *Payments on accounts.*

16. Investments in associates and joint ventures

The Group has the following investments in associates and joint ventures:

		Ownership	
	Country	**2013**	2012
Champ Cargosystems S.A.	Luxembourg	49%	49%
8F Leasing S.A.	Luxembourg	33%	33%
Global Aviation Technical Solutions GB (BVI) Ltd.	British Virgin Islands	50%	50%

In 2013, the Group made a contribution in kind to GATS amounting to US$ 1.6 million (2012: US$ 12.1 million).

In 2012, the Group recognized an impairment on the value of an associate in the amount of US$ 5.3 million. The impairment loss was included in *Share of profit of associates*.

Summary financial information for equity accounted investees, not adjusted for the percentage of ownership held by the Group:

In thousands of U.S. Dollar	Ownership	Carrying amount	Assets	Equity	Liabilities	Revenues	Profit / (Loss)
2013							
Champ Cargosystems S.A. (associate)	49%	30,347	61,943	32,444	29,499	64,545	2,399
8F Leasing S.A. (associate)	33%	7,228	162,904	15,983	146,921	11,552	(1,999)
Global Aviation Technical Solutions GB (BVI) Ltd. (joint venture)	50%	13,222	27,288	26,480	808	3,171	(1,351)
		50,797	**252,135**	**74,907**	**177,228**	**79,268**	**(951)**
2012							
Champ Cargosystems S.A. (associate)	49%	28,277	53,727	29,363	24,364	62,261	606
8F Leasing S.A. (associate)	33%	7,890	193,441	17,971	175,470	9,276	(2,279)
Global Aviation Technical Solutions GB (BVI) Ltd. (joint venture)	50%	12,322	25,108	24,644	463	2,363	(347)
		48,489	**272,576**	**71,978**	**200,297**	**73,900**	**(2,020)**

17. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of U.S. Dollar	2013	2012	2013	2012	2013	2012
Aircraft and equipment	13,239	13,581	-	-	13,239	13,581
Other property, plant and equipment	83	184	-	-	83	184
Derivative assets	-	-	(2,368)	(3,555)	(2,368)	(3,555)
Trade receivables and other receivables	-	-	(3,740)	(4,156)	(3,740)	(4,156)
Other investments	512	284	-	-	512	284
Finance lease liabilities	-	-	(5,006)	(3,798)	(5,006)	(3,798)
Employee benefits	-	-	(538)	(346)	(538)	(346)
Derivative liabilities	16,876	29,489	-	-	16,876	29,489
Trade and other payables	6,883	8,146	-	-	6,883	8,146
Provisions	-	-	(15,599)	(13,837)	(15,599)	(13,837)
Benefit of tax losses brought forward	-	5,047	-	-	-	5,047
Tax credit on loss carry forward	46,545	37,927	-	-	46,545	37,927
Tax assets / (liabilities)	**84,138**	**94,658**	**(27,251)**	**(25,692)**	**56,887**	**68,966**
Deferred tax assets	-	-	-	-	-	-
Deferred tax liabilities	(27,251)	(25,692)	27,251	25,692	-	-
Net tax assets	**56,887**	**68,966**	**-**	**-**	**56,887**	**68,966**

Deferred tax assets and liabilities are presented net because the Group has the legal right to offset.

Deferred tax adjustments of US$ 12.0 million were recognized in equity in 2013 and US$ 3.5 million in 2012 (see Note 14).

An ITC for an amount of US$ 105.2 million (2012: US$ 77.7 million) and deferred tax losses amounting to US$ 10.6 million (2012: US$ 10.1 million) were not recognized (see Note 14).

18. Trade receivables and other receivables

Trade receivables of US$ 260.4 million (2012: US$ 254.0 million) are shown net of any impairment losses recognized in the current year.

In thousands of U.S. Dollar	2013	2012
Trade receivables	260,429	253,972
Prepaid expenses	20,975	31,050
Advances paid to suppliers	2,984	3,575
VAT	7,871	7,148
Derivative assets	9,344	13,252
Other receivables	3,601	5,988
	305,204	**314,985**

Prepaid expenses include security deposits made in connection with operating leases, rental payments made in advance, premium paid for the purchase of options and other prepayments.

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19. Other investments

In thousands of U.S. Dollar	2013	2012
Restricted cash	79,543	105,766
Securities held at fair value through profit and loss	17,337	15,749
	96,880	**121,515**

Restricted cash comprises an amount of US$ 62.4 million (2012: US$ 60.0 million) securing letters of credit issued on behalf of the Group, of which US$ 59.4 million (2012: US$ 55.5 million) guarantee the unpaid amount to the EU commission. Cash and securities for an amount of US$ 5.2 million (2012: US$ 27.8 million) are pledged as collateral in derivative transactions.

20. Cash and cash equivalents

In thousands of U.S. Dollar	2013	2012
Bank balances	81,157	50,552
Short term deposits	75,538	49,405
Money market funds	6,712	6,454
Cash and cash equivalents in the statement of cash flows	**163,407**	**106,411**

21. Capital and reserves

Share capital and main shareholders

In thousands of U.S. Dollar excluding share numbers	2013	2012
Issued and subscribed		
9,971,216 registered common shares of no par value (2012: 9,971,216)	250,007	250,007
At balance sheet date the main shareholders are:		
Luxair	43.4%	43.4%
Luxembourg State	35.0%	35.0%
Banque et Caisse d'Epargne de l'Etat (BCEE)	10.9%	10.9%
SNCI	10.7%	10.7%

As at December 31, 2013, the share capital of the Company is represented by 9,971,216 common shares which are fully paid in.

Subsequent events affecting the Company's share capital and shareholder structure are explained in note 32.

In March 2013, the Company closed the issuance of a mandatorily convertible bond with Luxair, BCEE and SNCI, amounting to US$ 100 million.

The extraordinary general meeting of shareholders of September 8, 2011 resolved to renew for a period of 5 years the Company's authorized capital of US$ 100 million and grant authorization to the Board of Directors to issue such instruments. On February 7, 2013, the Board of Directors approved the issue of up to US$ 100 million interest-bearing mandatorily convertible bonds, with a maturity of 2 years. The mandatorily convertible bonds were issued to Luxair, BCEE and SNCI on March 27, 2013 and are expected to be converted into ordinary shares on March 27, 2015 using the authorized share capital (see notes 22 and 32).

Reserves

Reserves comprise the legal reserve, various non-distributable reserves, net worth tax reserve, the free reserve and the hedging reserves.

Legal reserve

Under Luxembourg corporate law, the Company must allocate at least 5% of the statutory annual net profit to a legal reserve until this reserve reaches 10% of the issued share capital. The legal reserve is not available for dividend distributions. The reserve exceeds the legal limit of 10% of issued share capital.

Net worth tax reserve

To forego payment of the net worth tax, the Company has utilized the option provided by Luxembourg law and decided to constitute and maintain a restricted reserve as of fiscal year 2003. Any dividend payments from this reserve during the restricted period would suffer tax.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge accounted derivative instruments.

22. Interest-bearing loans and borrowings and finance lease liabilities

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see also Note 5 (c) and (d).

In thousands of U.S. Dollar	**2013**	2012
Non-current liabilities		
Unsecured bank loans	8,175	40,113
Loan originated costs	(104)	(118)
Convertible bonds	100,000	-
Total:	**108,071**	**39,995**
Finance lease liabilities	1,290,957	921,962
Loan originated costs	(52,784)	(37,247)
Total:	**1,238,173**	**884,715**
Grand total:	**1,346,244**	**924,710**
Current liabilities		
Interest payable on current and non-current liabilities	5,170	5,319
Loan originated costs	(6,830)	(4,835)
Current portion of secured/unsecured bank loans	59,799	110,709
Current portion of finance lease liabilities	168,155	192,112
Total:	**226,294**	**303,305**

Notes

to the consolidated financial statements

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In thousands of U.S. Dollar	Currency	Nominal interest rate	Year of maturity	Principal amount 2013	Principal amount 2012
Secured bank loans	US$	Fixed	2022	9,265	10,355
Unsecured bank loans	US$	Libor 3M + margin	2013	-	30,000
Secured PDP loans	US$	Libor 1M + margin	2013, 2014	26,500	48,771
State guaranteed loan	EUR	Euribor 1M + margin	2014	32,209	61,696
Convertible bonds	US$	Libor 3M + margin	2015	100,000	-
Finance lease liabilities	US$	Fixed, EIB 3M + margin Libor 3M + margin	2013, 2014 2016, 2020 2023, 2024 2025	1,459,112	1,114,074
Total interest-bearing liabilities				**1,627,086**	**1,264,896**

The maturity analysis is provided in Note 5 (e).

Finance lease liabilities

Finance lease liabilities are repayable as follows:

In thousands of U.S. Dollar	Minimum lease payments 2013	Interest 2013	Principal 2013	Minimum lease payments 2012	Interest 2012	Principal 2012
Less than one year	191,490	23,335	168,155	207,323	15,211	192,112
Between one and five years	629,876	71,030	558,846	425,257	42,772	382,485
More than five years	780,747	48,636	732,111	570,474	30,997	539,477
	1,602,113	**143,001**	**1,459,112**	**1,203,054**	**88,980**	**1,114,074**

Under the terms of the lease agreements, no contingent rents are payable.

Capital Ratios

In thousands of U.S. Dollar	2013	2012
Outstanding loans	167,922	150,812
Outstanding finance lease obligations	1,404,616	1,077,203
Total debt	**1,572,538**	**1,228,015**
Less cash and cash equivalents and other investments	(260,287)	(227,926)
Net debt	**1,312,251**	**1,000,089**
Present value of future lease payments	211,199	242,832
Adjusted net debt	**1,523,450**	**1,242,921**
Equity	**468,892**	**430,688**
Net debt/equity	279.9%	232.2%
Adjusted net debt/equity	324.9%	288.6%

See also Note 5 (e) above.

23. Employee benefits

In thousands of U.S. Dollar	2013	2012
Fair value of plan assets	(10,290)	(10,793)
Present value of net obligations	13,784	14,077
Unrecognized actuarial gains	-	787
Recognized liability for defined benefit obligations (see below)	**3,494**	**4,071**
Other employee benefits	3,070	3,595
Total employee benefits	**6,564**	**7,666**

The Group maintains defined benefit and defined contribution pension schemes for its staff in Luxembourg. Effective January 1, 1997, the terms of the pension plan were amended for all staff who had not reached retirement age at that date. All staff who had retired at this date continue to be covered by the previous plan. Under the new schemes (covering under identical vesting rules the crews and the ground staff covered by collective work agreements and the managers), retirement benefits are generally paid in one lump sum. The rights to pension benefits commence at entry into service date and are fully vested after five years of service. The Group's pension fund obligations (other than the liabilities with respect of the pensioners at January 1, 1997) and related assets were transferred to a life insurance company in 2002 and are held separately from the Group. The Group is current with respect of its payment obligations of the annual premiums due under the Group's pension schemes and such premiums are expensed under *Personnel costs and benefits*.

The Group also maintains separate insurance schemes providing for death, orphan, widow and disability benefits. These schemes are covered by an insurance plan and the related insurance premiums are reflected as a current year operating expense.

The Cargolux defined benefit scheme is not a multi-employer scheme and sufficient information is available to determine the obligation, plan assets and costs to the Group. The funding requirements are determined pursuant to the projected unit funding method and the pension cost and provision have been assessed by a third party qualified actuary. The latest full pension scheme valuation was performed by the scheme's actuaries in January 2014.

Movements in the net liability for defined benefit obligations recognized in the balance sheet

In thousands of U.S. Dollar	**2013**	2012
Net liability for defined benefit obligations at January 1, 2013	4,071	4,491
Contributions received	(495)	(440)
Pension payments	(325)	(550)
Expense recognized in the income statement (see below)	540	480
Foreign exchange impact	145	90
Remeasurements	(442)	-
Net liability for defined benefit obligations at December 31, 2013	**3,494**	**4,071**

Expense recognized in the income statement

In thousands of U.S. Dollar	**2013**	2012
Current service costs	395	331
Interest on pension obligation	145	610
Expected return on plan assets	-	(461)
	540	**480**

The expense is recognized in *Personnel costs and benefits*.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

In thousands of U.S. Dollar	**2013**	2012
Discount rate at December 31, 2013	4.10%	4.10%
Expected return on plan assets at December 31, 2013	4.10%	4.10%

Assumptions regarding future mortality are based on published statistics and mortality tables.

24. Provisions

In thousands of U.S. Dollar	Anti-trust	Legal	Return cost provision	Heavy maintenance program	Total
Balance at January 1, 2013	5,890	1,500	13,951	9,344	30,685
Provisions made during the year	446	2,152	1,380	687	4,665
Effect of net present value on provisions	-	-	155	326	481
Provisions used during the year	-	(1,047)	(1,169)	(2,122)	(4,338)
Provisions reversed during the year	-	-	(5,514)	-	(5,514)
Provision reclassified during the year	-	-	-	-	-
Effect of foreign exchange	-	(105)	-	-	(105)
Balance at December 31, 2013	**6,336**	**2,500**	**8,803**	**8,235**	**25,874**
Non-current	-	-	4,355	3,997	8,352
Current	6,336	2,500	4,448	4,238	17,522
	6,336	**2,500**	**8,803**	**8,235**	**25,874**

In 2013, provisions were recognized to cover the Group against remaining liability risks from pending anti-trust related civil proceedings.

The return cost provision of US$ 8.8 million represents the net present value of maintenance cost expected to be incurred to deliver the aircraft under operating leases to the lessor at lease-end in conformity with the delivery conditions stipulated in the respective lease agreements.

The Group provides for four (2012: four) leased aircraft the cost of major aircraft overhaul or so-called “D-checks” and the related costs are recognized to operating expenses in the line item *Aircraft maintenance expenses*, based on the estimated remaining number of years until the next major overhaul.

25. Trade payables and other payables

In thousands of U.S. Dollar	2013	2012
Trade payables	71,880	68,364
Accruals for:		
- General and administration	11,764	11,998
- Maintenance	10,926	11,916
- Fuel	12,970	12,915
- Handling, landing and overflying	33,841	31,059
- Trucking, truck handling and interlining	7,893	6,954
- Incentive and worldwide commissions	24,664	15,354
Staff related costs	12,486	11,836
Derivatives liabilities	31,753	38,319
Anti-trust	122,038	132,170
Amount owed to related parties	3,462	2,693
Deferred income	47,171	55,799
Miscellaneous	7,106	6,281
Total trade payables and other payables	**397,954**	**405,658**
of which current	281,088	281,812
of which non-current	116,866	123,846

26. Operating leases

Non-cancellable operating lease rentals are payable as follows:

In thousands of U.S. Dollar	**2013**	2012
Less than one year	26,052	35,001
Between one and five years	82,233	82,531
More than five years	110,906	129,441

The present value of minimum lease payments related to operating leases of aircraft and the hangar facility amounted to US$ 211.2 million (2012: US$ 242.8 million) at the balance sheet date. This present value was calculated using actual rental terms and a discount factor equal to Libor, respectively Euribor end-of-the-year rates.

27. Capital commitments

At the balance sheet date, the Group had firm purchase orders for four B747-8F aircraft to be delivered as from 2014. These deliveries will take the total number of B747-8F in the fleet to thirteen. Based on prices published by manufacturers the total investment amount of the four B747-8Fs is close to US$ 1.4 billion.

The Group constantly reviews its investment program to align it to the extent possible with the market environment.

In connection with aircraft purchases, the Group routinely makes down payments to manufacturers. Such advance payments are recorded under *Other property, plant and equipment* or *Deposits with third parties* depending on whether or not the Group keeps the risks and rewards of the aircraft.

28. Contingencies

Legal proceedings

The Group is party to legal proceedings, both as defendant and claimant, from time to time in the normal course of its business. In addition, the Group was or is subject to investigations and proceedings from anti-trust authorities in the US, EU, Canada, Australia, New Zealand, South Africa, South Korea and Switzerland in connection with a worldwide investigation of air cargo carriers regarding alleged violations of anti-trust laws. While a number of proceedings have been largely completed, the Group continues to fully cooperate with all relevant authorities where necessary. The Group's application for annulment of the EU Commission's 2010 decision that imposed a fine of EUR 79.9 million against the Group is still pending before the EU General Court. At balance sheet date, the Group had reached settlements with and/or accepted penalties imposed by the competition authorities in the US, Canada, Australia, New Zealand, Switzerland and South Korea.

In the wake of the anti-trust proceedings, civil lawsuits have been launched in the US, in Canada, in England, in the Netherlands, in New Zealand, in Norway, in South Korea (filed in late November 2013, received by Cargolux in January 2014) and in Australia against a number of air carriers, including against the Group. The Group settled the class action claims in the US and in Canada in previous years. As foreseen by US procedure, some plaintiffs "opted out" of the class settlement and may individually pursue their alleged claims against the Group. After procedural clarifications, some of the civil proceedings in England and in the Netherlands were resumed after having been stayed pending the decision on the application to annul the mentioned EU Commission.

In 2013 and prior periods, the Group had constituted provisions to cover the Group's exposure with respect of the anti-trust related proceedings (see also Notes 12 and 24 above).

29. Related parties

Identity of related parties

The Group has a related party relationship with shareholders, its subsidiaries, joint ventures, associates and with its directors and executive officers.

The Group is an entity that is controlled by the State of Grand-Duchy of Luxembourg directly and indirectly via its shareholders. The Group uses the exemption in IAS 24 and discloses below only the individual significant related party transactions. The Group has transactions and balances with government agencies and administrations that are customary to any entity and which have not been disclosed as a related party below.

Key management personnel and directors

In addition to their salaries, the Group also provides cash (described below) and non-cash benefits (company car and fuel card) to members of the Executive Committee and 4 area vice-presidents and contributes (as for other Group employees) to a defined contribution plan and to an accident/invalidity insurance on their behalf.

The compensations of the Executive Committee and heads of areas are as follows:

In thousands of U.S. Dollar	2013	2012
Salaries and profit sharing	4,989	3,769
Contribution to pension scheme and accident/invalidity insurance	1,405	1,002
	6,394	**4,771**

These amounts, which are paid in euros, are included in *Personnel costs and benefits* (see Note 11).

Directors are given an annual fee for their supervisory work on behalf of the Group. In addition, Board members who sit on the Compensation Committee, the Audit Committee or the Strategy Committee of the Board are paid attendance fees. The total remuneration of Directors was as follows:

In thousands of U.S. Dollar	2013	2012
Directors	471	428

Shareholders

- The Group pays landing fees to the "Administration de la Navigation Aérienne". The amount charged to operations for such services was US$ 11.6 million (2012: US$ 9.3 million).
- The Group pays handling fees and other service charges to Luxair in Luxembourg. The amount charged to operations for such services was US$ 75.6 million (2012: US$ 65.4 million).
- The Group pays interest of US$ 4.0 million (2012: nil) on the mandatorily convertible bonds.
- Interest and commissions of approximately US$ 0.2 million (2012: US$ 0.03 million) were paid in 2013 and US$ 0.01 million (2012: US$ 0.09 million) of investment income was received in 2013 from banks which are shareholders.

- The Group pays commitment fees of US$ 1.1 million (2012: US$ 1.6 million) for a credit line guarantee to the State of Grand-Duchy of Luxembourg.
- The Group receives freight and maintenance revenues from Luxair. The amount invoiced was approximately US$ 0.5 million (2012: US$ 0.5 million).

Joint ventures and associates

During the year ended December, 31, 2013, the Group paid US$ 28.8 million (2012: US$ 35.0 million) for IT services to Champ Cargosystems S.A., overhead fees of US$ 1.0 million (2012: US$ 0.9 million) to Global Aviation Technical Solutions SECS and aircraft rentals of US$ 14.9 million (2012: US$ 15.5 million) to subsidiaries of 8F Leasing S.A.

Year end balances arising from sales purchases and services are as follows:

Accounts receivable and deposit with related parties:

In thousands of U.S. Dollar	**2013**	2012
Associates and Joint Venture	13,244	10,534
Shareholders	17,005	14,850
	30,249	**25,384**

Accounts payable and loan from related parties:

In thousands of U.S. Dollar	**2013**	2012
Associates and Joint Venture	5,512	5,546
Shareholders	110,372	18,454
	115,884	**24,000**

30. Group entities

Subsidiaries

		Direct ownership	
	Country of incorporation	**2013**	2012
Cargolux RE S.A.	Luxembourg	100%	100%
Cargolux Italia S.p.A.	Italy	40%	40%
Italia Aerologistics S.R.L.	Italy	98%	98%

31. Accounting estimates and judgments

Certain critical accounting judgments in applying the Group's accounting policies are described below.

Finance and operating leases

The Group entered into a lease arrangement in relation with the hangar it operates in Luxembourg. The lease contains three extension options for incremental five year lease periods. This option can be exercised for the first time on the 15th anniversary of the lease, i.e. on June 15, 2024.

In determining lease classification the Group evaluated whether substantially all the risks and rewards of ownership were transferred to the Group. Specifically, it was not considered as reasonably certain, at the inception of the lease, that the Group will operate the hangar beyond fifteen years.

Based on this judgment, it is concluded that the lease is an operating lease.

Deferred tax asset

The deferred tax asset is based on the most recent business plan available at each balance sheet date.

Heavy Maintenance Check

The timing of “C” and “D-check” is determined in accordance with the Group’s maintenance program which is based on recommendations of the manufacturer and is approved by the civil aviation authorities (DAC). The amount provisioned is based on prices derived from contractual arrangements concluded with providers and are discounted to the balance sheet date. As of July 2009 the Group performs the major overhaul “C-checks” in-house.

Provision

The recognition of a provision requires that the management is in the position to make a reliable estimate of the amount of the obligation resulting from past events. When no reliable estimate can be made, a contingent liability is disclosed.

Residual values of aircraft

Management estimate of residual values is reassessed yearly on the basis of the current and future estimated market values published by external appraisers and on the basis of observable transactions. Where appropriate this review may lead to revisions to the residual values from the current estimate.

32. Subsequent events

On January 14, 2014, the State of Luxembourg selected Henan Civil Aviation and Investment Co. (HNCA) as a purchaser of its 35% stake in Cargolux.

On February 13, 2014, the Group announced that it has ordered an additional B747-8F from Boeing as part of its ongoing fleet renewal and expansion program.

On April 22, 2014, the Luxembourg State purchased 829,283 common shares representing 8.32% of the share capital of the Group and the corresponding number of mandatorily convertible bonds previously held by Luxair.

On April 23, 2014, the share sale transaction, involving the purchase by HNCA from the Luxembourg State of 3,489,926 common shares representing 35% of the share capital and the voting rights in the Group, as well as 1,395,928 mandatorily convertible bonds issued by the Group, was closed.

On April 23, 2014 an extraordinary general meeting of the Group’s shareholders resolved to increase the share capital by US$ 175 million in cash in exchange of newly issued common shares. The capital injection was fully paid up on the same day.

Report

of the Réviseur d'entreprises agréé

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To the Shareholders of
Cargolux Airlines International S.A.
Aéroport de Luxembourg
L-2990 Sandweiler

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Cargolux Airlines International S.A., which comprise the consolidated balance sheet as at December 31, 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Cargolux Airlines International S.A. as of December 31, 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The directors' report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Luxembourg, April 23, 2014

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé

Thierry RAVASIO

Sustainability

04

04

Company profile

2.1 | 2.2 | 2.5 | 2.7 | 2.10

Cargolux Airlines International S.A. is a leading global all-cargo airline, operating a fleet of modern Boeing 747-8 and 747-400 freighters. We provide airfreight transport services to freight forwarders in most parts of the world through scheduled and charter flights.

This includes the regular transportation of perishables, temperature and shock-sensitive goods, supply-chain goods, project cargo, finished commodities and live animals on our worldwide network that covers some 90 destinations. The Company has developed a unique expertise in the handling of fragile and also outsize commodities that require increasingly sophisticated logistics and our highly trained and dedicated staff guarantees the best possible service to our customers.

Cargolux also offers third-party maintenance services at its maintenance center in Luxembourg. The Company is specialized in 747 line and hangar maintenance up to and including C-checks. Its service offering includes a range of specialized maintenance services such as, but not limited to, avionic modifications, structural repairs and worldwide AOG support.

Innovative concepts and the constant drive for quality have earned Cargolux a number of awards throughout the years. In 2013, the Company received the 'Best freighter-only airline' by Air Cargo News, the 'Best Performing Cargo Airline 2013' by Budapest Airport Ltd., and the 'International all-cargo carrier of the year in Africa' award by Stat Times International Award of Excellence.

Company profile

A. Organizational profile

2.3 | 2.4 | 2.6 | 2.8 | 2.9

Operational structure of the organization

- Flight Operations
- Sales, Marketing and Ground Services
- Finance and Administration
- Legal Affairs and Compliance
- IT
- Maintenance and Engineering
- Human Resources
- Corporate Services

Location of organization's headquarters

Luxembourg

Nature of ownership and legal form

Joint-stock company (société anonyme)

Scale of the reporting organization

	2013	2012	2011	2010
Total income in US$ '000	1,988,508	1,738,852	1,898,641	1,748,431
Profit / loss for the year in US$ '000	8,374	(35,130)	(18,337)	59,838
Shareholders' equity in US$ '000	468,892	430,688	455,243	504,901
Tonnes sold[1]	753,848	645,759	658,800	683,380
Tonne-kilometers flown (millions)	5,723	4,800	5,039	5,284
Available tonne-kilometers (millions)	8,452	7,002	7,114	7,210
Number of employees worldwide	1,606	1,559	1,564	1,477
Headquarters	1,224	1,191	1,187	1,120
Fleet	**2013**	**2012**	**2011**	**2010**
Boeing 747-8 Freighter	9	6	2	/
Boeing 747-400 Freighter	8	9	10	13
Boeing 747-400 BCF	2	2	3	/
Boeing 747-400 ERF	1	/	/	/
Aircraft on order				
Boeing 747-8 Freighter	4	7	11	13
Aircraft subject to forward sale agreements	0	0	0	3

[1] This figure reflects tonnes sold in contrast to the definition used by IATA and most other airlines (tonnes flown = transfer cargo counted twice).

Significant changes during the reporting period regarding size, structure or ownership

In late 2013, the government of Luxembourg announced its decision to sell its 35 % share to Chinese investment company HNCA, the investment arm of the government of the Henan province. The agreement was signed in December 2013 and closed on April 23, 2014.

On April 22, 2014, the Luxembourg government acquired 8.32% of the Cargolux shares from Luxair, thus retaining an active role in the airline.

B. Report parameters

3.1 | 3.2 | 3.3 | 3.4 | 3.5 | 3.6 | 3.7 | 3.8

Reporting period

Information provided in this report covers the calendar year 2013

Date previous report

April 2013

Reporting cycle

Annual

Contact point

We invite all interested parties to enter into dialogue with us about our sustainability policy, our activities and this report. Our policy, further information about our activities and previous reports can be found on our website at www.cargolux.com/sustainability. All comments and enquiries are welcome and can be forwarded to us through the contact form on the aforementioned webpage, or by writing to corpcom@cargolux.com.

Reporting process and GRI

This is Cargolux's sixth Corporate Sustainability Report.

The elaboration of this report is based on the continued analysis of the Company's main impact and responsibilities, both with regard to the environment and society, and relative to the concerns raised by key groups of stakeholders in this area.

The 2013 report illustrates Cargolux's actions rolled out in yet another difficult year for the international air cargo industry, marked by overcapacity, yield erosion and continuous modest economic growth. Despite the challenges the Company had to overcome, we made every effort to uphold our commitment to environmental and social responsibility.

This report is based on the guidelines of the Global Reporting Initiatives (GRI G3). We believe that our report meets application level C of the guidelines. Cargolux endeavors to constantly review and further elaborate its Corporate Social Responsibility program and the Sustainability Reporting Process.

This report pertains to Cargolux's operations and geographical presence overall, except where otherwise specified. Certain indicators cover our Luxembourg-based activities only. These include figures relating to waste disposal, the Company's employees as well as data related to Occupational Health and Safety. The report does not cover the activities of separate legal entities fully or partly owned by Cargolux. Our monitoring of fuel consumption and CO_2 emissions includes the data collected by Cargolux Italia.

Company profile

Ownership structure[2]

As of December 31, 2013

	Luxair S.A.	Luxembourg State	Banque et Caisse d'Epargne de l'Etat	Société Nationale de Crédit et d'Investissement
%	43.4	35.0	10.9	10.7

C.1. Governance

4.1 | 4.4

a. Board of Directors

On December 31, 2013, the Board of Directors (BOD) was composed of 13 members, including 8 directors who represented the shareholders and 5 Cargolux staff representatives. The staff has the possibility to raise issues and concerns and to submit suggestions to the highest governance body through their representatives.

The Board of Directors is made up of 2 women and 11 men.

Members

Luxair representatives:

Paul Helminger
Chairman of the Board of Cargolux
Chairman of the Board, LuxairGroup
Director

Adrien Ney
President and Chief Executive Officer,
Luxair Group
Director

Françoise Thoma
Executive Vice President,
Banque et Caisse d'Epargne de l'Etat
Director

Tom Weisgerber
Premier Conseiller de Gouvernement,
Ministère du Développement durable et des Infrastructures
Director

[2] As from April 23, 2014: Luxair (Société Luxembourgeoise de Navigation Aérienne) S.A. **35.10%**, HNCA (Luxembourg) S.à.r.l **35.00%**, Banque et Caisse d'Epargne de l'Etat **10.91%**, Société Nationale de Crédit et d'Investissement **10.67%**, the Grand-Duchy of Luxembourg **8.32%**

Luxembourg State representatives:

Alphonse Berns
Ambassadeur, Directeur de la Fiscalité,
Ministère des Finances
Director

Paul Mousel[3]
Partner, Arendt & Medernach
Director

BCEE representative:

Jean-Claude Finck
President and Chief Executive Officer,
Banque et Caisse d'Epargne de l'Etat
Director

Société Nationale de Crédit et d'Investissement (SNCI)
Director (corporate mandate),
represented by

Patrick Nickels

Cargolux staff representatives:

Bettina Faulhaber
Manager Business Support Flight Operations

George Karambilas
Captain

Einar Kristjansson
Captain

David Massaro
Permanent Delegate, Staff Delegation

Armand Seil
Officer Material Repairs

b. Committees of the BOD

Audit Committee:

The Audit Committee (AC) comprises a maximum of four members who may but do not need to be member of the Board of Directors. As at December 31, 2013, it consisted of four shareholder directors.

The role of the AC is to support the BOD in fulfilling its oversight responsibilities regarding the

- completeness and accuracy of Cargolux's financial statements;
- effectiveness of the Company's internal control and risk management system;
- compliance organization and processes;
- proficiency of the internal audit function and its objectivity for performing its task;
- performance of the Company's internal and external audit functions.

[3] until March 24, 2014

Members:

- Adrien Ney
- Francoise Thoma
- SNCI, represented by Patrick Nickels
- Tom Weisgerber

Compensation Committee:

The Compensation Committee determines the remuneration of senior management. It is made up of four shareholder directors.

Members:

- Paul Helminger
- Jean-Claude Finck
- Alphonse Berns
- Paul Mousel

c. Executive Committee:

As at December 31, 2013, the Executive Committee consisted of four members. The Executive Committee is charged by the Board of Directors with the daily management and representation of the Company and establishes the internal rules of daily management and administration within the Company at all levels. It implements the strategies and decisions of the Board of Directors.

Members:

Richard Forson[4]
Interim President and Chief Executive Officer
Chief Financial Officer

Peter van de Pas[5]
Senior Vice President and Chief Operating Officer

Robert van de Weg[5]
Senior Vice President Sales and Marketing

Henning zur Hausen
Senior Vice President Legal Affairs and Compliance

d. Business principles:

4.6 | 4.8

The Company's business principles are set out in the Cargolux Ethics Code & Policies that describes how Cargolux employees, senior executives and members of the Board of Directors are expected to behave. It applies to all employees and executives, as well as to GSAs and legal representatives of the Company.

Its purpose is to guide them and any other person that acts on behalf of the Company, to perform their duties in line with high ethical standards and applicable laws and regulations. It is based on the Company's values – dedication, respect and integrity.

[4] until March 26, 2014; Dirk Reich appointed President and Chief Executive Officer on March 26, 2014 | [5] until March 26, 2014

C.2. Commitments to external initiatives

4.11 | 4.12 | 4.13

Precautionary principles and Risk Management

Cargolux is firmly committed to ensuring full compliance with all applicable laws and regulations, as well as adherence to internal rules and policies. We are convinced that ethical corporate and individual behavior is a precondition for sustainable and profitable business relationships, fostering trust and avoiding the risk of reputational and other damage.

Prevention is rooted in the Cargolux Ethics Code and Policies that form the Company's constitutional documents. They summarize the principles that guide the Cargolux staff in doing business. Good, sustainable business is always driven by values. Cargolux's values – dedication, respect and integrity, are also the basis for the Ethics Code.

The Enterprise Risk Management (ERM) program was further developed in 2013. However, the project could not be concluded as foreseen due to the changes in the management setup. Except for one division, an identification of risks has been conducted and strategic objectives were defined by management – based on the business plan approved by the Board of Directors. Strategic risks will be identified in a senior management workshop and added to the key risk portfolio of the entity.

The ERM will be used to manage risks and seize opportunities related to the achievement of the airline's objectives. It incorporates the compliance program as well as a separate review of IT risks, which will be conducted in 2014.

The ERM Program is another important part of the sustainable development of the Company. It aims to identify and assess risks that could adversely impact the Company's objectives, ensures that reporting is done effectively and that the Company is compliant with rules and regulations. The ERM is developed in line with the ISO 31000 standard.

Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses

UN Global Compact:

At Cargolux, we are committed to operating and acting in a socially and environmentally responsible manner and have underpinned this commitment in 2007 when we signed the UN Global Compact, pledging to apply its 10 key principles.

UN Global Compact Foundation:

In 2012, Cargolux became Gold contributor of the UN Global Compact Foundation.

Corporate Charter for Social Responsibility and Sustainable Development:

Already in 2005, Cargolux signed the Corporate Charter for Social Responsibility and Sustainable Development, an initiative launched by the Luxembourg Chamber of Commerce.

ISO 14001 certification:

We strive to limit the effects of our activities to the environment in the best possible way. This concerns atmospheric emissions, noise or waste materials. Cargolux demonstrated its commitment to environmentally sound operations with the ISO 14001 certification of its Flight Operations Division and Type Rating Training Organization in 2009, the Maintenance Division in 2012 and Ground Operations and Luxembourg station in 2013.

SuperDrecksKëscht®:

The SuperDrecksKëscht® (SDK) is a national system for enhanced waste management that is initiated by the

Ministry for Sustainable Development and Infrastructure in cooperation with the local communes, the Chamber of Trades, and the Chamber of Commerce. It is based on the EU waste management approach and geared towards both individuals and companies. Cargolux has been SDK certified since 2008.

OHSAS 18001: An international Occupational Health and Safety management standard:

To ensure the well-being of our employees, Cargolux strives to provide a working environment that is safe and healthful. To underpin this commitment to its staff, the Company had its Occupational Health and Safety management system certified according to OHSAS 18001 in 2013.

Cargo2000:

In 2013, the International Air Transport Association confirmed Cargolux's Cargo 2000 platinum member status.

Cargo 2000 is the name for a joint effort by a group of airlines and forwarders (members), and is, today, an IATA interest group aiming at improving the work processes in the air cargo transportation from shipper-through-to-the-consignee (end-to-end).

As a platinum member, Cargolux finds itself among only nine members that have reached the highest level of the C2K classification system.

Memberships in associations

Cargolux is a founding member of SAFUG (Sustainable Aviation Fuel Users Group). We are member of IATA and a number of committees of the Association of European Airlines (AEA), for example, the Environmental Standing Committee and the Airfreight Carbon Initiative.

C.3. Stakeholder engagement

4.14 |4.16 | 4.17

List of stakeholder groups engaged by the organization

Stakeholder groups include our shareholders, employees, customers, investors and suppliers. They extend to the communities potentially affected by our activities, primarily living around the airport of Luxembourg, our primary operational hub, and also include government and local authorities, national and industrial representations, non-governmental organizations and auditing bodies.

Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group

We are engaged in an ongoing dialogue with our stakeholders via public meetings, direct representation or the media.

Frequent and regular meetings between the senior management and the staff are a long-standing tradition at Cargolux. They are complemented by a variety of communication initiatives towards employees, including memos and newsletters.

Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting

2013 was a very challenging year for Cargolux due to the difficult market conditions and the instability within the company caused by the announced change in shareholder structure.

The management maintained an open dialogue with the employees who were kept informed about important developments through a variety of communication channels, including the opportunity to submit questions and relay concerns to the management.


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Environment

Disclosure on management approach

It is undeniable that aviation has recognized that it must assume its responsibility in the global fight against climate change.

As an operator of wide-body aircraft on long-haul flights, our flight operations activity is by far the most demanding in terms of energy consumption. It is responsible for over 99% of the CO_2 emitted by the Company.

Throughout the years, Cargolux has demonstrated its commitment to environmentally sound operations, the most significant commitment being the investment in a fleet of new, advanced Boeing 747-8 freighters with environmental enhancements that allow Cargolux to set new standards in sustainable airfreight transport.

Cargolux is also aware of the environmental impact of its non-flight activities, and has consequently sought to obtain ISO 14001 certification of the airline's Ground Operations and of the Luxembourg Station in 2013. Another initiative consisted in assessing the environmental commitment of general handling agents throughout the Cargolux network.

A. Environmental management system

The Cargolux Environmental Management System (EMS) is aligned with the requirements of the ISO 14001 certification and defines how we approach the environmental challenges that we are facing.

In the context of the EMS, we define long-term goals and key performance indicators (KPI) to reduce the ecological footprint steadily, and we monitor the impact of our operations and processes on the environment. The EMS also offers significant benefits in terms of energy savings, waste reduction, process efficiency improvements and better use of limited resources.

Environmental targets and objectives are implemented, maintained and documented throughout the organization and include the reduction of fuel consumption and CO_2 emissions, lower noise emissions and an improved waste management in offices and workshops. We have established a variety of programs to achieve long-term objectives.

An Environment Management Board (EMB) was created to coordinate all relevant efforts within the Company. It is made up of 10 members, each representing one of Cargolux's divisions, and meets regularly to review progress on current projects while defining future action plans. The EMB is sponsored by the Chief Executive Officer and coordinated by the environmental management of Cargolux.

To safeguard its continuing suitability and effectiveness, the EMS is subject to regular reviews by executive and senior management who analyze the outcome of internal audits, evaluate compliance with legal requirements and assess attained results against environmental KPI.

a. ISO 14001 certification

EN5 | EN18 | EN28

Cargolux took a further step toward earning ISO 14001 registration with the certification of Ground Operations and the Luxembourg Station in 2013. The Flight Operations Division and its Type Rating Training Organization as well as the Maintenance and Engineering division successfully passed subsequent audits during the reporting period.

Cargolux initiated its environmental certification process with the Flight Operations division, in other words, its core activity, which has by far the greatest impact on the environment and where the greatest benefits are to be gained from an efficient environmental management system.

Environmental awareness training

Cargolux staff

Mandatory web-based trainings on environmental awareness are part of the corporate training curriculum as we aim to instill environmental awareness and practices into our regular business operations. Staff that is exposed to environmental issues during the performance of their job duties is encouraged to attend further internal and external training courses in order to improve their environmental expertise.

New employees are introduced to the Cargolux environmental principles during their induction training.

Suppliers

In addition, Cargolux's main suppliers and contractors in Maintenance and Engineering are also introduced to the Cargolux environmental principles and the environmental management system, encouraging them to actively support and contribute to the Company's efforts towards environmental sustainability.

b. Cargolux stations

We continually strive to move beyond past achievement in environmental conservation and social responsibility and therefore strongly encourage our commercial and operational partners throughout the Cargolux network to endorse the Company's principles in this field and to adhere to officially recognized environmental management standards.

A survey conducted in 2013 amongst the general handling agents (GHAs) throughout the Cargolux network showed that the subject ranks high on their agenda. 57% of the GHAs advised that they have an environmental policy in place and nearly half of the stations have an environmental training in place for its staff. 23% are certified to ISO 14001 standards - a ratio that we expect to increase in the future.

c. Spills at the maintenance hangar

EN23

No spills were recorded in 2013.

B. Greenhouse gas emissions

EN29

B.1.Flight Operations

IATA, the International Air Transport Association, has defined long and near-term targets for airlines to reduce CO_2 emissions and to eventually achieve carbon-neutral growth:

- A cap on aviation CO_2 emissions from 2020 (carbon neutral growth)
- An average improvement in fuel efficiency of 1,5% per year from 2009 to 2020
- A reduction in CO_2 emissions of 50% by 2050, relative to 2005 levels

The Company has developed a framework of voluntary actions to meet these targets and has made significant investments to operate one of the most fuel-efficient fleets available on the market.

Fuel and CO_2 emissions performance

EN3 | EN16

In 2013, Cargolux aircraft emitted on average 159 grams of fuel for each tonne transported over 1 km, which corresponds to 501 grams of CO_2 emissions per tonne-km. This almost 4% reduction over 2012 clearly underlines our commitment to meet IATA's annual 1.5% fuel efficiency improvement target for the period from 2009 to 2020.

A further improvement of the CO_2 emissions is expected as of 2014, when we take delivery of 2 further 747-8 freighters powered with the performance improvement package (PIP) version of the GEnx engines.

Environment

	2013	2012	2011	Variation (%)
CO_2 emissions (in million tonnes)	2.86	2.49	2.72	14.9
CO_2 emissions (in g/tkm)	501	520	540	-3.7
Fuel burn per tkm (in g/tkm)	159	165	171	-3.6

a. Regulatory compliance

EU Emissions Trading scheme (ETS)

Cargolux continued to comply with the full EU-ETS reporting and maintained the original set-up of monitoring, reporting and verifying the emissions processes.

In the fall of 2013, the ICAO assembly agreed to develop a global market-based measure (global 'MBM') to limit CO_2 emissions of international aviation.

La Loi Grenelle II

A new law entered into force in France in 2013, obliging logistics and transport companies to disclose the CO_2 emissions for every shipment departing from or destined for France.

Cargolux is fully compliant with the Grenelle requirements.

b. Voluntary actions

APU

EN5 | EN18

In 2013, the hours of APU use increased by 21.4% compared to the year before. This is in particular due to an increased number of aircraft operated, but also to a higher number of flights carrying temperature-sensitive cargo such as pharmaceuticals and life science products, live animals and perishable goods. This delicate type of cargo requires a seamless temperature-controlled infrastructure to preserve their quality and integrity across their global supply chains.

	2013	2012	2011	Variation (%)
Hours of APU use	30,957	25,500	23,592	21.4
Number of cycles	17,493	14,702	13,718	19.0
Average time per cycle (minutes)	106	104	103.19	2.9
Number of aircraft	20	17	15	
Hours of APU use / aircraft	1,547.9	1,500	1,572.8	0.9

The Auxiliary Power Unit, APU, is a small turbine providing power to run electrical systems when no ground power supply is available. It also provides pneumatic power for engine starts and runs the air conditioning systems.

Network optimization and flexibility

EN5 | EN18

The high level of flexibility of our operations greatly helped the Company to overcome the difficult market conditions that prevailed in 2013. The flawless cooperation between the commercial, operations and maintenance divisions enabled us to consolidate and re-route flights in order to achieve an optimum balance between revenue generation and cost optimization, including the minimization of fuel usage and reduction of CO_2 emissions.

Ongoing programs

- Deep core engine washing
  EN5 | EN18 | EN26
- Fleet renewal program
- Alternative fuels

c. Suppliers

Trucking

EN5 | EN18

Cargolux complements its flights and facilitates the transfer of goods between production or distribution centers and airports with road feeder services. The Company emphasizes working with companies that operate modern trucks conforming to the latest standards. In Europe, where the majority of all trucking activities organized by Cargolux take place, 89% of the sub-contracted companies operate trucks complying with emission class Euro 5 or Euro 6, which is the highest standard currently applicable. Trucking is also organized in North America and Asia.

In total, 435 vehicles were regularly used to transport goods on behalf of Cargolux during the reporting period. Air cargo trucking is a premium product on the road transport market and operators need the reliability and efficiency of newer vehicles, with the result that younger fleets are operated as part of our service offering.

	2013	%	2012	%	2011	%	2010	%
EURO 2	0	0	0	0	0	0	0	0
EURO 3	25	6	40	11	87	23	99	24
EURO 4	20	5	20	5	20	5	59	14
EURO 5	275	63	270	71	266	69	254	62
EURO 6	115	26	50	13	10	3	0	0
TOTAL	**435**	**100**	**380**	**100**	**383**	**100**	**412**	**100**

B.2. Luxembourg headquarters

As a cargo airline operating wide-body aircraft on long-haul flights, we mainly impact the environment through atmospheric emissions, notably CO_2, resulting from our fuel consumption. However, we commit to the sustainable management of finite resources as a rule by reducing the impact of CO_2 emissions of non-flight activities, including road feeder services, the ground support equipment fleet, business travel, commuting and office heating.

Facilities

EN3 | EN4 | EN6

In line with this target, all electricity consumed by Cargolux in Luxembourg is provided from 100% renewable hydroelectric sources.

To further reduce electricity consumption at the Cargolux Maintenance Center, electricity counters were installed in different locations of the building to capture detailed data on consumption throughout the year. The results will be available at the end of 2014.

Ground support equipment

EN3 | EN16

The ground support equipment fleet consumed a total of 97,124 liters of fuel in 2013, representing 257 tonnes of CO_2 emissions.

Type of fuel	Liters
Industrial fuel	75,406
Diesel	17,452
Unleaded gasoline 95	4,266

C. Noise emissions

The emission of noise is the second important area of environmental concern to Cargolux after CO_2 emissions and all possible efforts are made to mitigate the amount of noise produced by our aircraft. These efforts are of particular importance at the Company's hub in Luxembourg, as this is where the highest number of aircraft movements takes place.

D. Material and waste

Paper and cartridges

EN1

Paper use at HQ in Luxembourg	Variation (in %)	2013	2012	2011
Paper (tonnes)	-3,7	29.24	30.36	33.21
Cartridge (pcs)	3,3	247	239	349

Less paper on flight decks

EN1

At the end of the reporting period, Cargolux was ready for a mostly paperless operation on both aircraft types, the 747-400F and 747-8F.

All Cargolux aircraft and its two simulators were equipped with Class 3 Electronic Flight Bags (EFB), a digital information management system installed on the flight deck, hosting applications for take-off and landing performance calculations, operations manuals, navigational charts and several pilot utilities.

Further to the EFB, the traditional printed manuals for the personal use of flight crews were replaced with iPads. All information previously available in printed manuals is now stored on the tablet, cutting down the printing of manuals by 75%.

Waste management

EN22

Cargolux has a waste management system in place which is run by a specialized company. This company manages and monitors the proper segregation, collection, processing and disposal of all waste categories, including recyclable waste and hazardous products.

All Luxembourg-based facilities and offices, including rented offices, are covered by the waste-sorting and recycling system. Waste Management is included in the web-based environmental awareness training that is mandatory for all staff every three years.

In recognition of our continued efforts in the area of waste management, Cargolux was awarded Luxembourg's environmental SDK label, "SuperDrecksKëscht® for Companies", for the fifth consecutive time. The SDK label is a program run by Luxembourg's Ministry for Sustainable Development and Infrastructure. It is awarded to companies that implement the label's environmental concept and can demonstrate this by means of material flow balances. The label is certified according to international norm DIN EN ISO 14024.

Waste disposal by category (in kg)	Variation 13/12 in %	**2013**	2012	2011
Hazardous waste	-18.0	144,615	176,544	128,959
Recyclable waste	-21.9	91,037	116,639	103,383
Residual waste	-27.2	56,836	78,128	87,696
Oily waste	-4.9	21,664	23,836	24,998
Other waste	56.7	6,879	4,390	5,888

Compared to 2012, Cargolux produced smaller quantities of waste in all categories, with the exception of the 'other waste' category, that mainly comprises end-of-life tires and polystyrene. The difference of waste produced during the reporting period is due to the fact that in 2013, we saw less hangar maintenance man-hours than the year before, which is a consequence of the fleet renewal program.

%	Metal	Plastic	Paper	Dangerous	Wood	Glass	Biodegradable
	16	1	32	5	21	1	24

E. Water

EN8

The water consumption increased during the reporting period to 8,639 m³, out of which 1,371 m³ was used for aircraft washing. This represents an increase of 19% over 2012. This amount includes the usage at the maintenance facility and the headquarters. Other rented offices in Luxembourg and stations are not recorded.

In 2012, additional water meters were installed at the maintenance hangar that will deliver improved data on the water consumption and potential water savings. First results are expected at the end of 2014.

Social

Disclosure on management approach

Despite the economic turbulences that affected the cargo community in 2013 and the internal challenges that would threaten the sustainability of many companies, Cargolux managed to maintain its course and did not forget its commitment to social responsibilities.

Banking on our core values of dedication, respect and integrity, we pulled together as a team and made cultural and social diversity a high priority in our business dealings. We not only respect human rights and dignity in our areas of operation, but also comply with all relevant national laws. We try to answer calls for help whenever possible and support non-governmental organizations, promote sports and cultural activities. We believe that a healthy and safe workplace for our employees and the smallest possible impact of our operations on the environment is of utmost importance and one of the main pillars of our success.

A. Business ethics and compliance

Cargolux has a comprehensive compliance program in place, which aims at safeguarding the Company's business and protecting its employees by enabling them to better identify ethical challenges and giving them the tools to handle these adequately.

We are firmly committed to fostering an ethical business culture that promotes compliance with all applicable laws and regulations, as well as adherence to internal rules and policies.

A.1. Training

HR3

Cargolux has implemented a compliance training program for all employees, GSAs and legal representatives, composed of class-room and online training on anti-corruption, anti-bribery and anti-competitive behavior.

In 2013, a two-year refresher program of the 'Ethics Code and Policies' training course was started and will be terminated in 2014. This workshop covers a variety of topics, including anti-bribery, anti-trust, purchasing, business partners, expense reports, confidential information, conflict of interest, gift and entertainment, as well as export controls.

GSAs, Cargolux staff on stations throughout the world, Sales & Marketing and Finance were enrolled in online training courses covering fair competition and anti-bribery. Crew members were invited to complete an 'Ethics code & new policies training course for Cargolux crew members'.

At the end of the reporting period, 532 individuals from our worldwide network had completed over 1,689 hours of compliance training.

A.2. Communication

The Company has developed an internal communication program for compliance, aimed at enhancing awareness and keeping employees informed about relevant developments in this field. The program includes a dedicated newsletter and Intranet page.

A survey conducted in 2013 amongst non-managerial staff in Luxembourg and employees of European and Middle-East stations, designed to identify the perception of compliance in general and the compliance program at Cargolux, showed that compliance is recognized as an important element of our business and that the staff is committed to the Company's program.

A.3. Risk analysis

Cargolux regularly analyzes business partners and suppliers for risk related to corruption. Due diligence is performed on business partners classified at high and medium risk. The risk classification is country-specific (Corruption Perception Index) and based on the type of service rendered.

B. Our employees

LA1

Although 2013 proved to be another difficult year for Cargolux, the Group achieved a net profit of USD 8.4 million, not least due to the continued support and engagement of all staff.

Despite higher business activities, translating into an increase of 13,364 block hours compared to budget, we maintained a conservative approach as far as human resources management was concerned. The total number of employees worldwide went up by 3%, from 1,559 in 2012 to 1,606 in 2013.

New hires

LA2

				Headquarters			Rest of the world		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
New hires	125	86	39	67	54	13	58	32	26
Below 30 years	65	41	24	32	24	8	33	17	16
30-50 years	60	45	15	35	30	5	25	15	10
Over 50 years	0	0	0	0	0	0	0	0	0

Staff Turnover

LA2

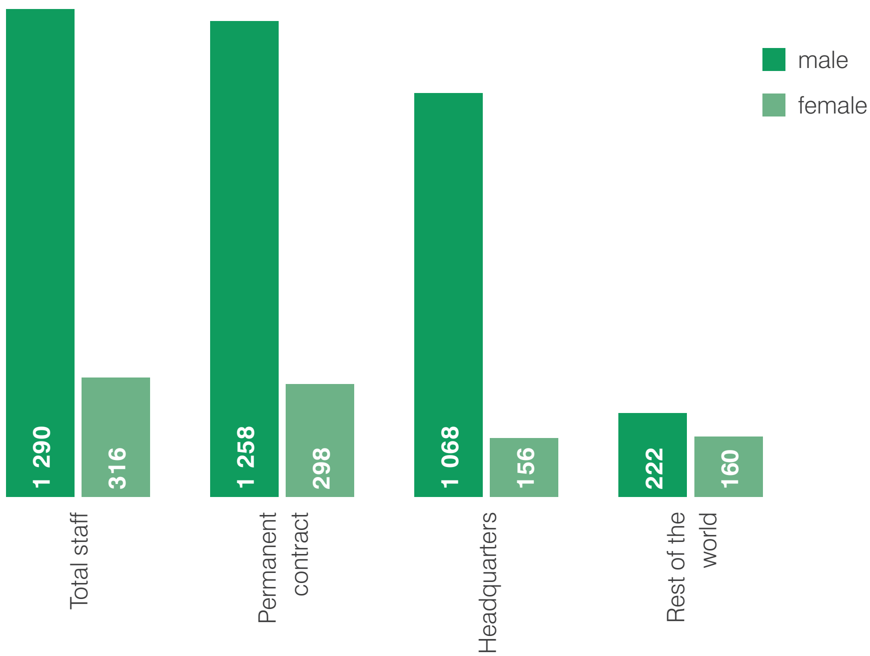
A staff turnover rate of only 2.4% in 2013 confirmed the continued loyalty of employees towards the company. The average staff seniority is more than 12 years.

Luxembourg	%	2013	2012
Men	1.9	23	27
Women	0.5	6	8
Below 30 years	0.6	7	2
30-50 years	1.6	19	15
> 50 years	0.2	3	18
Worldwide			
Men	8.3	32	14
Women	6.8	26	13
Below 30 years	8.6	33	12
30-50 years	6.5	25	13
> 50 years		0	2

Social

Diversity

LA1 | LA13



As an international player with a global presence, Cargolux benefits from the cultural diversity of a multinational workforce. We believe that such diversity is an asset that contributes to our success. The 1,224 employees in Luxembourg alone represented as many as 34 different nationalities, while the entire workforce of 1,606 individuals was composed of 54 nationalities. This is an important element that greatly helps the Company to understand and adapt to cultures and customs throughout the world.

With merely 20% of the employees being female, Cargolux is clearly a male-dominated company. This gender gap is caused by the fact that our two largest groups of employees, aircraft mechanics and pilots, are professions that are known to predominantly attract men. However, we actively encourage women to apply for these positions. 2 out of 13 members of the Company's Board of Directors are female.

We have defined no minority groups, as no difference is made between the staff.

Parental leave

LA15

In 2013, 22 employees – out of a total 231 eligible staff - went on parental leave, 8 women (25 eligible) and 14 men (206 eligible), one of which did not return.

The high number of eligible employees is due to the fact that, in Luxembourg, parents have the possibility to take parental leave up to their child's fifth birthday. Also, we assume that new hires took advantage of this benefit prior to joining Cargolux.

B.1. Employee relations

It is common practice on the part of management to maintain an open dialogue with the trade unions, the staff representatives and the staff directly.

Collective Bargaining Agreement

LA4

A majority of our employees are represented by labor unions and are covered by collective work agreements (CWA). In 2013, 88% of the staff at the headquarters in Luxembourg fell under the CWA regime.

	2013	2012	2011
Staff covered by collective work agreement (Luxembourg)	88.0%	88.0%	87.7%
Staff with a permanent contract (Luxembourg)	97.3%	99.7%	98.5%

Joint Works Council

Employees working at the headquarters are represented by a staff delegation, whose function is predominantly one of protecting the rights of employees, and a joint works council ('Comité Mixte') that is composed of staff and employer representatives in equal numbers and enjoys co-determination rights on Company policy in a wide field of topics, including recruitment, promotion, transfer and dismissal, employee assessment and health and safety matters. In addition, the Joint Works Council possesses consultation and information rights relative to management decisions pertaining to technical changes, training and the Company's economic and financial situation, to name but a few. Besides, pilot representatives are in charge of social dialogue with Company management on crew-related matters.

B.2. Helping first-time job seekers

Cargolux continues to actively support two types of measures sponsored by the Employment Administration (ADEM) that were adopted by the Luxembourg Government with the intention to promote employment prospects on the job market. The employment initiation contract ('contract d'initiation à l'emploi', CIE) is designed to enable such job seekers to receive practical training during work hours in order to make them better suited for the labor market. Targeting young graduates who encounter difficulties finding a job, the practice-oriented employment initiation contract ('contrat d'initiation à l'emploi – expérience pratique', CIE-EP) offers them practical work experience in order to facilitate their entry into the professional life.

At the end of the reporting period, Cargolux employed 16 people under the CIE regime. This initiative not only supports young first-time job seekers, but it also allows the Company to absorb increasing workload.

B.3. Training

LA10

Training is an important element for the day-to-day functioning of Cargolux. Flight Crews and Maintenance staff regularly attend courses on the use of new equipment, technologies or the application of new procedure and to maintain and upgrade their license. Similarly, training courses for Ground Operations staff are essential for them to be qualified to perform certain functions, such as supervising the loading of an aircraft. These types of training are an essential means of ensuring operational flight safety; a field where no compromise can be made.

Cargolux also offers its staff a wide range of training opportunities that allows to enhance skills, capabilities and knowledge, as it enables us to operate safely and efficiently and sustain our success in an increasingly competitive industry.

In 2013, each employee received on average 45 hours of training, out of which about 6 hours were non-compulsory.

Flight Crew training:

2013 was another busy year for Flight Crew training with a total number of 27,762 hours of training provided to Cargolux flight crews. This is an increase of 30% over the previous reporting period, or 14 hours per flight crew.

Technical training:

The Technical Training department has reviewed and streamlined its training curriculum, whereby training courses were merged and classroom courses were converted into e-learning modules. As a consequence, the number of courses went up by roughly 32%, whilst the training hours given by the department where reduced by 25% compared to the year before.

The Technical Training department trained a total of 924 individuals in 2013, 454 out of which were non-Cargolux.

Ground Operations training:

In 2013, the Ground Operations training department provided 16,224 hours of training to Cargolux staff, GHAs, GSAs and shippers. The increase of 19% compared to the previous year is due to the additional stations that were opened in 2013.

Compliance:

At the end of the reporting period, 532 individuals from our worldwide network had completed over 1,689 hours of compliance training.

B.4. Occupational Health and Safety

Cargolux is fully committed to protecting and preserving the health, safety and welfare of our employees, our most precious asset.

Particular attention is paid to our maintenance and ground operations staff that tends to be more exposed to potentially dangerous situations, be it because they use specific machinery or equipment, handle hazardous substances or work close to the aircraft.

OHSAS 18001 certification

In 2013, the Maintenance & Engineering (M&E) division successfully passed the external audit for the OHSAS 18001 certification.

OHSAS 18001 stands for Occupational Health and Safety Assessment Specification and is the international assessment specification for occupational health and safety management systems that develops a systematic management approach to occupational health and safety (OHS) issues.

This certification enhances the protection of M&E staff, contractors and suppliers working at the maintenance hangar, production shops and offices. It will give Cargolux a framework to identify, control and reduce the risks that are typically associated with health and safety in our workplace. The risk areas within the Company will be certified progressively over the years to come.

Training

The OHS curriculum was developed and two new courses were added to the program.

Injuries at Luxembourg headquarters

LA7

Accidents involving Cargolux employees, both at work (internal) and on their way to/from work (external), remained at low levels. Our statistics show that the percentage of internal accidents compared to the total number of employees is less than 3%, which compares favorably to other industrial sites.

Number of injuries

	2013	2012
Internal	33	29
External	15	14
Total	**48**	**43**

Injury rate

	2013	2012
Cargolux	4.4	3.9

Lost days

	2013	2012
Accidents	505.9	312.3
Sickness	13,745.8	10,398.1

Noise reduction

Noise is a critical factor in aviation maintenance and can cause health problems to the staff. To mitigate the potential danger for our employees, the noise reduction project, launched in 2012, was continued in 2013.

In order to reduce the noise level at the maintenance hangar, an area for noise intensive tasks, such as riveting big aircraft parts, was designated and equipped with professional insulation material. For remaining high noise level tasks a noise warning system was taken into operation to warn concerned staff in order to allow the staff to protect themselves accordingly.

The noise awareness campaign including e-learning modules, posters and information booklets was prolonged throughout the year.

H&S topics covered in formal agreements with trade unions

LA9

OHS-related matters are covered in the CWA between Cargolux and the concerned unions. Four members of the staff delegation hold a special OHS role including the full time safety delegate. The CWA stipulates the set-up of a joint management-employee OHS committee and the participation of staff representatives in health and safety inspections, audits and accident investigations. The purpose of this body is essentially to promote and maintain an active interest in OHS on the part of the involved parties in order to avoid accidents and occupational illness, suggest improvements and follow-up on their implementation.

Community

A. Participation in education

A.1. Aircraft Maintenance License (AML) apprentice scheme

In 2013, seven students successfully passed their exam to become licensed AML aircraft mechanics, four of which obtained a B-license and three an A-license. Graduates from Luxembourg's AML apprentice scheme obtain a license in accordance with EASA regulations, Part 66. After having obtained the AML, the junior mechanics will have to complete a type rating training for the 747-400 and 747-8 aircraft in-house, in order to be fully licensed to work on Cargolux aircraft.

The aircraft mechanics apprenticeship program is run in partnership with a local technical high school, the Lycée Technique Privée Emile Metz.

Cargolux accepted three apprentices for the two-year B-license program in 2013.

A.2. Support to youth and schools

Given the increasingly difficult situation on the labor market for job starters, young people in Luxembourg have a range of possibilities to get an insight into the working life and to learn about the opportunities and requirements for a career in various sectors.

Cargolux actively supports a number of these initiatives by means of tailor-made company visits and trainings in various departments going from a few days to several months. Such practical experience proves useful in guiding the career choice of young people as they get a glimpse into the specificities of the cargo industry and a host of general professions.

In 2013, we were involved in a number of initiatives, including Day Care, an initiative led by the Luxembourg arm of the CARE in Luxembourg. Students taking part in the project have the possibility to spend a day at a company of their choice and become familiar with certain aspects of the work life. Participating companies pay a token salary for every student participant that is donated for vocational training at the world's largest refugee camp in Kenya.

Another initiative was the Girls' Day, which has been on our agenda for many years. Participating companies present profiles of professions that are usually not held by women. Each year, Cargolux invites a group of young girls to discover jobs in aviation, as the air cargo industry is still a male-dominated activity.

B. Supporting non-governmental organizations

Flying for help

As an all-cargo airline operating long-haul flights, Cargolux has the great opportunity to support local and international charity organizations with free-of-charge or stand-by-basis transports to any destination within our worldwide network. This kind of support can be crucial to the success of a project as transportation fees usually form a substantial part of the cost of a project.

During the reporting period, Cargolux supported four projects by non-governmental organization, primarily in Africa. On a larger scale, the Company responded to the devastating typhoon Haiyan on the Philippines by operating three relief flights to Manila in help of the victims.

In 2013, Cargolux also continued its long-standing support of the International Bazaar, one of Luxembourg's biggest annual charity events. It brings together volunteers from nearly 60 nations to sell goods and specialties from their home countries. The funds raised are distributed among a wide number of larger and smaller aid and relief projects throughout the world. In 2013, Cargolux supported the stands of the United States, Hungary, South Africa and China.

Cargolux employees helping to help

Cargolux employees have traditionally shown great commitment to charitable initiatives.

In 2013, the devastating typhoon Haiyan in the Philippines triggered a spontaneous show of solidarity. On very short notice, Cargolux employees, relatives and friends collected a total of nearly 28 tonnes of clothes and relief goods for the three flights operated to Manila.

The After-Work Swimming fundraiser event by the International Section of the Luxembourg Red Cross was another initiative that was supported by Cargolux and its personnel. For the second time, a Cargolux team of employees and their families successfully competed against local companies to collect money at the benefit of the Red Cross's Social Groceries.

Cargolux and its staff also supported the charity program Gift for Kids. Organized by the American Women's Club of Luxembourg, Gift for Kids aims to deliver presents for St. Nicholas Day on December 6th to children and youngsters living in care homes in Luxembourg.

Companies taking part in the initiative host trees decorated with ornaments containing the child's name, the age and gift wish. Employees selected ornaments and paid for their gifts. Altogether more than 20 companies and schools in Luxembourg supported the program, making it possible that about 600 children and youngsters received a St. Nicolas gift in early December.

C. Supporting the arts and culture

The support of arts and culture is equally important to the Company as the support of charity organizations. In 2013, Cargolux carried three such shipments, in addition to eight shipments that were moved in the context of a partnership agreement with the Museum of Modern Arts (MUDAM).

The Company extended its sponsorship agreement with the MUDAM for another three years, starting in January 2014.

Customer care

Cargolux can build its success on the trust of its customers, a trust that has led to many long-lasting partnerships. Our customers rely on the proven Cargolux quality to ensure the satisfaction of their own clients and we work hard every day, not only to keep up this high quality level but also to maintain the loyalty of our partners.

The result of these efforts is exemplified in the numerous awards that Cargolux has received throughout the years; we are proud and humbled that the industry repeatedly honors and shows its satisfaction with our services.

Cargo 2000 (C2K) platinum membership status

In 2013, the International Air Transport Association confirmed Cargolux's Cargo 2000 platinum member status.

Cargo 2000 is the name for a joint effort by a group of airlines and forwarders (members) and is, today, an IATA interest group aiming at improving the work processes in the air cargo transportation from the shipper through to the consignee (end-to-end).

As a platinum member, Cargolux finds itself among only nine members that have reached the highest level of the C2K classification system.

Improved service

First GDP certified airline

At the end of the year 2013, the Cargolux management system was attested to meet the requirements of the EU directive 'Guidelines on Good Distribution Practice of Medicinal Products for Human Use' and of WHO guidelines and was consequently the first airline worldwide to be granted Good Distribution Practice (GDP) status in early 2014.

This certification underlines Cargolux's strong commitment to the safe and expedient movement of high-value temperature-sensitive healthcare shipments across its global network.

Cargolux's DGR Awareness Award

To emphasize the importance of careful and proper Dangerous Goods (DGR) handling and to recognize the particular efforts of ground handling partners who demonstrate a high level of awareness and diligence with regard to the handling of DGR in their daily work, Cargolux recognized ground service company 'LUG aircargo handling' at Frankfurt airport with the DGR Awareness Award in appreciation of the keen efforts of the LUG DGR team in the area of DGR compliance, handling and reporting.

04

GRI table 2013

Description		Explanation	Reporting level	Page
1.	**Strategy & analysis**			
1.1	Statement from the most senior executive of the organization about the relevance of sustainability to the organization and its strategy			See Annual Report
1.2	Description of key impacts, risks, and opportunities		Not reported	
2.	**Organizational profile**			
2.1	Name of organization			87
2.2	Primary brands, products and/or services			87
2.3	Operational structure of the organization			88
2.4	Location of organization's headquarter			88
2.5	Number of countries where the organization operates			87
2.6	Nature of ownership and legal form			88
2.7	Markets served			87
2.8	Scale of the reporting organization			88
2.9	Significant changes during the reporting period regarding size, structure or ownership			88
2.10	Awards received			87
3.	**Report parameters**			
3.1	Reporting period			89
3.2	Date previous report			89
3.3	Reporting cycle			89
3.4	Contact point			89
3.5	Process for defining report content			89
3.6	Boundary of the report			89
3.7	Specific limitations on the scope or boundary of the report			89
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations			89
3.9 - 3.13			Not reported	
4.	**Governance, Commitments, and Engagement**			
4.1	Governance			90
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	No		
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members		Not applicable	
4.4	Mechanism for shareholders and employees to provide recommendations or direction to the highest governance body			90
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided			92
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation			92, Annual Report

Description		Explanation	Reporting level	Page
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization			93
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses			93
4.13	Memberships in associations (such as Industry associations) and/or national/international advocacy organizations in which the organization has positions in governance bodies; participates in projects or committees; provides substantive funding beyond routine membership dues; or views membership as strategic			93
4.14	List of stakeholder groups engaged by the organization			94
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.			94
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through reporting			94
4.5, 4.7, 4.9, 4.10, 4.15			Not reported	

Economic performance indicators

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other company investments retained earnings, and payments to capital providers and government			See Annual Report
EC2-EC9			Not reported	

Environmental performance indicators

DMA	Disclosure on management approach EN			96
EN1	Material used by weight or volume			100
EN3	Direct energy consumption by primary energy source			97/99
EN4	Indirect energy consumption by primary source.			99
EN5	Energy saved due to conservation and efficiency improvements			96/98/99
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives			99
EN8	Total water withdrawal by source			101
EN10	Percentage and total volume of water recycled and reused	Nothing to report as we do not have this process in place.		
EN16	Total direct and indirect greenhouse gas emissions by weight			97/99
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved			96/98
EN21	Total weight discharge by quality and destination	Wastewater from our maintenance operations at the maintenance facilities in Luxembourg are directly collected by the airport sewage system prior to a wastewater treatment plant.		
EN22	Total weight of waste by type and disposal method			100
EN23	Total number and volume of significant spills			97

04

GRI table 2013

Description	Explanation	Reporting level	Page
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation			99
EN28 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations			96
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting member of the workforce			97
EN2, EN7, EN9, EN11-EN15, EN17, EN19-EN20, EN24-EN25, EN27, EN30		Not reported	

Social performance indicators

DMA Disclosure on management approach SO			102
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained			102
HR1-HR11		Not reported	
SO1-SO10		Not reported	
LA1 Total workforce by employment type, employment contract, and region, by gender			103
LA2 Total number and rate of new employee hires and employee turnover by age group, gender, and region			103
LA15 Return to work and retention rates after parental leave, by gender			104
LA4 Percentage of employees covered by collective bargaining agreements			105
LA7 Rates of injury, occupational diseases, lost days, and absenteeism and number of work related fatalities by region and by gender			106
LA9 Health and safety topics covered in formal agreements with trade unions			107
LA10 Average hours of training per year per employee by employee category			105
LA13 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity			104
LA3, LA5, LA6, LA8, LA11, LA12		Not reported	

Product Responsibility performance indicators

PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Nothing to report		

Independent and limited assurance report

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L-2990 Sandweiler

Independent Limited Assurance Report to Cargolux Airlines International S.A.

We have been engaged by the Management of Cargolux Airlines International S.A. ("Cargolux") to provide limited assurance on the "Sustainability Report" of Cargolux for the year ended December 31, 2013 as set out on pages 87-114.

Management's responsibility for the Sustainability Report

Management is responsible for the preparation and presentation of the Sustainability Report in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative ("GRI") as described on pages 89, 112-114 and the information and assertions contained within it, for determining Cargolux's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. This standard requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the Sustainability Report is free from material misstatement.

A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Assessment of the suitability of the reporting criteria and their consistent application.
- Inquiries of management to gain an understanding of Cargolux processes for determining the material issues for Cargolux key stakeholder groups.
- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues, and the implementation of these across the business.
- Interviews with relevant staff at corporate and business unit level responsible for data capture and preparation of the information in the Sustainability Report.
- Comparing the information presented in the Sustainability Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Sustainability Report.
- Review of material qualitative statements in the report with regard to consistency and plausibility.
- Reading the other information presented in the Annual Report 2013 of Cargolux to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Cargolux.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Sustainability Report of Cargolux for the year ended December 31, 2013 is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative as described on pages 89, 112-114 of the Sustainability Report.

Luxembourg, 23 April 2014

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Werner WEYNAND

Spanning the world

European trucking network

Trucking services out of Cargolux online stations

Ad hoc trucking can be arranged upon client request, please contact our cargo services office for additional information.

European trucking network

European road feeder network from and to Luxembourg

Austria
Linz
Vienna

Belgium
Antwerp
Brussels

Czech Republic
Prague

Denmark
Billund
Copenhagen

Finland
Helsinki

France
Lille
Lyon
Marseille
Mulhouse
Nice
Paris
Strasbourg

Germany
Berlin
Bremen
Cologne
Dortmund
Dresden
Dusseldorf
Frankfurt
Hamburg
Hanover
Leipzig
Nuremberg
Munich
Munster-Osnabruck
Stuttgart

Hungary
Budapest

Italy
Bologna
Civitanova Marche
Florence
Milan
Rome
Turin
Venice

Netherlands
Amsterdam
Maastricht
Rotterdam

Norway
Bergen
Stavanger
Oslo

Portugal
Lisbon
Porto

Spain
Alicante
Barcelona
Bilbao
Madrid
Valencia
Zaragoza

Sweden
Gothenburg
Malmö
Stockholm

Switzerland
Basle
Geneva
Zurich

United Kingdom
London
Manchester
Prestwick
Ireland
Cork
Dublin
Shannon

Road feeder network from Prestwick

Aberdeen
Belfast
Birmingham
Bristol
Cardiff
Cork
Derby
Dublin
Glasgow
London
Manchester
Newcastle
Norwich
Shannon

Road feeder network from Maastricht

Luxembourg
Amsterdam

Road feeder network from Milan

Barcelona
Basle
Bordeaux
Civitanova Marche
Firenze
Fiumicino
Geneva
Genova
Lyon
Marseille
Munich
Naples
Nuremberg
Stuttgart
Toulouse
Turin
Venice
Verona
Vienna
Zurich

Road feeder network from Budapest

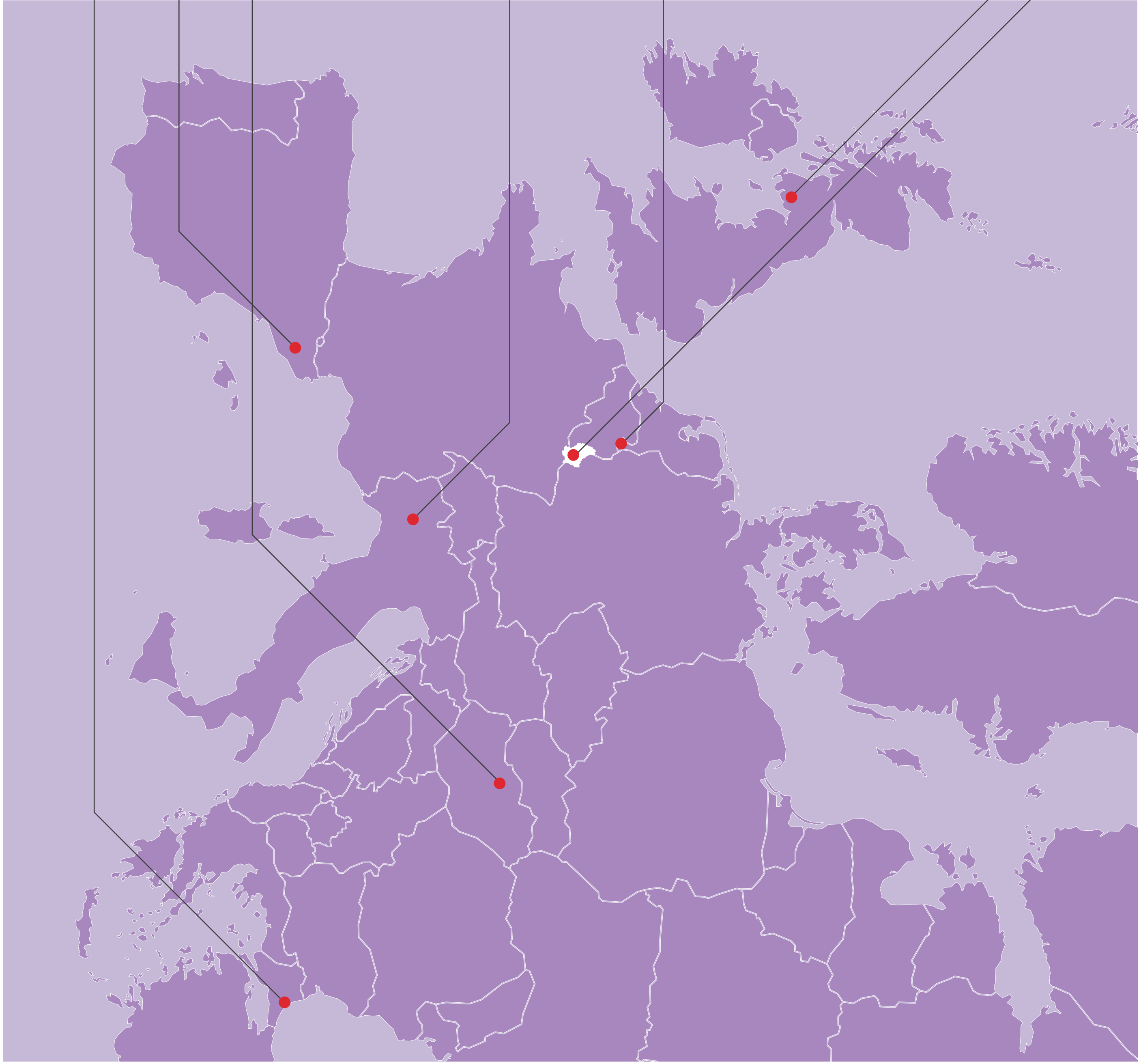
Bratislava
Bucharest
Linz
Ljubljana
Prague
Sarajevo
Sofia
Vienna
Warsaw

Road feeder network from Barcelona

Alicante
Bilbao
Lisbon
Madrid
Porto
Valencia
Zaragoza

Road feeder network from Istanbul

Adana
Ankara
Izmir



Destinations - Route map 2014


PRESTWICK
STANSTED
MAASTRICHT
MUNICH
LUXEMBOURG
VIENNA
BUDAPEST
MILAN*
ZARAGOZA
BARCELONA
TBILISI
ISTANBUL
BAKU
ALMATY*
BEIJING
SEOUL
KOMATSU
OSAKA**
SHANGHAI
BEIRUT
AMMAN
KUWAIT
TRIPOLI
DAMMAM
RIYADH
SHARJAH
DUBAI*
DOHA
MUSCAT
KARACHI
XIAMEN
TAIPEI
HANOI
HONG KONG
BAMAKO
OUAGADOUGOU
N'DJAMENA
ACCRA
ABIDJAN
LAGOS
PORT HARCOURT
LIBREVILLE
BRAZZAVILLE
KINSHASA
NAIROBI
BANGKOK
HO CHI MINH CITY
KUALA LUMPUR
SINGAPORE
JOHANNESBURG
* served by Cargolux and Cargolux Italia
** served by Cargolux Italia
*** regular charter flight
April 2014

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cargolux