Contact:
Martine Scheuren, Director Corporate Communications
martine.scheuren@cargolux.com
Phone: +352 4211 3204
Fax: +352 4211 3509
www.cargolux.com

Media Release

Cargolux reports full year results 2011

Luxembourg, 28 March 2012. In today's Annual General Meeting, the shareholders of Cargolux Airlines International S.A. approved the audited Financial Statements for the financial year ended December 31, 2011.

2011 HIGHLIGHTS:

- Company incurred a full year net loss of US$ 18.3 million compared to a US$ 59.8 million profit in 2010
- Revenues rose 8.4% to US$ 1,867.4 million compared to US$ 1,722.6 million in the prior year
- *Key Performance Indicators:*
- Tonnes sold declined 3.6% to 658,800 compared to 683,380 in 2010
- Average load factor softened 2.5 percentage points to 70.8%
- Daily average aircraft utilization decreased by 1.9% to 15:28 block hours
- FTK decreased 4.6% from 5,284 million in 2010 to 5,039 million in 2011

Albert Wildgen, Cargolux Chairman, said*: 'It is difficult to pinpoint one reason specifically, as a combination of factors impacted our performance negatively, including excess capacity in the markets, steadily rising oil prices, an unfavorable fleet mix coupled with higher wet leasing costs and reduced network flexibility resulting from the delays in the Boeing 747-8 program. Looking to 2012, we expect trading conditions to remain more than challenging.*

Capacity decreased by 1.3%, reflecting the weak demand for air freight throughout the year. With a 0.5% decline compared to 2010, overall block hours including wet leased capacity remained relatively flat at 86,090 hours. Daily aircraft utilization dropped 1.9% to 15.28 hours during the review period. Cargolux Airlines and Cargolux Italia carried 658,800 tonnes of cargo, 3.6% less than in the previous year. Production, measured in freight tonne kilometres (FTK), decreased 4.6% and reached 5,039 million. Load factors dropped by 2.5 percentage points to 70.8%. Asian exports, where the chargeable tonnage fell by 15.4% and Africa, with a decline of 14.3%, were particularly affected. In contrast, export tonnage from the Americas grew by 10.1% while exports from Europe were relatively strong. In fact, Germany had a record year in exports and traffic to Asia was stable. In short, the weak economy mostly affected our import business into Europe, mainly out of Asia, but also from flower markets like Kenya and Ecuador.

Commenting, Frank Reimen, Cargolux President and CEO, said: *'After the remarkable recovery in global air freight markets in 2010 following a disastrous 2009, we saw load factors and yields come under pressure from the second half of 2011, in particular in the last quarter, as a result of weakening demand and rising capacity with a supply/demand gap at year end of 5.7%. Besides, our business was* adversely affected by record fuel price levels. *All in all, these negative developments led to a consolidated loss of US$ 18.3 million for 2011 on revenues of US$ 1,867.4 million. Therefore, we have developed a comprehensive action plan for 2012 to respond dynamically to the current downturn but also to take advantage of any potential upswing in global air freight markets.'*

Network

With the unfolding supply/demand problem, Cargolux continuously adapted its network in 2011. For example, a new tailor-made flight from Shanghai to Luxembourg was introduced with direct transfer connections to São Paulo, Brazil. The Company added a fifth frequency between Hong Kong and Budapest and introduced a new Komatsu – Chicago – New York service in October. Capacity to the United States was increased, growing Cargolux business in certain markets by around 50%, and direct flights were added between the US and West Africa in view of the booming oil industry there. Capacity out of Asia, affected by weak consumer demand in Europe, was reduced primarily by operating fewer frequencies.

Even though 2011 proved difficult for the industry as a whole and the Asian markets in particular, Cargolux operated successfully in the Americas; specifically in North America where a growth of 9,800 tonnes over 2010 was achieved mainly through capacity increases in New York, Houston, Atlanta and Los Angeles.

In South America, the Company saw a major improvement in demand, too, moving an additional 3,600 tonnes compared to 2010. This increase marks a significant achievement in a very competitive market. Brazil, especially, was very successful and Cargolux benefited from the country's continuing export growth by adding additional capacity.

Faced with good European exports but declining imports, the Europe, Middle East & Central Asia area was focused on reaching a status quo in tonnage and on maximizing revenues. Loads were satisfactory throughout the year and the Company registered substantial growth in the major markets, in particular in Switzerland, Germany, France, the United Kingdom, Italy and the Netherlands.

Europe, Middle East and Central Asia achieved 44% of the production of Cargolux, slightly more than in 2010. Thanks to an increase in tonnage to higher yield destinations, a healthy 30.5% year-on-year rise in revenues was achieved.

The air cargo business in the Asia-Pacific region experienced problems that can be attributed to a deteriorated European economic environment. The Greater China market remained one of the key spotlights. The Company's direct flights to Barcelona and Budapest secured sufficient loads out of Hong Kong, while the Hong Kong Trans-Pacific flights were re-routed to reduce capacity and to share some freighter space with stations such as Japan and Singapore. Overcapacity in the Asian South East region resulted from capacity diversions in the wake of reduced exports out of China and was compounded by the drop-off in import demand in Europe and the USA. During the year under review, the region produced 15.4% less tonnage than in 2010.

African markets gave mixed signals during 2011. On one hand, there was a steady continuity in imports of key commodities, such as oil and gas equipment, IT and pharmaceutical goods. A

successful new direct service from the US gateway Houston via New York to Accra and Lagos in West Africa highlighted the rising demand for shipments to Africa. On the other side, export markets from Africa took a hit. Flower exports to Europe declined noticeably. After the geopolitical trouble in Libya and Egypt, buyers turned to other countries to satisfy their demand for perishable goods.

Despite Africa's positive growth in imports in 2011, the negative development on northbound services made for a challenging situation caused by a decline in tonnage.

Cargolux Italia

Because the business of Cargolux Italia is very much geared towards Asia, it was disproportionally affected by the same dynamics as Cargolux Airlines, mainly suffering from overcapacity, i.e. the imbalance between supply and demand.

Initially, the relatively good market demand experienced in 2010 continued into the first quarter 2011. From summer, demand slowed and the year developed into a depressed autumn, in stark contrast to the usual business cycles.

In a positive development, Italian exports continued to grow throughout the year, consolidating the market leadership of Cargolux Italia in Italy, the second biggest air freight market in Europe. In fact, in October 2011, Italy showed the highest export figure ever achieved by the Group.

Cargolux Italia performed 256 round-trip flights between its hub in Milan and Dubai, Hong Kong, Almaty, Kansai, Viracopos, Curitiba and Luxembourg. It flew 6,044 block hours on dry and wet-leased equipment and carried 60,380 tonnes of cargo. Total revenues reached US$ 115.5 million.

Fleet

Cargolux deployed expensive wet-leased capacity in early 2011 in addition to its own Boeing 747-400 freighters to bridge capacity needs caused by the continuing delay in the delivery of the new Boeing 747-8 freighters. The unfavorable fleet mix resulted in a number of operational and fleet-planning issues. Three Boeing 747-400 freighters left the Cargolux fleet during 2011, having been pre-sold based on the originally anticipated deliveries of the Boeing 747-8 freighters. The Company ended the year with nine Boeing 747-400 freighters, three 747-400BCF and two Boeing 747-8 freighters. Cargolux Italia continued to operate its sole Boeing 747-400 freighter.

The first two Boeing 747-8 freighters were finally delivered in October, two years later than originally planned and too late in the year for Cargolux to fully enjoy the new aircraft's operational benefits. Initially, the Boeing 747-8 freighters were deployed on the Company's Asian routes and then also moved to other markets, such as the United States, Mexico and the Middle East. The introduction of the aircraft type went very smoothly. Cargolux is now beginning to benefit from the advantages of the new freighter. All wet-leased aircraft left our operation by the end of 2011.

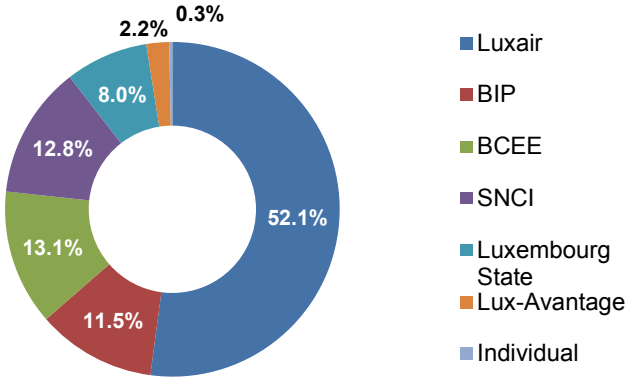
The Company expects to grow its Boeing 747-8 freighter fleet with additional deliveries this year. It is intended to operate only Boeing 747-400 freighters and Boeing 747-8 freighters by year end 2012, allowing to swap aircraft more easily according to demand and to focus on outsized cargo, one of the Company's core advantages as a dedicated freighter airline.

Ownership change

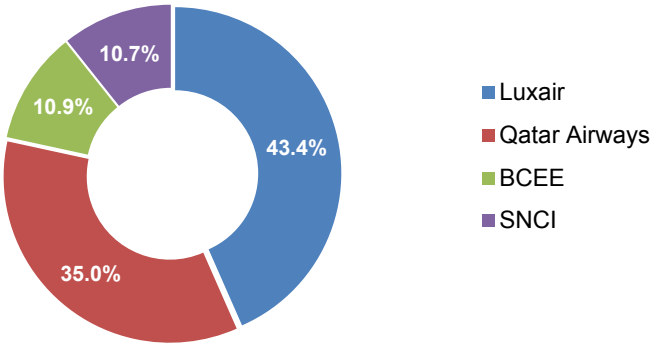
On 9 June 2011, Doha-based Qatar Airways took a 35% equity interest in the Company, paving the way for a strategic commercial partnership. This investment also marked the termination of the temporary role of the Luxembourg State as a Cargolux shareholder and enabled other state-controlled shareholders, who participated in the 2009 Cargolux restructuring plan through the acquisition of a 33.7% holding of the former SAirlines, to sell or reduce their ownership. After clearance by the competent authorities, the transaction was formally closed on 8 September 2011.

Ownership Structure

Before 8 September, 2011



After 8 September, 2011



The complementary character of the business models of Cargolux and Qatar Airways has enhanced the reach and scale of both partners. Specifically, the Company can offer its customers an improved product range through interlining and block space agreements on Qatar Airways' extensive belly and freighter network. Likewise, Qatar Airways benefits from the Company's all-cargo capacity to destinations outside their route network.

With the partnership taking shape, both airlines saw cargo traffic increase at their hubs as Cargolux moved freight through Doha and Qatar Airways fed the Company's Luxembourg base with regular Boeing 777 freighter flights in 2011. Cargolux also used blocked space on Qatar Airways' service to Canada, while Qatar Airways did the same on Cargolux flights between Doha and Sharjah.

Compliance

As a leading provider of high-quality, scheduled air cargo services to customers around the world, Cargolux is firmly committed to nurturing and strengthening an ethical business culture that promotes compliance with all applicable laws and regulations, as well as adherence to internal rules and policies. The Cargolux Board of Directors decided in 2010 to intensify the Company's compliance program and procedures. In 2011, the Compliance Department was strengthened with additional specialists and it was embedded in the newly created Legal Affairs and Compliance Division. The department was also put in charge of re-launching and implementing a comprehensive compliance program that included training sessions for all Cargolux employees, general sales agents and legal representatives. About 1,300 people were trained and given the opportunity to actively participate in the new compliance training curriculum.

Outlook

The situation in global air cargo markets in early 2012 continues to look challenging while the outlook for economic recovery remains frail. After a sharp downward revision of its earlier 4.2% growth forecast, the International Air Transport Association (IATA) now expects air freight growth in 2012 to be flat at best. Cargolux also expects load factors and profitability to suffer from continued weakness in cargo traffic in the near to mid-term future and has therefore adopted a cautious budget for 2012, underpinned by a comprehensive action plan designed to reduce costs and enhance revenue. The Company is set to restructure its network in 2012 to an equivalent of 14.5 aircraft on average, down from an average fleet of 16.6 freighters a year earlier.

On the positive side, inventories fell to record low levels and are likely to drive up demand for air freight at the first signs of strengthening consumer demand. While business confidence has improved slightly, the timing and strength of an eventual economic rebound will be largely determined by two factors outside of the Company's sphere of influence: the development of fuel prices and the outcome of the sovereign debt crisis in Europe.

Finally, as one of only 7 Cargo 2000 (C2K) members, Cargolux achieved Cargo C2K platinum membership status recently. This status recognizes and honors progress made in delivering higher customer service levels through improved reliability.

About Cargolux Airlines International

Cargolux, based in Luxembourg, is Europe's largest all-cargo airline and launch customer for the new generation Boeing 747-8 freighter. The Company operates a modern fleet of 12 Boeing 747-400 freighters and 3 Boeing 747-8 freighters. The Cargolux worldwide network covers 90 destinations, 60 of which are served on scheduled all-cargo flights. The Company has more than 85 offices in over 50 countries, and also offers an extensive global trucking network to more than 250 destinations as well as charter and aircraft maintenance services. Cargolux employs over 1,500 staff worldwide.