## AT A GLANCE

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AT A GLANCE
OUR VISION

To be ‘The Global Cargo Carrier of Choice’.

OUR MISSION

We deliver consistent flexibility and reliability through our valued and dedicated employees creating sustainable benefits for all stakeholders in a safe environment.

THE CARGOLUX SPIRIT

The Cargolux Spirit
Leading by example
Respecting each other
Working as a team
Being dedicated and passionate
Going the extra mile
Being cost efficient
Being flexible
Delivering service excellence

cargolux
you name it, we fly it!

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
In 2015, Cargolux celebrated its 45th year as a leading force in the air cargo industry. From its humble beginnings in 1970 with a handful of second-hand freighters and a few dedicated, enthusiastic individuals that were determined to change the face of air cargo, our company has become a major player in the industry, a pioneer in many fields and a benchmark for its peers. We operate one of the most modern and sophisticated freighter fleets in the world today and enter into 2016 bigger than ever before. Cargolux can be very proud of its achievements.

Naturally, 2015 also held a big bag of challenges for us, not only in a testing economic environment, but also internally. The drawn-out CWA negotiations have bundled much energy but I am happy to say that we could find a mutually beneficial solution that is based on respect and understanding and that allows us to jointly move into the future. 2015 was a year that proved that Cargolux, after a period of change and headwinds, has a strong and competent team in place, and I stress the term ‘team’ because, throughout its 45 years of existence, Cargolux has always benefitted from the willpower and dedication of people working together for a common goal.

The agreement with our social partners led to a new CWA that guarantees an explicit commitment to job security, a continuous development and growth of Cargolux in Luxembourg while, at the same time, it gives us improved productivity and reduced costs.

In its 45th year, Cargolux delivered an incredible performance with growth in tonnage and block hours and a healthy profit. While our competitors reduced their activities, Cargolux bucked the trend and outperformed the industry. We grew our fleet with additional advanced Boeing 747 freighters and are looking at the delivery of another 747-8F in 2017. But, with the largest fleet that Cargolux ever operated, we need to take a close look at the development of the airport infrastructure here. Clearly, a larger fleet needs more space and Luxembourg airport will have to invest in more aircraft parking areas to accommodate Cargolux, one of the Grand Duchy’s major economic drivers, an important employer that secures several thousand jobs in Luxembourg and a logistics powerhouse that acts as a pillar of the government’s drive to establish a strong logistics platform for the 21st century.

Yet, for some time, Cargolux has also grown its activities beyond the borders of Luxembourg and has established a truly global presence. Our successful operation in Italy with Cargolux Italia is one example, another one is the swift ramp up of our base in China and the dual hub strategy we envisioned with our Chinese partners. Since HNCA became a major Cargolux shareholder in 2014, we have developed close and respectful ties with our friends in Zhengzhou who are putting a lot of effort into establishing a modern infrastructure with no expenses spared and are facilitating a smooth operation for Cargolux. We are thankful for the help and support we enjoy in China, support that gives Cargolux a distinct competitive advantage with great future potential as the preferred cargo carrier in this important market. Zhengzhou is the fastest growing cargo airport worldwide and our dual-hub strategy is a big part of our co-operation with HNCA, guaranteeing growth beyond the traditional Cargolux network.

With this, it is clear that China received a lot of our attention throughout 2015. We have substantially increased our air cargo services between Zhengzhou and Luxembourg and introduced direct transpacific services between Zhengzhou and Chicago that have been very well received by our customers. In 2015, Cargolux and HNCA also celebrated the first full year of co-operation with a ceremony in Luxembourg that was attended by several high ranking political guests from China.

Returning the honors, we have organized a global management meeting outside of Luxembourg for the first
time in our history and invited everyone to Zhengzhou for the 2015 come-together. This gesture stresses the importance we put on China and the extensive support we are willing to give back to our Chinese partners.

I am deeply convinced that we will continue to build on the success of our first year together and expand our strong, fruitful co-operation well into the future. This future will see the setting up of a joint-venture cargo airline based in Zhengzhou that complements the worldwide route network Cargolux operates from Europe. The Cargolux Board of Directors has approved the project and an investment of US$ 77 million to get the airline off the ground in 2017. Beyond that, we all see the possibility to extend our combined activities to other areas, such as a maintenance organization that would be attractive to Asian customers and airlines that operate to and from Zhengzhou.

After 45 years, Cargolux has a long history of flexibility, of pioneering spirit and of innovation. Our company has always explored new ways as we realized that thinking outside of the box becomes more important than ever in order to remain at the very top. Taking this concept to China, one of the innovations we brought to life with our Chinese partners in 2015 is the LuxFresh initiative. LuxFresh S.A. was created as a joint venture between Cargolux and HNCA to source and procure European quality goods that we fly to China and that are sold via new retail stores as well as a dedicated e-commerce platform. For the future, we can also see this initiative bringing Chinese delicatessen to consumers in Europe. LuxFresh is a good example of how Cargolux continues to push for new ways of doing business and how we establish a mutually beneficial win-win trade together with HNCA. ‘You name it, we fly it’ literally becomes more than just a slogan, it becomes a tangible reality that leads to a better life for the people of Henan.

Of course, it can’t be overlooked that the Chinese economy has experienced a slowdown recently that also affects the export and import of goods and the volumes of air cargo carriers. While many observers have talked about an economic slump, I do not necessarily subscribe to this view. What I see is that the growth rate in this market has reduced to a more sustainable level and that the situation has been met with a decisive response by the Chinese Central Bank and Central Government. China still has a lot of growth potential even though we are increasingly facing overcapacity in the market from carriers that also clearly see that potential.

Obviously, Cargolux had a busy, exciting but also demanding year in 2015. Air freight is a cyclical business as markets...
get more volatile, necessitating more flexibility throughout the year. That said, there will always be demand for high quality services and expertise like Cargolux’s, especially in areas such as outsized or cool chain and temperature controlled shipments. We are working hard to explore new markets, to expand our extensive product portfolio and to explore new fields such as e-commerce.

The main problem for 2016 will be to bring yields up to a sustainable level while filling the available capacity. Overcapacity has been a problem for many years and will continue to be a factor, especially with the belly capacity of Middle East carriers, who have hundreds of passenger planes on order. Nevertheless, airfreight is here to stay and freighters will keep their role as the backbone of global trade as the inflexible passenger network does not fulfill the requirement of global supply chains.

Cargolux continues to serve these markets and invests in the skill and knowledge of its staff, as well as in modern technology. We still have to look at cost control and ways to increase revenue as we are competing with carriers that have deeper pockets than ours. While we can, to a certain extent, control our operational costs, we have very little control over yield and demand. Fuel costs are thankfully still low, but they will certainly not remain at this level forever.

At Cargolux, we have implemented a number of measures to counter these developments and we can already see them coming to fruition when we look at the figures for 2015.

The long-term sustainability of our company in an extremely volatile environment remains our primary objective. But, with a strong product portfolio and a firm foothold in China, with a diverse business that includes air transport as well as e-commerce activities, with sister airlines in Italy and, in the future, in China, Cargolux intends to live up to its vision as the Global Cargo Carrier of Choice and stay at the very top of the airfreight industry.

I want to take the opportunity to thank our shareholders and our customers for their valuable and appreciated support throughout 2015. I also want to give sincere thanks to the employees of the Cargolux Group all over the world for the commitment and loyalty they have shown towards the company; it has not gone unnoticed. I am looking forward to a successful co-operation in 2016 in a combined effort to keep Cargolux up where it belongs and where it deserves to be.

Paul Helinger
Cargolux proudly celebrated its 45th anniversary in 2015 and I am very excited to have piloted the company through a year that not only saw the addition of our anniversary aircraft LX-VCM, with a special livery created by Belgian cartoonist Philippe Cruyt, but also the introduction of a strong and bold vision for the future: to be the Global Cargo Carrier of Choice.

2015 will also go down in history as the year of the Cargolux headlines and not always for the right reasons. The negotiations for a new collective work agreement (CWA), the resulting conflicts and heated discussions with our social partners, the unrest among our crews; all this has made for an intense and often draining roller-coaster ride. The end result, however, was well worth the effort, as reason prevailed and the social partners together with the management team could find a compromise that recognizes the best interests of both sides.

The final meetings in December produced a breakthrough on revised conditions for new staff while keeping the existing benefits for our current staff in place. As a direct result, Cargolux has begun to hire 100 additional pilots, thereby acknowledging the unions’ request to improve the work/life balance of the crews, as well as ensuring enhanced roster stability and flexibility. It will furthermore facilitate the high interest that pilots have shown in part-time work as well as cover stand-by needs and new European flight time limitations. I, for one, am very happy that we have come to a positive ending and I look forward to working together as a team, jointly directing our efforts towards enhancing trust and passion for the company and tackling the challenges we face in the markets.

At this point, I want to explicitly thank everyone in the Cargolux family for their continued dedication, hard work and understanding during the long 18 months this process took. In the end, we have come out a stronger company with a better comprehension of each other’s needs and concerns. This understanding, this passion for our work, keeps Cargolux at the top of the game and it is due to the little things that every single one of our staff has contributed.

The new CWA significantly boosts our competitiveness and gives Cargolux a much better standing among its peers. It helps to not only secure the jobs but creates new ones. I already mentioned the new pilots we are hiring, but we will also see additional jobs in other areas of the company throughout 2016.

It is a sign of our company’s strength that, despite the internal turbulences we went through, we managed to achieve significant boosts in our performance, contrary to most of our European competitors and an industry that recorded a meager volume increase of only 2% during the year. We flew 114,792 block hours, 8.8% more than in 2014, thus surpassing the all-time record we had achieved in that year. We saw a rise in tonnage of 7.4% to 889,652 tonnes, but, more importantly, we grew our global market share to 3.8%, again outperforming our direct competitors in Europe. IATA records show that Cargolux ranks as the 8th largest cargo carrier worldwide and our FTK growth is well above the top 20 average growth. All this helped Cargolux to achieve a very healthy profit of US$ 49.5 million in 2015.

This excellent result is in large parts due to the hard work of our people, but we were also helped by a number of outside factors that benefitted the air cargo industry as a whole, such as the prolonged harbor strike on the US West Coast in the early weeks of the year, the massive shipments of airbags from Japan to the US and, of course, the low fuel prices. It was, however, also the result of our strategy and the corresponding measures we began to introduce in 2014 in order to control our costs.

Our growth strategy resulted in the addition of two new 747-8F to the fleet during 2015, as well as another leased-in 747-400F. Going into 2016, Cargolux flies with 26 747 freighters, the largest fleet the company ever operated.
2015 also saw Cargolux growing into a strong family group as we expanded our Italian sister company Cargolux Italia, boosting its fleet from two to four aircraft and adding new routes from Milan to Zhengzhou, Novosibirsk and Tokyo Narita. The latter is flown in a new partnership with Nippon Cargo Airlines while Cargolux Italia’s flights to Novosibirsk represent the very first commercial stop in Russia in the history of our company.

In Italy, Cargolux Italia is now the largest all-cargo carrier with a market share of 13.8%. Both, tonnage and load factor at Cargolux Italia, showed satisfying growth throughout 2015.

With its successful expansion, as well as the African destinations that Cargolux Italia now operates on behalf of Cargolux Airlines, our Italian family member was able to significantly contribute to the economic success, the sustainability of the network, the business and, ultimately, to the healthy bottom line of Cargolux.

Thus, Cargolux Italia is a prime example of the sound strategy we put into place, growing Cargolux into a true global operation with multiple hubs.

This strategy saw a further boost recently, when our Board of Directors approved an investment of US$ 77 million for a 35% share in Cargolux China, the joint venture cargo airline based at Zhengzhou that we are establishing with our Chinese partners. We have set up a project team that is now driving the development of the new company and we expect Cargolux China to start operations in 2017. It will focus on transpacific and intra-Asian routes with a fleet that is foreseen to grow to five 747 freighters within the first three years of operation. Cargolux China will be another important step on our way to be the Global Cargo Carrier of Choice.

The importance we put on China was highlighted when we organized our very first global management meeting outside of Luxembourg in Zhengzhou; a meeting that was received with enthusiasm by the Cargolux leaders as well as our partners at HNCA.

China, overall, was a major focus for Cargolux in 2015. In November 2014, we had already flown 10,000 tons of freight between our hubs Luxembourg and Zhengzhou. Barely 18 months later, we broke the magical barrier of 50,000 tons and ended 2015 with 67,000 tonnes. At the end of the year, we operated 13 weekly flights between Luxembourg and Zhengzhou and had introduced our initial 2 weekly transpacific roundtrips to Chicago. It was a proud milestone for the co-operation with our partner HNCA and helped us to build up a substantial presence in China during 2015. We are now operating flights from Zhengzhou to Luxembourg, Milan, Kuala Lumpur and Singapore, while we have expanded the flights to Chicago to four times per week.

In total, Cargolux operates 14 weekly direct transpacific connections from mainland China and Hong Kong, Japan, Singapore and Malaysia to key Cargolux gateways in the United States, making Cargolux one of the few cargo carriers operating transpacific routes with the advantage of nose-door equipped 747 freighters.

At Zhengzhou, we are happy to see our Chinese partners invest in the development of the airport infrastructure; an investment that is necessary as we are looking to base Cargolux China’s fleet there. A second runway and fast links to highway and railway networks underline the airport’s ambition as a multimodal logistics hub with high priority for air cargo. For the future, we are also planning facilities for maintenance activities that will benefit from the extensive knowledge Cargolux has in this field.

Elsewhere, Cargolux Airlines added flights to existing destinations and introduced new services to Turkmenistan and Bahrain. We also completed a co-operation agreement with Oman Air that resulted in full freighter services from Luxembourg to Chennai, India, via Muscat in April. The co-operation developed very successfully, leading to the addition of flights to Mumbai in early 2016.

Again, spreading our wings for a global reach underlines our vision and supports our strategy to grow our activities from a single hub in Luxembourg to multiple gateways in Milan, Zhengzhou, Hong Kong and Chicago. We will continue to expand our network and, with Cargolux China getting primed for take-off, we go wherever our customers want us to go, be it with Cargolux Airlines, Cargolux Italia or, in the future, Cargolux China.

Ending a turbulent year on a happy note, the outlook for the next year remains difficult. For Cargolux, 2016 will be the ‘Year Of The Customer’ with renewed energy and focus on what our partners in the industry require from us, Building
on a growing market share, we look at our immediate competitors in France, Germany and the Netherlands with the aim to be the largest all-cargo carrier in all three markets. We have invested in this goal from a position of strength; we have expanded our fleet and grown faster than any of the home carriers, who actually reduced their cargo activities, with the result that, based on the first nine months of 2015, Cargolux had the highest productivity and the lowest cost base in these three markets.

Globally, we expect yields to remain under pressure and we will continue to face overcapacity. We can only remain competitive and operate successfully by continuously controlling our costs. Every day is a new challenge. But with continued dedication, the trust and passion of our staff, the support of our shareholders and valued customers, with a sound concept and strategy, I am very confident that Cargolux's vision to be the Cargo Carrier of Choice will soon bear fruit.

Dirk Reich
## HIGHLIGHTS – CONSOLIDATED FIGURES

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<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
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<tbody>
<tr>
<td>Total income in US$ ‘000</td>
<td>1,861,126</td>
<td>2,154,880</td>
<td>1,988,508</td>
<td>1,738,852</td>
</tr>
<tr>
<td>Profit/loss for the year in US$ ‘000</td>
<td>49,479</td>
<td>2,854</td>
<td>7,636</td>
<td>(35,130)</td>
</tr>
<tr>
<td>Shareholders' equity in US$ ‘000</td>
<td>822,996</td>
<td>664,128</td>
<td>482,630</td>
<td>445,164</td>
</tr>
<tr>
<td>Tonnes sold</td>
<td>889,652</td>
<td>828,658</td>
<td>753,848</td>
<td>645,759</td>
</tr>
<tr>
<td>Tonne-kilometers flown (millions)</td>
<td>6,919</td>
<td>6,364</td>
<td>5,723</td>
<td>4,800</td>
</tr>
<tr>
<td>Available tonne-kilometers (millions)</td>
<td>10,499</td>
<td>9,514</td>
<td>8,452</td>
<td>7,002</td>
</tr>
<tr>
<td>Number of employees worldwide</td>
<td>1,779</td>
<td>1,710</td>
<td>1,606</td>
<td>1,559</td>
</tr>
<tr>
<td>Headquarters</td>
<td>1,335</td>
<td>1,305</td>
<td>1,224</td>
<td>1,191</td>
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<td>AircrAFT oN oRDER</td>
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<td>2013</td>
<td>2012</td>
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<th>2012</th>
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<td>6</td>
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<tr>
<td>Boeing 747-400 Freighter</td>
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<td>8</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Boeing 747-400 BCF</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Boeing 747-400 ERF</td>
<td>2</td>
<td>1</td>
<td>1</td>
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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’Épargne de l’État
Director

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

Luxembourg State representatives

Etienne Reuter
Premier Conseiller de Gouvernement

BCEE representatives

Jean-Claude Finck
President and Chief Executive Officer,
Banque et Caisse d’Épargne de l’État
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

HNCA representatives

Huiyuan An
Chairman of Henan Province Airport
Group Co., Ltd

Mingchao Zhang
Chairman of Henan Civil Aviation
Development and Investment Co., Ltd

Shengbo Yuan
Project Manager
of Henan Civil Aviation Development
and Investment Co., Ltd

COMMITTEES OF THE BOD

Compensation Committee
Paul Helminger
Jean-Claude Finck
Etienne Reuter

David Massaro
Permanent Delegate, Staff Delegation

Armand Seil
Officer Material Repairs

Jean-Claude Finck
Chairman of the Board of Cargolux
Chairman of the Board, LuxairGroup
Director

luxair representatives

etienne reuter
premier conseiller de gouvernement

Jean-Claude Finck
President and Chief Executive Officer,
Banque et Caisse d’Épargne de l’État
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

hnca representatives

Shengbo Yuan
Project Manager
of Henan Civil Aviation Development
and Investment Co., Ltd

COMPANIES OF THE BOD

Compensation Committee
Paul Helminger
Jean-Claude Finck
Etienne Reuter

luxair representatives

etienne reuter
premier conseiller de gouvernement
Audit Committee
Françoise Thoma
SNCI, represented by
Patrick Nickels
Tom Weisgerber
Mingchao Zhang

EXECUTIVE COMMITTEE

Dirk Reich
President & Chief Executive Officer

Richard Forson
Executive Vice President
& Chief Financial Officer

Emese Bekessy
Executive Vice President HR,
Legal Affairs & Compliance

Jason Holt
Executive Vice President
Flight Operations

Onno Pietersma
Executive Vice President
Maintenance & Engineering

Nicolaas van der Weide
Executive Vice President
Sales & Marketing

SHAREHOLDERS as at December 31, 2015

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>LUXAIR</td>
<td>35.10%</td>
</tr>
<tr>
<td>HNCA (LUXEMBOURG) S.À.R.L.</td>
<td>35%</td>
</tr>
<tr>
<td>BANQUE ET CAISSE D’ÉPARGNE DE L’ÉTAT</td>
<td>10.91%</td>
</tr>
<tr>
<td>SOCIETE NATIONALE DE CREDIT ET D’INVESTISSEMENT</td>
<td>10.67%</td>
</tr>
<tr>
<td>LUXEMBOURG STATE</td>
<td>8.32%</td>
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</table>
MANAGEMENT'S REPORT OF ACTIVITIES
1. GENERAL

The Company achieved another year of profit in 2015 under continuing challenging market conditions. After an impairment of US$ 41.2 million on its fleet, the Company recorded a net consolidated profit after tax of US$ 49.5 million.

This result was positively impacted by an exceptionally strong first quarter and low fuel prices. The on-going pressure on yields and continuous overcapacity, especially from the continuing growth in belly space, was mitigated by achieving record levels of tonnage sold and block hours flown. The airline grew its freight tonne kilometres (FTK) by 8.7% and according to IATA's latest statistics ranks No. 8 among the world's scheduled cargo operators. Cargolux is also the largest all-cargo airline in Europe.
KEY PERFORMANCE INDICATORS
(INCLUDING CARGOLUX ITALIA)

Capacity, measured in ATKs, increased by 10.4% versus 2014, driven by higher block hours (+8.8%) following the delivery of two Boeing 747-8 freighters during the year and the full year's impact of the 2014 deliveries. Fleet wide utilization, including flexible capacity, reached a daily average of 13:54 hours in 2015. In addition to the delivery of two Boeing 747-8 freighters in 2015, the Company also leased two additional Boeing 747-400 freighters on a power-by-the-hour basis, bringing its flexible capacity fleet to two Boeing 747BCFs and four Boeing 747-400 freighters aircraft. At the end of December, the total fleet consisted of seven Boeing 747-400 freighters, thirteen Boeing 747-8 freighters (together our core fleet) and six power-by-the-hour aircraft (two Boeing 747-400 BCFs, two Boeing 747-400 freighters and two Boeing 747-400 ERFs).

The Company's production, measured in FTKs, increased by 8.7% versus 2014 resulting in a slightly lower load factor compared to the previous year.

According to IATA's statistics measured by international scheduled FTKs, Cargolux's global market share grew to 3.8% in 2015 with market share in November and December exceeding 4%.

Average total network commercial net yield (US$/kg) decreased by 20.3% versus 2014. The large drop is mainly attributed to the significant lower fuel prices thereby considerably reducing the applicable fuel surcharge.

Compared to 2014, tonnage sold increased to 889,652 (+7.4%) across the Cargolux network.

However, notwithstanding the foregoing, one of the major areas of growth for the airline in 2015 was in its charter division with over 200 flights achieved for the year.

Cargolux constantly refines its network in order to take advantage of opportunities and niche markets and continues to look at developing new markets. Capacity on the existing network is adjusted according to demand either adding or reducing frequencies and capacity as required.

One of our major areas of growth in 2015 was the development of services to Zhengzhou (CGO) in Henan Province of the People's Republic of China. By the end of 2015, we operated 13 frequencies per week to CGO and produced in excess of 67,000 tonnes through this gateway for the year under review.

Cargolux also initiated services to Chennai, India, following the completion of a co-operation agreement with Oman Air. Additional frequencies to India are planned to be implemented in 2016 as well as other additional new destinations in our network.

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, Luxfresh S.A., a Luxembourg based import-export 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 decreased by 13.6% from US$ 2,148.5 million to US$ 1,856.3 million, mainly as a result of the lower level of fuel surcharge revenue received which represented 26.9% of revenues, or US$ 499.3 million, down by 31.5% compared to 2014. The Euro weakened versus the US dollar by 10.1% during 2015 which also had a negative impact on our Euro denominated revenues. However, from a cash
flow perspective, the Company is in a neutral position as a result of Euro denominated expenses.

**Other operating income**, comprising mainly credits from third parties, decreased by 24.4% to US$ 4.8 million from US$ 6.4 million in 2014.

**Aircraft lease expenses** decreased by US$ 0.4 million (or 1.0%) to US$ 39.2 million.

**Aircraft maintenance expenses** increased by 16.4% to US$ 85.4 million from US$ 73.4 million.

The cost increase relates mainly to a higher utilization of our fleet (+8.8%) and the additional provisions for engine shop visits for LX-OCV and LX-WCV under their respective operating lease agreements.

**Depreciation and impairment** increased by 12.7% to US$ 202.8 million, due mainly to the addition of two Boeing 747-8 freighters, delivered during the course of 2015 (LX-VCL, LX-VCM) and the higher utilization of our own.

**Fuel cost** (including the result of fuel hedging) decreased by 34.3% to US$ 639.3 million and represented 36.1% of operating costs. The marked-to-market value of fuel hedging positions acquired to offset the Company’s exposure to higher fuel prices in 2015 decreased by US$ 0.1 million to nil. The Company has taken the decision to stop hedging fuel due to the significant decline of fuel prices, the extreme volatility in the market and the overall efficiency of its own fuel surcharge mechanism. Once this level of efficiency reaches an established trigger level, hedging activities will be reconsidered.

**Personnel costs and benefits** decreased by 7.9% to US$ 236.9 million from US$ 257.2 million due mainly to the weak Euro as the major portion of our salary cost is incurred in this currency. In Euro terms, the salary of Luxembourg-based staff went up by 3.3% reflecting a headcount increase, several promotions and time unit increases under its CWA agreement.

**Handling, landing and overflying** costs decreased by 4.2% to US$ 311.1 million in 2015.

Handling charges went down by 2.9%. At constant exchange rates, the cost went up by 7.3%. This increase is the result of an increase in cycles flown (+5.1%) as well as additional tonnage sold (+7.4%).

In respect of landing charges, the decrease of 11.8% was driven by a weak Euro. At constant exchange rates,
the cost went down by 4.6%. While cycles increased (+5.1%), the landing unit rate decreased by 9.3%.

Overflying costs decreased by 1.6%, due mainly to a positive exchange rate impact. At constant foreign exchange rates, the cost would have increased by 9.1%. This is due to the additional block hours flown (+8.8%) and a slightly higher unit rate (+0.2%).

**Trucking, truck handling and interlining** costs decreased by 1.6% to US$ 119.0 million in 2015.

Trucking and truck handling costs went down by 4.3%. This was due to a favourable foreign exchange impact. At constant exchange rates, compared to 2014, costs would have increased by 12.1%. This is due to a higher tonnage carried (+7.4%).

Interlining costs went down by 3.8%, originating from lower interline production. At constant exchange rates, the decrease would have been 2.4%.

**Other operating expenses**, including inter alia GSA commissions, IT services, travel & entertainment, office rental and equipment, legal, audit and consulting fees, other aircraft expenses, telecommunication expenses and net worth tax, decreased by 13.2% to US$ 135.0 million due mainly to lower foreign exchange losses and lower anti-trust related expenses offset by higher consulting expenses.

**Financial income** decreased by 33.7% from US$ 10.7 million to US$ 7.1 million due to the overall interest rate environment on surplus cash deposited.

**Financial expenses** increased by 3.5% to US$ 73.7 million. The movement in financial expenses was due mainly to the acquisition of the Boeing 747-8 freighters.

**Net finance costs** were US$ 66.6 million (2014: US$ 60.5 million).

**Current tax** for the year amounted to a credit of US$ 23.5 million (2014: US$ 32.3 million), which includes a positive tax value of ITC benefits as a result of several financial transactions involving the Company’s Boeing 747-8 freighter fleet deliveries. In 2015, 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 condition.

Taking all of the preceding into account, the net consolidated profit after tax was US$ 49.5 million for 2015 (2014: US$ 2.9 million).
**Total assets** increased by 8.6% to US$ 3,201.1 million from US$ 2,947.6 million due mainly to the acquisition of two Boeing 747-8 freighter aircraft.

**Shareholders’ equity** increased by 23.9% to US$ 823.0 million from US$ 664.1 million following the conversion of the US$ 100 million mandatorily convertible bonds to share capital in March 2015 and the financial result of 2015.

**Interest bearing liabilities** (including finance leases) increased by 7.4% to US$ 1,936.4 million from US$ 1,802.7 million due mainly to the financing of the two additional Boeing 747-8 freighter aircraft.

**Cash and cash equivalents** and **Other investments** increased by 25.9% from US$ 420.2 million to US$ 528.8 million due mainly to the issuance of the ‘Schuldschein’ in the amount of EUR 60 million and the cash contribution from operations offset by investing in new engines and the repayment of loans. Net financial gearing amounted to 171.0% (2014: 208.2%) and net adjusted gearing (to take into account the present value of future operating lease payments) was 193.5% (2014: 241.6%).

**Fleet Development**

In 2015, Cargolux took delivery of two Boeing 747-8 freighters and two additional B747-400 freighters, the last mentioned on a power-by-the-hour basis. On December 31, 2015 Cargolux operated a fleet of twenty-six aircraft of which thirteen are Boeing 747-8 freighters, seven are Boeing 747-400 freighters and the flexible capacity composed of two Boeing 747-400BCFs, two Boeing 747-400 freighters and two Boeing 747-400ERFs.

In 2016, the Company aims to maintain as much fleet flexibility as possible given the uncertain market conditions.

The last B747-8 freighter on order is planned to be delivered in 2017.

**Branch Network**

The Company operates worldwide through a network of branches and representative offices in 33 countries.

**Outlook and Recent Developments**

To counter downward pressure on yields, the Company implemented a major yield improvement program and expects to continue to achieve positive results in 2016, as in 2015, after having expanded this program throughout the entire network. In addition, the greater efficiency of the Boeing 747-8 freighter will be focussed on major trade lanes, e.g. transpacific.

In early 2016, the Company further refined its 5 year business plan reflecting the Company’s strategy for the period 2016-2020. This includes an investment of US$ 77 million in ‘Cargolux China’, a new joint venture Chinese cargo airline based in Zhengzhou. The plan was adopted and endorsed by the Board of Directors.

In 2015, all committed credit facilities available to Cargolux, remained unused. Such committed credit lines amounted in the aggregate to US$ 36.8 million at year-end 2015. The 2016 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 unauthorised 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 the minimum disruption to normal operations.
The past year was characterized by worrying low yields, a challenge that the whole air freight industry had to face, as it affected all markets. On average, yields declined by 5% globally. Continued overcapacity and declining volumes put additional stress on the rates. Thankfully, fuel prices remained low, but this also had an impact on the fuel surcharges of airlines that dropped by almost 75%.

Against this background, Cargolux performed extremely well, achieving record levels of tonnage and block hours and ended the year on a net profit of US$ 49.5 million. The company outperformed not only the market, but also its direct competitors in Europe who, in some cases, retired freighters or reduced their air cargo activities.

The industry saw a number of high-profile mergers and acquisitions among shippers and forwarders, this is typically a sign of growing pressure on a lot of companies.

In 2015, Cargolux carried 889,652 tonnes of freight on its global network, 7.4% more than in 2014. With 26 Boeing 747 freighters at year-end, a mix of 747-400 and 747-8 freighters and the largest fleet in its history, Cargolux achieved a record 114,792 block hours, an increase of 8.8% over the all-time high in 2014. Due to the addition of four aircraft to the fleet, available tonne kilometers rose by 10.36% to 10,499 million, while FTKs reached 6,919 million growing 8.7% over 2014.

The average load factor remained fairly stable with 65.9%, even with a larger fleet and increased capacity. Though commercial net revenues saw a drop to US$ 1,794,725, Cargolux achieved a net profit of US$ 49.5 million. The Group’s average market share in 2015 grew to 3.8% and was higher than that of some major European and Asian competitors.

| ECONOMIC ENVIRONMENT |

The Group recorded good demand from European markets with double digit growth in most countries. The United States were also strong and Cargolux had a lot of capacity there, offering 35 weekly flights. Even though the load factors were affected by the pressure on yields, the company saw reasonable growth.
Asia in 2015 remained fairly stable, though the slowdown of the Chinese economy put pressure on imports and exports alike as consumer spending declined. Rates were low and the industry saw only a very minimal peak during the traditionally strong fourth quarter, while China showed no peak at all. The slowdown there started around October/November and was highlighted by the absence of any significant electronics shipment as producers such as Apple introduced less new products to the markets.

In Hong Kong, the airline was able to operate around 15 extra flights during the fourth quarter, satisfying what little seasonal peak demand was there. Rates during this period only saw a minimal increase.

For Cargolux, Zhengzhou was a major focus during 2015. Flights increased to 13 per week by year-end and the company introduced transpacific services between Zhengzhou and Chicago. The airline’s growing activities attracted increased competition in Zhengzhou, but also in Shanghai.

The Middle East saw a strong development and all Hong Kong flights were routed via Cargolux’s Middle East stations.

In South America, Brazil showed less demand than before as the Brazilian real devaluated against the US dollar. However, with the upcoming Summer Olympics in the country, demand is expected to grow, easing the situation there. Flower shipments from Quito and Bogota were quite stable but were somewhat affected by lower imports into Russia, where the economy stagnated and consumers had less buying power.

Overall, with yields and demand under pressure and declining consumer spending, Cargolux shifted capacity on its network more than ever, taking it out of underperforming markets and adding where demand was strong, such as the Middle East. The airline has the flexibility to swiftly react to changes and constantly monitors the performance of each market. New destinations were added, such as Turkmenistan, Bahrain and Chennai, while services to Cairo were restarted. Novosibirsk became the Group’s first ever commercial destination in Russia, operated by Cargolux Italia, who also introduced the first flights to Tokyo Narita.

| OMAN CO-OPERATION |

In Oman, Cargolux completed a co-operation agreement with Oman Air that offers new opportunities for the Luxembourg-based carrier. Cargolux freighters use Oman
Air’s facilities in Muscat for the full freighter services from Luxembourg to Chennai, India, that are operated together with Oman Air. Two weekly flights were flown on the route by the end of the year and, in early 2016, Mumbai was added as the second Indian destination under the agreement.

Oman offers an attractive geographical location with both established and newly constructed sea-port facilities. Oman Air also provides Cargolux with access to the belly capacity of its passenger fleet that flies to 11 destinations on the Indian continent as well as Eastern Africa, giving Cargolux the opportunity to feed consolidated freight to Oman from a number of larger markets.

STRONG PRODUCT PORTFOLIO

In a significant boost of its customer orientation, Cargolux adjusted its services and successfully introduced an extensive product portfolio. It comprises the products CV Classic for traditional general cargo, CV Jumbo for outsized and heavy goods, CV Power for items such as cars, aircraft engines and helicopters, CV Hazmat for all classes of dangerous goods, CV Pharma for healthcare and pharmaceutical shipments, CV Fresh for all kinds of perishables, CV Alive for live animals and CV Precious for artworks and valuable goods.

With its new portfolio, Cargolux continued to build on its existing core competency, pushing global consistency and leveraging on the evolution of its global presence. In doing so, the company increased the share of specialized products in its portfolio, further focusing on industry-specific needs by thinking beyond the flight and responding to the requirements of customers with door-to-door service needs.

FROM THE AREAS

AREA 1 | The Americas

A number of factors affected some of the key export markets for Cargolux in the Americas throughout 2015.

The combination of a strengthening US dollar, an acute collapse in oil prices and runaway capacity growth led to adverse effects for the overall health of air cargo from the Americas. In a relatively short time, American exports became considerably more expensive. In addition, significantly fewer oil rigs remained active as many rapidly developed into unsustainable operations; in turn, at least for the mid-term, they no longer require regular service.
The much-publicized port strike on the US West Coast in early 2015 resulted in an unusual high number of extra flights as capacity demand reached unprecedented heights. However, for the remainder of the year, air cargo in the US met with intensified headwinds.

Capacity growth continued to outpace the decelerating demand in the markets served by Cargolux. This fostered increasingly aggressive procurement and depressed yields further as the year progressed; eventually, it even breached into the historically stronger fourth quarter peak season.

Despite the myriad challenges of 2015, which included flat growth in demand from North America compared to 2014, Cargolux could celebrate a number of accomplishments. The company managed to successfully defend and protect its market share in several key North American markets while maintaining positive yields in spite of the continued capacity expansion of its competitors as well as its own. Particularly strong performances in Chicago, New York, Seattle, Columbus and Guadalajara helped to mitigate a year of disappointing demand and excess capacity.

Cargolux expanded its ever-growing footprint in 2015 and provided its clients with additional global solutions. Opportunities for expansion ultimately resulted in a plethora of new and direct services. The major developments were a twice-weekly commercial service between Chicago and Zhengzhou, China, as well as a once-weekly service from Chicago to Singapore, inaugurated in April and October, respectively. Cargolux also introduced once-weekly direct flights from Los Angeles to Toulouse, from Chicago to Amsterdam and from Miami to Amsterdam. A second weekly frequency was introduced from Houston to Amsterdam. Adding additional frequencies to Luxembourg from established origins, Cargolux managed a 15% increase in available capacity from North America by year-end. A total of 35 weekly scheduled flights afford clients an even more diversified portfolio of routes on transatlantic and transpacific trade lanes compared to the previous year’s offerings.

As a major supplier of capacity from the North American market, Cargolux, at the end of 2015, provided in excess of 4,300 tonnes per week, from 14 online origins: Atlanta, Calgary, Chicago, Columbus (Rickenbacker), Dallas, Guadalajara, Houston, Huntsville, Indianapolis, Los Angeles, Mexico City, Miami, New York and Seattle.

Latin America

The importance of the Latin American market remained high in 2015, even as demand contracted in several key markets by 4% versus 2014. Improved efficiencies in commercial efforts and route management mitigated the impact of this decline; however, it became necessary to trim some excess capacity and weekly frequencies were reduced from six to five.

The Latin American region experienced challenges on several fronts. Brazil went through its longest recession since the 1930s, inflation exceeded 10%, unemployment escalated and approached 9%, while a faltering automobile industry hurt one of the country’s most important manufactured exports and was especially affecting the air cargo industry. The Andean region was presented with its own palette of challenges, led by a considerable loss in demand for its flowers by local markets in Russia which continued to struggle with a lingering recession as its GDP plunged 3.7% in 2015. Performance in Colombia, however, saw a silver lining in 2015. Cargolux managed to increase its foothold and saw a growth in tonnage of 10% over 2014 in a market that otherwise contracted by nearly 12%.

Cargolux is currently providing nearly 600 tonnes of capacity per week from seven origins in Latin America: Aguadilla, Bogota, Curitiba, Latacunga, Manaus, Petrolina and Sao Paulo.

Collectively, the Americas produced 163,224 tonnes of freight, a decline of 6.1% over 2014, with a total commercial net revenue of US$ 288,749 million, 21% less than in the previous year. However, the decline in revenue was largely attributable to a significant reduction in fuel surcharge revenue.

In 2015, Cargolux in the Americas could successfully respond to all customer requirements – the common as well as, increasingly, the unique – and thus consistently outperformed the market. With a refined focus on an exemplary product line, as well as a constantly growing global footprint, Cargolux solidified its position as a quality and preferred partner to many of its clients.

AREA 2 | Europe, Middle East, Central Asia and Africa

Europe performed exceptionally well in 2015 and Cargolux saw double digit tonnage growth in several markets; 51% in the Netherlands, 29% in Belgium, 25% in Spain, 15% in
Germany, 13% in France and 6% in Italy. The strong growth in Amsterdam can be attributed to perishable exports to the Middle East, an area that is expected to continue its expansion. 2015 was the sixth year of consecutive growth for Area 2.

Even though the company had to cope with the ever-present low yields and overcapacity, Cargolux in Area 2 grew its tonnage by 13.3% to 406,604. Commercial net revenues reached US$ 694,211 million. Freight tonne kilometers in the area grew by 8.1%, way above Cargolux’s competitors in neighboring European countries. With hard work and the dedication to excellence of its staff across the area, Cargolux could benefit from the capacity reduction and scaling down of activities of its European competitors. Cargolux outperformed most of the home carriers and is not only the largest all-cargo carrier in Europe, but sits at the top spot in Italy, is number two in Germany and France and number three in the Netherlands. The airline’s goal is to be among the top three in all key markets.

The UK was more difficult as carriers poured a lot of extra capacity into the market, making it one of the few spots in Europe with a negative development.

With Cargolux Italia, the Group added flights to Novosibirsk, its first commercial stop in Russia ever. The development of flights between Luxembourg and Zhengzhou, Cargolux’s complementary hub in China, was high on the agenda. Services increased to 13 flights per week by the end of the year and the airline carried its 50,000th tonne of freight on 20 October with flight CV9722, operated by its newest 747-8F, LX-VCM that sports a unique anniversary livery. With the help of its Chinese partners, Cargolux was able to build up a substantial presence in one of the world’s most important markets. The company is very happy that the co-operation has led to a fruitful and successful relationship of mutual trust, respect and benefits for both parties.

In the Middle East, Cargolux restructured its network, adding capacity owing to an increase in demand. Consumer spending in the area remained on a very high level, resulting in strong import tonnage. Perishable shipments were good, while luxury fashion goods and other luxury articles that are popular in Middle Eastern countries saw an increase of up to 40%.

Bahrain became a new destination with three weekly services; additionally, the airline now operates four weekly flights to Kuwait, three to Beirut, up to three to Dubai, three to Muscat, two to Ammam and one to Sharjah. However, in this region, Cargolux also saw a rapid expansion of the big
Middle East carriers who are growing faster than the rest of the industry.

One of the highlights for Cargolux in Area 2 was the transport of Solar Impulse 2 to Abu Dhabi, from where the solar-powered aircraft started its record-breaking round-the-world flight in October. Over 35,000 kilometers, Solar Impulse 2 demonstrates what is possible with renewable energies and Cargolux is proud to be a part of it.

In Oman, the company entered into a co-operation agreement with Oman Air that resulted in joint services with shared capacity, primarily between Chennai, India, and Muscat. The co-operation developed very successfully with good load factors, prompting an extension of the service to Mumbai in April 2016. However, as in other markets, yields in India were under pressure as the Indian rupee experienced a strong devaluation.

In general, Cargolux in Africa did quite well with good loads and we managed to fill most of the capacity in markets such as Nairobi. However, the business in Africa suffered from a massive decline in shipments for the oil and gas industry that saw a drop of up to 40% in markets such as Libreville and Lagos, due to the falling oil prices throughout 2015. Against this background, Cargolux sees only marginal investments in this industry in the mid-term future and expects no significant improvements for oil and gas shipments.

Area 3 | Asia Pacific

Cargolux Asia Pacific had to cope with a number of challenges throughout 2015. Faced with a weakening economy and stiff competition, the company nevertheless managed to expand its network and services, including the introduction of transpacific flights between Zhengzhou and Chicago. The first Zhengzhou – Chicago flight took off on 13 April 2015 and was initially operated twice weekly. It was a milestone in the development of its Chinese operations and co-operation with its partner HNCA. Shippers and manufacturers on both sides of the Pacific warmly welcomed the unique opportunities this connection offers.

Consequently, during the fourth quarter, the service was expanded to four weekly frequencies. The additional two flights were connected with Cargolux’s stations in Singapore and Kuala Lumpur, Malaysia, thus expanding the airlines product portfolio and serving new markets from South East Asia to the United States. The sectors between Singapore, Malaysia and Zhengzhou were boosted by the fifth freedom rights that Cargolux enjoys on these routes.

With these services, Cargolux operated 14 weekly direct transpacific connections from mainland China and Hong Kong, Japan, Singapore and Malaysia to key Cargolux gateways in the United States, making Cargolux one of the few cargo carriers operating transpacific routes with the advantage of nose-door equipped 747 freighters.

China received much attention during the course of last year; apart from inaugurating transpacific services from Zhengzhou, the Group saw new flights between Zhengzhou and Milan, operated by Cargolux Italia. A once-weekly frequency started in June and was expanded with a second weekly service in October. The flight presented the first Cargolux connection from both Asia and Europe to Russia with a stopover in Novosibirsk. Cargolux Italia also added Tokyo Narita to the route map when it began services to the Japanese capital in November in a partnership with Nippon Cargo Airlines. In total, the company now operates 49 weekly scheduled flights out of the Asia Pacific region.

Cargolux invested a lot of effort into the development of Zhengzhou, its complementary hub to Luxembourg throughout 2015. Barely 18 months after starting up flights between the two hubs, the company broke the magical barrier of 50,000 tons of freight on this route on 20 October 2015 and reached around 67,000 tonnes by year end.

Following a swift build-up of flight frequencies, Cargolux operated 13 flights per week between Luxembourg and Zhengzhou. In addition, the airline offers fast, scheduled road feeder services to 20 Chinese cities, linking Zhengzhou with major industrial and business centers.

The co-operation with its Chinese shareholder HNCA also foresees the set-up of a joint venture cargo airline based at Zhengzhou that will operate transpacific and intra-Asian flights, investment for which was approved by the Board of Directors in early 2016. The partners have also established LuxFresh, a joint venture collaboration aimed at sourcing and supplying quality European products to Chinese consumers in the province of Henan which will be sold on the
efficient e-commerce platform developed for that purpose. The products are flown to Zhengzhou on the daily scheduled flights from Luxembourg and the next step in the collaboration can see quality Chinese products return to Europe.

During the final quarter of 2015, the airline saw a surge in demand and project shipments and customers relied on the timely solutions offered by Cargolux with 63 extra frequencies from Asia to both Europe and the United States. This translated to an average of 21 additional frequencies each month in the last quarter of 2015 alone.

Throughout the year, Area 3 produced a total of 261,708 tonnes of cargo, a 13.3% increase compared to 2014. The total revenue declined by 10.1% to US$ 693,893 million, highlighting the immense market pressure Cargolux faced with low yields and excess capacity.

**CARGOLUX ITALIA**

The Italian part of the Cargolux Group had a very successful year with significant achievements and important steps in a number of areas. Cargolux Italia introduced two additional 747-400F aircraft into its fleet, LX-RCV and LX-OCV, doubling the capacity the airline could offer. This, in turn, boosted the company’s flexibility and facilitated the expansion of Cargolux Italia’s network with two direct frequencies to Zhengzhou. The weekend flights are timed to take advantage of the shipping industry’s needs to move its weekday production overseas. Thanks to its new China services, Cargolux Italia was also able to get access to other points in China, such as Shanghai, Beijing, Dalian, Ningbo and Chin Tao.

On the same routing, Cargolux Italia began services to Novosibirsk, an important gateway for flowers, garments and machinery, opening the possibility for the Group to operate commercially to Russia for the first time.

After a year-long process and following a commercial agreement with Japan’s Nippon Cargo Airlines (NCA), Cargolux Italia began flights to Tokyo Narita in October. This significantly boosted Cargolux’s presence in the Japanese market that has long played an important role in the Group’s Far Eastern network.

Under the agreement, Cargolux Italia operates a direct weekly flight to Narita, utilizing a slot assigned to NCA. The agreement foresees that Cargolux Italia will, in turn, provide space to NCA on its already established two weekly flights to Osaka, while NCA provides Cargolux
Italia with additional space on three of its own Tokyo Narita services.

Elsewhere, Cargolux Italia offered four weekly scheduled freighter flights to Hong Kong, three of those were routed via Japan and one via Dubai.

In the United States, the airline operated two weekly flights to New York’s JFK airport and one weekly service to Los Angeles.

Finally, the two additional aircraft allowed Cargolux Italia to operate for Cargolux Airlines to African destinations and provide capacity on other routes in the network.

In total, Cargolux Italia flew 8,416 block hours and 457,503 freight tonne kilometers. The airline carried 64,125 tonnes of freight, resulting in revenues of US$ 116.6 million. The loadfactor increased to 67.3% after reaching 64.5% in the previous year. The Cargolux Group could grow its Italian market share by 6.4% and, with its total market share of 13.8%, Cargolux remained the largest Italian all-cargo carrier in 2015.

THE YEAR OF THE CHARTER

The Cargolux Charter Division enjoyed a significant boost in 2015; a year that broke many records and brought a higher turnover than ever before. Over 200 charter flights were performed, resulting in a 40% increase in charter activities compared to the previous year. Charter commercial net revenues increased substantially and reached US$ 60 million, 50.7% higher than in 2014.

In addition to filling existing demand with full charters, Cargolux Charter also operated a number of part charters where aircraft were re-routed to make extra stops for special loads.

A lot of the impressive growth was attributable to the harbor strike on the US West Coast in early 2015, even though Cargolux came in relatively late due to the fact that most of the demand was on routes between the Far East and the US; routes on which the company only has limited traffic rights.

Another major factor for the rise in charter activities was that, for the last two years, Cargolux constantly had capacity available to swiftly react to demands. Additional, flexible aircraft allowed to accept short-term inquiries and customers began to realize that Cargolux can reliably serve their short-
term needs. Cargolux sees these extra aircraft as a positive contribution to its business, even when they are on the ground, as their instant availability is a valuable bonus and an opportunity for the customer with short-term capacity needs.

But 2015 was also a year that, for the first time in many years, had no real high season charter traffic. Neither the Far East – US transpacific, nor the Far East – Europe lanes generated the high-revenue business of former years. Rates remained relatively moderate and did not spike because there was always enough capacity available.

For 2016, Cargolux Charter expects to build on last year’s growth rate, albeit on a slower scale. Still, with additional manpower, promising projects and new products, the company believes it can keep up to four aircraft busy with charter work in the midterm future.

OUTLOOK ON 2016

Customers have expressed a subdued outlook for the first half of 2016, expecting only minimal growth, if at all, and a possible further decline in yields. This, however, depends in large parts on the development of oil prices. That said, the start into 2016 for Cargolux was better than expected with strong load factors during the first few weeks. February again saw a decline, due to the start of the Chinese New Year holidays when production and shipping activity in China more or less grounds to a halt. The further development of the Chinese economy in 2016 remains a concern for the industry as a whole.

For the rest of the year, Cargolux has a conservative, yet slightly optimistic outlook as the airline manages to spread and adjust capacity on its global network as required. It will continue to explore opportunities wherever they arise, looking at additional markets and destinations. Here, Cargolux can see some options in Africa and the Middle East.

The product portfolio established in 2015 will benefit Cargolux as a recognized expert in specialized fields such as livestock, pharmaceutical and outsized shipments with the advantage of nose-door equipped 747 freighters that often carry pieces that the smaller freighter aircraft, operated by other carriers, are unable to accommodate. The United States are expected to remain strong with good demand for export capacity from Europe. The same goes for markets in the Middle East. Here, however, the pressure on yields due to competition from the home carriers, as they add massive belly capacity with hundreds of passenger aircraft on order, remains a concern. But competition has always been a fact of life for Cargolux and, with the airline’s flexibility and established presence, with global operations and subsidiaries in Italy and, in the future, in China, 2016 still holds promise and opportunity.
SUPPORT FOR A GROWING FLEET

Since the early days of Cargolux, the airline’s Maintenance & Engineering Division (M&E) has been instrumental in supporting and maintaining the dedicated freighter aircraft the company operates. Today, the division ensures the technical reliability of the highly advanced 747 freighter fleet for both, Cargolux Airlines and Cargolux Italia. The M&E division also supports the fleets of a number of external customers with a broad range of sophisticated technical services.

In 2015, Cargolux operated a mixed fleet of 747-8Fs, 747-400Fs, 747-400ERF and 747-400BCFs, while Cargolux Italia expanded its fleet to four 747-400 freighters, up from two in 2014.

Cargolux Airlines continued its fleet roll-over in 2015 with the delivery of two more 747-8Fs. By the end of the year, Cargolux operated 13 units of Boeing’s next-generation freighter. In total, the Cargolux fleet numbered 26, the largest fleet that the airline ever operated.

UTILIZATION LEADER

As one of the leading operators of the 747-8F, Cargolux routinely records one of the highest aircraft utilization rates for this type. And as the fleet grows, M&E has amassed valuable experience in the maintenance and engineering of this aircraft type. Today, the dedicated team not only secures Cargolux’s competitive advantage, but also assisted a range of other operators of the 747-8F, as well as General Electric, with innovative solutions for the technical issues they encounter, thus growing M&E’s excellent reputation and continuously expanding its commercial service offering.

The operational activity of the Cargolux fleet in 2015 significantly exceeded the budgeted maintenance work as the company produced 9% more block hours than in 2014. Nevertheless, M&E was able to keep the schedule reliability on a high level, similar to 2014, with an average dispatch rate of 97.3% for the 747-8F and 97.5% for the 747-400F. Cargolux is scheduled to take delivery of its 14th 747-8 freighter in 2017. The continued fleet growth will add further to the level of activity of M&E and the organization is continuously implementing productivity improvements.

ADDITIONAL CAPABILITIES

As a 747-8F launch customer, Cargolux’s M&E division was able to expand the capabilities of the in-house repair activities. With assistance from Telair, the original
equipment manufacturer of the cargo loading system of the 747-8F, M&E invested in the in-house repair capabilities of the core element of the cargo loading system, the power drive units (PDUs). After a careful start in 2013 and 2014, we ramped up the overhaul of the PDUs in 2015 to more than 600 units for both Cargolux and our M&E customers.

**HANGAR MAINTENANCE**

The maintenance team kept busy with an increasing number of A-Checks, 109 in 2015 against 94 in 2014, while it also performed 8 C-Checks. The work on the Cargolux and Cargolux Italia fleets resulted in another record productivity level in Cargolux’s maintenance history. Two D-Checks on 747-400 freighters were outsourced.

During 2015, the company employed an average of 445 maintenance staff, a slight increase versus 2014, who produced 522,000 man hours, in line with the previous year.

**CUSTOMER PRIORITIES**

Cargolux M&E enjoys an excellent reputation throughout the industry and counts a number of other carriers amongst its satisfied customers, who continue to rely on the proven service and high quality of its maintenance work. In 2015, the Cargolux M&E team maintained the aircraft of Silkway Airways, Air Bridge Cargo, Atlas Air, Corsair and Air Atlanta.

Throughout the year, M&E performed 20 A-Checks and 4 C-Checks on customer aircraft while revenue from third-party work reached US$ 19.3 million.
2015 was an impressive year for Flight Operations with the continued rise in the numbers of aircraft in the fleet to an all-time high as well as a corresponding level of aircraft utilization and total hours flown.

The fleet roll-over program continued with the delivery of two additional 747-8 freighters, LX-VCL, ‘Joe Sutter’ on 5 March and LX-VCM, ‘City of Redange-sur-Attert’ on 28 September. Cargolux also acquired on lease another 747-400F, LX-FCL, as well as a 747-ERF, LX-JCV. Additionally, in support of its Italian operation, two 747-400Fs were transferred to Cargolux Italia during 2015. The Cargolux fleet increased from 20 to 22 aircraft by the end of 2015 and Cargolux Italia jumped from 2 aircraft to 4 in the same period. The combined Group fleet grew from January to December 2015 by 4, totaling 26 aircraft.

The fleet utilization continued at pace too. If 2014 was record-breaking regarding the amount of hours flown, then 2015 was simply better. The 2014 performance of 95,522 hours flown by Cargolux was eclipsed by a strong performance in 2015, where Cargolux flew 100,293 hours. The increase saw the bulk of the flying - 67,248 hours or 59% - undertaken by the 747-8F fleet with the remainder being operated by our 747-400 aircraft. Throughout the year, the airline operated 20,449 network sectors, up from 19,195 in 2014 and 17,461 in 2013. Rotations out of Luxembourg in 2015 reached 4,307, again eclipsing the 2014 record of 3,959 sectors.

Not surprisingly, Cargolux routinely has one of the highest daily utilization rates for the 747 freighter globally. While the company’s 747-8 freighters achieved an average daily utilization of 15:10 hours in 2015, the combined fleet recorded an average of 13:54 hours.

Throughout the reporting period, Cargolux efficiently maintained its pilot numbers at roughly the same figure as in 2014. From January to December 2015, the airline saw 15 pilots leaving the company and ended with 446 pilots at year end. This equated to 214 Captains and 232 First Officers. For 2014, the Captain and First Officer numbers were 221 and 240 respectively. Cargolux added eight temporary pilots to fill the shortfall.

The training of pilots continued unabated too, using both our 747-400F and 747-8F simulators. The company flew 8,843 hours on both simulators with 4,254 hours flown by Cargolux crews and 3,786 hours flown by external customers, including Cargolux Italia who needed type ratings and continuity training on the 747-400. Other external customers used the simulators for recurrent
training or as part of a course component. Based on a 24-hour cycle, the 747-400 simulator was utilized for 58% of the time while the 747-8 simulator had a slightly lower utilization rate at 43%.

To support its commercial customers, Cargolux not only saw a continued uptick in performance but also stretched the network further. The Group flew to more scheduled destinations in 2015 than in the previous year as it added cities such as Novosibirsk, Tokyo, Bahrain, Turkmenistan and Chennai. In 2015, Cargolux operated its 747-8 freighters to 118 airports that are now deemed compatible with the larger wingspan and foot print of the advanced aircraft type. Over 2014, this represents 11 more destinations where the airline is able to proudly demonstrate the superior performance of its 747-8 freighters.

This significant level of flying and training to maintain the operational program that supports its customers is matched only by the very admirable commitment of its crews and ground staff alike, maintaining Cargolux’s operation around the clock for 365 days a year. The department is very thankful for such an enviable amount of support from all teams.

In 2014, the punctuality performance was impacted adversely by issues such as the increased volume of flights, crew training, special shipments and airport curfews. Whilst 2015 witnessed the same influences, punctuality improved with 22% of flights network-wide departing on schedule or within 15 minutes compared to 15% in 2014. This welcome result was also reflected in those flights leaving within an hour of schedule where Cargolux saw 43% punctuality compared to 2014’s 30.6%. Reviewing punctuality absent of late arriving flights, 2015 was a robust year with an 82.5% level of on-time performance which was 22 percentage points above 2014.

The year drew to a close with a changing of the guard. Captain Marcel Funk, after almost 40 years of dedicated service to the business, was succeeded by an arrival from outside of the airline – something of a first in 45 years for Cargolux. Jason Holt arrived from easyJet and Virgin Atlantic Airways with previous senior management and directorship experience, the latter specializing in operational strategy and transformation.

As the year ended, Cargolux saw the timely and successful introduction of the European Aviation Safety Agency’s (EASA) new flight time limitation rules ahead of the February 2016 deadline. Also successfully concluded were the negotiations with the unions and the pilots in particular. A favorable collective work agreement was anchored and is now in place, offering a promising stable platform for the next three years from which the business can tackle the inevitable change.

These change highlights for 2016 include the Board of Directors’ approval for the hiring of over 100 new pilots with competitive new terms and conditions, paired with the chance to upgrade as many as 60 first officers into left-hand seat captains. Flight Operations is embarking upon an ambitious plan to deliver on the top five priorities of safety, lean cost savings, people development, customer dedication and a continued growth in performance. It will also witness the introduction of a new operational control center, develop charter solutions for its customers, manage the growth of the business and ensure the continued growing support for its Italian business as well as the launch of Cargolux China.
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED FINANCIAL STATEMENTS OF CARGOLUX AIRLINES INTERNATIONAL S.A.
## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

### IN THOUSANDS OF U.S. DOLLAR

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>6</td>
<td>1,856,296</td>
<td>2,148,487</td>
</tr>
<tr>
<td>Other operating income</td>
<td>7</td>
<td>4,830</td>
<td>6,393</td>
</tr>
<tr>
<td>Aircraft lease expenses</td>
<td>8</td>
<td>(39,164)</td>
<td>(39,542)</td>
</tr>
<tr>
<td>Aircraft maintenance expenses</td>
<td>9</td>
<td>(85,376)</td>
<td>(73,378)</td>
</tr>
<tr>
<td>Depreciation and impairment</td>
<td>14</td>
<td>(202,767)</td>
<td>(179,953)</td>
</tr>
<tr>
<td>Fuel</td>
<td></td>
<td>(639,270)</td>
<td>(972,940)</td>
</tr>
<tr>
<td>Personnel costs and benefits</td>
<td>10</td>
<td>(236,860)</td>
<td>(257,201)</td>
</tr>
<tr>
<td>Handling, landing and overflying</td>
<td></td>
<td>(311,093)</td>
<td>(324,650)</td>
</tr>
<tr>
<td>Trucking, truck handling and interlining</td>
<td></td>
<td>(118,988)</td>
<td>(120,969)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>11</td>
<td>(134,999)</td>
<td>(155,580)</td>
</tr>
<tr>
<td><strong>Operating profit before financing costs</strong></td>
<td></td>
<td>92,609</td>
<td>30,667</td>
</tr>
<tr>
<td>Financial income</td>
<td></td>
<td>7,067</td>
<td>10,653</td>
</tr>
<tr>
<td>Financial expenses</td>
<td></td>
<td>(73,668)</td>
<td>(71,202)</td>
</tr>
<tr>
<td><strong>Net finance costs</strong></td>
<td>12</td>
<td>(66,601)</td>
<td>(60,549)</td>
</tr>
<tr>
<td>Share of profit / (loss) of associates</td>
<td></td>
<td>(27)</td>
<td>484</td>
</tr>
<tr>
<td><strong>Profit / (loss) before tax</strong></td>
<td></td>
<td>25,981</td>
<td>(29,398)</td>
</tr>
<tr>
<td>Current tax</td>
<td>13</td>
<td>23,498</td>
<td>32,252</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>13</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td>49,479</td>
<td>2,854</td>
</tr>
</tbody>
</table>

**Profit attributable to:**

- **Owners of the Company**: 49,479, 2,854
- **Non-controlling interests**: –, –
- **Profit for the year**: 49,479, 2,854

---

The notes on page 56 to 95 are an integral part of these financial statements.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

IN THOUSANDS OF U.S. DOLLAR

<table>
<thead>
<tr>
<th></th>
<th>NOTES</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td></td>
<td>49,479</td>
<td>2,854</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will never be reclassified to profit or loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurements of defined benefit liability / (asset)</td>
<td>22</td>
<td>1,066</td>
<td>(3,695)</td>
</tr>
<tr>
<td>Related tax</td>
<td>13</td>
<td>(311)</td>
<td>1,080</td>
</tr>
<tr>
<td></td>
<td></td>
<td>755</td>
<td>(2,615)</td>
</tr>
<tr>
<td>Items that are or may be reclassified to profit or loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective portion of changes in fair value of cash flow hedges</td>
<td>5/12</td>
<td>15,790</td>
<td>14,501</td>
</tr>
<tr>
<td>Net change in fair value of cash flow hedges transferred to profit or loss</td>
<td>5/12</td>
<td>(9)</td>
<td>(955)</td>
</tr>
<tr>
<td>Income tax on other comprehensive income</td>
<td>13</td>
<td>(4,611)</td>
<td>(4,026)</td>
</tr>
<tr>
<td>Currency translation adjustment</td>
<td></td>
<td>(2,536)</td>
<td>(3,261)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8,634</td>
<td>6,259</td>
</tr>
<tr>
<td>Other comprehensive income for the year, net of income tax</td>
<td></td>
<td>9,389</td>
<td>3,644</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td>58,868</td>
<td>6,498</td>
</tr>
<tr>
<td>Total comprehensive income attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the Company</td>
<td></td>
<td>58,868</td>
<td>6,498</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td>58,868</td>
<td>6,498</td>
</tr>
</tbody>
</table>
## CONSOLIDATED BALANCE SHEET

**AS AT DECEMBER 31, 2015**

### IN THOUSANDS OF U.S. DOLLAR

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
<th><strong>NOTES</strong></th>
<th><strong>2015</strong></th>
<th><strong>2014</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft and equipment</td>
<td>14</td>
<td>2,127,508</td>
<td>1,935,085</td>
<td></td>
</tr>
<tr>
<td>Other property, plant and equipment</td>
<td>14</td>
<td>83,948</td>
<td>115,102</td>
<td></td>
</tr>
<tr>
<td>Derivative assets</td>
<td></td>
<td>6,949</td>
<td>8,049</td>
<td></td>
</tr>
<tr>
<td>Investments in associates</td>
<td>15</td>
<td>68,970</td>
<td>64,268</td>
<td></td>
</tr>
<tr>
<td>Deposits with third parties</td>
<td>14</td>
<td>39,645</td>
<td>42,561</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>16</td>
<td>49,017</td>
<td>53,940</td>
<td></td>
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<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>2,356,037</td>
<td>2,219,005</td>
<td></td>
</tr>
<tr>
<td>Expendable parts and supplies</td>
<td></td>
<td>21,259</td>
<td>21,752</td>
<td></td>
</tr>
<tr>
<td>Trade receivables and other receivables</td>
<td>17</td>
<td>294,969</td>
<td>286,618</td>
<td></td>
</tr>
<tr>
<td>Other investments</td>
<td>18</td>
<td>69,127</td>
<td>114,145</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>19</td>
<td>459,687</td>
<td>306,046</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>845,042</td>
<td>728,561</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td><strong>3,201,079</strong></td>
<td><strong>2,947,566</strong></td>
<td></td>
</tr>
</tbody>
</table>

### EQUITY

<table>
<thead>
<tr>
<th></th>
<th><strong>NOTES</strong></th>
<th><strong>2015</strong></th>
<th><strong>2014</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued capital</td>
<td></td>
<td>525,007</td>
<td>425,007</td>
</tr>
<tr>
<td>Share premium</td>
<td></td>
<td>5,846</td>
<td>5,846</td>
</tr>
<tr>
<td>Reserves</td>
<td></td>
<td>225,953</td>
<td>217,319</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>16,711</td>
<td>13,102</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>49,479</td>
<td>2,854</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>20</td>
<td><strong>822,996</strong></td>
<td><strong>664,128</strong></td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td><strong>822,996</strong></td>
<td><strong>664,128</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th><strong>NOTES</strong></th>
<th><strong>2015</strong></th>
<th><strong>2014</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>21</td>
<td>99,475</td>
<td>128,473</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>21</td>
<td>1,598,050</td>
<td>1,467,339</td>
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<tr>
<td>Employee benefits</td>
<td>22</td>
<td>7,629</td>
<td>9,146</td>
</tr>
<tr>
<td>Other payables</td>
<td>24</td>
<td>8,648</td>
<td>86,408</td>
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<tr>
<td>Derivative liabilities</td>
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<td>35,849</td>
<td>44,395</td>
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<tr>
<td>Provisions</td>
<td>23</td>
<td>93,277</td>
<td>12,401</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td></td>
<td><strong>1,842,928</strong></td>
<td><strong>1,748,162</strong></td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>21</td>
<td>6,430</td>
<td>42,296</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>21</td>
<td>232,453</td>
<td>164,598</td>
</tr>
<tr>
<td>Trade payables and other payables</td>
<td>24</td>
<td>259,799</td>
<td>281,095</td>
</tr>
<tr>
<td>Provisions</td>
<td>23</td>
<td>17,168</td>
<td>24,137</td>
</tr>
<tr>
<td>Taxes payable</td>
<td></td>
<td>19,305</td>
<td>23,150</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td><strong>535,155</strong></td>
<td><strong>535,276</strong></td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td><strong>2,378,083</strong></td>
<td><strong>2,283,438</strong></td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th><strong>NOTES</strong></th>
<th><strong>2015</strong></th>
<th><strong>2014</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td></td>
<td><strong>3,201,079</strong></td>
<td><strong>2,947,566</strong></td>
</tr>
</tbody>
</table>

**THE NOTES ON PAGE 56 TO 95 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.**
## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>NOTES</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
</table>

### CASH FLOW FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>NOTES</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td></td>
<td>49,479</td>
<td>2,854</td>
</tr>
<tr>
<td>Adjustments for</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and impairment</td>
<td>14</td>
<td>202,767</td>
<td>179,953</td>
</tr>
<tr>
<td>Unrealized foreign exchange gains</td>
<td></td>
<td>(14,933)</td>
<td>(5,528)</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>12</td>
<td>66,601</td>
<td>60,549</td>
</tr>
<tr>
<td>Share of profit of associates</td>
<td></td>
<td>27</td>
<td>(484)</td>
</tr>
<tr>
<td>Gain / (loss) on sale of property, plant and equipment</td>
<td>7</td>
<td>514</td>
<td>520</td>
</tr>
<tr>
<td>Fuel hedging</td>
<td>5</td>
<td>134</td>
<td>7,413</td>
</tr>
<tr>
<td>Change in provisions</td>
<td>23</td>
<td>4,373</td>
<td>18,619</td>
</tr>
<tr>
<td>Tax expenses</td>
<td>11/13</td>
<td>(19,917)</td>
<td>(30,012)</td>
</tr>
<tr>
<td>Use of provisions</td>
<td>23</td>
<td>(17,517)</td>
<td>(8,466)</td>
</tr>
<tr>
<td><strong>Operating cash flow before changes in working capital</strong></td>
<td></td>
<td>271,528</td>
<td>225,418</td>
</tr>
</tbody>
</table>

| Changes in working capital                                       |       | 8,724  | (17,702)|

| **Cash generated from the operations**                           |       | 280,252| 207,716|
| Income tax paid                                                  |       | (6,249)| (3,494)|
| Benefits of tax credits                                          |       | 26,918 | 32,772 |
| Interest paid                                                    |       | (61,963)| (56,020)|
| **Net cash from operating activities**                           |       | 238,958| 180,974|

### CASH FLOW FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>NOTES</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of property, plant and equipment</td>
<td>14</td>
<td>(40,313)</td>
<td>(156,812)</td>
</tr>
<tr>
<td>Acquisition of associates</td>
<td></td>
<td>(668)</td>
<td>(668)</td>
</tr>
<tr>
<td>Acquisition of other investments</td>
<td></td>
<td>(30,350)</td>
<td>(31,733)</td>
</tr>
<tr>
<td>Loans granted to associates</td>
<td></td>
<td>(3,388)</td>
<td>(3,453)</td>
</tr>
<tr>
<td>Dividends from associates</td>
<td></td>
<td>77</td>
<td>116</td>
</tr>
<tr>
<td>Interest received</td>
<td></td>
<td>3,412</td>
<td>3,796</td>
</tr>
<tr>
<td>Reimbursement of advance payments</td>
<td></td>
<td>50,880</td>
<td>99,749</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td></td>
<td>400</td>
<td>202</td>
</tr>
<tr>
<td>Proceeds from sale of other investments</td>
<td></td>
<td>69,401</td>
<td>20,745</td>
</tr>
<tr>
<td>Proceeds from capital reduction in associates</td>
<td></td>
<td>155</td>
<td></td>
</tr>
<tr>
<td>Deposits with third parties</td>
<td></td>
<td>(1,200)</td>
<td>12,802</td>
</tr>
<tr>
<td><strong>Net cash from / (used in) investing activities</strong></td>
<td></td>
<td>48,919</td>
<td>(55,101)</td>
</tr>
</tbody>
</table>

### CASH FLOW FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>NOTES</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of borrowings</td>
<td></td>
<td>(67,469)</td>
<td>(98,908)</td>
</tr>
<tr>
<td>Repayment of finance lease liabilities</td>
<td></td>
<td>(192,997)</td>
<td>(170,959)</td>
</tr>
<tr>
<td>Capital increase</td>
<td></td>
<td>(175,000)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td></td>
<td>111,907</td>
<td>95,401</td>
</tr>
<tr>
<td><strong>Net cash from / (used in) financing activities</strong></td>
<td></td>
<td>(148,559)</td>
<td>537</td>
</tr>
</tbody>
</table>

| Net increase in cash and cash equivalents                        |       | 139,318| 126,410|
| Cash and cash equivalents at January 1                           |       | 306,046| 163,407|
| Effect of exchange rate fluctuations on cash held                |       | 14,323 | 16,229 |
| **Cash and cash equivalents at December 31**                    |       | 459,687| 306,046|

THE NOTES ON PAGE 56 TO 95 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>Issued capital</th>
<th>Share premium</th>
<th>Non distributable reserve</th>
<th>Free reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BALANCE AS OF DECEMBER 31, 2013 (RESTATED)</strong></td>
<td>250,007</td>
<td>5,846</td>
<td>105,902</td>
<td>157,770</td>
</tr>
</tbody>
</table>

Transactions with owners

| Allocation to free reserve | – | – | (18,800) | 18,800 |
| Capital increase | 175,000 | – | – | – |

Total comprehensive income

| Profit for 2014 | – | – | – | – |
| Total other comprehensive income | – | – | – | – |
| TOTAL COMPREHENSIVE INCOME | – | – | – | – |

**BALANCE AS OF DECEMBER 31, 2014** | 425,007 | 5,846 | 87,102 | 176,570 |

Transactions with owners

| Allocation to free reserve | – | – | (18,600) | 18,600 |
| Capital increase through conversion of bonds (note 20) | 100,000 | – | – | – |

Total comprehensive income

| Profit for 2015 | – | – | – | – |
| Total other comprehensive income | – | – | – | – |
| TOTAL COMPREHENSIVE INCOME | – | – | – | – |

**BALANCE AS OF DECEMBER 31, 2015** | 525,007 | 5,846 | 68,502 | 195,170 |
<table>
<thead>
<tr>
<th>Currency translation reserve</th>
<th>Hedging reserve</th>
<th>Total reserves</th>
<th>Retained earnings</th>
<th>Total equity</th>
<th>Non-controlling interest</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>640</td>
<td>(53,252)</td>
<td>211,060</td>
<td>15,717</td>
<td>482,630</td>
<td>–</td>
<td>482,630</td>
</tr>
<tr>
<td>(3,261)</td>
<td>9,520</td>
<td>6,259</td>
<td>(2,615)</td>
<td>3,644</td>
<td>–</td>
<td>3,644</td>
</tr>
<tr>
<td>(3,261)</td>
<td>9,520</td>
<td>6,259</td>
<td>239</td>
<td>6,498</td>
<td>–</td>
<td>6,498</td>
</tr>
<tr>
<td>(2,621)</td>
<td>(43,732)</td>
<td>217,319</td>
<td>15,956</td>
<td>664,128</td>
<td>–</td>
<td>664,128</td>
</tr>
<tr>
<td>(2,536)</td>
<td>11,170</td>
<td>8,634</td>
<td>755</td>
<td>9,389</td>
<td>–</td>
<td>9,389</td>
</tr>
<tr>
<td>(2,536)</td>
<td>11,170</td>
<td>8,634</td>
<td>50,234</td>
<td>58,868</td>
<td>–</td>
<td>58,868</td>
</tr>
<tr>
<td>(5,157)</td>
<td>(32,562)</td>
<td>225,953</td>
<td>66,190</td>
<td>822,996</td>
<td>–</td>
<td>822,996</td>
</tr>
</tbody>
</table>
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 and representative 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 operated its business through branches and representative offices in 33 countries.


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, 2015 on March 23, 2016 and authorized the publication of said financial statements on April 27, 2016, 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 Company believes that the operating cash flows, the credit facilities in place and the injection of additional cash (US$ 175 million), occurred in 2014 through a capital increase, secure the liquidity needs of the Company for the foreseeable future and at least 12 months from the date of issuance of these financial statements (see notes 5 E, 20 and 21). 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 30.

F | Changes in accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

In addition, certain comparative amounts in the financial statements and in the notes thereto have been reclassified to conform to the current year’s presentation.
3. SIGNIFICANT ACCOUNTING POLICIES

A | Basis of consolidation

I - Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which 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.

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 rotatable 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 25).

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, except engine components (life limited parts ("LLPs") and engine overhaul (shop visits)) which are depreciated based on cycles flown, or part of aircraft and other property, plant and equipment. The estimated useful lives and residual values of relevant assets are as follows:
Depreciation methods, useful lives and residual values are reassessed periodically as circumstances warrant. The residual value of certain aircraft and the depreciation pattern of the engines have been reviewed in 2014 (see note 14). 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 22).

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 re-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:

1. Interest payable on borrowings, and
2. 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.
There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2015 that would be expected to have a material impact on the reporting result of the Group.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, 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’, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirement. It also carries forward the guidance of recognition and derecognition of financial instruments from IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted, however this standard has not yet been endorsed by the EU. The Group is yet to assess IFRS 9’s full impact.

IFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group is yet to assess the impact of IFRS 15.

IFRS 16, ‘Leases’ sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The new standard takes effect in January 2019. Like all groups that lease major assets for use in their business, the Group will see an increase in reported assets and liabilities.

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.
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 Baa3 from Moody’s. Any exception to this rule must be approved by the Risk Management Committee and is closely monitored and reported to the Executive Committee 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 10% (2014: 10%) of the Group’s revenue is attributable to sales transactions with a single customer. The five largest customers of the Group represent 38% (2014: 41%) of the net cargo sales. More than 57% (2014: 61%) 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 17).

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

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area I</td>
<td>29,504</td>
<td>41,379</td>
</tr>
<tr>
<td>Area II</td>
<td>85,908</td>
<td>95,011</td>
</tr>
<tr>
<td>Area III</td>
<td>79,155</td>
<td>100,889</td>
</tr>
<tr>
<td></td>
<td><strong>194,567</strong></td>
<td><strong>237,279</strong></td>
</tr>
</tbody>
</table>

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 2015, 78.44% of receivables were cleared through CASS and ICH (79.21% in 2014). As of December 31, 2015, 99.64% (99.22% in 2014) of the total outstanding trade debtors were within the contractual payment terms. The average DSO of trade receivables was 40.4 days in 2015 (42.2 days in 2014). In 2015 the Group suffered a credit loss of US$ 0.49 million (2014: US$ 0.08 million).

B | Fuel risk

Fuel price

The price of fuel significantly affects the Group’s earnings. At a 2015 average of US$/tonne 522, the jet market price decreased by US$/tonne 384 compared to the preceding year. The average reflects both the strong fuel market prevailing until summer and the substantial price weakening during the rest of the year.

Fuel hedges

To manage its fuel price risk the Group uses derivative instruments, mainly options. Call options are purchased as insurance against high fuel prices. The Group is protected against high fuel prices above the call strike price and pays a premium for this insurance. The worst outcome of this strategy would be that the premium is not recovered. Fuel exposures are hedged over time. The hedging portfolio and the strategy are 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 regularly reporting to the Audit Committee of the Board of Directors.

As at December 31, 2015, the fair value of fuel derivatives was as follows:

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-qualifying hedges recognized in profit and loss</td>
<td>(134)</td>
<td>(7,413)</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>134</td>
<td>7,547</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BALANCE AT JANUARY 1</strong></td>
<td><strong>134</strong></td>
<td><strong>7,547</strong></td>
</tr>
</tbody>
</table>

| Derivative assets           |      | 134  |
| Derivative liabilities      |      |      |
| **BALANCE AT DECEMBER 31**  | **–** | **134** |
None of these positions have been considered for hedge accounting.

The Group has taken the decision to stop hedging fuel due to the significant decline of fuel prices, the extreme volatility in the market and the overall efficiency of its own fuel surcharge mechanism. Once this level of efficiency reaches an established trigger level, hedging activities will be reconsidered.

**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:

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>EUR</th>
<th>HKD</th>
<th>CNY</th>
<th>other</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits with third parties</td>
<td>5,822</td>
<td>125</td>
<td>62</td>
<td>309</td>
<td>15.9</td>
</tr>
<tr>
<td>Trade receivables and other receivables</td>
<td>111,820</td>
<td>44,282</td>
<td>27,265</td>
<td>29,598</td>
<td>77.8</td>
</tr>
<tr>
<td>Other investments</td>
<td>2,240</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3.2</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>108,875</td>
<td>5,162</td>
<td>22,973</td>
<td>18,706</td>
<td>33.9</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>(6,691)</td>
<td>–</td>
<td>–</td>
<td>(938)</td>
<td>100.0</td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>(65,774)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>61.6</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>(31,846)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1.7</td>
</tr>
<tr>
<td>Trade payable and other payables</td>
<td>(72,069)</td>
<td>(5,418)</td>
<td>(4,395)</td>
<td>(10,899)</td>
<td>34.6</td>
</tr>
<tr>
<td>Taxes payable</td>
<td>(18,999)</td>
<td>–</td>
<td>–</td>
<td>(55)</td>
<td>98.7</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>EUR</th>
<th>HKD</th>
<th>CNY</th>
<th>other</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits with third parties</td>
<td>5,550</td>
<td>110</td>
<td>1,061</td>
<td>313</td>
<td>16.5</td>
</tr>
<tr>
<td>Trade receivables and other receivables</td>
<td>73,788</td>
<td>50,907</td>
<td>33,526</td>
<td>39,756</td>
<td>72.0</td>
</tr>
<tr>
<td>Other investments</td>
<td>54,867</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>48.1</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>47,303</td>
<td>3,559</td>
<td>5,049</td>
<td>19,374</td>
<td>24.6</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>(8,247)</td>
<td>–</td>
<td>–</td>
<td>(900)</td>
<td>100.0</td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0.0</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>(17,916)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1.1</td>
</tr>
<tr>
<td>Trade payable and other payables</td>
<td>(117,963)</td>
<td>(5,576)</td>
<td>(5,872)</td>
<td>(16,358)</td>
<td>39.7</td>
</tr>
<tr>
<td>Taxes payable</td>
<td>(22,917)</td>
<td>–</td>
<td>–</td>
<td>(233)</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Relevant foreign exchange rates relative to the US$ were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Average rate</th>
<th>Reporting date spot rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>EUR</td>
<td>1.11034</td>
<td>1.32902</td>
</tr>
<tr>
<td>HKD</td>
<td>0.12899</td>
<td>0.12895</td>
</tr>
<tr>
<td>CNY</td>
<td>0.15919</td>
<td>0.16231</td>
</tr>
</tbody>
</table>

Depending on market views, the Company hedges the foreign exchange risk related to payables and receivables through the use of forwards and options.

### 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 2015 and is likely to continue to pursue in 2016.

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**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FIXED RATE INSTRUMENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>1,095,633</td>
<td>945,504</td>
</tr>
<tr>
<td><strong>FLOATING RATE INSTRUMENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td>528,814</td>
<td>420,191</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>919,734</td>
<td>926,208</td>
</tr>
</tbody>
</table>

**INTEREST RATE DERIVATIVES**

| Nominal amount of underlying financings in place at the balance sheet date | 736,207 | 804,759 |

As at December 31, 2015, the fair value of interest rate derivatives was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IN THOUSANDS OF U.S. DOLLAR</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative assets</td>
<td>9,855</td>
<td>9,877</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>(70,280)</td>
<td>(89,038)</td>
</tr>
<tr>
<td><strong>BALANCE AT JANUARY 1</strong></td>
<td>(60,425)</td>
<td>(79,161)</td>
</tr>
<tr>
<td>Net change in fair value recognized in equity</td>
<td>15,781</td>
<td>13,546</td>
</tr>
<tr>
<td>Non-qualifying hedges recognized in profit and loss</td>
<td>(855)</td>
<td>5,190</td>
</tr>
<tr>
<td><strong>Derivative assets</strong></td>
<td>8,561</td>
<td>9,855</td>
</tr>
<tr>
<td><strong>Derivative liabilities</strong></td>
<td>(54,060)</td>
<td>(70,280)</td>
</tr>
<tr>
<td><strong>BALANCE AT DECEMBER 31</strong></td>
<td>(45,499)</td>
<td>(60,425)</td>
</tr>
</tbody>
</table>
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 2016 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, 2015, the Group was in compliance with this and all other contractual financial covenants.

The following are the contractual maturities of liabilities:

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>Carrying amount</th>
<th>Contracted cash flows</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Further than 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing liabilities</td>
<td>(105,905)</td>
<td>(142,862)</td>
<td>(11,331)</td>
<td>(11,676)</td>
<td>(11,745)</td>
<td>(108,110)</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>(1,830,503)</td>
<td>(2,206,401)</td>
<td>(288,882)</td>
<td>(271,064)</td>
<td>(238,466)</td>
<td>(1,407,989)</td>
</tr>
<tr>
<td>Trade payables and other payables</td>
<td>(250,237)</td>
<td>(250,550)</td>
<td>(241,901)</td>
<td>(2,202)</td>
<td>(1,654)</td>
<td>(4,793)</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>(54,060)</td>
<td>(55,720)</td>
<td>(18,256)</td>
<td>(11,335)</td>
<td>(8,272)</td>
<td>(17,857)</td>
</tr>
<tr>
<td></td>
<td>(2,240,705)</td>
<td>(2,655,533)</td>
<td>(560,370)</td>
<td>(296,277)</td>
<td>(260,137)</td>
<td>(1,538,749)</td>
</tr>
</tbody>
</table>

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 aircraft components (approximately US$ 83.9 million).
- Payment of the last anti-trust fine installment of US$ 22.0 million to the Department of Justice (US DoJ).

The Group will be able to meet its financial obligations in 2016 out of a mix of the proceeds of operating cash flows, PDP repayments from Boeing and the facilities mentioned below. The level of liquidity of the Group at the balance sheet date is expected to be maintained by the following additional measures during 2016:

- The Group intends to close a US$ 45 million refinancing of two debt-free B747-400F.
- The Group maintains credit lines to ensure that it will be able to face its obligations when they fall due. As at December 31, 2015, the Group had the following committed credit lines (i.e. lines with respect of which the Group pays commitment fees) available for drawing: US$ 36.8 million (US$ 27.5 million and EUR 8.5 million) with a maturity ranging from June to December 2016.

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 2015, 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 respectively approximately US$ 0.4 million and US$ 0.6 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$ 8.3 million. No forward exchange contracts or other hedging instruments were in place at that time.

It is estimated that an increase/decrease of US$/tonne 50 in the price of jet fuel (basis barges Rotterdam) over a one-year period would have increased/decreased the Group’s fuel bill by around US$ 55 million. The impact on the income statement of a fuel price increase can to a large extent be mitigated by cash inflows from the fuel surcharge program and in addition fuel hedging.

G  |  Fair values

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

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>Carrying amount</th>
<th>Fair value</th>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS CARRIED AT FAIR VALUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other investments</td>
<td>23,464</td>
<td>23,464</td>
<td>17,583</td>
<td>17,583</td>
</tr>
<tr>
<td>Interest rate transactions through profit and loss</td>
<td>8,561</td>
<td>8,561</td>
<td>9,855</td>
<td>9,855</td>
</tr>
<tr>
<td>Fuel derivative contracts through profit and loss</td>
<td>–</td>
<td>–</td>
<td>134</td>
<td>134</td>
</tr>
<tr>
<td>Forward exchange contracts used for hedging</td>
<td>–</td>
<td>–</td>
<td>123</td>
<td>123</td>
</tr>
<tr>
<td><strong>Total Assets Carried at Fair Value</strong></td>
<td>32,025</td>
<td>32,025</td>
<td>27,695</td>
<td>27,695</td>
</tr>
<tr>
<td><strong>ASSETS CARRIED AT AMORTIZED COSTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>293,357</td>
<td>293,357</td>
<td>284,515</td>
<td>284,515</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>459,687</td>
<td>459,687</td>
<td>306,046</td>
<td>306,046</td>
</tr>
<tr>
<td><strong>Total Assets Carried at Amortized Costs</strong></td>
<td>753,044</td>
<td>753,044</td>
<td>590,561</td>
<td>590,561</td>
</tr>
<tr>
<td><strong>LIABILITIES CARRIED AT FAIR VALUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate transactions used for hedging</td>
<td>(54,060)</td>
<td>(54,060)</td>
<td>(70,280)</td>
<td>(70,280)</td>
</tr>
<tr>
<td>Forward exchange contracts used for hedging</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Liabilities Carried at Fair Value</strong></td>
<td>(54,060)</td>
<td>(54,060)</td>
<td>(70,280)</td>
<td>(70,280)</td>
</tr>
<tr>
<td><strong>LIABILITIES CARRIED AT AMORTIZED COST</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured bank loans</td>
<td>(41,071)</td>
<td>(36,558)</td>
<td>(71,361)</td>
<td>(65,475)</td>
</tr>
<tr>
<td>Unsecured bond issues</td>
<td>(65,556)</td>
<td>(56,579)</td>
<td>(100,000)</td>
<td>(95,417)</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>(1,908,740)</td>
<td>(1,562,452)</td>
<td>(1,699,414)</td>
<td>(1,407,823)</td>
</tr>
<tr>
<td>Unsecured bank loan</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(241,589)</td>
<td>(241,589)</td>
<td>(255,171)</td>
<td>(255,171)</td>
</tr>
<tr>
<td><strong>Total Liabilities Carried at Amortized Cost</strong></td>
<td>(2,256,956)</td>
<td>(1,897,178)</td>
<td>(2,125,946)</td>
<td>(1,823,886)</td>
</tr>
</tbody>
</table>

The basis for determining fair values is discussed in note 4.
**Fair values hierarchy**

**IN THOUSANDS OF U.S. DOLLAR**

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Other investments</td>
<td>23,464</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate transactions</td>
<td>–</td>
<td>8,561</td>
</tr>
<tr>
<td>through profit and loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel derivative contracts</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>through profit and loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward exchange contracts</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>used for hedging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>23,464</td>
<td>8,561</td>
</tr>
</tbody>
</table>

**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)

Fair values determined for disclosure purposes on assets and liabilities carried at cost are considered level 3.
6. REVENUES

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cargo sales</td>
<td>1,822,621</td>
<td>2,106,961</td>
</tr>
<tr>
<td>Maintenance revenues</td>
<td>19,331</td>
<td>25,575</td>
</tr>
<tr>
<td>Trucking, handling and other services</td>
<td>14,344</td>
<td>15,951</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,856,296</strong></td>
<td><strong>2,148,487</strong></td>
</tr>
</tbody>
</table>

Cargo sales represent revenues directly related to the Group’s core business, i.e. air freight, net of customer incentives and rebates. The largest contributors to net turnover were Area II (Europe, Middle East, Pakistan & Africa) traffic with 41.9% (2014: 43.9%), followed by Area III (Asia & Pacific) traffic with 38.6% (2014: 36.8%), with the balance accounted for by Area I (the Americas) and charter traffic with 19.5% (2014: 19.3%).

7. OTHER OPERATING INCOME

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain / (loss) on sale of property, plant and equipment</td>
<td>(514)</td>
<td>(520)</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>5,344</td>
<td>6,913</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,830</strong></td>
<td><strong>6,393</strong></td>
</tr>
</tbody>
</table>

Miscellaneous includes mainly credits received from third parties.

8. AIRCRAFT LEASE EXPENSES

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft rentals under dry leases</td>
<td>38,741</td>
<td>36,794</td>
</tr>
<tr>
<td>Return conditions provision in respect of dry leased aircraft</td>
<td>423</td>
<td>2,748</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39,164</strong></td>
<td><strong>39,542</strong></td>
</tr>
</tbody>
</table>

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

In November 2014, the operating lease aircraft LX-VCC performing a freight flight experienced a hard landing in Libreville, resulting in structural damages. The aircraft was repaired and re-entered into service in April 2015.

9. AIRCRAFT MAINTENANCE EXPENSES

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engine repair and overhaul</td>
<td>30,395</td>
<td>23,492</td>
</tr>
<tr>
<td>Engine reserve</td>
<td>11,391</td>
<td>9,162</td>
</tr>
<tr>
<td>Heavy maintenance (“C-checks” and “D-checks” on dry leased aircraft)</td>
<td>(438)</td>
<td>(327)</td>
</tr>
<tr>
<td>Component and brakes repair</td>
<td>10,328</td>
<td>10,349</td>
</tr>
<tr>
<td>Stock consumption</td>
<td>12,068</td>
<td>10,724</td>
</tr>
<tr>
<td>Line maintenance at stations</td>
<td>7,485</td>
<td>8,192</td>
</tr>
<tr>
<td>Other maintenance expenses</td>
<td>14,147</td>
<td>11,786</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>85,376</strong></td>
<td><strong>73,378</strong></td>
</tr>
</tbody>
</table>

As of January 2014, the Group capitalizes the cost of engine shop visits and depreciates the related cost over an average period of 3,700 cycles up to the next shop visit.

Heavy maintenance cost includes provision releases of aircraft under operating lease contract.

10. PERSONNEL COSTS AND BENEFITS

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, overtime, 13th month</td>
<td>190,134</td>
<td>208,157</td>
</tr>
<tr>
<td>Social security</td>
<td>21,831</td>
<td>23,695</td>
</tr>
<tr>
<td>Employee benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Expenses related to defined benefit plans</td>
<td>553</td>
<td>450</td>
</tr>
<tr>
<td>- Expenses related to defined contribution plans</td>
<td>5,141</td>
<td>5,742</td>
</tr>
<tr>
<td>- Other (accident and invalidity insurance)</td>
<td>7,071</td>
<td>6,757</td>
</tr>
<tr>
<td>Training and sundry personnel charges</td>
<td>12,130</td>
<td>12,400</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>236,860</strong></td>
<td><strong>257,201</strong></td>
</tr>
</tbody>
</table>

Personnel costs and benefits decreased due mainly to the weak Euro as the major portion of the Group’s salary cost is incurred in Europe.
As of December 31, 2015 1,567 (2014: 1,504) employees were based in countries of the European Union, of which 1,335 in Luxembourg (2014: 1,305).

The collective work agreement (CWA) covering Luxembourg based staff other than managers and exempt employees was cancelled on December 29, 2014. The terms and conditions of this CWA remained in force until November 30, 2015. A new CWA entered into force on December 1, 2015 covering the years 2015 to 2018.

<table>
<thead>
<tr>
<th>AVERAGE NUMBER OF STAFF BY CATEGORY</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACTIVE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight Operations (including crews)</td>
<td>596</td>
<td>564</td>
</tr>
<tr>
<td>Sales and Marketing</td>
<td>292</td>
<td>535</td>
</tr>
<tr>
<td>Maintenance</td>
<td>445</td>
<td>422</td>
</tr>
<tr>
<td>Finance and Administration</td>
<td>138</td>
<td>98</td>
</tr>
<tr>
<td>General Management (Corporate Division)</td>
<td>48</td>
<td>39</td>
</tr>
<tr>
<td>Operation Management (Aviation Safety, Quality Assurance)</td>
<td>–</td>
<td>19</td>
</tr>
<tr>
<td>Legal and Compliance Division</td>
<td>46</td>
<td>33</td>
</tr>
<tr>
<td>Commercial Planning</td>
<td>34</td>
<td>–</td>
</tr>
<tr>
<td>Global Logistics</td>
<td>218</td>
<td>–</td>
</tr>
<tr>
<td>Corporate Development</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Active</strong></td>
<td><strong>1,819</strong></td>
<td><strong>1,710</strong></td>
</tr>
<tr>
<td><strong>OTHER</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassified staff</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Employees on early retirement</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>Apprentices</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total Other</strong></td>
<td><strong>1,846</strong></td>
<td><strong>1,739</strong></td>
</tr>
</tbody>
</table>
11. OTHER OPERATING EXPENSES

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSA commissions</td>
<td>13,528</td>
<td>15,722</td>
</tr>
<tr>
<td>IT services</td>
<td>22,426</td>
<td>25,309</td>
</tr>
<tr>
<td>Travel &amp; entertainment</td>
<td>26,911</td>
<td>24,864</td>
</tr>
<tr>
<td>Office and office equipment (rental and maintenance)</td>
<td>17,469</td>
<td>19,386</td>
</tr>
<tr>
<td>Legal, audit and consulting fees</td>
<td>16,860</td>
<td>13,457</td>
</tr>
<tr>
<td>Other aircraft expenses</td>
<td>9,357</td>
<td>7,353</td>
</tr>
<tr>
<td>Purchase, maint. &amp; repairs of ULD &amp; packing material</td>
<td>3,644</td>
<td>821</td>
</tr>
<tr>
<td>Office &amp; printing material</td>
<td>3,485</td>
<td>2,405</td>
</tr>
<tr>
<td>Net worth tax</td>
<td>3,581</td>
<td>2,240</td>
</tr>
<tr>
<td>Anti-trust</td>
<td>-</td>
<td>10,626</td>
</tr>
<tr>
<td>Foreign exchange loss, net</td>
<td>8,370</td>
<td>15,464</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>9,368</td>
<td>17,933</td>
</tr>
<tr>
<td></td>
<td><strong>134,999</strong></td>
<td><strong>155,580</strong></td>
</tr>
</tbody>
</table>

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

Legal, audit and consulting fees include US$ 4.4 million (in 2014: US$ 5.6 million) related to the anti-trust cases in various jurisdiction which are entirely provisioned (see also note 23).

Legal, audit and consulting fees also include an amount of US$ 0.38 million (in 2014: US$ 0.51 million) accrued for audit fees and an amount of US$ 0.09 million (in 2014: US$ 0.18 million) paid for tax services to KPMG.
12. NET FINANCE COSTS

Recognized in profit or loss

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net change in fair value of financial instruments</td>
<td>–</td>
<td>4,271</td>
</tr>
<tr>
<td>Interest income on bank deposits</td>
<td>3,057</td>
<td>3,046</td>
</tr>
<tr>
<td>Interest on loans and receivables</td>
<td>3,700</td>
<td>2,949</td>
</tr>
<tr>
<td>Other financial income (IATA call day adjustments, discounts received)</td>
<td>310</td>
<td>387</td>
</tr>
<tr>
<td><strong>FINANCIAL INCOME</strong></td>
<td><strong>7,067</strong></td>
<td><strong>10,653</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interest expense</th>
<th>(74,571)</th>
<th>(65,922)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net change in fair value of financial instruments</td>
<td>(1,172)</td>
<td>(44)</td>
</tr>
<tr>
<td>Accrued interest on net present value of provisions and liabilities</td>
<td>(1,570)</td>
<td>(2,451)</td>
</tr>
<tr>
<td>Other financial expenses (bank charges, loan agency fees, CASS commissions)</td>
<td>3,645</td>
<td>(2,785)</td>
</tr>
<tr>
<td><strong>FINANCIAL EXPENSES</strong></td>
<td><strong>(73,668)</strong></td>
<td><strong>(71,202)</strong></td>
</tr>
<tr>
<td><strong>NET FINANCE COSTS</strong></td>
<td><strong>(66,601)</strong></td>
<td><strong>(60,549)</strong></td>
</tr>
</tbody>
</table>

Recognized in other comprehensive income

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective portion of changes in fair value of interest cash flow hedges</td>
<td>15,790</td>
<td>14,501</td>
</tr>
<tr>
<td>Net change in fair value of cash flow hedges transferred to profit or loss</td>
<td>(9)</td>
<td>(955)</td>
</tr>
<tr>
<td>Income tax on finance income and finance costs recognized in other comprehensive income</td>
<td>(4,611)</td>
<td>(4,026)</td>
</tr>
<tr>
<td><strong>FINANCE INCOME RECOGNIZED IN OTHER COMPREHENSIVE INCOME, NET OF TAX</strong></td>
<td><strong>11,170</strong></td>
<td><strong>9,520</strong></td>
</tr>
</tbody>
</table>

13. INCOME TAX EXPENSE

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT TAX EXPENSE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>(23,498)</td>
<td>(32,252)</td>
</tr>
<tr>
<td><strong>DEFERRED TAX EXPENSE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Origination and reversal of temporary differences</td>
<td>(14,017)</td>
<td>5,443</td>
</tr>
<tr>
<td>Use / (Benefit) of tax losses</td>
<td>14,017</td>
<td>(5,443)</td>
</tr>
<tr>
<td><strong>TOTAL INCOME TAX EXPENSE IN INCOME STATEMENT</strong></td>
<td><strong>(23,498)</strong></td>
<td><strong>(32,252)</strong></td>
</tr>
</tbody>
</table>

| INCOME TAX EXPENSE RECOGNIZED IN OTHER COMPREHENSIVE INCOME | 4,922 | 2,946 |

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit / (loss) before tax</td>
<td>25,981</td>
<td>(29,398)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax using the domestic rate</td>
<td>29.22%</td>
<td>7,592</td>
<td>29.27%</td>
<td>(8,605)</td>
</tr>
<tr>
<td>Share of profit of associates</td>
<td>(7)</td>
<td>142</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of current tax in foreign branches</td>
<td>65</td>
<td>(328)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-deductible expenses / Non-taxable income</td>
<td>(2,194)</td>
<td>8,638</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits of tax credits through finance lease</td>
<td>(24,978)</td>
<td>(32,772)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrecognized DTA</td>
<td>(3,930)</td>
<td>661</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax exempt revenues</td>
<td>(46)</td>
<td>(47)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of change in tax rate</td>
<td>–</td>
<td>59</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INCOME TAX EXPENSE</strong></td>
<td><strong>(23,498)</strong></td>
<td><strong>(32,252)</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

As of 2014, management has revised its accounting policy in the context of credits received related to ITC benefits generated indirectly through finance lease structures. The benefits were previously recognized as a reduction of the assets’ cost and depreciated over the useful life of the assets. These benefits are now recognized as a tax credit and therefore recorded in the income statement under Current tax as ITC benefits generated directly by the acquisition of the aircraft. In 2015, these benefits amounted to US$ 25.0 million (2014: US$ 32.7 million).

Unutilized ITC benefits to-date generated through the acquisition of aircraft have not been recognized as a deferred tax asset and are reassessed on a regular basis. The reassessment of these benefits is linked to their expiry dates and they are not expected to be used due to the tax losses incurred in 2008, 2009 and from 2011 to 2014. As per the latest business plan, nil of ITC amounting to US$ 95.0 million (2014: US$ 95.5 million) was recognized as a deferred tax asset (in 2014: nil). In addition, an amount of US$ 7.3 million (2014: US$ 11.3 million) of deferred tax assets on tax losses was not recognized (see note 16).
### 14. PROPERTY, PLANT AND EQUIPMENT

#### IN THOUSANDS OF U.S. DOLLAR

<table>
<thead>
<tr>
<th></th>
<th>Aircraft and equipment</th>
<th>Land and buildings</th>
<th>Other equipment</th>
<th>Payments on accounts and assets in course of construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>at beginning of year</td>
<td>2,652,049</td>
<td>9,445</td>
<td>61,392</td>
<td>95,523</td>
<td>2,818,409</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>371,221</td>
<td>101</td>
<td>2,182</td>
<td>26,195</td>
<td>399,699</td>
</tr>
<tr>
<td>Transfer from assets under construction</td>
<td>24,315</td>
<td>758</td>
<td>538</td>
<td>(25,611)</td>
<td></td>
</tr>
<tr>
<td>Reimbursement of advance payments</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(50,880)</td>
<td></td>
</tr>
<tr>
<td>Disposals (note 7)</td>
<td>(7,135)</td>
<td>–</td>
<td>(206)</td>
<td>(57)</td>
<td>(7,398)</td>
</tr>
<tr>
<td><strong>At end of year</strong></td>
<td><strong>3,040,450</strong></td>
<td><strong>10,304</strong></td>
<td><strong>63,906</strong></td>
<td><strong>45,170</strong></td>
<td><strong>3,159,830</strong></td>
</tr>
</tbody>
</table>

#### Accumulated depreciation

<table>
<thead>
<tr>
<th></th>
<th>Aircraft and equipment</th>
<th>Land and buildings</th>
<th>Other equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>at beginning of year</td>
<td>(716,964)</td>
<td>(8,090)</td>
<td>(40,431)</td>
<td>(768,222)</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>(154,052)</td>
<td>(593)</td>
<td>(3,787)</td>
<td>(158,432)</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>(44,335)</td>
<td>–</td>
<td>–</td>
<td>(44,335)</td>
</tr>
<tr>
<td>Adjustments for disposals</td>
<td>2,409</td>
<td>–</td>
<td>206</td>
<td>–</td>
</tr>
<tr>
<td><strong>At end of year</strong></td>
<td><strong>(912,942)</strong></td>
<td><strong>(8,683)</strong></td>
<td><strong>(44,012)</strong></td>
<td><strong>(2,737)</strong></td>
</tr>
</tbody>
</table>

#### Net book value

<table>
<thead>
<tr>
<th></th>
<th>Aircraft and equipment</th>
<th>Land and buildings</th>
<th>Other equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>as of December 31, 2015</td>
<td>2,127,508</td>
<td>1,621</td>
<td>19,894</td>
<td>42,433</td>
</tr>
<tr>
<td>as of December 31, 2014</td>
<td>1,935,085</td>
<td>1,355</td>
<td>20,961</td>
<td>92,786</td>
</tr>
</tbody>
</table>

#### Change in estimates

During 2014, the Company reassessed the residual values of the B747-400F airframes and decided to reduce those by almost 40%.

In addition, management revised its estimate of depreciation of engines. Certain elements of depreciation are now based on the usage of the engine rather than on the passage of time. This better reflects the cost of usage of the assets.

#### Impairment loss

As of December 31, 2015, the Group reviewed the carrying amount of aircraft in light of current market condition.

Following the review and the subsequent impairment tests applied, the carrying amount of several assets exceeded their recoverable amount. Accordingly the Company recognized an impairment loss of US$ 41.2 million (2014: US$ 39.8 million) against these aircraft. The estimate of value in use was determined using a pre-tax discount rate of 8% (2014: 7%).
Aircraft subject to finance leases


Security


Capitalized borrowing costs

Assets under construction include capitalization of borrowing costs for an amount of US$ 0.9 million (2014: US$ 2.4 million). The average interest rate used during the year for interest capitalization is 4.5% (2014: 3.8%).
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.

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

<table>
<thead>
<tr>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
</tr>
<tr>
<td>Luxembour</td>
</tr>
<tr>
<td>British Virgin Islands</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>49%</td>
</tr>
<tr>
<td>33%</td>
</tr>
<tr>
<td>50%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Champ Cargosystems S.A.</td>
<td>49%</td>
<td>49%</td>
</tr>
<tr>
<td>8F Leasing S.A.</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Global Aviation Technical Solutions GB (BVI) Ltd.</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

In 2015, the Group made a contribution in kind to GATS amounting to US$ 4.9 million (2014: US$ 2.8 million).

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

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>Ownership</th>
<th>Carrying amount</th>
<th>Assets</th>
<th>Equity</th>
<th>Liabilities</th>
<th>Revenues</th>
<th>Profit / (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Champ Cargosystems S.A. (associate)</td>
<td>49%</td>
<td>27,106</td>
<td>68,552</td>
<td>32,981</td>
<td>35,570</td>
<td>58,555</td>
<td>2,650</td>
</tr>
<tr>
<td>8F Leasing S.A. (associate)</td>
<td>33%</td>
<td>5,757</td>
<td>139,851</td>
<td>11,570</td>
<td>128,281</td>
<td>12,396</td>
<td>(2,362)</td>
</tr>
<tr>
<td>Global Aviation Technical Solutions GB (BVI) Ltd. (joint venture)</td>
<td>50%</td>
<td>20,738</td>
<td>41,678</td>
<td>41,429</td>
<td>249</td>
<td>5,570</td>
<td>(1,076)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>53,600</td>
<td>250,081</td>
<td>85,980</td>
<td>164,099</td>
<td>76,520</td>
<td>(788)</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Champ Cargosystems S.A. (associate)</td>
<td>49%</td>
<td>28,420</td>
<td>72,876</td>
<td>32,710</td>
<td>40,166</td>
<td>64,403</td>
<td>2,960</td>
</tr>
<tr>
<td>8F Leasing S.A. (associate)</td>
<td>33%</td>
<td>6,544</td>
<td>151,665</td>
<td>13,932</td>
<td>137,733</td>
<td>11,698</td>
<td>(2,052)</td>
</tr>
<tr>
<td>Global Aviation Technical Solutions GB (BVI) Ltd. (joint venture)</td>
<td>50%</td>
<td>16,411</td>
<td>31,835</td>
<td>32,832</td>
<td>(997)</td>
<td>4,855</td>
<td>(565)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>51,375</td>
<td>256,376</td>
<td>79,474</td>
<td>176,902</td>
<td>80,956</td>
<td>343</td>
</tr>
</tbody>
</table>
Deferred tax assets and liabilities are attributable to the following:

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft and equipment</td>
<td>9,352</td>
<td>4,197</td>
<td>–</td>
</tr>
<tr>
<td>Other property, plant and equipment</td>
<td>–</td>
<td>–</td>
<td>(634)</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>–</td>
<td>–</td>
<td>(2,030)</td>
</tr>
<tr>
<td>Trade receivables and other receivables</td>
<td>–</td>
<td>–</td>
<td>(1,944)</td>
</tr>
<tr>
<td>Other investments</td>
<td>1,007</td>
<td>726</td>
<td>–</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>6,989</td>
<td>–</td>
<td>(60)</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>461</td>
<td>647</td>
<td>–</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>10,475</td>
<td>12,972</td>
<td>–</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>4,165</td>
<td>5,647</td>
<td>–</td>
</tr>
<tr>
<td>Provisions</td>
<td>–</td>
<td>–</td>
<td>(17,292)</td>
</tr>
<tr>
<td>Benefit of tax losses brought forward</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Tax credit on loss carry forward</td>
<td>38,468</td>
<td>51,987</td>
<td>–</td>
</tr>
<tr>
<td><strong>Tax assets / (liabilities)</strong></td>
<td><strong>70,917</strong></td>
<td><strong>76,176</strong></td>
<td><strong>(21,900)</strong></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>(21,900)</td>
<td>(22,236)</td>
<td>21,900</td>
</tr>
<tr>
<td><strong>NET TAX ASSETS</strong></td>
<td><strong>49,017</strong></td>
<td><strong>53,940</strong></td>
<td>–</td>
</tr>
</tbody>
</table>

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

Deferred tax adjustments of US$ 4.9 million were recognized in equity in 2015 and US$ 2.9 million in 2014 (see note 13).

An ITC for an amount of US$ 95.0 million (2014: US$ 95.5 million) and deferred tax assets on tax losses amounting to US$ 7.3 million (2014: US$ 11.3 million) were not recognized (see note 13).
17. TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables of US$ 203.8 million (2014: US$ 248.5 million) are shown net of any impairment losses recognized in the current year.

### IN THOUSANDS OF U.S. DOLLAR

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>203,814</td>
<td>248,476</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>18,604</td>
<td>15,093</td>
</tr>
<tr>
<td>Advances paid to suppliers</td>
<td>4,154</td>
<td>3,443</td>
</tr>
<tr>
<td>VAT</td>
<td>8,478</td>
<td>7,258</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>1,612</td>
<td>2,103</td>
</tr>
<tr>
<td>Other receivables</td>
<td>58,307</td>
<td>10,245</td>
</tr>
<tr>
<td></td>
<td><strong>294,969</strong></td>
<td><strong>286,618</strong></td>
</tr>
</tbody>
</table>

Prepaid expenses include security deposits made in connection with operating leases, rental payments made in advance and other prepayments.

Other receivables include an amount which has been received in February 2016 from the EU Commission after the EU General Court ruled in favor of the Company and annulled the EU Commission’s 2010 decision.

18. OTHER INVESTMENTS

### IN THOUSANDS OF U.S. DOLLAR

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted cash</td>
<td>45,663</td>
<td>96,562</td>
</tr>
<tr>
<td>Securities held at fair value through profit and loss</td>
<td>23,464</td>
<td>17,583</td>
</tr>
<tr>
<td></td>
<td><strong>69,127</strong></td>
<td><strong>114,145</strong></td>
</tr>
</tbody>
</table>

Restricted cash comprises an amount of US$ 42.6 million (2014: 37.5 million) of pledged deposits related to aircraft financings and an amount of US$ 2.2 million (2014: US$ 56.2 million) securing letters of credit issued on behalf of the Group.

Cash and securities for an amount of US$ 0.8 million (2014: US$ 2.7 million) are pledged as collateral in derivative transactions.
19. CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank balances</td>
<td>99,992</td>
<td>93,879</td>
</tr>
<tr>
<td>Short term deposits</td>
<td>351,304</td>
<td>204,734</td>
</tr>
<tr>
<td>Money market funds</td>
<td>8,391</td>
<td>7,433</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS</strong></td>
<td><strong>459,687</strong></td>
<td><strong>306,046</strong></td>
</tr>
<tr>
<td><strong>IN THE STATEMENT</strong></td>
<td><strong>OF CASH FLOWS</strong></td>
<td></td>
</tr>
</tbody>
</table>

20. CAPITAL AND RESERVES

Share capital and main shareholders

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR EXCLUDING SHARE NUMBERS</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued and subscribed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20,939,223 registered common shares of no par value</td>
<td>525,007</td>
<td>425,007</td>
</tr>
<tr>
<td>(2014: 16,950,857)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

At balance sheet date the main shareholders are:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxair</td>
<td>35.1%</td>
<td>35.1%</td>
</tr>
<tr>
<td>HNCA</td>
<td>35.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Banque et Caisse d’Epargne de l’Etat (BCEE)</td>
<td>10.9%</td>
<td>10.9%</td>
</tr>
<tr>
<td>SNCl</td>
<td>10.7%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Luxembourg State</td>
<td>8.3%</td>
<td>8.3%</td>
</tr>
</tbody>
</table>

As at December 31, 2015, the share capital of the Company is represented by 20,939,223 common shares which are fully paid in.

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 Company, as well as 1,395,928 mandatorily convertible bonds issued by the Company, was closed.

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 originally issued to Luxair, BCEE and SNCl on March 27, 2013 and have been converted into ordinary shares on March 27, 2015 using the authorized share capital (see note 21).

Reserves

Reserves comprise the legal reserve, various non-distributable reserves, 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.

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.
21. 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

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured bank loans</td>
<td>34,688</td>
<td>29,004</td>
</tr>
<tr>
<td>Convertible bonds</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>Unsecured bank loans (Schuldschein)</td>
<td>65,556</td>
<td>-</td>
</tr>
<tr>
<td>Loan originated costs</td>
<td>(769)</td>
<td>(531)</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td>99,475</td>
<td>128,473</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>1,673,270</td>
<td>1,533,534</td>
</tr>
<tr>
<td>Loan originated costs</td>
<td>(75,220)</td>
<td>(66,195)</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td>1,598,050</td>
<td>1,467,339</td>
</tr>
<tr>
<td><strong>GRAND TOTAL:</strong></td>
<td>1,697,525</td>
<td>1,595,812</td>
</tr>
</tbody>
</table>

|                          |            |            |
| **CURRENT LIABILITIES**  |            |            |
| Interest payable on current and non-current liabilities | 6,862 | 6,550 |
| Loan originated costs    | (9,869)    | (8,830)    |
| Current portion of secured bank loans | 6,383 | 42,357 |
| Current portion of finance lease liabilities | 235,507 | 166,817 |
| **TOTAL:**               | 238,883    | 206,894    |

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>Currency</th>
<th>Nominal interest rate</th>
<th>Year of maturity</th>
<th>Principal amount</th>
<th>Principal amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured bank loans</td>
<td>US$</td>
<td>Fixed</td>
<td>2011, 2022</td>
<td>41,071</td>
<td>33,515</td>
</tr>
<tr>
<td>Unsecured bank loans</td>
<td>EUR</td>
<td>Euribor 6M + margin</td>
<td>2020</td>
<td>65,556</td>
<td>-</td>
</tr>
<tr>
<td>Secured PDP loans</td>
<td>US$</td>
<td>Libor 1M + margin</td>
<td>2015</td>
<td>-</td>
<td>37,846</td>
</tr>
<tr>
<td>Convertible bonds</td>
<td>US$</td>
<td>Libor 3M + margin</td>
<td>2015</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>TOTAL INTEREST-BEARING LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>2,015,404</strong></td>
<td><strong>1,871,712</strong></td>
</tr>
</tbody>
</table>

The maturity analysis is provided in note 5 E.
Finance lease liabilities

Finance lease liabilities are repayable as follows:

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>Minimum lease payments</th>
<th>Interest</th>
<th>Principal</th>
<th>Minimum lease payments</th>
<th>Interest</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>280,354</td>
<td>44,847</td>
<td>235,507</td>
<td>199,787</td>
<td>32,969</td>
<td>166,817</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>959,221</td>
<td>153,819</td>
<td>805,402</td>
<td>849,385</td>
<td>127,965</td>
<td>721,420</td>
</tr>
<tr>
<td>More than five years</td>
<td>971,504</td>
<td>103,636</td>
<td>867,868</td>
<td>895,978</td>
<td>83,864</td>
<td>812,114</td>
</tr>
<tr>
<td></td>
<td>2,211,079</td>
<td>302,302</td>
<td>1,908,777</td>
<td>1,945,150</td>
<td>244,798</td>
<td>1,700,351</td>
</tr>
</tbody>
</table>

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

Capital Ratios

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding loans</td>
<td>105,905</td>
<td>170,769</td>
</tr>
<tr>
<td>Outstanding finance lease obligations</td>
<td>1,830,503</td>
<td>1,631,937</td>
</tr>
<tr>
<td>TOTAL DEBT</td>
<td>1,936,408</td>
<td>1,802,706</td>
</tr>
<tr>
<td>Less cash and cash equivalents and other investments</td>
<td>(528,814)</td>
<td>(420,191)</td>
</tr>
<tr>
<td>NET DEBT</td>
<td>1,407,594</td>
<td>1,382,515</td>
</tr>
<tr>
<td>Present value of future lease payments</td>
<td>184,509</td>
<td>222,193</td>
</tr>
<tr>
<td>ADJUSTED NET DEBT</td>
<td>1,592,103</td>
<td>1,604,708</td>
</tr>
<tr>
<td>EQUITY</td>
<td>822,996</td>
<td>664,128</td>
</tr>
<tr>
<td>Net debt/equity</td>
<td>171.0%</td>
<td>208.2%</td>
</tr>
<tr>
<td>Adjusted net debt/equity</td>
<td>193.5%</td>
<td>241.6%</td>
</tr>
</tbody>
</table>

See also note 5 E above.

22. EMPLOYEE BENEFITS

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 2016.

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

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net liability for defined benefit obligations at January 1</td>
<td>6,272</td>
<td>3,494</td>
</tr>
<tr>
<td>Contributions received</td>
<td>(347)</td>
<td>(65)</td>
</tr>
<tr>
<td>Pension payments</td>
<td>(400)</td>
<td>(445)</td>
</tr>
<tr>
<td>Expense recognized in the income statement (see below)</td>
<td>553</td>
<td>450</td>
</tr>
<tr>
<td>Foreign exchange impact</td>
<td>(636)</td>
<td>(416)</td>
</tr>
<tr>
<td>Remeasurements</td>
<td>(359)</td>
<td>3,254</td>
</tr>
<tr>
<td><strong>NET LIABILITY FOR DEFINED BENEFIT OBLIGATIONS AT DECEMBER 31</strong></td>
<td><strong>5,083</strong></td>
<td><strong>6,272</strong></td>
</tr>
</tbody>
</table>

Expense recognized in the income statement

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service costs</td>
<td>433</td>
<td>310</td>
</tr>
<tr>
<td>Interest on pension obligation</td>
<td>120</td>
<td>140</td>
</tr>
<tr>
<td><strong>Total expense</strong></td>
<td><strong>553</strong></td>
<td><strong>450</strong></td>
</tr>
</tbody>
</table>

The expense is recognized in Personnel costs and benefits.

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

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate at December 31</td>
<td>2.25%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Expected return on plan assets at December 31</td>
<td>2.25%</td>
<td>2.00%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>Anti-trust</th>
<th>Legal</th>
<th>Return cost provision</th>
<th>Heavy maintenance program</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1, 2015</td>
<td>16,516</td>
<td>5,900</td>
<td>8,391</td>
<td>5,731</td>
<td>36,538</td>
</tr>
<tr>
<td>Provisions made during the year</td>
<td>–</td>
<td>4,385</td>
<td>2,387</td>
<td>596</td>
<td>7,368</td>
</tr>
<tr>
<td>Effect of net present value on provisions</td>
<td>–</td>
<td>73</td>
<td></td>
<td></td>
<td>426</td>
</tr>
<tr>
<td>Provisions used during the year</td>
<td>(11,211)</td>
<td>(4,285)</td>
<td>–</td>
<td>(2,021)</td>
<td>(17,517)</td>
</tr>
<tr>
<td>Provisions reversed during the year</td>
<td>–</td>
<td>–</td>
<td>(1,964)</td>
<td>(1,031)</td>
<td>(2,995)</td>
</tr>
<tr>
<td>Transfer from payable (Note 24)</td>
<td>87,299</td>
<td>–</td>
<td>–</td>
<td></td>
<td>87,299</td>
</tr>
<tr>
<td>Effect of foreign exchange</td>
<td>(675)</td>
<td>–</td>
<td>–</td>
<td>1</td>
<td>(674)</td>
</tr>
<tr>
<td><strong>BALANCE AT DECEMBER 31, 2015</strong></td>
<td><strong>91,929</strong></td>
<td><strong>6,000</strong></td>
<td><strong>8,887</strong></td>
<td><strong>3,629</strong></td>
<td><strong>110,445</strong></td>
</tr>
</tbody>
</table>

| Non-current | 87,299 | –     | 3,071                 | 2,907                     | 93,277|
| Current     | 4,630  | 6,000 | 5,816                 | 722                       | 17,168|
| **91,929**  | **6,000** | **8,887** | **3,629**           |                           | **110,445** |

In 2015, provisions were recognized to cover the Group against remaining liability risks from pending anti-trust related civil proceedings.
The return cost provision of US$ 8.9 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 two (2014: two) 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.

24. TRADE PAYABLES AND OTHER PAYABLES

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>60,887</td>
<td>74,701</td>
</tr>
<tr>
<td>Accruals for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- General and administration</td>
<td>16,149</td>
<td>14,666</td>
</tr>
<tr>
<td>- Maintenance</td>
<td>21,209</td>
<td>14,954</td>
</tr>
<tr>
<td>- Fuel</td>
<td>8,589</td>
<td>11,846</td>
</tr>
<tr>
<td>- Handling, landing and overflying</td>
<td>37,494</td>
<td>38,666</td>
</tr>
<tr>
<td>- Trucking, truck handling and interlining</td>
<td>10,897</td>
<td>7,611</td>
</tr>
<tr>
<td>- Incentive and worldwide commissions</td>
<td>16,888</td>
<td>21,277</td>
</tr>
<tr>
<td>Staff related costs</td>
<td>14,730</td>
<td>11,765</td>
</tr>
<tr>
<td>Derivatives liabilities</td>
<td>18,210</td>
<td>25,925</td>
</tr>
<tr>
<td>Anti-trust</td>
<td>22,092</td>
<td>96,314</td>
</tr>
<tr>
<td>Amount owed to related parties</td>
<td>3,204</td>
<td>3,377</td>
</tr>
<tr>
<td>Deferred income</td>
<td>30,086</td>
<td>37,912</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>8,012</td>
<td>8,489</td>
</tr>
<tr>
<td><strong>TOTAL TRADE PAYABLES AND OTHER PAYABLES</strong></td>
<td><strong>268,447</strong></td>
<td><strong>367,503</strong></td>
</tr>
</tbody>
</table>

| of which current               | 250,799 | 281,095 |
| of which non-current           | 8,648    | 86,408  |

25. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>35,279</td>
<td>33,568</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>92,431</td>
<td>113,073</td>
</tr>
<tr>
<td>More than five years</td>
<td>72,057</td>
<td>96,319</td>
</tr>
</tbody>
</table>

The present value of minimum lease payments related to operating leases of aircraft and the hangar facility amounted to US$ 184.5 million (2014: US$ 222.2 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.

26. CAPITAL COMMITMENTS

At the balance sheet date, the Group had firm purchase orders for one B747-8F aircraft to be delivered in 2017. This delivery will take the total number of B747-8F in the fleet to fourteen. Based on prices published by manufacturers the total investment amount pertaining to this B747-8F is close to US$ 0.4 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.

27. 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 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. 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, South Africa and South Korea. On December 16, 2015, the EU General Court ruled in favor of the Group and annulled the EU Commission’s 2010 decision that imposed a fine of EUR 79.9 million against the Group. At balance sheet date, it is uncertain whether the EU Commission will appeal the Court’s judgment. Management was advised by external counsel of the likelihood that the Commission may re-adopt its earlier decision, irrespective of whether or not they appeal. Such re-adoption process would result in exposure to a new fine, and additional legal costs for the Group.

In the wake of the anti-trust proceedings, civil lawsuits were launched in the USA, Canada, England, the Netherlands, New Zealand, Norway, South Korea, Germany and Australia against a number of air carriers, including against the Group. The Group won its case in New Zealand and the plaintiff did not appeal, making the decision final. At the date of this report, none of the civil proceedings launched in European countries and based on the annulled EU Commission decision were discontinued. The Group settled the class action claims in the USA, Canada and Australia in previous years. As regards the USA, the final class action "opt-out" claim was settled in 2015.

In 2015 and prior periods, the Group constituted provisions to cover the Group’s exposure with respect to the anti-trust related proceedings (see also notes 11 and 23).

28. 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:

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and profit sharing</td>
<td>5,611</td>
<td>7,276</td>
</tr>
<tr>
<td>Contribution to pension scheme and accident/invalidity insurance</td>
<td>1,546</td>
<td>1,108</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,157</td>
<td>8,384</td>
</tr>
</tbody>
</table>

These amounts, which are paid in euros, are included in Personnel costs and benefits (see note 10).

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 or the Audit Committee of the Board are paid attendance fees. The total remuneration of Directors was as follows:

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>435</td>
<td>575</td>
</tr>
</tbody>
</table>

Shareholders

- The Group paid landing fees to the “Administration de la Navigation Aérienne”. The amount charged to operations for such services was US$ 6.0 million (2014: US$ 11.3 million).

- The Group paid handling fees and other service charges to Luxair in Luxembourg. The amount charged to operations for such services was US$ 74.9 million (2014: US$ 74.7 million).

- Interest and commissions of approximately US$ 0.02 million (2014: US$ 0.16 million) were paid in 2015 and US$ 0.46 million (2014: US$ 0.03 million) of investment income was received in 2015 from banks which are shareholders.

- The Group did not pay any commitment fees in 2015 (2014: US$ 0.6 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$ 1.0 million (2014: US$ 0.6 million).

Joint ventures and associates


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

Accounts receivable and deposit with related parties:

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associates and Joint Venture</td>
<td>19,994</td>
<td>16,518</td>
</tr>
<tr>
<td>Shareholders</td>
<td>170,854</td>
<td>133,860</td>
</tr>
<tr>
<td></td>
<td><strong>190,848</strong></td>
<td><strong>150,378</strong></td>
</tr>
</tbody>
</table>

Accounts payable and loan from related parties:

<table>
<thead>
<tr>
<th>IN THOUSANDS OF U.S. DOLLAR</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associates and Joint Venture</td>
<td>4,563</td>
<td>4,601</td>
</tr>
<tr>
<td>Shareholders</td>
<td>4,101</td>
<td>102,411</td>
</tr>
<tr>
<td></td>
<td><strong>8,664</strong></td>
<td><strong>107,012</strong></td>
</tr>
</tbody>
</table>

Structured entities

A number of structures entities have been established for the purpose of aircraft financing, notably in the context of finance leases. Given the nature of the contractual arrangements, the assets and liabilities are shown on the balance sheet in accordance with accounting policy 3 C.

29. GROUP ENTITIES

Subsidiaries

<table>
<thead>
<tr>
<th></th>
<th>Country of incorporation</th>
<th>Direct ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cargolux RE S.A.</td>
<td>Luxembourg</td>
<td>100% 100%</td>
</tr>
<tr>
<td>Cargolux Italia S.p.A.</td>
<td>Italy</td>
<td>40% 40%</td>
</tr>
<tr>
<td>Italia Aerologistics S.R.L.</td>
<td>Italy</td>
<td>98% 98%</td>
</tr>
<tr>
<td>Luxfresh S.A.</td>
<td>Luxembourg</td>
<td>100% -</td>
</tr>
</tbody>
</table>

30. 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 and investment tax credits

Deferred tax assets are recognized on tax losses and/or investment tax credits (see note 13). Their recoverability is based on the most recent business plan available at each balance sheet date and represents a significant estimate. The recognition of ITC benefits generated through finance leases are reflected in current tax.

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 is 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 estimates of residual values and carrying amount are reassessed regularly on the basis of fact and circumstances existing at year end. Estimated market values published by external appraisers, observable transactions or usage of the aircraft are among factors that would, when appropriate lead to revisions to the residual values, carrying amount and related impairment losses. This was the case in 2015 and 2014 (See note 3 D V and note 14).

31. SUBSEQUENT EVENTS

No event occurred after balance sheet date.
To the Shareholders of
Cargolux Airlines International S.A.
Aéroport de Luxembourg
L-2990 Sandweiler

REPORT OF THE RÉVISEUR D’ENTREPRISES AGRÉÉ

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, 2015 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, whether due to fraud or error.

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, 2015, 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, March 24, 2016

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Thierry Ravasio
SUSTAINABILITY
Cargolux has, for many years, accepted its responsibility towards global climate change and the role that commercial aviation plays. Operating a fleet of the most environmentally friendly and energy efficient freighter aircraft available today, the airline has repeatedly demonstrated its commitment to keep the impact of its activities on the environment as low as possible.

The company has also sought to mitigate its environmental impact at its offices and facilities with energy savings, waste reduction and recycling and the strengthening of an environmental awareness among its staff.

Cargolux, as a launch customer, has driven the development of an advanced version of Boeing’s 747 freighter, the 747-8F, since its inception in 2005 and was the first airline to introduce it into scheduled service worldwide. The company now operates 13 units of this type that is more fuel efficient and produces lower noise disturbances during take-off and landing than its direct predecessor, the 747-400F, itself one of the most efficient and quietest aircraft in its class.

Based in Luxembourg since its foundation in 1970, Cargolux has deep roots in the country and is firmly integrated with its neighboring communities. The company is a major employer in the Grand Duchy and has also created thousands of jobs in other industries directly related to its air freight activities at Luxembourg airport. Cargolux ranks in the top ten of Luxembourg's most attractive employers. Thus, Cargolux contributes to the country's economic strength, securing stable and rewarding employment for many households. In 2015, Cargolux contributed in excess of €330 million to the economy of the Grand Duchy of Luxembourg. Not ending here, the company’s commitment also extends to promoting cultural and sports activities, as well as education, research and the support of humanitarian NGOs.

Ecovadis provides a solution for the monitoring of sustainability in global supply chains; Cargolux is one of the companies audited by Ecovadis. This produces a reliable assessment of the airline’s corporate social responsibility performance through comprehensive feedback, benchmarks and tools. Its methodology is based on sustainable development standards of the Global Reporting Initiative GRI, the United Nations Global Compact and ISO 26000.
KEY FIGURES

- 1,779 staff worldwide
- 6,919 million tonne-kilometers flown
- **26 aircraft** – biggest fleet in the company history.
  - 13 747-400Fs and 13 747-8Fs
- Europe’s biggest all-cargo airline
- First GDP certified airline worldwide
- Four Cargolux stations accredited as Qualified Envirotainer Provider
- Complementary hub in Zhengzhou, China, more than 67,000 tonnes of freight flown since start-up of operation in June 2014
- 13:54 hours daily aircraft utilization of the combined fleet
Cargolux Airlines International S.A. is a leading global all-cargo airline, based in Luxembourg, operating a fleet of modern Boeing 747-8 and 747-400 freighters. It provides air freight 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 its worldwide network that covers some 90 destinations. The company has developed a unique expertise in the handling of fragile and also outsized 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 2015, Cargolux Airlines was presented with the Asian Freight, Logistics & Supply Chain Award in Hong Kong; the 2015 Annual Co-operation Award in Shanghai; the Best Growth Airline 2015 Award in Xiamen and the Quality Award Italy, while Cargolux Italia received the Invest in Lombardy Award that recognizes the airline’s investments in Italy’s Lombardy region.**

**Operational structure of the organization**

- Commercial Planning
- Corporate Development
- Corporate Services
- Finance and Administration
- Flight Operations
- Global Logistics
- Human Resources, Legal Affairs and Compliance
- Maintenance and Engineering
- Sales & Marketing

**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. It is 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 of the group was further developed in 2015. The bottom-up identification of risks has been successfully concluded. Consequently, all process-inherent risks for key business processes of Cargolux’ business divisions have been mapped. The mapping was done in close co-operation with the business.

In addition, Cargolux’ Executive Committee engaged in a top down risk identification exercise. Following a stringent methodology, the top 10 strategic risks, as seen by senior management, were captured.
These top 10 risks, along with major process-inherent risks, were used as basis for the Internal Audit Plan 2016. It is foreseen to repeat the top 10 risk identification exercise with senior management on an annual basis.

In addition to the above, the Internal Audit function together with support by an external party conducted an IT risk assessment. The risk assessment was based on the COBIT 4.1 methodology and provided helpful insight on Cargolux’ outsourced IT provider, Champ Cargo Systems (CCS).

The exercise reflected the constructive spirit of co-operation between Cargolux and CCS and will result in several strategic measures taken by CV in regard to IT in the years to come.

Business risks are continuously monitored by management and, where required, are brought to the attention of the Board. These include risks in the area of Aviation and Flight Safety, where a dedicated function is in place, monitoring and identifying risks on a regular basis.

The key risks of the entity can be found in section 3 of this report. A risk cockpit on current risk indicators for financial risks was further developed in 2015 with the support of the business. It is foreseen to go live in 2016, with the objective of providing transparency on strategic financial risks for the entity.

At a later stage, the implementation of a risk committee for all entity-wide risks is foreseen.

Industry associations and organizations

- **UN Global Compact**
  Cargolux is committed to operating and acting in a socially and environmentally responsible manner and have underpinned this commitment in 2007 when it signed up to the UN Global Compact, pledging to apply its 10 key principles.

- **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.

- **International Air Transport Association**
  The International Air Transport Association (IATA) is the trade association for the world’s airlines, representing some 250 airlines or 84% of total air traffic. It supports many areas of aviation activity and helps to formulate industry policy on critical aviation issues.

  Cargolux is member of IATA’s Air Cargo Carbon Footprint (ACCF) working group.

- **Association of European Airlines (AEA)**
  The AEA is a non-profit industry association representing 29 of Europe’s major airlines. AEA works together with the institutions of the European Union and other stakeholders in the value chain to ensure the sustainable growth of the European airline industry in a global marketplace.

- **Cargo 2000**
  Cargo 2000 is the name for a joint effort by a group of airlines and forwarders (members), and, today, is an IATA interest group aiming at improving the work processes in the air cargo transportation from shipper-through-to-the-consignee (end-to-end). In early 2016, Cargo 2000 changed its name to Cargo iQ.

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

- **SAFUG**
  Cargolux is a founding member of SAFUG (Sustainable Aviation Fuel Users Group), a cross-industry initiative that aims at promoting and bringing onto the market sustainable aviation biofuels.
This report provides information for the calendar year 2015. The previous report was published in April 2015. It is published annually.

Its elaboration 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.

This report is prepared in accordance with the CORE requirements of the G4 guidelines of the Global Reporting Initiatives. 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 in the report. Certain indicators cover our Luxembourg-based activities only. These include figures relating the company’s employees as well as data related to occupational health and safety. Data monitoring the company’s waste disposal also relates to our facilities in Luxembourg only. The report does not cover the activities of separate legal entities fully or partly owned by Cargolux. Our monitoring of fuel consumption and CO₂ emissions includes the data collected by Cargolux Italia.

Contact point

Cargolux invites all interested parties to enter into dialogue about its sustainability policy, its activities and this report. The company’s policy, further information about its activities and previous reports can be found on its website at www.cargolux.com/about-us/corporate-responsibility. All comments and enquiries are welcome and can be forwarded through the contact form on the aforementioned webpage, or by writing to corpcom@cargolux.com.
Stakeholder groups include our shareholders, employees, customers, investors and suppliers. They extend to the communities potentially affected by the company’s activities, primarily living around the airport of Luxembourg, its primary operational hub, and also include government and local authorities, national and industrial representations, non-governmental organizations and auditing bodies.

Cargolux is engaged in an ongoing dialogue with its stakeholders via public events, 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 email, intranet, video, webcasts and electronic newsletters. This helped Cargolux to defend its position as a leading supplier of recognized, high-quality air cargo services in a very challenging environment.

Cargolux, in 2015, had to deal with difficult market conditions and economic crises in many parts of the world that had an impact on its operation. 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.

The materiality matrix reconciles the sustainability objectives of the company with those of its stakeholders and the overall strategy of the company.

<table>
<thead>
<tr>
<th>importance to stakeholders</th>
<th>less significant</th>
<th>significant</th>
<th>very significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>employee training &amp; development</td>
<td>· Employee training &amp; Development</td>
<td>· Green House Gas Emissions</td>
<td></td>
</tr>
<tr>
<td>· Noise emissions</td>
<td>· Respect</td>
<td>· Environmental compliance</td>
<td></td>
</tr>
<tr>
<td>waste management</td>
<td>· Safety</td>
<td>· Regulatory compliance</td>
<td></td>
</tr>
<tr>
<td>· Labour relations</td>
<td>· Integrity</td>
<td>· Ethics business practices</td>
<td></td>
</tr>
<tr>
<td>· Sustainable Procurement Practices</td>
<td>· Economic Preformance</td>
<td>· Employee Health &amp; Safety</td>
<td></td>
</tr>
<tr>
<td>· Community involvement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>diversity</td>
<td>· Corporate governance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>· Employee engagement</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Following EASA, the European Aviation Safety Agency, requirements, Cargolux maintains a safety management system (SMS) that is based on ICAO, the International Civil Aviation Organization, guidelines and recommendations. It embraces all stakeholders within the company, especially the Flight Operations Department, as well as the Maintenance and Engineering, Aircrew Training (ATO & FSTD), Maintenance Training (MTO) and Ground Operations divisions.

Cargolux’s safety management system is overseen by a dedicated team of investigators, analysts, risk management and safety experts, who directly report to the accountable manager. Additionally, safety critical issues can quickly be addressed through direct communication between the aviation safety department and the responsible managers.

The Cargolux Safety Review Board (SRB), the airline’s highest governance body for safety-related issues, comprises all nominated persons, as required by EASA. The board regularly meets to analyze and advance the operational safety performance of Cargolux.

The SMS includes pro-active and re-active safety reporting, flight data monitoring, hazard identification, risk management and management of change procedures. These and other elements are used to identify and mitigate potential safety related issues, thus keeping risks within acceptable levels, as low as reasonable possible.

A number of safety performance indicators measure the effectiveness of safety barriers. These indicators are regularly presented to the process owners, as well as the SRB, to analyze potential problem areas and take pro-active risk control action.

Cargolux’s drive for continuous safety improvement within the organization supports the move towards a risk-based decision-making for operational issues; this culture is aligned with a systematic operational risk management. The process includes the implementation of management of change and safety issue risk assessment procedures that enable a structured, pro-active risk assessment. They are documented in Cargolux’s Management System Manual and are mandatory for all operational stake holders.

The organization has recognized crew fatigue as a safety issue that needs to be monitored. Consequently, Cargolux has established a Fatigue Risk Monitoring System (FRMS) as part of its SMS, using recommended practices based on ICAO guidelines. A dedicated group of FRMS Safety Officers, pilots’ representatives and flight operations management meets regularly to discuss fatigue-related issues and recommends to management processes and procedures to reduce and/or control crew fatigue.

Improving the effectiveness of FRMS with scientific tools allows Cargolux to better measure and predict the fatigue level of pilots during flight duties. It also enables management to take action before fatigue-related issues occur.

Over 1,000 safety reports submitted in 2015 were analyzed, classified and investigated. A steadily growing rate of pro-active reports enabled the airline to take actions before hazards become an event.

Several of the Cargolux Aviation Safety Department members are involved in safety industry groups and contribute to generating best practices that are implemented within Cargolux. These groups include amongst others, ECAST (European Civil Aviation Safety Team), the IATA Safety Group, the IATA Hazard Identification Task Force and the EASA European Operators Flight Data Monitoring Initiative.
In order to safeguard the company's business, Cargolux has established a robust compliance program that enables employees and agents operating in diverse cultural, political and economic environments to identify legal and ethical challenges and provides them with the necessary tools to handle such situations.

Cargolux firmly believes in sustainable and profitable business relationships that are nurtured by ethical corporate and individual behavior. The company is committed to an ethical business culture and, thus, promotes compliance with all applicable laws and regulations as well as adherence to internal rules and policies.

**Training**

Cargolux has a compliance training program in place that incorporates online and classroom sessions, with recurring refresher training at regular intervals. It introduces the company’s legal obligations, values and ethical principles to all employees, sales agents and legal representatives worldwide. Covering a variety of subjects, such as anti-corruption, anti-bribery, money laundering, export controls (embargoes and rules applicable to special commodities), tax evasion, fraud, private data protection and anti-competitive behavior, it sets the stage for the company’s successful business dealings.

In 2015, Cargolux conducted a total of 897 hours of compliance classroom training for new employees and contractors in a program that lasted for 3 years. In addition, a new online training course was introduced on the revised IT Policy.

**Export Control**

Comprehensive procedures, as well as manual and electronic controlling systems ensure full compliance with embargoes applicable to individual countries. A targeted training imparts special procedures for shipping goods to restricted countries and enables Cargolux staff to ensure that the airline does not violate embargoes.

**Confidential Reporting**

Cargolux has tasked a specialized, independent external organization with running a confidential reporting system. This enables individuals to report potential misconduct in complete confidentiality and helps Cargolux to uncover potential breaches of laws, internal rules or procedures and to prevent reoccurrences.

The company’s own Compliance Consultation Desk aims to accurately and quickly respond to employees’ questions regarding applicable rules and their interpretation. It has seen continuous growth in the number of submitted questions since its launch a few years ago, which demonstrates the increasing risk awareness of employees.

**Risk Analysis**

Cargolux deals with a number of business partners and suppliers worldwide. In order to ensure that these companies work according to its business ethics and compliance principles, the company performs due diligence on partners classified as medium and high risk. This risk classification is country specific according to a corruption perception index and is also based on the type of services rendered.

Cargolux is based in a country with very high standards in respect of the observance of human rights. Human rights issues therefore play a minor role in the company’s daily business at its home base. However, Cargolux’s service level agreements require that its partners and suppliers also comply with its values and ethics and observe human rights in their business activities.
The Grand Duchy of Luxembourg is home to one of Europe’s leading air cargo hubs, offering a dedicated and efficient base for Cargolux’s operation since the airline was founded in 1970. According to the World Bank’s Logistics Performance Index (LPI) of 2014, the Grand Duchy ranks at number eight among the countries with the best performance in logistics. Moreover, the development of the logistics industry has been a major focus of the Luxembourg government for a number of years.

The success of Cargolux is in no small way attributable to the dedication and loyalty of its employees. The strong team in Luxembourg and at the company’s stations around the world have made a significant contribution to the economic success, as well as the continued stellar reputation of the airline in the industry throughout 2015. Cargolux is committed to further developing its activities not only at its home base in Luxembourg, but also on a more global scale by expanding in China via its dual hub strategy. This was clearly demonstrated by the fact that 100 new employees were hired in Luxembourg during the last 2 years and by Cargolux’s commitment to hire an additional 100 pilots for its Luxembourg-based operation, as well as to increase its flexible fleet capacity. At the end of the reporting period, the company operated 26 aircraft, the highest number in its history, and employed close to 1,779 employees worldwide.

Cargolux sees itself as a people-driven company and its employees as its most valuable asset. While its staff turnover rate slightly increased to 5.9% during 2015, it still remained at a remarkably low level and demonstrates the continued commitment and trust the employees place in the company. This holds true despite the sometimes
difficult discussions around the implementation of a new collective work agreement during the year that, with the will to compromise on all sides, came to a fruitful solution in December 2015. Building on this and the passion that Cargolux people have shown throughout the company’s history, the airline is increasingly investing in various talent management initiatives, including succession planning to better recognize, develop and retain its talents, as well as to give employees better defined career paths and opportunities. Skilled and motivated employees are the foundation for the strong and sustainable economic future of Cargolux.

Looking to the future, Cargolux is devoted to nurturing the next generation of air cargo professionals by closely cooperating with schools in the Grand Duchy. The company has a long lasting apprenticeship program with the Lycée Technique Privé Emile Metz for the training of future aircraft mechanics.

Cargolux puts great emphasis on the continuous learning and development of its staff. To achieve this, a broad catalogue of non-compulsory training and development opportunities is one of Cargolux’s greatest strengths. It goes well beyond the courses that serve to maintain and upgrade technical proficiency and allows employees to acquire new skills and extend their areas of competence and expertise.

Cargolux is furthermore committed to providing a safe and healthy workplace, a place where people feel comfortable and protected during their daily work life. The company’s efforts in this field resulted in the implementation of an occupational health and safety management system as well as the OHSAS 18001 certification of its Health & Safety Division, a certification that will be extended to other divisions over time.

Cargolux’s Milan-based subsidiary, Cargolux Italia, has also seen a very successful year 2015, growing the fleet to four aircraft and employing over 100 staff. The airline ranks as the largest air cargo provider in Italy and has added to the sustainability of the group by operating on financially more challenging routes, such as Africa.

As an airline, Cargolux has accepted the responsibility it has for the protection of the environment and has long taken steps and measures to lessen the impact of its activities as much as possible. Operating the most efficient and environmentally friendly freighter aircraft available today has not only lowered the noise footprint during take-off and landing by around 30%, but also decreased...
its fuel consumption and low carbon footprint. Cargolux is continuing with its fleet replacement program that increases the number of the highly advanced Boeing 747-8F in the fleet, an aircraft that was launched by Boeing with Cargolux’s help and input.

In addition, Cargolux has developed day-to-day operational procedures, such as flight plan optimization, continuous descent approaches, variable flight speed and route optimization, that have become an integral part of the company’s corporate culture.

The Cargolux environmental management system follows ISO 14001 standards in defining how to approach environmental challenges, giving the company a proven and easily accessible track record. It also underlines that environmental values are lived throughout the organization. The airline’s Ground Operations Division and its Luxembourg station, as well as its Flight Operations Division, the Type Rating Organization and its Maintenance and Engineering Division are ISO 14001 certified, while Cargolux also continuously assesses the environmental commitment of its ground handling agents throughout its network.

Waste has always received special attention at Cargolux as the company is determined to preserve natural resources in its daily business by applying the strategy of the three Rs – reduce, reuse, recycle. Recycling, especially, is an important factor in the company’s waste management system and all facilities and rented offices in Luxembourg are equipped with a waste-sorting and recycling system. In addition, the company encourages its staff to reduce the use of paper, switch to recycled paper and control and segregate waste. These efforts have resulted in a 7.5% reduction of waste at Cargolux’s home base in Luxembourg in 2015.

The nature of the airline’s operation necessitates the handling of and working with hazardous substances. Here, Cargolux is constantly researching and replacing the products it uses, making sure that they are the least hazardous and most environmentally friendly alternatives available.

Cargolux takes pride in its corporate social responsibility and puts great emphasis on business ethics and compliance, operating a robust compliance program applicable not only to its employees but also to its agents. As a major employer in the Grand Duchy of Luxembourg, Cargolux commits to a ‘just culture’ for its employees and fairness with business partners. The company also gives great importance to social respect as well as customer satisfaction. These values continue to support the economic success and the sustainable future of Cargolux.
STAFF & EMPLOYMENT

- Total number of employees 1,779:
  4.04% increase in staff throughout the Cargolux network.
- Cargolux employs people from 63 nations
- Diversity: 19.7% women, an increase of 2.94% compared to previous year.
- Average seniority of CV staff worldwide: 12.09 years
- 38.1% year-over-year decline of internal accidents

AT A GLANCE
A NEW CWA

Cargolux and its social partners in Luxembourg, the unions OGB-L and LCGB, were engaged in intense negotiations about the conditions of a renewed collective work agreement (CWA) over the course of 18 months. Throughout this period, Cargolux stressed the necessity for change to safeguard jobs and enable growth at Cargolux in Luxembourg as well as to guarantee operational flexibility and financial sustainability in the increasingly challenging market environment.

The topic became increasingly pressing when the previous CWA expired on 30 November 2015. In order to facilitate the negotiations however, management committed to honoring the conditions of the previous CWA during the period of the discussions, on a discretionary basis.

Eventually, following several rounds of intense, late-night meetings, the parties reached a compromise and agreed on a new CWA on 16 December 2015. The new CWA is valid for three years, starting from 1 December 2015.

With the agreement, the social partners have achieved a significant improvement in the flexibility and economic efficiency of Cargolux while sending a strong signal for job security and increased competitiveness of Luxembourg as a logistic hub in Europe. Together, all parties have expressed their commitment to move forward, to defend Cargolux’s leading market position in Europe and continue to drive its growth in Asia with the implementation of the dual hub strategy between Luxembourg and Zhengzhou, China.

As part of the agreement, Cargolux committed to hiring 100 pilots, upgrade 60 current First Officers to Captains and invest in an additional aircraft to be based in Luxembourg. These measures were also approved by the Board of Directors, underlining their strong support for Cargolux’s vision to be the Global Cargo Carrier of Choice.
Building on the core strategic areas of focus for the coming years, the Executive Committee redefined the company’s vision and mission. In the highly competitive air freight market, Cargolux’s vision is to be the Global Cargo Carrier of Choice. The airline aims at being the preferred partner for forwarders, suppliers and service providers as well as current and future employees, not only at its Luxembourg home base but, underpinned by an extensive global network, all around the world.

As the Global Cargo Carrier of Choice, Cargolux’s mission is to deliver consistent flexibility and reliability through its valued and dedicated employees, creating sustainable benefits for all stakeholders in a safe environment.

The key values, defined in the previous year as the elements embodying the Cargolux Spirit, such as respect for each other, dedication and passion, delivering service excellence and working as a team, have remained unchanged. These values are the hallmark of Cargolux’s success and act as the strong foundation for the company in reaching its business objectives in the coming years.

LEADING BY EXAMPLE
- RESPECTING EACH OTHER
- WORKING AS A TEAM
- BEING DEDICATED AND PASSIONATE
- GOING THE EXTRA MILE
- BEING COST EFFICIENT
- BEING FLEXIBLE
- DELIVERING SERVICE EXCELLENCE
TRAINING AND DEVELOPMENT

Training activities are an important element of the day-to-day operation of an airline. For Cargolux, training covers two main areas –

a) Courses for pilots and mechanics to maintain and upgrade their license, as well as training on new equipment, new technologies or the application of new procedures. This type of training is a legal requirement.

b) Various types of training for office staff, enabling them to acquire new skills and develop their areas of competence and expertise. This type of training lies beyond legal requirements and constitutes a voluntary action on behalf of Cargolux.

Owing to the many regulations and high standards within the aviation industry, Cargolux has long followed a well-established training philosophy. It has made training and development one of the company’s greatest strengths. Going beyond regulatory and mandatory trainings, Cargolux offers a great variety of voluntary personal development training. The goal is to create a culture for continuous education and development, teaching and learning – both in its headquarters and its stations all over the world.

All employees have access to a variety of soft skills trainings such as Improve your Presentation Skills and Project Management Basics; courses that have proven to be very popular among the staff. The company also offers more complex programs dedicated to leadership and management, including the Team Leader Program and the Management Development Program.

Cargolux’s Technical Training Division was able to manage all trainings requested by its staff during 2015. It accommodated the requests of a new VIP customer and generated increased revenues. Three new instructors were hired who joined the company at the end of the year and at the beginning of 2016. In addition, the division initiated the process for UAE GCAA CAR147 approval.

87
TRAINING HOURS
PER EMPLOYEE,
AN INCREASE OF 26%
Cargolux is interested in knowing its people - what motivates them, what makes them unique and how the fit between the organization and individual career aspiration can be optimized. The company knows that only when people are happy at what they do, they will be able to utilize their full potential and perform at their best. In this way, training and development supports business continuity and increases individual job satisfaction.

Talent Management

It is the company’s firm believe that continuous development and transparent feedback can improve competencies and performance individually and as team. To support employees in this matter, an appraisal system for employees with managerial function was designed and implemented in 2015. It is based on reviewing main tasks and responsibilities, setting objectives, analyzing competencies and creating an individual career development plan. The system was rolled out to the airline’s global stations in early 2016.

Succession Planning

Business continuity and matching organizational needs with individual career development are the goals of the recently launched project on succession planning. To ensure undisrupted operations and to safeguard internal expert knowledge, Cargolux plans to implement a global process, which is also expected to enable Cargolux to better recognize, develop and retain its talents.

Flight Training

2015 was a busy year for the Flight Training Center in respect to flight crew training. Besides the annual recurrent training program, which is mandatory for all flight crew members, the Flight Training Center conducted a number of additional courses such as pilot command trainings, type rating instructor and type rating examiner trainings as well as line training commander trainings. In addition to the trainings conducted for the company’s own flight crews and for mechanics from the Maintenance Division, a number of trainings were also performed for our customers such as type rating courses, operator conversion courses, differences training and line flying under supervision. Cargolux operates two full-motion flight simulators, one each for the B747-400F and the B747-8F, operating on a 24-hours-per-day basis. In 2015, the B747-400F simulator was used for 5,041 hours while the B747-8F simulator was used for 3,802 hours.

The training volume for 2016 is expected to increase further due to the hiring of 100 new pilots, who will all undergo a new type rating, the operator’s conversion course and the differences training in order to be fully qualified to operate both the B747-400 and B747-8 aircraft. Furthermore, a number of commander trainings, as well as the annual recurrent training program, will be performed in 2016. It will be the highest volume of flight crew training ever conducted by Cargolux, almost three times more than in previous years.
A SAFE WORKPLACE

Cargolux is committed to operating in a safe and healthy work environment and has in place an established Occupational Health and Safety (OHS) Program covering all aspects of operations, to prevent workplace accidents and injuries.

Streamlining the processes with the company’s legally required medical services, OHS has revised and aligned all documents in relation to the initial and recurrent medical check and health surveillance. As a result, the co-operation with Cargolux’s company doctor was improved with more efficient and rapid medical checks as well as the implementation of recommendations.

The issue of machinery safety at Cargolux has been of growing importance over the last 15 years. The company introduced periodic and preventive maintenance of its machines and tools and, in 2015, Cargolux certified its imported machinery according to EU safety standards.

OHS has introduced an occupational hazard sensitivity campaign, aimed especially at staff in high-risk areas, such as working at height or the labeling of hazardous substances. The campaign also involved contractors working for Cargolux, whose OHS knowledge and adherence to Cargolux processes and procedures was additionally regularly verified.

Thanks to the constant OHS on-site presence and guidance during 2015, the number of accidents with lost hours at Cargolux Maintenance & Engineering decreased by 35%. Also in 2015, the Maintenance & Engineering Division successfully passed its OHSAS 18001 control audit.

Finally, the existing evacuation safety procedures were optimized following an OHS audit that covered all buildings with evacuation equipment to ensure the safe evacuation of disabled persons in case of an emergency.

35% DECREASE OF ACCIDENTS
AT A GLANCE

Fuel & Emissions: One of the best carbon footprint in its class
- Jet fuel 1,106,436.18 tonnes
- CO₂ emissions: 3,485,273.96 tonnes CO₂
- Carbon footprint: CO₂ footprint: 504gr/FTK

Key figures:
- 26 747 freighters: 13 747-8F, 9 747-400F, 2 747-400BCF, 2 747-400ERF
- Average age of the fleet on 31.12.2015: 8.0 years

Noise: One of the best noise footprint in its class
- 100% of the Cargolux fleet is compliant with ICAO Chapter 4

Waste:
- 21.5% of produced waste is recyclable (Luxembourg only)
- 31% reduction of solvent with halogens compared to 2013
**CLIMATE COMMITMENT**

**Our goals**

Cargolux has defined near and long term goals that follow IATA's targets for airlines to reduce CO₂ emissions with the aim to eventually achieve carbon-neutral growth.

*Cargolux commits to*

- an average improvement in fuel efficiency of 1.5% per year until 2020;
- a cap on aviation CO₂ emissions from 2020, in effect carbon neutral growth;
- a reduction in CO₂ emissions of 50% by 2050, relative to 2005 levels.

**FUEL CONSUMPTION**

Cargolux has made significant investments to achieve these goals. Because a reduction of CO₂ emissions can most effectively be reached through a reduction of aircraft fuel consumption, the airline has begun a fleet rollover program in 2011 that sees the introduction of the Boeing 747-8 freighter, the most fuel efficient and environmentally friendly aircraft in its class, gradually replacing Cargolux’s 747-400 freighter, which, in itself, still remains as one of the most efficient cargo aircraft in operation today.

<table>
<thead>
<tr>
<th>Cargolux Group 747 Fleet:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Jet A Fuel: 1,106,436.18 tons</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GSE vehicles:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Lead-free fuel: 1,969.87 liters</td>
</tr>
<tr>
<td>- Diesel: 15,123.22 liters</td>
</tr>
<tr>
<td>- Diesel / industrial machines: 91,926.47 liters</td>
</tr>
</tbody>
</table>

**INITIATIVES**

Relying on the seamless co-operation of its commercial, operations and maintenance divisions, Cargolux counteracted the prevailing economic challenges in the worldwide markets it served in 2015 with an optimized network and flexible operations. Consolidating and re-routing flights resulted in an efficient balance between cost control and revenue generation. As a positive effect, it also enabled us to minimize fuel consumption and CO₂ emissions.

**ONGOING PROGRAMS**

The company continues a range of programs that support the reduction of greenhouse gas emissions for its fleet of aircraft. These include:

- Deep core engine washing;
- PIP - Performance Improvement Package retrofitted to the GEnx engines of the airline’s early 747-8Fs;
- Optimization of APU usage when no ground power supply is available.

**CERTIFICATIONS**

In 2015, Cargolux renewed the ISO 14001 certifications for its Luxembourg hub, its Maintenance & Engineering Division, its Flight Operations and Training Division and its Global Logistics Division for another three years.
**EMISSIONS**

**CO₂ EFFICIENCY (IN KG CO₂ / FTK)**

**CO₂ EFFICIENCY (IN KG CO₂ / ATK)**

**Scope 1**

The airline group can show exemplary greenhouse gas emission intensity for its fleet of aircraft. Based on 9.5 million ATKs (available ton kilometers) for the Cargolux and Cargolux Italia fleets, the CO₂ efficiency reached 0.332 kgs CO₂ per ATK.

**Scope 2**

Cargolux offices and facilities recorded a CO₂ emission of 2,475 tonnes for fuel and gas heating during 2015. Use of electricity emitted no CO₂.

**Scopes**

The Greenhouse Gas Protocol defines three scopes of emissions:

- **Scope 1**
  - Direct greenhouse emissions from sources that are owned or controlled by the company. In the case of Cargolux, emissions from the combustion engines of its aircraft, ground vehicles and industrial vehicles or machines.

- **Scope 2**
  - Accounts for greenhouse emissions from the generation of fuel or gas heating and purchased electricity by the company.

- **Scope 3**
  - Category that covers all other indirect emissions attributable to the activities of Cargolux, but from the company. Scope 3 has no relevance to the reporting of Cargolux and is not included here.
EU EMISSIONS TRADING SCHEME (EU-ETS)

Cargolux complies with the EU-ETS reporting requirements and continues to monitor and report the CO₂ emissions.

<table>
<thead>
<tr>
<th>CATEGORIES</th>
<th>QTY</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro 4</td>
<td>504</td>
<td>66%</td>
</tr>
<tr>
<td>Euro 5</td>
<td>232</td>
<td>30%</td>
</tr>
<tr>
<td>Euro 6</td>
<td>29</td>
<td>4%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>765</td>
<td>100%</td>
</tr>
</tbody>
</table>

TRUCKING

At the same time, Cargolux is aware that its activities affect the communities around the airports it operates from and strives to minimize the impact of these activities as much as possible.

The emission of noise is therefore an important area of environmental concern for the company, especially at the airline’s home base in Luxembourg where most of its aircraft movements take place.

- 30% TAKE-OFF NOISE FOOTPRINT AROUND AIRPORTS FOR THE 747-8F

NOISE CONTROL

World trade, global economics, human healthcare and a decent standard of living rely on sustainable air freight transport. Cargolux firmly believes that achieving this goal requires the collaboration of all partners in the transport chain as well as aircraft and engine manufacturers and governments.

Operating the world’s quietest freighter aircraft in its class, both the Boeing 747-400F and the 747-8F, represents a significant measurable improvement for the surrounding communities. Introducing the 747-8F in particular, with its advanced engine technology and new wing design,
reduced the 85db take-off noise footprint around airports by another 30%. Both aircraft types in the Cargolux fleet fully comply with the standards of ICAO chapter 4, the most stringent aviation standard.

Additionally, over the past years, the company studied and implemented a number of operating procedures to further reduce community noise with its existing fleet.

## Waste Control

Cargolux runs a proven waste management system that enables the company to better control and segregate its waste. This system is operated by a specialized external company, managing and monitoring the correct collection, segregation and disposal of all categories of waste, including recyclables and hazardous waste.

<table>
<thead>
<tr>
<th>Fraction</th>
<th>QTY in KG IN 2014</th>
<th>QTY in KG IN 2015</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recyclable</td>
<td>90,625</td>
<td>74,103</td>
<td>21.55%</td>
</tr>
<tr>
<td>Oily Waste</td>
<td>25,219</td>
<td>21,801</td>
<td>6.34%</td>
</tr>
<tr>
<td>Hazardous Waste</td>
<td>176,146</td>
<td>124,948</td>
<td>36.33%</td>
</tr>
<tr>
<td>Residual Waste</td>
<td>76,029</td>
<td>117,086</td>
<td>34.04%</td>
</tr>
<tr>
<td>Others</td>
<td>4,972</td>
<td>6,007</td>
<td>1.75%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>372,991</strong></td>
<td><strong>343,945</strong></td>
<td><strong>-7.79%</strong></td>
</tr>
</tbody>
</table>

Recycling is an important factor in the company’s waste management system. All facilities and rented offices in Luxembourg are equipped with a waste-sorting and recycling system. Wastewater from the airline’s maintenance operations and maintenance facilities in Luxembourg are directly collected by the airport sewage system followed by a wastewater treatment plant.

In addition, the company encourages its office staff to adopt measures that cut down on waste production, including the use of electronic storage for documents, electronic communication methods or greater use of recycled paper.

The overall amount of waste produced by Cargolux in 2015 went down by 7.8%. This was also driven by the fact that, within the 2014 figures, the dismantling of an old purification plant was included.

Due to renovation works at the Cargolux headquarters building and the related demolition works, the amount of residual waste was higher than in 2014, while the amount of hazardous waste was reduced by almost 30%.

Stepping up its efforts in reducing oil-contaminated waste as well as lessen the impact of spills, Cargolux invested into an innovative oil absorber product and has rented another two waste compactors to reduce the transportation costs and emissions that would otherwise result from the waste disposal process.

The Cargolux waste management system again underwent its bi-yearly audit in 2015 and received its renewed ‘Superdreckskescht fir Betriber’ environmental label.
As a good neighbor and supporter of cultural and educational activities in Luxembourg, Cargolux has participated in a range of initiatives throughout 2015, including school visits and events that give youngsters the chance to explore job opportunities and career paths. Many of these events allow students in the Grand-Duchy to get a first-hand impression of various aspects of the daily work life and to learn about requirements and opportunities for a career in the air freight industry.

Cargolux puts great emphasis on approaching interested students and showing them the aspects and details of work that a cargo airline offers, thus securing a motivated and qualified workforce for the future. These efforts not only include visits and presentations to school classes, but also students’ visits to the Cargolux premises where they can take an immediate look behind the scenes. During 2015, the company offered internships to 22 students.

Cargolux maintains its co-operation and close relationship with the Lycée Technique Privé Emile Metz (LTPEM) in Luxembourg that runs an aircraft mechanics apprenticeship program. Students that successfully pass their exam become B.1.1-licensed AML aircraft mechanics with an opportunity to gain employment at Cargolux. B.1.1-licensed mechanics are certified to perform mechanical and/or avionic works during base and line maintenance.

Graduates from Luxembourg's AML apprentice scheme obtain a license in accordance with EASA regulations, Part 66. After obtaining the AML, the junior mechanics have to complete an in-house type rating training for the 747-400F and 747-8F aircraft in order to be fully licensed to work on Cargolux aircraft.

In another successful year for the technical training organization, Cargolux in 2015 employed four male and one female student in their first year of apprenticeship and three male students in their second year. The practical part of the apprenticeship takes place in Cargolux’s own workshops. This not only applies to Cargolux students, but, in the frame of enhanced synergies between Cargolux and Luxair, also to students at Luxembourg’s national carrier, who has three each in their first and second year of apprenticeship.

Furthermore, the technical training team was busy organizing open-door events at the LTPEM and an ‘on-the-job’ info day at Dudelange’s Lycée Nic-Biever.

These efforts were honored when Cargolux was named as one of the top five vocational training academies in Luxembourg and nominated for the "Spring Awards Edition 2015", sponsored by Luxembourg’s Chambre de Commerce.
Cargolux has a long history of support for NGOs in their work, bringing relief aid and medical goods to people affected by epidemics and natural disasters. In co-operation with Médecins Sans Frontières, the airline has also transported clothes, books and educational supplies for a number of charity organizations with the goal to help people in need or support the education of children around the world.

In 2015, nine flights with NGO shipments were flown, many of those to African countries in addition to the traditional shipments for the stands at the Luxembourg International Bazaar. At this yearly event, organizers from various countries sell goods and food and present cultural and social aspects from their home, with all proceeds going to charity.

Since its early days, Cargolux has sought to support and promote Luxembourg’s cultural activities. As an international airline operating worldwide, the company strives to enrich the cultural life of its home country and to support Luxembourg artists in their international exposure. This support is strongly anchored in Cargolux’s ambitions and the role it wants to play as a good citizen.

Cargolux has a long-standing sponsorship agreement with the Luxembourg Museum of Modern Art, MUDAM, and regularly flies paintings, objects and other artworks for the museum’s exhibitions, mostly between Europe, the United States and Asia. Because transportation usually represents a large part of an exhibition’s costs, Cargolux’s support contributes to tip the balance towards a successful completion of such projects and constitutes an essential logistical link between MUDAM and other museums around the world.

In 2015, MUDAM celebrated its 10th anniversary and Cargolux is proud to have played its part in the museum’s success and the diversity of its high profile exhibitions.

In June 2015, Cargolux shipped around 190 tons of artworks from New York, Los Angeles and Chicago to Basle, Switzerland, for the Art Basel 2015 Expo; an event that stages the world’s premier modern and contemporary art show. Spread over six flights, the shippers took advantage of Cargolux’s specialized CV Precious product that not only meets the highest security standards, but sets them. Logistical planning around an art exhibition does not start with the transport and, due to the size and bulkiness of the artworks, the feasibility of an exhibition becomes increasingly dependent on Cargolux’s support and ample experience in the field of art transportation.

Cargolux has transported clothes, books and educational supplies for a number of charity organisations.
Hard work and dedication to service excellence have earned Cargolux a high level of trust and loyalty from its customers and partners in the industry. Many of these long-lasting partnerships have grown over decades and Cargolux is proud that its efforts are recognized with the many industry awards the company receives.

Eager to maintain the high level of trust and support, Cargolux in 2015 initiated a customer survey to gauge the overall rate of satisfaction and areas of possible improvement. With a very good return rate of about 15%, customers expressed their appreciation and gave the airline the chance to identify some areas that need more detailed attention. As a company in a competitive environment, Cargolux relies on valuable feedback like this to constantly grow and improve its service. 2016 was declared as Cargolux’s ‘Year of the Customer’.

Reflecting this expertise in its CV Pharma product, one of eight specialized offerings in its product portfolio, makes Cargolux a preferred carrier for the transport of pharmaceutical goods and underlines the company’s commitment to the safe and fast movement of high-value, temperature-sensitive healthcare shipments across its global network.

In January 2016, Cargolux successfully passed its GDP Surveillance Audit, validating its GDP certification for another year.

**Cargolux’s Year of the Customer**

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Cargolux was the first airline worldwide to receive the Good Distribution Practice (GDP) certification that attests Cargolux’s management system meets the requirements of the EU directive ‘Guidelines on Good Distribution Practice of Medical Products for Human Use’, as well as World Health Organization guidelines.
## APPENDIX SOCIAL AND ENVIRONMENT

### EMPLOYMENT

<table>
<thead>
<tr>
<th>Number of staff</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worldwide</td>
<td>1,779</td>
<td>1,710</td>
<td>1,606</td>
</tr>
<tr>
<td>Headquarters</td>
<td>1,335</td>
<td>1,305</td>
<td>1,224</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>444</td>
<td>405</td>
<td>382</td>
</tr>
<tr>
<td>Percentage of women</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Permanent contract</td>
<td>1,622</td>
<td>1,580</td>
<td>1,556</td>
</tr>
<tr>
<td>Newly hired</td>
<td>181</td>
<td>188</td>
<td>125</td>
</tr>
<tr>
<td>CWA</td>
<td>1,164</td>
<td>1,148</td>
<td>1,078</td>
</tr>
<tr>
<td>Female</td>
<td>13%</td>
<td>12.5%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Male</td>
<td>87%</td>
<td>87.5%</td>
<td>87.8%</td>
</tr>
<tr>
<td>Turnover</td>
<td>107</td>
<td>76</td>
<td>75</td>
</tr>
<tr>
<td>Retention rate after parental leave</td>
<td>100%</td>
<td>95%</td>
<td>95%</td>
</tr>
</tbody>
</table>

### Number of employees by age groups

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30</td>
<td>254</td>
<td>232</td>
<td>192</td>
</tr>
<tr>
<td>30-50</td>
<td>1,125</td>
<td>1,126</td>
<td>1,117</td>
</tr>
<tr>
<td>Over 50</td>
<td>400</td>
<td>352</td>
<td>297</td>
</tr>
</tbody>
</table>

### ABSENTEEISM

<table>
<thead>
<tr>
<th>Lost days for accidents</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost days for sickness</td>
<td>12,741</td>
<td>13,304</td>
<td>13,746</td>
</tr>
<tr>
<td>Maternity leave</td>
<td>1,592</td>
<td>7,566</td>
<td>6,536</td>
</tr>
</tbody>
</table>

### OCCUPATIONAL HEALTH & SAFETY

<table>
<thead>
<tr>
<th>Number of injuries (accidents)</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal</td>
<td>26</td>
<td>42</td>
<td>33</td>
</tr>
<tr>
<td>External</td>
<td>14</td>
<td>16</td>
<td>15</td>
</tr>
</tbody>
</table>

### TRAINING

<table>
<thead>
<tr>
<th>Number of training hours per employee</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>87</td>
<td>64</td>
<td>45</td>
</tr>
</tbody>
</table>
### Materials

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/C cleaning products, TOTAL (ltrs)</td>
<td>34,017</td>
<td>35,741</td>
<td>33,555</td>
</tr>
<tr>
<td>Honey bee</td>
<td>402</td>
<td>310</td>
<td>254</td>
</tr>
<tr>
<td>A/C cleaner</td>
<td>32,760</td>
<td>32,095</td>
<td>29,940</td>
</tr>
<tr>
<td>Hydraulic removal</td>
<td>855</td>
<td>3,336</td>
<td>3,391</td>
</tr>
</tbody>
</table>

### De-icing and anti-icing product, TOTAL (kgs)

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tarmac/airside (ltrs/kgs)</td>
<td>6,000 / 2,750</td>
<td>2,500 / 2,500</td>
<td>15,345</td>
</tr>
<tr>
<td>Salt (parking/road)</td>
<td>13,175</td>
<td>4,005</td>
<td>16,415</td>
</tr>
</tbody>
</table>

### Paper (DIN A4) (kgs)

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper</td>
<td>24,400</td>
<td>30,630</td>
<td>29,237</td>
</tr>
</tbody>
</table>

### Cartridges (pcs)

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cartridges</td>
<td>162</td>
<td>240</td>
<td>247</td>
</tr>
</tbody>
</table>

### Emissions

#### Direct emissions:

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ emitted by aircraft (tonnes)</td>
<td>3,485,274</td>
<td>3,184,580</td>
<td>2,867,800</td>
</tr>
</tbody>
</table>

#### Indirect emissions:

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities</td>
<td>2,475</td>
<td>2,513</td>
<td>2,362</td>
</tr>
</tbody>
</table>

### Consumption

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel (Heating systems for Lorang building)</td>
<td>70,052</td>
<td>87,599</td>
<td>85,160</td>
</tr>
<tr>
<td>Fuel (sprinkler pumps)</td>
<td>4,509</td>
<td>2,889</td>
<td>4,699</td>
</tr>
<tr>
<td>Electricity (kWh)</td>
<td>5,582,725</td>
<td>5,787,965</td>
<td>5,781,009</td>
</tr>
</tbody>
</table>

### The following data regarding the indirect Energy Consumption are only available for CMC:

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heating (kWh)</td>
<td>6,227,000</td>
<td>5,627,100</td>
<td>6,176,300</td>
</tr>
<tr>
<td>Cooling (kWh)</td>
<td>443,500</td>
<td>466,600</td>
<td>464,380</td>
</tr>
<tr>
<td>Compressed air (m³)</td>
<td>994,885</td>
<td>1,004,077</td>
<td>825,370</td>
</tr>
<tr>
<td>Gas (m³)</td>
<td>1,090,762</td>
<td>1,088,487</td>
<td>1,039,030</td>
</tr>
</tbody>
</table>

### Fuel

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jet A (tonnes)</td>
<td>1,106,436</td>
<td>1,010,978</td>
<td>910,413</td>
</tr>
<tr>
<td>GSE vehicles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Fuel (ltrs)</td>
<td>91,926</td>
<td>71,305</td>
<td>75,406</td>
</tr>
<tr>
<td>Diesel (ltrs)</td>
<td>15,123</td>
<td>13,542</td>
<td>17,452</td>
</tr>
<tr>
<td>Unleaded Gasoline 95 (ltrs)</td>
<td>1,970</td>
<td>2,949</td>
<td>4,268</td>
</tr>
</tbody>
</table>

### Waste

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazardous waste</td>
<td>124,948</td>
<td>176,046</td>
<td>144,615</td>
</tr>
<tr>
<td>Recyclable waste</td>
<td>74,103</td>
<td>90,625</td>
<td>91,037</td>
</tr>
<tr>
<td>Residual waste</td>
<td>117,086</td>
<td>76,029</td>
<td>56,836</td>
</tr>
<tr>
<td>Oily waste</td>
<td>21,801</td>
<td>25,219</td>
<td>21,664</td>
</tr>
<tr>
<td>Other waste</td>
<td>6,007</td>
<td>4,972</td>
<td>6,879</td>
</tr>
</tbody>
</table>
### STRATEGY & ANALYSIS

**G4-1** Provide a statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.

### ORGANISATIONAL PROFILE

| G4-3 | Report the name of the organisation. | 102 |
| G4-4 | Report the primary brands, products, and services. | 102 |
| G4-5 | Report the location of the organization's headquarters. | 102 |
| G4-6 | Report the number of countries where the organization operates, and name of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report. | 102 |
| G4-7 | Report the nature of ownership and legal form. | Joint-stock company (société anonyme) |
| G4-8 | Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries). | 102 |
| G4-9 | Report the scale of organization. | 16 |
| G4-10 | a. Report the total number of employees by employment contract and gender. | 113 |
|  | b. Report the total number of permanent employees by employment type and gender. | 113/128 |
|  | c. Report the total workforce by employees and supervised workers and by gender. | n/a |
|  | d. Report the total workforce by region and gender. | 113/128 |
|  | e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. | n/a |
|  | f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries). | n/a |
| G4-11 | Report the percentage of total employees covered by collective bargaining agreements. | 128 |
| G4-12 | Describe the organization’s supply chain. | Not reported - data not available |
| G4-13 | Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain. | 102 |
| G4-14 | Report whether and how the precautionary approach or principle is addressed by the organization. | 104 |
### GENERAL STANDARD DISCLOSURES

| G4-15 | List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses. | 102 |
| G4-16 | List memberships of associations and national or international advocacy organisations in which the organization holds a position on the governance body, participates in projects or committees, provides substantive funding beyond routine membership dues, views membership as strategic. | 103 |

### MATERIALITY MATRIX

| G4-17 | a. List all entities included in the organization's consolidated financial statements or equivalent documents. | n/a |
|       | b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. |
| G4-18 | a. Explain the process for defining the report content and the Aspect Boundaries. | 104 |
|       | b. Explain how the organization has implemented the Reporting Principles for defining report content. |
| G4-19 | List all material aspects identified in the process for defining report content. | 104 |
| G4-20 | For each material aspect, report the aspect boundary within the organization. | 104 |
| G4-21 | For each material aspect, report the aspect boundary outside the organization. | 105 |
| G4-22 | Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements. | Nothing to report |
| G4-23 | Report significant changes from previous reporting periods in the scope and aspect boundaries | Nothing to report |

### STAKEHOLDER ENGAGEMENT

<p>| G4-24 | Provide a list of stakeholder groups engaged by the organisation. | 105 |
| G4-25 | Report the basis for identification and selection of stakeholders with whom to engage. | 105 |
| G4-26 | Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process. | 105 |
| G4-27 | Report key 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. Report the stakeholder groups that raised each of the key topics and concerns. | 105 |</p>
<table>
<thead>
<tr>
<th>GENERAL STANDARD DISCLOSURES</th>
<th>EXPLANATION / OMISSION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REPORT PROFILE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-28  Reporting period for information provided.</td>
<td></td>
<td>104</td>
</tr>
<tr>
<td>G4-29  Date of most recent previous report.</td>
<td></td>
<td>104</td>
</tr>
<tr>
<td>G4-30  Reporting cycle.</td>
<td></td>
<td>104</td>
</tr>
<tr>
<td>G4-31  Provide the contact point for questions regarding the report or its contents.</td>
<td></td>
<td>144</td>
</tr>
<tr>
<td>G4-32  a. Report the ‘in accordance’ option the organization has chosen</td>
<td></td>
<td>104</td>
</tr>
<tr>
<td>b. Report the GRI Content Index for the chosen option.</td>
<td></td>
<td>104</td>
</tr>
<tr>
<td>c. Report the reference to the External Assurance Report, if the report has been externally assured.</td>
<td></td>
<td>104</td>
</tr>
<tr>
<td>G4-33  Report the organization’s policy and current practice with regard to seeking external assurance for the report</td>
<td></td>
<td>104</td>
</tr>
<tr>
<td><strong>GOVERNANCE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-34  Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ETHICS AND INTEGRITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-56  Describe the organization’s values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.</td>
<td></td>
<td>108</td>
</tr>
</tbody>
</table>
## GRI TABLE 2015

<table>
<thead>
<tr>
<th>SPECIFIC STANDARD DISCLOSURES</th>
<th>EXPLANATION / OMISSION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASPECT: MATERIALS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-EN1 Materials used by weight or volume</td>
<td>129</td>
<td></td>
</tr>
<tr>
<td><strong>ASPECT: ENERGY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-EN3 Energy consumption within the organization</td>
<td>129</td>
<td></td>
</tr>
<tr>
<td>G4-EN5 Energy intensity</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ASPECT: WATER</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-EN8 Total water withdrawal by source</td>
<td>129</td>
<td></td>
</tr>
<tr>
<td>G4-EN10 Water consumption (Percentage and total volume of water recycled and reused)</td>
<td>We have nothing to report as we do not have this process in place.</td>
<td></td>
</tr>
<tr>
<td><strong>ASPECT: EMISSIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-EN15 Direct Greenhouse Gas (GHG) emissions</td>
<td>129</td>
<td></td>
</tr>
<tr>
<td>G4-EN16 Indirect Greenhouse Gas (GHG) emissions</td>
<td>129</td>
<td></td>
</tr>
<tr>
<td>G4-EN18 Greenhouse Gas (GHG) emissions intensity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-EN19 Initiatives to reduce GHGE and reductions achieved</td>
<td>119</td>
<td></td>
</tr>
<tr>
<td><strong>ASPECT: EFFLUENTS AND WASTE</strong></td>
<td></td>
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<tr>
<td>G4-EN22 Total water discharge by quality and destination</td>
<td>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.</td>
<td>129</td>
</tr>
<tr>
<td>G4-EN23 Total weight of waste by type and disposal method</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-EN24 Total number and volume of significant spills</td>
<td>Monitoring implemented from October 2011; reporting form designed. Definition: significant spill = 100 l chemical substance; WE CHANGED TO 50 liters after ISO 14001 audit recommendation</td>
<td></td>
</tr>
<tr>
<td>SPECIFIC STANDARD DISCLOSURES</td>
<td>EXPLANATION / OMISSION</td>
<td>PAGE</td>
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<tr>
<td><strong>ASPECT: EMPLOYEMENT</strong></td>
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<tr>
<td>G4-LA1 Total number and rate of new employee hires and employee turnover by age group, gender and region.</td>
<td></td>
<td>113</td>
</tr>
<tr>
<td>G4-LA3 Return to work and retention rates after parental leave, by gender.</td>
<td></td>
<td>128</td>
</tr>
<tr>
<td></td>
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<tr>
<td><strong>ASPECT: OCCUPATIONAL HEALTH &amp; SAFETY</strong></td>
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<tr>
<td>G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.</td>
<td></td>
<td>128</td>
</tr>
<tr>
<td>G4-LA8 Health &amp; Safety topics covered in formal agreements with trade unions.</td>
<td></td>
<td>118</td>
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<tr>
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<tr>
<td><strong>ASPECT: TRAINING AND EDUCATION</strong></td>
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<tr>
<td>G4-LA9 Average hours of training per year per employee by gender, and by employee category.</td>
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<td>116</td>
</tr>
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<td></td>
<td>128</td>
</tr>
<tr>
<td><strong>ASPECT: DIVERSITY AND EQUAL OPPORTUNITY</strong></td>
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<tr>
<td>G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.</td>
<td></td>
<td>128</td>
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<tr>
<td><strong>ASPECT: INVESTMENT</strong></td>
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<tr>
<td>G4-HR2 Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.</td>
<td></td>
<td>108</td>
</tr>
</tbody>
</table>
To the Shareholders of
Cargolux Airlines International S.A.
Aéroport de Luxembourg
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, 2015 as set out on pages 100-135.

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 (G4) of the Global Reporting Initiative (“GRI”) as described on pages 104, 130–135 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.
- Inquires 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 2015 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, 2015 is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative as described on pages 104, 130–135 of the Sustainability Report.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Werner Weynand

Luxembourg, 7 April 2016
### EUROPEAN TRUCKING NETWORK

#### European road feeder network from and to Luxembourg

<table>
<thead>
<tr>
<th>AUSTRIA</th>
<th>FRANCE</th>
<th>CZECH REPUBLIC</th>
<th>UNITED KINGDOM</th>
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<tbody>
<tr>
<td>Linz</td>
<td>Lille</td>
<td>Prague</td>
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#### Road feeder network from Prestwick

<table>
<thead>
<tr>
<th>Aberdeen</th>
<th>Cork</th>
<th>Manchester</th>
<th>Newcastle</th>
<th>Road feeder network from Budapest</th>
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</thead>
<tbody>
<tr>
<td>Belfast</td>
<td>Derby</td>
<td>Manchester</td>
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<td>Birmingham</td>
<td>Dublin</td>
<td>Norwick</td>
<td>Shannon</td>
<td>Ljubljana</td>
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<td>Bristol</td>
<td>Glasgow</td>
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<td>Bucharest</td>
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<td>Cardiff</td>
<td>London</td>
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<td>Warsaw</td>
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#### Road feeder network from Milan

<table>
<thead>
<tr>
<th>Barcelona</th>
<th>Fiumicino</th>
<th>Naples</th>
<th>Verona</th>
<th>Road feeder network from Istanbul</th>
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</thead>
<tbody>
<tr>
<td>Basle</td>
<td>Geneva</td>
<td>Nuremberg</td>
<td>Vienna</td>
<td>Adana</td>
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<td>Bordeaux</td>
<td>Genova</td>
<td>Stuttgart</td>
<td>Zurich</td>
<td>Ankara</td>
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<td>Civitanova</td>
<td>Lyon</td>
<td>Toulouse</td>
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<td>Izmir</td>
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<td>Marche</td>
<td>Marseille</td>
<td>Turin</td>
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<tr>
<td>Firenze</td>
<td>Munich</td>
<td>Venice</td>
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</table>

#### Road feeder network from Barcelona

<table>
<thead>
<tr>
<th>Alicante</th>
<th>Madrid</th>
<th>Zaragoza</th>
<th>Road feeder network from Maastricht</th>
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</thead>
<tbody>
<tr>
<td>Bilbao</td>
<td>Porto</td>
<td>Luxembourg</td>
<td>Amsterdam</td>
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<tr>
<td>Lisbon</td>
<td>Valencia</td>
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</tbody>
</table>
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.
DESTINATIONS – ROUTE MAP 2016

(also) flown by Cargolux Italia