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2010****Contents**

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Welcome**Airfreight Outlook and Dynamics**

Positive signs, reflected in the latest industry indicators, show that the air cargo industry has well recovered from last year's chaotic market conditions.

Most cargo carriers are, at last, posting profits for the first nine months in 2010.

Cargolux too is finally seeing brighter skies with an increase in revenue of close to 34% for the first ten months of 2010 and will finish the year firmly in the black.

While industry experts all agree to predict strong and long-term growth for the industry, Cargolux still remains cautious for 2011.

Preserving the company's most valuable asset; its flexibility and ability to quickly react to changes will be our main focus for 2011.

Cargolux is closely monitoring business trends worldwide and is efficiently deploying capacity where it is needed, when it is needed. This model has proven to be a life-saver, especially in times of crisis.

Now that the industry is recovering from the crisis we must address the issues affecting our industry. And they are numerous indeed!

Increased security regulations, volatility of fuel prices regional, as opposed to global, Emission Trading Scheme (ETS), a variety of environmental taxes will plague our industry going forward. The lack of worldwide standards and approaches to CO2 reduction policies will affect the competitiveness for European-based companies whose governments have endorsed strict and stringent CO2 reduction policies under the EU ETS.

Cargo carriers will face two additional pressures to stay in the game:

- Fuel inefficient, environmentally unfriendly, noisy aircraft will no longer be tolerated.
- Airlines must be able to communicate seamlessly with other participants in the logistics chain-forwarders, ground handlers or customs.

On both counts Cargolux is prepared.

In the coming years, and starting in the summer of next year, the company will replace its 747-400F with next generation 747-8F. Compared to its predecessor, the -8 will consume 15% less fuel, have a 30% better noise footprint and offer 15% more capacity.

Cargolux fully embraces all initiatives for a paperless industry and can offer easy IT plug-ins to its customers and partners.

A year after the crisis we stand stronger and are prepared to take on future challenges and opportunities.

Thank you for your continued support!

David Arendt

CEO ad Interim

Network Information



Additional Transpacific Service

Following the introduction of Cargolux's Trans-Pacific service in April of this year, Cargolux added a fifth Trans-Pacific service, in September 2010.

CV 7306 departs Luxembourg at 03.40 p.m. on Saturdays, arriving in Singapore at 09.40 a.m. on Sunday morning and in Hong Kong at 03.35 p.m. on Sunday afternoon. Departure

from Hong Kong, CV 7317, is at 05.35 p.m. the same day, with arrival in Los Angeles on Sunday evenings at 06.25 p.m. From Los Angeles, CV 7711 departs the same day at 08.25 p.m. with arrival in Luxembourg at 03.45 p.m. on Monday afternoons.

Additional Transpac flight details are displayed on the enclosed flyer ([view flyer](#)).



Fourth Frequency to Taipei

Based on growing customer demand, Cargolux introduced of a fourth weekly frequency to Taipei, earlier in autumn of this year.

CV 7901 is operated every Monday morning, departing Luxembourg at 09.40 a.m., with arrival in Taipei on Tuesday morning at 07.30 a.m.

The return flight, CV 7912, departs from Taipei the same day at 09.40 a.m., and is operated via Bangkok. Arrival in Luxembourg is at 09.10 p.m. on Tuesday evenings.

The three existing flights to Taipei are operated on Tuesday evenings, Friday mornings, and Saturday mornings out of Luxembourg with arrivals in Taipei on Wednesday evenings, on Saturday mornings, and on Sunday mornings ([view flyer](#)).

Cargolux mainly flies machinery, spare parts, and computers to Taipei, while electronic goods and machinery are included on the outbound flights. Cargolux serves Taipei since 1978.

Commodities



Bulldozer to Johannesburg

While bulldozers for underground mining operations in South Africa are usually shipped from Canada by oceanfreight, Cargolux received an urgent request from Sandvik, South Africa to fly one bulldozer for a Sandvik Conference/Exhibition in Johannesburg, held from

11 - 14 October 2010.

The impressive Sandvik bulldozer was loaded onboard Cargolux's B747-400 freighter in New York on 05 October, 2010, then flown via Luxembourg to its final destination Johannesburg, to meet the exhibition deadline, thus avoiding extended oceanfreight sailing time.

Freight forwarder was DHL, global leader in air freight, carrying 12% of the total worldwide market, with operations managed from 150 countries (www.dhl.com).

Sandvik, with main office in Sweden plus offices around the world, offers the world's widest range of tools and accessories for exploration, rock drilling, raise boring, coal and mineral cutting, tunneling, trenching, road grading and cold planing. (www.sandvik.com)



The Oddest Of Them All

While the airfreight industry has coined the term "odd-size-shipments", the Cargolux team in Singapore must have handled "the 'oddest' of them all", as Singapore's Country Manager, Ms. Gee Noor Azizah, proudly states. Cargolux always maintained that, whatever the shipment was, whatever the size or however odd, Cargolux would be able to carry it. And with this cargo of oil industry equipment, Cargolux has certainly made history in Singapore.

Using its proven expertise, Cargolux carried sixty pipes for an oil drilling project in Cape Town from Singapore to Johannesburg on 14 and 15 October.

Each piece had a length of 75ft (23 meters).

The Singapore operations staff loaded several 40ft pallets, each carrying fifteen pipes with a total weight of sixty tons. They were loaded side by side on each of the charter flights to South Africa, occupying sixteen maindeck positions. The herculean feat was observed by other airlines' staff eager to learn how Cargolux was doing it. "You could say there were quite a few spectators" says Ms Gee Noor Azizah.

Her sales department first received the request from one of Cargolux's regular agents, Ceva Freight (Singapore) Pte Ltd.

With the help of the regional Cargolux office in Hong Kong, Cargolux Singapore secured the charter shipment.

Matthew Ma, Cargolux Vice-President, Head of Asia & Pacific, helped the Singapore team along with his direction and support.

Once the charters were secured, the Singapore office operations department could meticulously plan the operations in theory and practice. Before the Cargolux aircraft touched down in Singapore, the team spent three days on planning and preparations. "This operation was a big achievement for the Singapore Operations (SIN OPS) team," says Michael Kirm of Ground Ops in Luxembourg. "To my knowledge, two thirty-ton, forty-foot pallets loaded side-by-side has never been done before. What is impressive is, that Singapore Operations managed to load the second pallet, with the first one already in, probably limiting the necessary movements. Hats off to the Singapore Operations team and congratulations.

They definitely created history in loading this one!" Special thanks go to the Singapore operations team of Aziz Abul Nasir, Station Manager and his staff, Marcus Cham, Sr. Supervisor and Niketan Dhirajla, Assistant Manager, for their excellence and professionalism in handling the "oddest-of-the-odd" shipments. Thanks also to Timothy Li, Director in Hong Kong, who helped with the aircraft availability network planning, as well as Michael Kinn and Paul Hoffmann in Luxembourg and Singapore's Ground Handling Agent SATS. The Cargolux Johannesburg team headed by Stuart Gow successfully completed the job upon arrival in South Africa. Cargolux Singapore also would like to thank Cheong Chin Hock, General Manager Airfreight of Ceva Freight (Singapore) Pte Ltd for his continued support. In 2010, Cargolux Singapore has carried 700 tons of oil and gas related shipments to Azerbaijan, Kazakhstan, Turkmenistan, Kyrgyzstan, Georgia, Africa, Middle East, Europe and the USA.



Cargolux Brings Relief Goods To Pakistan Flood Victims

After the disastrous floods in Pakistan that left millions of people homeless and injured, the local Consulate for Pakistan in Luxembourg initiated a countrywide collection of relief goods.

Around 600 boxes, containing used clothes, sheets, shoes and tinned food arrived at the CargoCenter where Cargolux loaded them free-of-charge on its flights to Karachi on 14 and 21 September 2010.

From Karachi, the shipments were forwarded to the affected areas by the local relief organisation Edhi International Foundation.

Coordination and documentation was handled by Cargolux's Charity Committee in Luxembourg. Free storage room was offered by Streff, Luxembourg, who also took care of the delivery of the boxes to the Luxair Cargo Center, while Luxair Cargo arranged for free security screening of the shipments.

On behalf of the people of Pakistan, The Honorary Consul General, Mark Samuel, extended his sincere gratitude to Cargolux Airlines, Streff, Luxair Cargo and the people of Luxembourg for contributing generously with their valuable donation to help the people in Pakistan who lost everything in the floods.

In addition to the space offered on board Cargolux's regular weekly service to Karachi, Cargolux also arranged for a fullcharter to Pakistan. This humanitarian aid flight was sponsored by the Luxembourg Ministry of Foreign Affairs. Among the transported relief items were a water-purification system on wheels/trucks, medicaments, plus a second water station sponsored by other European governments.



Relief Items for Russia

Following the devastating recent wildfires that broke out across Russia, covering almost 500,000 acres, leaving 4,000 people in 14 regions without homes, Luxembourg's asbl Luxembourg-Russie, headed by Norbert E. Goergen, member of the committee of the 'Centre Culturel A.S. Pouchkine' initiated a countrywide collection of relief items. In total, over 7 tons with mainly winter clothes, covers, and shoes from the people of Luxembourg were sent to Russia in support of those in need.

Cargolux transported the charity boxes onboard two flights to Baku on free of charge / stand-by basis. The shipment onboard the first flight was accepted by Silk Way Airlines on the same basis, from Baku to Moscow, from where it was trucked to Voronezh/Russia .

The second shipment was planned by direct truck from Baku to final destination.

Coordination and documentation were ensured by Cargolux's Charity Committee at head office Luxembourg, taking care of the company's worldwide charity activities, in line with the available space on Cargolux's freighters.

Free storage room was offered by Luxembourg's Commune of Cessange and by the WSA, Luxembourg, who also took care of the delivery to the Luxair Cargo Center, while Luxair Cargo arranged for free security screening of this charity shipment.

Station in Focus



Meet Cargolux Ireland

The office of Airline Cargo Services Shannon is situated in the heart of the freight forwarding community, less than one mile from Shannon Airport itself.

ACS looks after Cargolux's sales and marketing activities in Dublin, Shannon and Cork, which is approximately 90 minutes away by road.

Mr. Tom Cusack, acting as Commercial Director, is based in Shannon and is ably assisted by Ms. Johanna Cusack, who is responsible for marketing.

For a number of years in the 1990s and early 2000s, Cargolux Airlines operated a weekly flight inbound from the U.S.A. and then onwards to Luxembourg.

The main commodities moving in and out of Shannon are computer related, pharmaceutical, medical and telecom equipment. There is also a thriving equestrian industry and Cargolux has dropped in to Shannon on a regular basis to transport horses to the Middle East, Japan and Australia. Today, it is more prevalent for the bloodstock agencies to truck to Prestwick or Luxembourg to connect with Cargolux services globally. Trucking connections are available to and from all Irish airports and also to all UK and continental airports such as Amsterdam, Brussels, Paris, Frankfurt and, of course, Luxembourg!

Shannon Airport is unique, both in its location and its place in the history of world aviation. It is the westernmost airport in Europe, making it an ideal stepping stone between the old and the new worlds. Chosen for its geographical position as the transatlantic gateway between Europe and America, Shannon was designated as Ireland's transatlantic airport at its inception by the Irish Government. The airport itself covers about 2,000 acres in County Clare on the north bank of the Shannon Estuary and is located approximately 24 kilometres (15 miles) west of Limerick City and a similar distance south of Ennis. Its runway (06-24) is capable of accepting the largest type of aircraft now in operation. There are almost 2,000 people employed at the airport. Shannon handles an annual

passenger throughput of approximately three million people, while nearly 50,000 metric tons of freight are transported through its cargo area. Well over half a million passengers are travelling through Shannon as transit passengers- between Europe and North America. The airport is used by around 20,000 scheduled commercial aircraft and nearly 8,500 non-scheduled commercial aircraft.

All in all, there are around 26,000 aircraft movements at Shannon every year.

For additional info, please contact: info@airlinecargoservices.com

Market Information



Air Cargo Forum Amsterdam

The ACF, organised every other year by TIACA, The International Air Cargo Association, in 2010 took place in Amsterdam/The Netherlands from 2-4 Nov.

This was the 25th International Air Cargo Forum and Exposition that followed the ACF 2008 held in Kuala Lumpur, while the next ACF is planned for 2012 in Atlanta/USA.

Cargolux was one of the over 200 exhibitors at the ACF 2010 which represents a perfect platform for networking and new business opportunities.

Around 5000 delegates and visitors were counted in 2010, representing the world of air cargo.

The conference topics included air cargo screening, e-freight, aviation and climate change, logistics and supply chain issues - the forwarders' perspective, the role of the shipper, the future of air cargo handling, the cool chain challenge and the overall economic outlook following the crisis year, with speakers contributing from the various segments of the industry.

On the last day of the ACF 2010, TIACA, IATA, FIATA, and the GSF (Global Shippers Forum), signed a letter of intent to form an industry advisory group facilitated by TIACA, to ensure the air cargo industry has a strong, unified voice in dealing with worldwide regulatory authorities and other bodies whose decisions directly impact on air cargo.

Awards



Industry Recognition

Earlier this year, our Nordic GSA, North Air Logistics, part of the Air Logistics Group, was elected Air Cargo GSA of the year at the ACW World Air Cargo Awards.

"We see this award as a recognition that we are doing things right. It has always been our aim to offer a good service to the forwarders and to our principals, such as Cargolux.

Forwarders see us as Cargolux and, with the well known product Cargolux stands for, it must have been an easy choice for the agents to vote for us", states a smiling Henrik Spove, MD Scandinavia & Finland.



Cargolux receives Cargo 2000 Phase 1 Certificate

Cargolux has recently been accredited with the 'Cargo 2000 phase 1 certificate' network-wide, thus reaching a milestone in the company's long lasting commitment to top quality services.

Cargo 2000 certifies that the Quality Management System of Cargolux has been audited and found in accordance with the standard requirements described in the 'Cargo 2000 Quality Management System – Phase 1 Specifications'.

As a founder member of this IATA initiative, Cargolux has always been a strong advocate of establishing industry benchmarks as outlined by the Cargo 2000 standards.

Launched in 1997, the C2Y objective is simple: to implement processes, backed by quality standards, which are measurable to improve the efficiency of air cargo.

The phase 1 accreditation acknowledges that the management of airport to airport movements have been fully integrated into Cargolux's processes according to Cargo 2000 standards. Phase 1 covers shipment planning & tracking at Master Air waybill level. Once a booking is made, a plan is automatically created with a series of checkpoints against which the transportation of every air cargo shipment is managed and measured. This enables the system to alert Cargo 2000 members to any exceptions to the plan, allowing them to respond pro-actively to fulfill their customers' expectations.

With this new recognition the entire Cargolux network has now been stamped as Cargo 2000 compliant. Audits take place every 3 years and will recognize the company's continuous efforts towards 'top of the art' service levels.

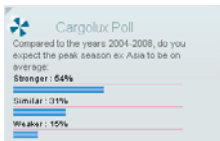
Two additional phases will follow this first phase:

- Phase 2 is responsible for shipment planning and tracking at House Air waybill level and provides interactive monitoring of the door-to-door movement.
- The third and final phase of Cargo 2000 manages shipment planning and tracking at individual piece level plus document tracking. It will also manage the flow of data information which will be of paramount importance for future security requirements as well as supporting the operation in a paperless environment, the so-called IATA e-freight initiative.

The overall objective of the Cargo 2000 initiative is to become a quality standard for the airfreight industry and Cargolux is continuously improving its processes and taking corrective actions to enhance its service levels in this perspective for the benefit of its worldwide customers.

For further information, please contact C2K@Cargolux.com

Cargolux Poll



Results Cargolux Poll

Thank you to all who participated in our latest Online poll!
Once again, optimism seems to be back in the industry.

To the question: "compared to the years 2004-2008, do you expect the peak season ex Asia to be on average:

1. Stronger
2. Similar
3. Weaker

More than half of the respondents indicated that 2010 would most probably be stronger. With another 31 % considering that the overall activity should be similar, an overall 85 % of respondents are very optimistic about the upcoming weeks.

Thank you again for your input!

Environment



Jet Fuel: The Challenges Ahead

Hardly a week goes by without the mentioning of growing energy problems and the quest for viable solutions. For a fuel-intensive operation such as Cargolux's jet aircraft fleet, this topic is particularly relevant.

In earthbound traffic, traditional combustion engines have been complemented by hybrid and electricity propulsion. In air traffic, rigorous safety standards and unresolved engineering problems with alternative fuels mean that jet kerosene will remain the technology for the next decade. This makes fuel saving so important today.

Already now, Cargolux operates one of the most modern aircraft, the Boeing 747-400 freighter. As a launch customer for Boeing's new Dash 8 model, Cargolux's attention to fuel efficiency will continue.

Yet, as a founding member of SAFUG, the Sustainable Aviation Fuel Users Group, Cargolux is part of an initiative that, already today, explores biofuels and their use in aviation. Still at test flight stage, regular operations burning a blend of traditional kerosene and biofuel are foreseen for the years 2015-16. It is important that such biofuels do not compete with food resources and also adhere to sustainable principles and criteria.

Also, in 2010, Cargolux has reinforced its procedures to monitor its jet fuel consumption and CO2 footprint in line with EU regulations. It is a demanding process but insures that Cargolux is prepared for the inclusion of the airline sector in the European Emissions Trading System in 2012.

Jet fuel is a precious commodity.

The steep price increase during 2007 and 2008, as well as the equally steep fall in response to the financial crisis has again put jet fuel in the spotlight. Yet, mostly unnoticed, prices have crept to pre-crisis levels during 2010 that were considered high three years ago. In fact, today's jet prices of US\$ 775 per ton are twice as high as they were in 2004. The World Bank states that global economic growth decreased from 5% to 3% in the same period. There is plenty of crude oil available and an abundance of finished products, like jet kerosene, is in storage. So it seems clear that neither economic growth nor scarcity of resources can explain the rise in jet fuel prices. The missing factor is a side effect of the "cheap money" politics applied by central banks around the globe.

This fresh money has found new investment opportunities in commodities, with sugar or metals being prominent examples, but oil having a major impact on multifold economic sectors. Financial investors, who are neither suppliers nor consumers in the oil markets, have not only driven prices up but make the future development of oil prices unpredictable.

Kerosene, despite its narrow use in transport and heating, has followed the general upward trend. This puts a cost burden on airlines that needs to be tackled in a number of ways, from fuel efficiency to surcharges to hedging jet fuel exposure.

Handling Information



Luxair Invests in Additional Handling Area For Live Animals

Luxembourg has a longstanding experience in animal handling and has extended its facilities up to 800sqm.

LuxairCargo has taken into operation a new handling and housing area for live animals.

A specific modularly fencing device was acquired to handle domestic pigs and assimilated species in a designated 250sqm area.

The set up and design were developed according to the requirements of the veterinarian authorities, allowing a safe and compliant handling, including an adequate evacuation of droppings and dung. A special lifting and lowering ULD-station permits the loading of three deck pallets or containers, providing the animals with easy access to all three levels. Isolated housing areas allow individual healthcare inspections, feeding and watering, in alignment with animal welfare requirements and in line with the foreseen animal head count.

The facility adds another brick to the overall customer-orientated handling facility of LuxairCARGO.

For additional info, please visit Luxair Cargo's web site: www.luxaircargo.lu

Events



A Plane for the Show

On Saturday, 09 October, a Cargolux aircraft model of the B747-400F was on display during the Family Day of Roche Diagnostics GmbH, Mannheim, which Mrs. Heinrich of Schenker Deutschland AG, Mannheim arranged for this information day.

Around 25,000 visitors ensured the success of this 'open day' at Roche Diagnostics.

The photo shows Mr. Bruno Kissel of Roche Diagnostics GmbH (www.roche.de/diagnostics), together with Mr. Werner Legleiter, Head of Schenker Deutschland AG, Mannheim (www.schenker.de).

People



Cargolux Designates Frank Reimen as CEO - Ulrich Ogiermann Becomes Special Advisor

Cargolux appoints Mr. Frank Reimen President and CEO. Mr. Reimen is currently First Government Adviser in charge of the general coordination of the department of Transport at the Luxembourg Ministry of Sustainable Development and Infrastructure.

Simultaneously, Mr. Ulrich Ogiermann becomes Special Advisor.

The decision to step aside as CEO has jointly been reached by the Board of Directors of Cargolux and Mr. Ulrich Ogiermann. It is related to Mr. Ogiermann's indictment by a US court for alleged anti-trust violations. Mr. Ogiermann will now have more time to prepare

his defense while Cargolux can continue to benefit from his knowledge and expertise. The preparation of Mr. Ogiermann's legal defense will absorb time and energy and is not reconcilable with an effective day-to-day management of the Company under trading conditions that will be challenging.

"Frank Reimen has outstanding management and leadership qualities", says Mr. Marc Hoffmann, Chairman of the Board. "He has years of experience and in-depth knowledge of the aviation sector in general and the air cargo industry in specific. As a director of the Cargolux Board, he has actively participated in decisions of high importance related to Cargolux, especially during the difficult business environment in 2009" adds Mr. Marc Hoffmann.

Frank Reimen will take office on 1 January 2011. Mr. David Arendt, Executive Vice President and CFO will be interim CEO.
