



Newsletter 

May 2010

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## Welcome



### Recovery Under Way

Preliminary signs show an overall recovery indeed, after a sluggish and devastating year 2009.

With two aircraft that left our fleet in 2009, we actually had to reduce our activity right at the moment the pick-up was starting.

As a consequence, capacity was tight and, as a result during the last quarter of 2009 we started to increase rates on specific routes such as ex Asia and from Europe to Brazil, Johannesburg or Mexico. The demand/supply balance continues to stimulate this development at many origin/destination pairs in 2010!

Here comes the focus: Our valued customer!

The present business context, ravaged by last year's recession, and unpredictable events like the volcano eruption, has left indelible marks on the entire shipping industry.

To name just a few: cost cutting, part-time work, shift from air to ocean and more were high up on the daily agenda, but, fortunately belong to the past for the time being.

Today, multinational companies, representing electronics, the automotive industry, pharmaceuticals, fashion and textiles, the oil and gas sector, machinery and similar, are launching tenders at a monthly rate, thus inflating the forwarders' business portfolio, which caters for steady capacity that carriers are supposed to deliver, at competitive pricing!

Nobody has come out of this crisis relaxed! On the contrary, the return to the airfreight business-as-usual requires supportive measures in return for premium rates, to offer our customers more transparency on schedule and routing, track and tracing information, thus transforming airfreight into a lively act rather than an invisible process in the whole transportation chain.

Pressed by the export industry, the forwarders need to have this information instantly available, favoring the best prepared airlines.

It is therefore a common practice that forwarders tend to gauge our quality by means of a so-called "monthly scorecard". The imposed measurements range from operational performance (C2K), aircraft type and fleet age, CO2 emission, frequency of customer communication, management and operational support, as well as security.

Cargolux, as a supplier of our global customer base, will be solicited to acknowledge these measurements and, consequently, involve all internal Cargolux stakeholders to verify and validate the given votes.

A positive score will increase our operational excellence while strengthening the base of a solid partnership with our major global customers.

Thank you for your valuable support and assistance.

Max Panunzi, Director Global Account Management

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## Network Information



### New on the Network!!

Based on growing customer demand, Cargolux announces the introduction of a third weekly frequency to **Komatsu** and **Seoul**, which started on 13 May, 2010.

CV 6344 is operated every Thursday evening, departing Luxembourg at 09.35 p.m., with arrival in Komatsu on Friday afternoon at 03.30 p.m. and in Seoul on Friday evening at

07.25 p.m.

The return flight, CV 6355, departs on Fridays from Komatsu at 05.30 p.m. and from Seoul at 09.25 p.m., with arrival in Luxembourg at 06.15 a.m. on Saturday morning.

The two existing flights to Komatsu are operated on Tuesday and Friday evening out of Luxembourg, with arrivals in Komatsu on Wednesday and Saturday afternoon, and to Seoul on Tuesday and Friday evening. Arrivals in Seoul take place on Wednesday and Saturday evening.

Additionally, two new **Transpacific flights** were launched in April, linking Hong Kong with Chicago and New York on Thursday and Sunday, offering a direct and fast link to the United States to Asian forwarders. (*flyer*)

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## Market Information



### Cargolux Survives its Most Difficult Year

2009 was arguably the most difficult year in the history of air freight. The industry registered a decline in freight volume of well over 20% during the year, compared to 2008.

This led to an immediate overcapacity with dire consequences for all players, including Cargolux. The company saw a reduction in fleet utilization and load factors, but, most importantly, a reduction in yields.

yields.

In 2009, Cargolux tonnage declined by close to 11%, but yields were down by over 26%.

The daily average aircraft utilization dropped 6.7% to 14.34 hours.

Total block hours for 2009 decreased by 9.3% to 83,102.

The underlying rate declined by 13.8% while tonnage versus 2008 of 10.8% were down to 627,813 tons. Freight tonne kilometers were down by 11.3% to 4,800 million while available tonne kilometers reached 6,954 million, a reduction of 9.3%.

Load factors declined by 1.6 points to 69%. (All figures include data for Cargolux Airlines International S.A. and Cargolux Italia SpA). A reduction in tonnes sold and the decline in yields resulted in a drop in revenue of 34% to US\$ 1.3 billion. Cargolux recorded an overall loss of US\$153 million.

#### **Network**

The crisis affected all Cargolux destinations and areas. The company temporarily reduced capacity on all routes and closed a number of destinations, including Istanbul, Toronto, Helsinki and Cairo. No new destinations joined the network in 2009.

#### **Fleet**

Cargolux kept its fleet of 16 B747-400Fs in operation, however, a lower utilization of each aircraft meant that, in practice, the equivalent of two aircraft were on the ground during the months of June and July. In September and October, two aircraft were delivered to UPS in a deal that had been concluded before the crisis hit and was intended to facilitate the planned delivery of Cargolux's new B747-8 freighters in 2009. However, by the time those two aircraft left the fleet, Cargolux was actually in need for more capacity, as the markets began to rebound. To cover the demand, Cargolux leased-in up to three B747-200Fs for the peak season in the last three months of the year. Despite the worldwide decline and operating with reduced capacity, Cargolux managed to keep its market share stable at around 4%.

#### **New Ownership Structure**

As a result of the losses incurred and to ensure the survival of the company, a re-capitalization of Cargolux became necessary. In November 2009, the company implemented a restructuring of its capital structure in a two step transaction. First, shareholder SAirlines (part of the defunct Swissair Group) sold its 33.7% stake to Luxair, BCEE, SNCI (all current shareholders of Cargolux) and, as a new shareholder, the Luxembourg State. Secondly, Cargolux' shareholders approved the creation of an authorized capital of US\$200 million, giving power to the board to issue new shares. A capital injection of US\$100 million took place before year-end.

## 747-8 Delay

The production delay of the B747-8F has pushed the first delivery to Cargolux from 2009 to late 2010. Cargolux saw this development with mixed emotions. On one hand, the delay helped Cargolux to preserve much-needed cash. On the other hand, the company could have well used the added efficiency, lower fuel consumption, higher range and payload to reduce its operating costs.

## Social Responsibility

With the 2009 annual report, Cargolux also publishes its second sustainability report. The company went through the crisis without any forced lay-offs among its permanent staff. Instead, part-time work, unpaid leave and early retirement schemes were well received and have helped the company to no small extent. Throughout the year, the Cargolux management kept close contact with the social partners in a constructive dialogue. The collective work agreement was recently renewed until the end of 2010 in a responsible manner from all sides.

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## Customer Survey Result

In December 2009, Cargolux launched its second online customer survey with the objective to give its clients all over the world the opportunity to efficiently express their opinion on the quality and reliability of Cargolux's services.

Questions covered both, company performance indicators as well as station related performance indicators.

1,050 customers participated in the survey and Cargolux was extremely pleased to corroborate previous survey's results.

Overall, its performance was rated 8.03 out of 10.

Some aspects of its business were even rated as high as 9 out of 10 (off-size shipments or customer service).

Customers were also asked to evaluate the market growth potential for their air freight activities. Only 3% of respondents believed that there will be negative growth, while 32 % of them believed it would grow 2 to 5 %. 29 % of respondents in a growth rate between 5 to 10 %, while as much as 18 % of voters believed the growth rate would be higher than 10%!

Cargolux's overall position in the market place is extremely good with a clear expertise identified in terms of off-size and know-how of staff.

Thanks again to all those who participated!!

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## Station in Focus: Shanghai

The Chinese economy has grown with an unprecedented pace in the past couple of years to become the second most successful and powerful economy in the world. The abundance of opportunities has attracted companies from all over the world who are looking to minimize production costs and maximize profits.

Transportation needs in China have grown hand in hand with this fast moving and dynamic economy.

Amid all transportation modes, air freight volumes currently grow 15 to 20 % per year.

It is in this extremely prosperous context that Cargolux set up its Shanghai office in March 1999. Ten years ago, the office, located at Shanghai Hongqiao airport, started offering one weekly service to Luxembourg. In 2010, after 10 years of continuous growth, weekly frequencies reach 8 with a total weekly tonnage of close to 900 tons.

The main outbound commodities are electronics (monitors, notebooks, cameras,) textiles and garments; while inbound commodities mainly consist of pharmaceuticals, cars and assembly line equipment.

For inbound cargo, the station can organize on-forwarding to many additional cities like Nanjing, Hangzhou, Ningbo, Wuxi, Suzhou, Qingdao, Wuhan, Fuzhou, Yantai, plus an additional 24 destinations on request.

The Cargolux Shanghai team is young and dynamic, reflecting the overall spirit of this lively and ever-growing city that currently hosts the 2010 world expo with a very promising motto: "better city, better life".

For additional information, please feel free to contact the Cargolux Shanghai team at: [sha@cargolux.com](mailto:sha@cargolux.com).

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## Commodities



## Keep Cool-Fly Cool

Cargolux's extensive expertise in tailor-made transportation services has a well-established reputation in the airfreight industry.

The KeepCool Team is one of Cargolux's unique teams of supply chain experts, with ever

growing specialized knowledge and complimentary backgrounds. The team has a large and comprehensive spectrum of activities geared to one ultimate objective: providing 100% satisfaction to Cargolux's customers worldwide.

Bringing this challenging ambition to more pragmatic levels, results in following sensitive shipments through the entire supply chain to ensure a flawless transport from A to B, on the ground as well as in the air.

This is achieved mainly by:

- elaborating very detailed standard operating procedures to make sure the exact needs of customers are met,
- facilitating the development of new routes in accordance to specific requirements,
- assessing the feasibility of new product lines in collaboration with the Cargolux stations that cover the trade lane,
- insuring a unique and knowledgeable point of contact for customers worldwide,
- coordinating the additional oversight necessary to maintain optimum service quality,
- evaluating and testing new equipment to continuously improve Cargolux's service level delivered to its customers,
- incorporating new industry standards into Cargolux's operations by actively participating in initiatives like the Cool Chain Association or the IATA Time and Temperature Task Force, thus insuring homogeneity of procedures and standards in the industry.

The KeepCool team is not a stand-alone team. Its strength resides in its cross-departmental set-up which insures greater visibility and control over the transportation chain.

Team members come from Import/Export Customer Service/Network Support/ULD Control/Sales/Global Accounts/Engineering/Load Control, all the way down to the station that is in direct contact with the customer.

Shipments, which require special care like pharmaceuticals, or semi-conductors and other temperature controlled shipments are all proactively scrutinized by Cargolux's team of experts to detect possible failures in the supply chain to solve them before they actually turn into problems.

Important breakthroughs of the team include the introduction of data loggers or temperature recorders onboard the aircraft to insure that everyone involved in the transportation of temperature sensitive commodities, from the reservations staff through the handling agents, up to the pilot, are taking the necessary measures to make sure the required ambient temperature remains constant during the duration of the journey.

Additionally, new thermal blankets are currently tested to avoid exposing sensitive shipments to large ambient temperature variations when being transferred from the warehouse to the aircraft or vice versa.

The KeepCool team is constantly reviewing operational processes, evaluating new technologies and sharing knowledge with the rest of the company to improve Cargolux's competitive edge and ultimately bringing peace of mind to Cargolux's customers worldwide.

Today, information has not only to be quick, but, given the modern means of communication, instantaneous. The KeepCool team's vision is "to share the moment, while it's happening". Its priority is to create a quality system for the industry and its customers, one that can be delivered consistently.

For more information, the KeepCool team can be contacted at: [keepcool@cargolux.com](mailto:keepcool@cargolux.com).

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## Cargolux's Extraordinary Machines

On 23 February, an impressive grinding machine with spare parts from Sundwig, Hemer/Germany, weighing 24 tons, was loaded onto Cargolux's B747-400F in Luxembourg with final destination Seoul/Korea.

The machine was placed in a special crate, for safe loading.

The entire process was supervised by Cargolux Manager Load Control, Guy Gerling, in the presence of Mr. Krause of Sundwig's Shipping Dept. as well as Mr. Schumacher and Mr. Lotz of Kuehne + Nagel, Dortmund.

Furthermore, Klaus Gries, Cargolux's Country Manager Germany and Claudia von Resch, Sales Manager, joined the group from Frankfurt and Dusseldorf respectively, to ensure customer attention and to provide any additional information required.

On this occasion, a Cargo Center tour and visit of the aircraft were organized by the company's press & promotions department and a photoshooting of the outstanding shipment was arranged.

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## Environment



## Cargolux and the SAFUG Initiative

Cargolux is among a group of front-runner airlines who, together with Boeing and other associate companies and non-governmental organisations, have founded the Sustainable

Aviation Fuel Users Group (SAFUG) in December 2008.

By participating in SAFUG, Cargolux helps to support the development of sustainable biofuels and steer this development in a preferred direction -a stable supply of fuel produced from environmental sustainable and renewable resources, that will lead to a reduction of the overall carbon footprint of the aviation industry.

Cargolux, together with SAFUG, committed to achieving IATA's industry targets: carbon neutral growth by 2020

and reduction of the overall carbon footprint by 50 % by 2050.

The common objective of the group is to advance the development, the certification and the commercial use of drop-in sustainable biofuels by taking into consideration the sustainability criteria as set by the Roundtable for Sustainable Biofuels.

For Cargolux, carbon neutrality targets can only be achieved by considering sustainable aviation biofuels as an energy source for the future.

In recent years, research and development in the field of biofuels for aviation has made significant progress.

The second and third-generation biofuels that are envisaged today are chemically equivalent to petroleum-derived aviation fuel, and meet the same stringent operational criteria.

In particular, aviation jet biofuels may now safely be supplied in the same pipeline as Jet A without any contamination concerns.

For more information, please contact: Geraldine Guebel at: [geraldine.guebel@cargolux.com](mailto:geraldine.guebel@cargolux.com) or our Corporate Communications Department at: [CorporateCommunications@cargolux.com](mailto:CorporateCommunications@cargolux.com).

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## Awards



### Awards for Cargolux

On 9 May, 2010, Cargolux was awarded 'BEST FREIGHTER-ONLY AIRLINE 2010' by the British magazine Air Cargo News, based on over 23,000 votes from the global cargo forwarding industry.

The award was handed over to Renate Bechthold, Cargolux Manager Press & Promotions, by John Batten, Executive Vice-President Global Cargo of Swissport, in presence of the British television personality, Gyles Brandreth, at London's Lancaster Hotel.

Earlier, in February of this year, Cargolux also received the ALL-CARGO AIRLINE OF THE YEAR award by the STAT TIMES, India, the award as 'BEST PERFORMING CARGO AIRLINE 2009 AT BUDAPEST AIRPORT', and was also among the winners of

the 'AWARD OF EXCELLENCE 2010', following a worldwide 'air cargo excellence survey' initiated by U.S. magazine AIR CARGO WORLD. "These awards present a great recognition and honour for our company, especially following the crisis year 2009" states Ulrich Ogiermann, President & C.E.O. of Cargolux. "We are dedicated to continue offering our customers a first class service, tailored to their needs and expectations. Our staff around the world is constantly striving to achieve the highest level of service quality and we are proud to be recognized as leaders in the industry."

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## People



### Cargolux Announces Organizational Changes

Effective February. 1, 2010, Pierre Wesner, formerly Head of Cargolux's Region Europe, Central Asia & West Africa, took over the position of Head of Corporate Strategy, reporting to the President & CEO of the company.

In France, Dominique Bachy, Country Manager Cargolux France for years, is no longer working for the company.

Cargolux Management wishes Dominique Bachy all the best for the continuation of his career.

As of 06 April 2010, Georges Biwer, actual Manager Sales Area 2, will ensure the commercial day to day business of Cargolux in France and act as "Acting Country Manager Cargolux France", until a decision regarding the succession will have been taken.

At the same time, Domenico Ceci, formerly Director Capacity Management, was appointed as new 'Head of Cargolux's Area 2, covering Europe, Central Asia & West Africa.

Furthermore, effective January. 2010, Albert Pansin renounced his position as Cargolux's Head of Area 4, including the Middle East & Gulf Region / East & South Africa, based on his enhanced activities for the Luxembourg Government in this region. He will, however, still be active for Cargolux on a project basis, reporting to Sr. Vice-President, Robert van de Weg, while Sherry Vaz, Station Manager, Dubai, ensures the daily responsibilities, also reporting to Robert Van de Weg.

Last but not least, we say good-bye to our Head of Central Marketing, Sebastiaan Scholte who left the company on 15 April 2010 to take up new challenges! The company wishes him good luck in his new position. His Market Intelligence responsibilities at Cargolux will be taken over by André Sies, who also heads Interline & Alliances Coordination.

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## Contacts



### New GSA for Turkey

Cargolux is pleased to announce that effective 1 May, 2010, Mrs. Nursel GÜVEN, Managing Director, SP Aviation Services, Istanbul represents Cargolux as General Sales Agent covering Turkey.

Her contact address will be as follows:

Cargolux Airlines International S.A., Turkey

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