In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

000018/20 000018/20

DON'T STAPLE

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

AB7IBMC1
A14 04/07/2022 #3
COMPANIES HOUSE

AB6L9NQW
A05 20/06/2022 #336
COMPANIES HOUSE

AB5433QU
A09 30/05/2022 #23
COMPANIES HOUSE

MONDAY

MONDAY

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT for**
You cannot use this form an alteration of manner with accounting require

Part 1 Corporate company name

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

Corporate name of overseas company ❶: CARGOLUX AIRLINES INTERNATIONAL SA.

UK establishment number: B R 0 0 1 6 9 3

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and audited.

Legislation ❷: LUXEMBOURGISH LAW AS AT 10 DECEMBER 2010

❷ This means the relevant rules or legislation which regulates the preparation of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ❸: INTERNATIONAL FINANCIAL REPORTING STANDAR

❸ Please insert the name of the appropriate accounting organisation or body.

OS AA01

Statement of details of parent law and other information for an overseas company

A3 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	INTERNATIONAL ACCOUNTING STANDARDS BOAR	

Part 3 Signature

	I am signing this form on behalf of the overseas company.
Signature	Signature X [signature] X
	This form may be signed by: Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	PAUL M DUTTON
Company name	CARGOLUX AIRLINES
	INTERNATIONAL SA
Address	UNIT 8
	RADIUS PARK
	FAGGS ROAD
Post town	FELTHAM
County/Region	MIDDX
Postcode	TW14 0NG
Country	UK
DX	
Telephone	020 8738 1825

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☑ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☑ You have completed all sections of the form, if appropriate.
- ☑ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1

Northern Ireland:
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

UK company number
FC010045

CARGOLUX AIRLINES INTERNATIONAL S.A.

Financial Statements 2021

Ordinary annual shareholders' meeting
April 27, 2022

Contents

	Page
Directors' report	2
Parent financial statements	10
Income statement	11
Statement of comprehensive income	12
Balance sheet	13
Statement of cash flows	14
Statement of changes in equity	15
Notes to the parent financial statements	16
Independent auditor's report	58
Consolidated financial statements	61
Consolidated income statement	62
Consolidated statement of comprehensive income	63
Consolidated balance sheet	64
Consolidated statement of cash flows	65
Consolidated statement of changes in equity	66
Notes to the consolidated financial statements	67
Independent auditor's report	110

FTCARGOLUX AIRLINES INTERNATIONAL S.A.
L-2990 LUXEMBOURG AIRPORT
SANDWEILER
R.C. Luxembourg SECTION B No. 8916

DIRECTORS' REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021[1]

1. 2021 Review

General

The year 2021 was strongly marked by the continuous effects of the global COVID-19 pandemic. Despite the development and deployment of vaccines, the emergence of several new variants of concern affected a return to pre-pandemic circumstances. With changing travel restrictions and sanitary constraints worldwide, the passenger airline industry and related belly-hold capacity returned to the market very sparingly, especially on the long-haul flights. As a result, demand continued to be strong for air cargo services on intercontinental trade lanes.

These exceptionally high volumes and dynamic markets required the airline to adapt its operation in order to keep the supply chain moving. The blockage of the Suez Canal and subsequent issues on ocean freight drove customers to rely even further on air cargo for their shipments. The industry therefore remained under pressure, resulting in peak season production and strong yields throughout the year.

The backlog generated by these issues had a ripple effect throughout the global supply chain. The constraints experienced during this period led to the development of "preighter" operations, the launch of several new cargo carriers, as well as new ventures from entities outside the industry such as ocean shippers. Although these developments did not adversely affect Cargolux's production in 2021, they could contribute to increasing volatility once the demand/supply gap evens out.

As an all-cargo carrier focused on lean and agile operations, Cargolux capitalized on its experience and know-how to ensure goods continued to be delivered where they were needed. The year 2021 again highlighted the importance of the air cargo industry and Cargolux's infinite capacity to adapt to unforeseen circumstances. Cargolux, the largest all-cargo airline in Europe, consolidated its position as leading industry player at the 5th place in IATA's top 20 cargo carrier ranking (international scheduled freight tonne kilometers flown).

KPIs (including Cargolux Italia)

Capacity, measured in ATKs, increased by 8.0% versus 2020, driven by higher block hours (+8.8%, excluding ACMI services). At the end of 2020, one Boeing 747-400 freighter and one Boeing 747-400 extended range freighter, both previously under operating lease with Cargolux, were purchased from the lessor. As a result, at the end of December 2021, the total fleet consisted of eight Boeing 747-400 freighters, six Boeing 747-400 extended range freighters, fourteen Boeing 747-8 freighters (together our 'core fleet') and two PBH aircraft (two Boeing 747-400 freighters), being our 'flex fleet'.
Fleet wide utilization, excluding flexible capacity and days spent in C/D-checks, reached a daily average of 14:48 hours, up 27 minutes compared to 2020.

The Company's load factor increased by 4.1 ppt compared to 2020 due to a higher increase in production (+14.6%), measured in FTKs, than capacity deployed (+8.0%).

[1] Except as to otherwise indicated, the discussion below relates to the Parent financial statements only.

Compared to 2020, average total network commercial net yield (US$/kg) increased by 72 US cents (+25.8%), driven by higher underlying prices achieved (+43 US cents) and a higher published fuel surcharge (+28 US cents) as a result of higher fuel prices.

In 2021, Cargolux sold 1,241,908 tonnes (+12.2%) across its network.

Markets and network (including Cargolux Italia)

The market dynamic in 2021 continued to be strongly influenced by the pandemic and its repercussions. The capacity shortage and high yields experienced in 2020 persisted throughout the year and demand remained strong. Backlog issues on the global supply chain, ocean freight capacity constraints, and limited belly-hold availability led to a high and sustained demand for air cargo services and volumes close to peak season production throughout the year.

Operationally, the year 2021 was more challenging than 2020. There were blockages at key commercial gateways such as ports in the USA and certain airports in China. This was compounded by the fact that full warehouses and a short supply for trucking services. Beyond the issues raised in the air cargo industry, this situation affected all components of the global supply chain and affecting the airline's capacity to operate optimally.

In order to respond to this strong demand and offer customers the service they expect, Cargolux adapted the network to meet global commercial flows. Changing travel restrictions and border closures in some of the main markets, including China, required the airline to revise its operation throughout the year. Strong of its experience and flexibility, Cargolux managed to overcome these challenges and continue delivering goods where they were needed. This flexibility allowed the company to rapidly adapt to the situation and bolster its position as a leading provider of air cargo services.

Cargolux's resilience and capacity to adapt to strenuous situations reflect its commitment to customer service. The company's fleet of 30 747 freighters and long-standing experience in the air cargo industry are a significant commercial advantage. The highly dynamic circumstances of 2021 have required flexibility from teams around the globe who have been instrumental in keeping the operation running as smoothly as possible during these trying times.

Income statement (Parent Company only)

Revenues increased by 36.4% from US$ 3,002.3 million to US$ 4,096.3 million, fuel surcharge revenue received represented 8.1% of revenues, or US$ 330.3 million, up by 99.4% compared to 2020.

Other operating income increased to US$ 9.5 million from US$ 3.5 million in 2020, mainly due to a dividend received from its subsidiary Cargolux Italia S.p.A..

Aircraft lease expenses increased by US$ 8.7 million (or 15.9%) to US$ 63.6 million due mainly to the offsetting in releasing return conditions provisions in 2020.

Aircraft maintenance expenses increased by 2.6% to US$ 136.6 million from US$ 133.1 million due mainly to a higher utilization of our fleet, additional repairs due aging of fleet and a higher material consumption, partly offset by the special fee on shop visits booked in 2020.

Depreciation, amortization and impairment decreased by 0.7% to US$ 320.8 million, due mainly to no fleet impairment charge in 2021 compared to US$ 76.7 million in 2020 partly offset by a change of the residual values of the B747-8F and the B747-400F GE powered fleet, and a change in the shop visit interval on the GEnx engines related to the lifecycle.

Fuel costs increased by 56.5% to US$ 839.5 million due to an increase in fuel prices. Fuel cost represented 32.8% of operating costs.

Personnel costs and benefits increased by 30.0% to US$ 534.9 million from US$ 411.5 million, due mainly to the CWA bonus provision, headcount increase, promotions and time unit increases under the Collective Work Agreement.

Handling, landing and overflying costs increased by 11.4% to US$ 351.1 million in 2021. Handling charges went up by 8.5% due mainly to an increase of 8.8% in production combined with a forex impact of 2.1%, offset by a unit rate decrease of 2.2%. Landing charges increased by 25.9% due mainly to a unit rate increase of 19.6% and increased cycles of 5.4%. Overflying costs increased by 9.0% up to US$ 101.2 million in 2021 due mainly to an increase of 7.3% in operated BHRs combined with a forex impact of 2.1%, offset by a unit rate decrease of 0.4%.

Trucking, truck handling and interlining costs increased by 10.4% to US$ 150.8 million in 2021. Trucking and truck handling costs increased by 10.5% compared to 2020 mainly due to additional tonnage trucked and handled (+9.6%) combined with a forex impact of 4.1%, offset by a unit rate decrease of 2.8%. Interlining costs increased by 76.4% due mainly to higher interline production.

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 foreign exchange loss, decreased by 14.1% to US$ 159.7 million due mainly to a lower indemnity fee paid in 2021, the lower anti-trust related expenses, the lower foreign exchange loss offset by higher GSA commissions expenses.

Net finance costs decreased to US$ 32.2 million (2020: US$ 118.1 million). *Financial income* increased by 855.2% from US$ 3.4 million to US$ 32.7 million due mainly to a gain on sale of financial assets and an unrealized gain in fair value of the interest portfolio booked in 2021. *Financial expenses* decreased by 46.5% to US$ 65.0 million due mainly to a lower impairment booked on a financial participation in 2021 and less interest expenses due to lower level of debt.

Current tax for the year amounted to US$ 331.1 million (2020: US$ 70.2 million), which includes a provision for the Corporate Income Tax (CIT) of US$ 235.5 million, a provision for the Municipal Business Tax (MBT) of US$ 94.5 million and various taxes paid in countries short of a double tax treaty with Luxembourg. In 2021, the Company booked a credit of US$ 0.5 million (2020: debit of US$ 11.8 million) on deferred taxes, due mainly to the differences between Tax GAAP and IFRS.

Taking all of the preceding into account, the net profit after tax was US$ 1,186.1 million for 2021 (2020: US$ 709.1 million).

Balance sheet

Total assets increased by 30.2% to US$ 5,327.1 million from US$ 4,092.5 million due mainly to the cash generated from the activity in 2021.

Shareholders' equity increased by 59.1% to US$ 2,936.9 million from US$ 1,845.8 million following the financial result of 2021.

Interest bearing liabilities decreased by 17.3% to US$ 1,241.1 million from US$ 1,501.4 million due mainly to the scheduled loan repayments and the early termination of some debts.

Cash and cash equivalents and *Other investments* increased by 103.5% from US$ 1,178.4 million to US$ 2,398.1 million.

Legal proceedings

The Company is party to legal proceedings, both as defendant and claimant, from time to time in the normal course of its business. In addition, the Company was subject to proceedings from anti-trust authorities in the USA, the EU and six other countries in connection with a worldwide investigation of air cargo carriers regarding alleged violations of anti-trust laws. Most of these official proceedings have been closed in prior years, with the exception of the cases in the EU and Switzerland, where appeals are still pending. In the EU, in December 2015, the General Court annulled the EU Commission's 2010 decision that imposed a fine of EUR 79.9 million against the Company. In March 2017, however, the EU Commission re-adopted its decision and imposed the same amount of fine on Cargolux. The Company had settled the fine with a payment of the full amount to the Commission. The Company had also challenged the re-adopted EU Commission decision before the EU General Court. That process is still pending.

In the wake of the anti-trust proceedings, civil follow-on lawsuits were launched in nine countries against a number of air carriers, including Cargolux. At the date of this report, the civil proceedings against Cargolux are still ongoing in the Netherlands and South Korea. During the course of 2021, the Company has settled at a certain amount and the civil claims against the Company in Germany were withdrawn.

In 2021 and prior periods, the Company constituted provisions to cover its exposure with respect to the anti-trust related proceedings (see also notes 11 and 25).

In 2020, a foreign competitor has commenced an action against the Company in respect of an unfair competition for violation of public law rules. The amount claimed is EUR 230 million.
The Company has been advised by its legal counsel that the likelihood of the claim to be successful did not justify any provision for any liability based on the assessment of current case and arguments.

Branch Network

The Company operates worldwide through a network of branches and representative offices in 35 countries.

Consolidation

The Company presents Consolidated financial statements in addition to the Parent financial statements. The Consolidated financial statements comprise Cargolux RE S.A., a captive reinsurance company, Cargolux Italia S.p.A., an Italian all-cargo airline, Italia Aerologistic S.R.L., an Italian investment company, and three aircraft financing companies which are 8F Leasing S.A., Aircraft Leasing S.à r.l. and Aircraft Leasing 2 S.à r.l.. The Company equity accounts for its participations in a joint venture, Global Aviation Technical Solutions GB (BVI) Ltd (50%).

The Consolidated net profit after tax was US$ 1,295.3 million (in 2020: US$ 768.7 million).
Share of profit / (loss) of associates in the Consolidated income statement improved to US$ -2.8 million (2020: US$ -10.2 million).

Year-end audit

As decided by the shareholders at the Annual General Assembly held on April 28, 2021, Ernst & Young audited the 2021 financial statements of the Company. Ernst & Young also audited the financial statements of Cargolux RE S.A. and Cargolux Italia S.p.A..

Board of Directors

At the Annual General Assembly held on April 28, 2021, the shareholders unanimously resolved that the following Board members were appointed to serve as directors of the Company for a period of two years, until the date of the Annual General Assembly to be held in 2023: Christianne Wickler, Giovanni Giallombardo, Tom Weisgerber, Anouk Agnes, Françoise Thoma, Patrick Nickels, Shengzhen Kang, Shengbo Yuan and Mingchao Zhang. Christianne Wickler was elected as the Chairman of the Board.

Yves Hendel, Dirk Becker, Christine Dargan, Bettina Faulhaber and Darrell Myers represent the Company's employees on the Board until the date of the Annual General Assembly to be held in 2023.

At the Board Meeting on June 30, 2021, the directors unanimously resolved to coopt Jianmin Liu, Wenjie Yang and Dongge Wang as new directors (to replace Shengzhen KANG, Shengbo YUAN and Mingchao ZHANG, who had resigned), all for a period expiring on the date of the Annual General Meeting to be held in 2023, subject to the ratification of the Shareholders at the Annual General Assembly to be held on April 27, 2022.

At the Board Meeting on January 26, 2022, the directors unanimously resolved to coopt Binbin Shi as a new director (to replace Wenjie Yang, who had resigned), for a period expiring on the date of the Annual General Meeting to be held in 2023, subject to the ratification of the Shareholders at the Annual General Assembly to be held on April 27, 2022.

The Board of Directors held seven meetings as from the date of the last General assembly to and excluding April 27, 2022. The Audit Committee of the Board met five times during the same period and the Compensation Committee met four times.

Control environment – Internal Audit

During the past year, the Internal Audit function performed 7 engagements covering audits and consultancy activities, that were selected based on annual risk assessment performed jointly with Senior Management and approved by the Audit Committee. For each audit performed, the Internal Audit function tested the design and operating effectiveness regarding governance, risk management and control environment. The audits performed, covering key risk areas of the Company, led to 10 practical recommendations for improvement (including recommendations from two reports that were pending at year end 2020).

No high-risk level findings were reported in 2021. Internal Audit department will continue its sustained efforts to ensure the timely closure of all internal audit recommendations, including those classified as medium and low risk.

Risk management

The directors further refer to note 5 of the Financial Statements attached to this report, outlining the risk factors that might affect the Company as a going concern. As presented in the Budget approved by the Board of Directors, the Company will face challenges not only linked to global markets volatility, but also to the price of fuel, interest rate and exchange rate movements.

Apart from financial risks, the Company is also exposed to non-financial risks including (without limitation), the following:

- Strategic risks – the Company can face strategic threats to its business model in the case of abrupt changes of customers' needs and demands, an imbalance between supply and demand, in case of major legal and regulatory changes or by failing to implement major technology or innovation developments in the industry.

- Operational risks – the Company is exposed to industry-specific operational risks. Examples include cases of force majeure such as occurred when the Icelandic volcanic ash cloud significantly disrupted flight operations, risk of terrorist attacks affecting international flight operations, aircraft performance risks, undetected aircraft damage or flaws in construction, incorrect declaration of goods transported etc. The consequences of such risks can lead to significant service disruptions or, at worst, the loss of an aircraft and crew.

- Information security risks – the Company, like many other businesses, is exposed to attacks by both malicious insiders as well as cyber-attacks from the outside, which can result in a loss or theft of vital business data.

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, regular corporate security risk assessments, 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 minimal disruption to normal operations.

Outlook and recent developments

Compared to 2020, air freight demand grew in 2021.
Going forward, the market conditions remain favourable for freighters. With the end of the pandemic looming on the horizon, the peak for the air cargo industry could have been reached in 2021.In the past two years, Cargolux has significantly strengthened its balance sheet and has at the end of 2021, for the first time in this century, less debt than cash.

In 2021, all committed credit facilities available to Cargolux remained unused. Such committed credit lines amounted in the aggregate to US$ 107.5 million at year-end 2021. The 2022 budget foresees no breach in the financial covenants ratios.

Events after balance sheet date

On March 30, 2022, the General Court reconfirms the imposed fine of EUR 79.9 million by the European Commission on November 9, 2010, as explained in note 27.

Impact of economic sanctions on Russia and related risks

The current conflict in Ukraine and the related economic sanctions imposed or to be imposed on Russia and similarly the protective measures taken by Russia may have a significant cost impact on the activities of the Company.

2. Allocation of results

The Directors recommend the following allocation, which includes a cash dividend of US$ 200 million:

Profit for the year	US$	1,186,110,206
Retained earnings (2021)	US$	28,304,211
Available for distribution	US$	1,214,414,417
Allocation to restricted reserve	US$	(20,000,000)
Allocation to free reserve	US$	(950,000,000)
Dividend	US$	(200,000,000)
Retained earnings after allocation	US$	44,414,417

The capital accounts will develop after the proposed allocation according to the following table:

	At 31.12.2021	Allocations	Pro-forma after allocations
Capital	525,007,500	-	525,007,500
represented by common shares #	*20,939,223*	-	*20,939,223*
Share premium	5,845,691	-	5,845,691
Legal reserve	52,500,750	-	52,500,750
Restricted reserve	84,500,000	20,000,000	104,500,000
Free reserve	1,055,170,000	950,000,000	2,005,170,000
Revaluation IAS 39	(528,998)	-	(528,998)
Proposed dividend	-	200,000,000	-
Retained earnings (incl. profit for the year)	1,214,414,417	(1,170,000,000)	44,414,417
Shareholders' equity	2,936,909,360	-	2,736,909,360

Tom Weisgerber
Interim Chairman

Patrick Nickels
Director

UK company number
FC010045

Parent financial statements of Cargolux Airlines International S.A.

Income statement

For the year ended December 31, 2021

In thousands of U.S. Dollar	*Notes*	**2021**	**2020**
Revenues	*6*	4,096,334	3,002,254
Other operating income	*7*	9,519	3,515
Aircraft lease expenses	*8*	(63,550)	(54,820)
Aircraft maintenance expenses	*9*	(136,560)	(133,092)
Depreciation, amortization and impairment	*14 / 15*	(320,807)	(323,204)
Fuel		(839,465)	(536,232)
Personnel costs and benefits	*10*	(534,906)	(411,490)
Handling, landing and overflying		(351,140)	(315,280)
Trucking, truck handling and interlining		(150,754)	(136,508)
Other operating expenses	*11*	(159,719)	(185,997)
Operating profit before financing costs		**1,548,952**	**909,146**
Financial income		32,744	3,428
Financial expenses		(64,978)	(121,492)
Net finance costs	*12*	**(32,234)**	**(118,064)**
Profit before tax		**1,516,718**	**791,082**
Current tax	*13*	(331,120)	(70,180)
Deferred tax	*13*	512	(11,768)
Profit for the year		**1,186,110**	**709,134**

Statement of comprehensive income

For the year ended December 31, 2021

In thousands of U.S. Dollar	*Notes*	**2021**	**2020**
Profit for the year		**1,186,110**	**709,134**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability / (asset)	*24*	272	(282)
Related tax	*13*	(68)	70
		204	**(212)**
Items that are or may be reclassified to profit or loss			
Effective portion of changes in fair value of cash flow hedges	*5 / 12*	5,729	5,027
Net change in fair value of cash flow hedges transferred to profit or loss	*5 / 12*	720	(2,493)
Income tax on other comprehensive income	*12 / 13*	(1,608)	(632)
		4,841	**1,902**
Other comprehensive income for the year, net of income tax		**5,045**	**1,690**
Total comprehensive income for the year		**1,191,155**	**710,824**

The notes on page 16 to 57 are an integral part of these financial statements.

Balance sheet

As at December 31, 2021

In thousands of U.S. Dollar	*Notes*	**2021**	**2020**
Assets			
Aircraft and equipment	*14*	1,820,490	1,858,139
Other property, plant and equipment	*14*	81,655	85,261
Right-of-use assets	*15*	163,183	172,870
Derivative assets		6,952	1,167
Investments in subsidiaries	*16*	14,309	28,521
Investments in associates and joint ventures	*16*	19,240	29,797
Other financial assets	*18*	33,146	33,185
Deposits with third parties	*14*	25,521	20,990
Deferred tax assets	*17*	27,766	28,931
Total non-current assets		**2,192,262**	**2,258,861**
Expendable parts and supplies		37,599	31,443
Trade receivables and other receivables	*19*	684,728	612,812
Other financial assets	*18*	14,375	11,026
Other investments	*20*	429,867	324,480
Cash and cash equivalents	*21*	1,968,223	853,886
Total current assets		**3,134,792**	**1,833,647**
Total assets		**5,327,054**	**4,092,508**
Equity			
Issued capital		525,007	525,007
Share premium		5,846	5,846
Reserves		1,191,642	566,801
Retained earnings		28,304	38,966
Profit for the year		1,186,110	709,134
Total equity	*22*	**2,936,909**	**1,845,754**
Liabilities			
Interest-bearing loans and borrowings	*23*	69,123	24,384
Other financing arrangement liabilities	*23*	624,049	956,436
Lease liabilities	*23*	135,762	153,486
Employee benefits	*24*	6,274	6,957
Other payables	*26*	4,023	25,378
Derivative liabilities		5,169	26,010
Provisions	*25*	35,888	34,164
Total non-current liabilities		**880,288**	**1,226,815**
Interest-bearing loans and borrowings	*23*	28,994	175,176
Other financing arrangement liabilities	*23*	369,708	179,335
Lease liabilities	*23*	13,496	12,620
Trade payables and other payables	*26*	655,322	506,028
Provisions	*25*	40,261	60,407
Taxes payable	*13*	402,076	86,373
Total current liabilities		**1,509,857**	**1,019,939**
Total liabilities		**2,390,145**	**2,246,754**
Total equity and liabilities		**5,327,054**	**4,092,508**

The notes on page 16 to 57 are an integral part of these financial statements.

Statement of cash flows

For the year ended December 31, 2021

In thousands of U.S. Dollar	*Notes*	**2021**	**2020**
Cash flow from operating activities			
Profit for the year		1,186,110	709,134
Adjustments for			
Depreciation, amortization and impairment	14	320,807	323,204
Unrealized foreign exchange gains and losses		(25,530)	19,315
Net finance costs	12	42,764	118,064
(Gain) / Loss on sale of fixed assets	7	266	(3,064)
Gain on sale of financial asset	12	(10,530)	-
Fuel hedging	5 (b)	(3,409)	(3,020)
Change in provisions	25	929	6,854
Dividend income		(9,519)	(451)
Tax expenses		333,004	88,636
Use of provisions	25	(17,195)	(92,504)
Operating cash flow before changes in working capital		**1,817,697**	**1,166,168**
Changes in working capital		(63,540)	(58,799)
Cash generated from the operations		**1,754,157**	**1,107,369**
Income tax paid		(12,144)	(5,816)
Benefits of tax credits		1,768	3,367
Interest paid		(42,523)	(82,167)
Net cash from operating activities		**1,701,258**	**1,022,753**
Cash flow from investing activities			
Acquisition of property, plant and equipment		(157,687)	(154,015)
Acquisition of associates		(1,000)	(4,625)
Capital increase in subsidiaries		(34)	-
Loan granted to third party		(16,820)	(44,132)
Acquisition of other investments		(123,978)	(289,966)
Reimbursement of loans from third party		10,473	-
Dividend from subsidiaries		9,519	-
Dividends from associates		-	451
Interest received		2,989	2,988
Reimbursement of loans from subsidiaries		14,137	-
Proceeds from sale of property, plant and equipment		100	3,175
Proceeds from sale of other investments		18,479	50,185
Deposits with third parties		(6,542)	4,796
Net cash used in investing activities		**(250,364)**	**(431,143)**
Cash flow from financing activities			
Dividends paid		(100,000)	-
Repayment of borrowings		(171,071)	(40,706)
Repayment of other financing arrangement liabilities		(280,509)	(245,567)
Repayment of lease liabilities		(14,842)	(20,044)
Proceeds from borrowings		206,091	11,126
Net cash used in financing activities		**(360,331)**	**(295,191)**
Net increase in cash and cash equivalents		1,090,563	296,419
Cash and cash equivalents at January 1		853,886	575,176
Effect of exchange rate fluctuations on cash held		23,774	(17,709)
Cash and cash equivalents at December 31	21	**1,968,223**	**853,886**

The notes on page 16 to 57 are an integral part of these financial statements.

Statement of changes in equity

For the year ended December 31, 2021
In thousands of U.S. Dollar

	Issued capital	Share premium	Non distributable reserve	Free reserve	Hedging reserve	Total reserves	Retained earnings	Total equity
BALANCE AS OF DECEMBER 31, 2019	525,007	5,846	101,001	455,170	(7,272)	548,899	55,178	1,134,930
Transactions with owners								
Allocation to free reserve	-	-	16,000	-	-	16,000	(16,000)	-
Dividends paid	-	-	-	-	-	-	-	-
Total comprehensive income								
Profit for 2020	-	-	-	-	-	-	709,134	709,134
Other comprehensive income	-	-	-	-	1,902	1,902	(212)	1,690
Total comprehensive income	-	-	-	-	1,902	1,902	708,922	710,824
BALANCE AS OF DECEMBER 31, 2020	525,007	5,846	117,001	455,170	(5,370)	566,801	748,100	1,845,754
Transactions with owners								
Allocation to reserves	-	-	20,000	600,000	-	620,000	(620,000)	-
Dividends paid	-	-	-	-	-	-	(100,000)	(100,000)
Total comprehensive income								
Profit for 2021	-	-	-	-	-	-	1,186,110	1,186,110
Other comprehensive income	-	-	-	-	4,841	4,841	204	5,045
Total comprehensive income	-	-	-	-	4,841	4,841	1,186,314	1,191,155
BALANCE AS OF DECEMBER 31, 2021	525,007	5,846	137,001	1,055,170	(529)	1,191,642	1,214,414	2,936,909

The notes on page 16 to 57 are an integral part of these financial statements.

1. Reporting entity

The parent company, Cargolux Airlines International S.A. (the "Company" or "Cargolux"), was incorporated on March 4, 1970 and is registered as a "société anonyme" under the laws of the Grand Duchy of Luxembourg.
The registered address of the Company is Aéroport de Luxembourg, L-2990 Sandweiler, Grand-Duchy of Luxembourg and the registration number is R.C. Luxembourg B 008.916.
The Company is an all cargo airline. It also maintains its own aircraft and provides third party maintenance and flight operations assistance (including crew training) to third parties at its Luxembourg headquarters. As at the balance sheet date, operations outside of Luxembourg that relate to the Company's business activities are conducted solely under branch 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 35 countries.

2. Basis of preparation

(a) Statement of compliance

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

The Board of Directors approved the financial statements for the year ended December 31, 2021 on March 23, 2022 and authorized the publication of said financial statements on April 27, 2022, following confirmation by the shareholders thereof on that date.

The Company prepares consolidated financial statements. These consolidated financial statements are available at its registered office.

(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 and the credit facilities in place 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) and 23). 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 financial statements are presented in United States Dollar ("US dollar" or "US$") which is also the functional currency of the Company. US dollars are rounded to the nearest thousand.

2. Basis of preparation (continued)

(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 that basis, judgments about carrying values of assets and liabilities 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 and estimates made by management in the application of IFRS that have significant effect on the financial statements are disclosed in note 29.

(f) Changes in accounting policies

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

3. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

(a) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Company 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.

(b) Derivative financial instruments, including hedge accounting

The Company 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 Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting under IFRS 9 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 cash flow hedge accounting under IFRS 9, 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 income statement for the period.

3. Significant accounting policies (continued)

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

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

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

(ii) Other property, plant and equipment
Other items of property, plant and equipment are also stated at cost less accumulated depreciation (see (v) below) and impairment, if applicable (on which see (i)).
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) Lease contracts
Lease contracts, as defined under IFRS 16 *Leases*, are recorded in the balance sheet, which leads to the recognition of:
- an asset representing a right of use of the asset leased during the lease term of the contract,
- a liability related to the payment obligation.

The two capitalization exemptions proposed by the standard have been used, i.e. lease contracts with a duration equal or less than 12 months and lease contracts for which the underlying asset has a low purchase value. This value was defined by the Company to an amount below US$ 15,000.

Financing arrangements with the following features are not eligible to an accounting treatment according to IFRS 16:
- the lessor has a legal ownership retention as security against repayment and interest obligations,
- and, in view of the contractual conditions, it is (virtually) certain that the aircraft will be purchased at the end of the lease term.

Since these financing arrangements are "in substance purchases" and not leases, the related liability is considered as a financial debt under IFRS 9 and the asset, as an aeronautical asset, according to IAS 16.

<u>Measurement of the right-of-use asset</u>
At the inception date, the right-of-use asset is measured at cost and comprises:
- the amount of the initial measurement of the lease liability, to which is added, if applicable, any lease payments made at or before the commencement date, less any lease incentives received,
- where relevant, any initial direct costs incurred by the lessee for the conclusion of the contract. These are incremental costs which would not have been incurred if the contract had not been concluded,
- estimated costs for restoration and dismantling of the leased asset according to the terms of the contract. At the date of the initial recognition of the right-of-use asset, the lessee adds to its costs, the discounted amount of the restoration and dismantling costs through a return obligation provision (see (l)(i)). These costs also include maintenance obligations regarding the engines and the airframe.

Following the initial recognition, the right-of-use asset must be depreciated over the useful life of the underlying asset's (lease term for the rental component, cycles for the component relating to engine maintenance or on a straight-line basis for the component relating to the airframe until the date of the next major overhaul).

<u>Measurement of the lease liability</u>
At the commencement date, the lease liability is recognized for an amount equal to the present value of the lease payments over the lease term.

3. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(iii) Lease contracts (continued)

Amounts involved in the measurement of the lease liability are:

- fixed payments less any lease incentives receivable (including in-substance fixed payments; meaning that even if they are variable in form, they are in-substance unavoidable),
- variable lease payments that depend on an index or a rate, initially measured using the index or the rate in force at the lease starting date,
- amounts expected to be payable by the lessee under residual value guarantees,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured based on a process similar to the amortized cost method using the discount rate:

- the liability is increased by the accrued interests resulting from the discounting of the lease liability, at the beginning of the lease period,
- less payments made.

The interest cost for the period as well as variable payments, are not considered in the initial measurement of the lease liability and incurred over the relevant period are recognized as costs.

In addition, the lease liability may be remeasured in the following situations:

- change in the lease term,
- modification related to the assessment of the reasonably certain nature (or not) of the exercise of an option,
- remeasurement linked to the residual value guarantees,
- adjustment to the rates and indices according to which the rents are calculated when rent adjustments occur.

<u>Capitalization of aircraft lease contracts fulfilling the capitalization criteria defined under IFRS 16:</u>

The lease term corresponds to the non-cancellable period of each contract except in cases where the Company is reasonably certain of exercising the renewal options contractually foreseen. The discount rate used to value the lease debt corresponds, for each aircraft, to the incremental borrowing rate at the date of initial application or to the implicit rate of the contract when available.

<u>Capitalization of real-estate lease contracts:</u>

Based on its analysis, the Company has identified lease contracts within the meaning of the standard concerning surface areas rented at its station, rented building dedicated to the maintenance business and rented office buildings. The lease term corresponds to the non-cancellable period of the contract. Most of the contracts do not provide renewal options. The discount rate used to calculate the lease debt is determined, for each asset, according to the incremental borrowing rate at the date of initial application or according to the implicit rate of the contract when available.

<u>Sale and leaseback transactions:</u>

The Company qualifies as sale and leaseback transactions, operations which lead to a sale according to IFRS 15.
More specifically, a sale is considered as such if there is no repurchase option on the goods at the end of the lease term.

- Sale according to IFRS 15
  If the sale by the vendor-lessee is qualified as a sale according to IFRS 15, the vendor-lessee must: (i) derecognize the underlying asset and (ii) recognize a right-of-use asset equal to the retained portion of the net carrying amount of the asset.
- Not a sale according to IFRS 15
  If the sale by the vendor-lessee is not qualified as a sale according to IFRS 15, the vendor-lessee maintains the goods transferred on its balance sheet and recognizes a financial liability equal to the disposal price (received from the buyer-lessor).

3. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(iv) Subsequent costs

The Company 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 life 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 of relevant assets are as follows:

Components of aircraft:	Useful life (average)
• Airframe	20 years
• Engines (Carcass)	14 years
• Engines (LLPs)	9,700 cycles
• Engines (Shop visits)	3,700 cycles
• 1st and 2nd "D-check"	8 years
• Subsequent "D-checks"	6 years
• Landing gears	10 years
• Rotable spare parts	10 years
Equipment:	5 years

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

(d) Investments in subsidiaries, joint ventures and associates

Affiliated undertakings (subsidiaries) and participating interests (joint ventures and associates) are recorded at cost less any impairment.

(e) 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 Company on the date it commits to purchase / sell the instruments.

(f) Trade receivables and other receivables

Trade receivables and other receivables are initially recognized at fair value plus transaction costs and subsequently measured at their amortized cost less impairment.

Regarding the impairment of *trade receivables*, the Company has chosen the simplified method approach, because the automated invoicing and settlement processes limit the credit risk significantly. In addition, the Company uses a credit insurance to reduce the risk of default that could exist.

(g) 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.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call and short-term deposits (maturity inferior to 3 months) and shares in money market funds. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of *Cash and cash equivalents* in the Statement of Cash Flows.

3. Significant accounting policies (continued)

(i) Impairment

(i) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than expendable parts and supplies (on which see (g) above) and deferred tax assets (on which see (p)), are reviewed at each balance sheet date to determine whether there is an indication that an asset may be impaired. If any indication 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 income statement.

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 income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(j) Interest-bearing loans and borrowings, other financing arrangement liabilities and lease liabilities

Interest-bearing loans and borrowings, *Other financing arrangement liabilities* and *Lease liabilities* are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortized amount using the effective interest rate method.

(k) Employee benefits - Retirement benefit costs

The Company 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 24).

3. Significant accounting policies (continued)

(k) Employee benefits - Retirement benefit costs (continued)
Remeasurement 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 income statement.

(l) Provisions
(i) Return obligation provision on leased aircraft
The Company recognizes return obligation provisions in respect of the required maintenance obligations within the framework of the lease of aircraft to lessors. The constitution of these return obligation provisions depends on the type of maintenance obligations to be fulfilled before returning these aircraft to the lessors: overhaul and restoration work as well as airframe and engine potential reconstitution. These provisions also consist of compensations paid to lessors in respect of wear of the limited life parts of the engines.

- Overhaul and restoration work (not depending on aircraft utilization)
  Costs resulting from repairs required before returning an aircraft to the lessors, such as aircraft painting or overhaul ("D-Check") are recognized as a provision as of the inception of the contract. The counterpart of these provisions is booked as a complement through the initial book value of the aircraft right-of-use assets. This complement to the right-of-use asset is depreciated over the lease term.
- Airframe and engine potentials reconstitution (depending on the utilization of the aircraft and its engines)
  The airframe and the engine potentials are recognized as a complement to the right-of-use assets since they are considered as full-fledged components, as distinct from the physical components which are the engines and the airframe. These components are the counterparts of the return obligation provision, recognized in its totality at the inception of the contract. When maintenance events aimed at reconstituting these potentials take place, the costs incurred are capitalized (see (c)(iv)). These potentials are depreciated over the period of use of the underlying assets.

(ii) Other provisions
A provision is recognized in the balance sheet when the Company 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.

(m) Trade payables and other payables
Trade payables and other payables are initially recognized at fair value plus transaction costs and subsequently measured at their amortized cost.

(n) Revenue - Services rendered
(i) Freight transportation
Sales related to air transportation operations, which consist of freight transportation, are recognized as revenue when the transportation service is provided, net of any discounts granted.
The transportation service is also the trigger for the recognition of external expenses, such as the commissions paid to agents.

The Company applies the exemption provided by IFRS 15 which allows the balance of the outstanding transactions to remain unspecified as well as their planned recognition date for the performance obligations related to contracts with an initial term set at one year or less. If those contracts are not used, the performance obligations related to freight transportation effectively expire within one year.

The Company considers that the entity that issues the airway bill acts as principal since the latter has control over the achievement of the performance obligation. When the Company issues freight airway bills for its goods carried by another carrier (airline company or road carrier), the Company acts as principal. Therefore, at the time of transportation the Company recognizes as revenue the amount invoiced to the customer in its entirety as well as chartering costs invoiced by the other carrier for the service provision.

3. Significant accounting policies (continued)

(n) Revenue – Services rendered (continued)

(ii) Lease of aircraft

Lease income is recognized over the lease term on a straight-line basis, unless another systematic basis is more representative on the time pattern in which use benefit is derived from the leased asset is diminished.

(iii) Maintenance

The main types of contracts with customers identified within the Company are:

- Sales of maintenance and support contracts – Power by the hour contracts

Some maintenance and support contracts cover the airworthiness of engines, equipment or airframes, an airframe being an aircraft without engines and equipment. The invoicing of these contracts is based on the number of flight hours or cycles of the goods concerned by these contracts.

The different services included in each of these contracts consist of a unique performance obligation due to the existing interdependence between the services within the execution of these contracts.

The revenue is recognized: (i) if the level of completion can reliably be measured; (ii) if costs incurred and costs to achieve the contract can be measured reliably.

As there is a continuous transfer of the control of these services, the revenue from these contracts is recognized over time as the costs are incurred. As long as the margin on the contract cannot be measured in a reliable manner, the revenue will only be recognized at the level of the costs incurred.

Forecast margins on the contracts are assessed through the forecast future cash flows that take into account the obligations and factors inherent to the contracts as well as other internal parameters to the contract selected using historical and/or forecast data.

These forecast margins are regularly reviewed. If necessary, provisions are recorded as soon as any losses on completion of contracts are identified.

Amounts invoiced to customers, and therefore mostly collected, which are not yet recognized as revenue, are recorded as liabilities on contracts (deferred revenue) at the year end. Inversely, any revenue that has been recognized but not yet invoiced is recorded under assets on the balance sheet at the year end.

- Sales of spare parts repair and labor - Time & Material contracts

These services which relate to engines, equipment or airframes, an airframe being an aircraft without engines and equipment, are generally short term.

They consist of a unique performance obligation. The revenue is recognized over time as costs are incurred.

(o) Expenses

(i) Lease payments and financing arrangement 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 financial and lease liability payments is recognized in the income statement using the effective interest rate method.

3. Significant accounting policies (continued)

(o) Expenses (continued)

(ii) Net finance costs

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

Interest income and expense are 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 Company's right to receive the payments is established.

(p) Income tax

Income tax on the income statement 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 enacted 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 Company'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.

(q) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time in its annual financial reporting period commencing January 1, 2021:

<u>Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.</u>

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the Company's financial statements. The Company intends to use the practical expedients in future periods if they become applicable.

3. Significant accounting policies (continued)

(r) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2021, and not early adopted

A number of new standards are effective for annual periods beginning after January 1, 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- IFRS 17 Insurance Contracts.

4. Determination of fair values

A number of the Company'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 other than shares in subsidiaries and associates

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 Company's counterparties to the hedging transactions. Where feasible any counterparty valuation is verified by the Company 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 Company's eventual liability with respect of the hedging instruments booked at the balance sheet date.

(iii) Other financial assets/liabilities

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

5. Financial risks and risk management

Risk management framework

The Company 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 Company if a counterparty to a financial instrument or issuer of a security owned by the Company fails to meet its contractual obligations because of insolvency, bankruptcy or similar event.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company'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 Company's income or the value of its holdings of financial instruments.

General

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, as well as the Company'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 Company's risk management framework. The Board has delegated this responsibility to the Risk Management Committee (management expert committee), which is responsible for executing and monitoring the Company's risk management policies. The Risk Management Committee reports on a regular basis to the Audit Committee on the committee's activities and on the evolution of the Company's derivative portfolio.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, to determine appropriate instruments to protect the Company 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 Company's activities. The Company, 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 Company buys derivatives in order to manage market risks. In connection with purchases of derivatives, the Company sometimes also sells derivatives. Such transactions are carried out within the risk management framework and control mechanisms described below. Where possible the Company seeks to apply hedge accounting for those instruments in order to reduce volatility in income statement. The Company's risk management policy prohibits short selling of options.

5. Financial risks and risk management (continued)

Investment policy
The primary goal of the Company's investment policy is to optimize returns while always preserving the invested capital. To this effect, the Company invests excess cash, according to Board approved limits, 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 asset 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 Company only purchases 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 Company 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 Company 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 Company's exposure to credit risk is influenced mainly by the individual characteristics of the customer and the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate. The Company 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 Company's standard payment and delivery terms and conditions are offered. The Company'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 Company's benchmark creditworthiness may transact with the Company only on a prepayment basis or if they can offer collateral e.g. bank guarantees or letters of a credit. The creditworthiness of customers paying through CASS is assessed and monitored by IATA which runs this clearing and settlement system on behalf of the cargo carriers.

Not more than 11% (2020: 9%) of the Company's revenue is attributable to sales transactions with a single customer. The five largest customers of the Company represent 41% (2020: 41%) of the net cargo sales. More than 76% (2020: 73%) of the Company's customers have been transacting with the Company 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 Company's credit risk exposure of potential defaulting customer payments is covered through a credit risk insurance which is underwritten by a major international insurance company which in turn partially reinsures this risk through the Company's captive reinsurance company.

5. Financial risks and risk management (continued)

(a) Credit risk (continued)

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (see note 19).

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

In thousands of U.S. Dollar	**2021**	**2020**
Area I (the Americas)	52,239	37,102
Area II (Europe, Middle East & Africa)	199,122	141,802
Area III (Asia & Pacific)	307,631	210,050
	*** 558,992**	*** 388,954**

* Excluding trade receivables from subsidiaries.

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 2021, 100% of receivables were cleared through CASS and ICH (88.8% in 2020). As of December 31, 2021, 100% (100% in 2020) of the total outstanding trade debtors were within the contractual payment terms. The average DSO of trade receivables was 38.3 days in 2020 (37.1 days in 2020). In 2021 the Company suffered a credit loss of US$ 0.82 million (2020: US$ 0.58 million).

(b) Fuel risk

Fuel price
The price of fuel significantly affects the Company's earnings. At a 2021 average of US$/tonne 607, the jet market price increased by US$/tonne 248 compared to the preceding year. The span of 2021's fuel price was between US$/tonne 437 and 777. The jet price rose to its peak in October and then receded towards year-end.

Fuel hedges
The Company is exposed to fuel risk related to the jet fuel used to its flight operations. Additionally, the Company is also exposed to fuel risk related to jet fuel purchases from supply contracts outside the current reporting period. The Company adopts a policy of ensuring that its exposure to increases in fuel prices is capped or reduced while allowing the Company to benefit, to a certain extent, from a low fuel price environment. This strategy is generally deemed preferable than fixing the fuel price at the time a supply contract is entered, unless fuel prices are deemed to be low and in which case such fuel prices are locked in via a swap or call option, a strategy that the Company has pursued in 2021.

Cargolux's fuel bill varies with the price of jet fuel. The Company can offset a significant part of such variations through the Fuel Surcharge Mechanism. 84% of the variations fuel price increase is compensated through fuel surcharges as at December 31, 2021. To the remainder the Company applies financial risk management measures using derivative instruments. This is in line with the Company's risk management strategy aimed to hedge that part of the fuel bill which is not covered by fuel surcharges.

Where possible the Company seeks to apply hedge accounting for those instruments in order to reduce volatility in income statement.

5. Financial risks and risk management (continued)

(b) Fuel risk (continued)

As at December 31, 2021, the fair value of fuel derivatives was as follows:

In thousands of U.S. Dollar	2021	2020
Derivative assets	**3,574**	**1,515**
of which current (see note 19)	2,407	1,145
of which non-current	1,167	370
Derivative liabilities	**(570)**	**(1,531)**
of which current (see note 26)	(380)	(1,107)
of which non-current	(190)	(424)
Balance at January 1	**3,004**	**(16)**
Net change in fair value recognized in equity	4,654	-
Non-qualifying hedges recognized in profit or loss	3,409	3,020
Derivative assets	**11,538**	**3,574**
of which current (see note 19)	7,873	2,407
of which non-current	3,665	1,167
Derivative liabilities	**(471)**	**(570)**
of which current (see note 26)	(153)	(380)
of which non-current	(318)	(190)
Balance at December 31	**11,067**	**3,004**

As of December 31, 2021, the Company is holding the following derivative instruments (recognized at fair value) to manage the fuel risk on its future purchases:

In thousands of U.S. Dollar	Notional amount	Carrying amount	< 1 year	1 - 5 years	> 5 years
Derivatives designated as hedging instruments	**5,350**	**4,654**	**1,307**	**3,347**	-
Assets	4,118	5,125	1,460	3,665	-
Liabilities	1,232	(471)	(153)	(318)	-
Derivatives non designated as hedging instruments	**2,183**	**6,413**	**6,413**	-	-
Assets	2,183	6,413	6,413	-	-
Liabilities	-	-	-	-	-

As of December 31, 2020, the Company is holding the following derivative instruments (recognized at fair value) to manage the fuel risk on its future purchases:

In thousands of U.S. Dollar	Notional amount	Carrying amount	< 1 year	1 - 5 years	> 5 years
Derivatives designated as hedging instruments	-	-	-	-	-
Assets	-	-	-	-	-
Liabilities	-	-	-	-	-
Derivatives non designated as hedging instruments	**7,059**	**3,004**	**2,027**	**977**	-
Assets	5,572	3,574	2,407	1,167	-
Liabilities	1,487	(570)	(380)	(189)	-

5. Financial risks and risk management (continued)

(c) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company.
Generally, the Company does not incur non-dollar denominated secured indebtedness to finance its assets stated in US$ in order to eliminate any related volatility in income statement except if the management sees in such financing an opportunity to reduce its currency exposition.

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

In thousands of U.S. Dollar	**EUR**	**HKD**	**CNY**	**other**	**% of total**
Deposits with third parties	14,912	128	196	264	60.7
Other financial assets	47,520	-	-	-	100.0
Trade receivables and other receivables	156,008	162,132	69,157	115,962	79.8
Other investments	70,225	-	-	-	16.3
Cash and cash equivalents	171,397	7,281	11,230	52,627	12.3
Employee benefits	(6,094)	-	-	(180)	100.0
Interest-bearing loans and borrowings	(23,040)	-	-	-	23.4
Financial liabilities	(7)	-	-	-	0.0
Lease liabilities	(125,766)	(544)	(178)	(698)	85.2
Trade payables and other payables	(299,541)	(6,252)	(7,443)	(15,664)	49.9
Taxes payable	(399,573)	-	-	(1,897)	99.8

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

In thousands of U.S. Dollar	**EUR**	**HKD**	**CNY**	**other**	**% of total**
Deposits with third parties	14,425	127	178	285	71.5
Other financial assets	44,212	-	-	-	100.0
Trade receivables and other receivables	116,684	103,717	77,127	75,961	80.9
Other investments	51,584	-	-	-	15.9
Cash and cash equivalents	188,108	778	21,163	43,423	29.7
Employee benefits	(6,829)	-	-	(128)	100.0
Interest-bearing loans and borrowings	(106,439)	-	-	-	53.3
Financial liabilities	(135)	-	-	-	0.0
Lease liabilities	(137,613)	(903)	(427)	(664)	84.0
Trade payables and other payables	(111,809)	(8,542)	(9,749)	(16,973)	27.7
Taxes payable	(84,033)	-	-	(1,675)	99.2

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

	Average rate		**Reporting date spot rate**	
	2021	**2020**	**2021**	**2020**
EUR	1.18317	1.14101	1.13260	1.22810
HKD	0.12865	0.12893	0.12822	0.12899
CNY	0.15501	0.14498	0.15742	0.15326

Depending on market views as well as applying a stepped approach, the Company hedges the foreign exchange risk related to payables and receivables through the use of forwards and options.

5. Financial risks and risk management (continued)

(d) Interest rate risk

The Company is exposed to interest rate risk on interest payments related to its on balance sheet debt and on rental payments. Additionally, the Company is also exposed to interest rate risk related to future, non-contingent interest-bearing liabilities such as refinancing of current fleet outside the current reporting period. The Company adopts a policy of ensuring that its exposure to increases in interest rates on borrowings is capped or reduced while allowing the Company to benefit, to a certain extent, from a low interest rate environment. This strategy is generally deemed preferable than fixing the rate at the time the loan is contracted or the payment liability is crystallized, unless interest rates are deemed to be low and in which case such rates are locked in via a swap, a cap or fixed interest loan, a strategy that the Company has pursued in 2021.

A significant portion of Cargolux's debt is issued based on floating rates in US$. Swaps and options are the main derivative instruments that allow the Company to be protected from possible rates increases. Before swaps and options, the floating portion of the debt represents approximately 62% of its total debt as of December 31, 2021. Including derivatives, the fixed portion represents around 79% of its total debt, which is in line with the Company's risk management strategy aimed to fix at least 33% of the total debt.

Where possible the Company seeks to apply hedge accounting for those instruments in order to reduce volatility in income statement.

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

In thousands of U.S. Dollar	**2021**	**2020**
Fixed rate instruments		
Financial assets	47,521	44,212
Financial liabilities	410,241	580,610
Floating rate instruments		
Financial assets	2,398,090	1,178,366
Financial liabilities	683,073	762,250
Interest rate derivatives		
Nominal amount of underlying financings in place at the balance sheet date	448,292	348,427

As at December 31, 2021, the fair value of interest rate derivatives was as follows:

In thousands of U.S. Dollar	**2021**	**2020**
Derivative assets	**112**	**658**
of which current (see note 19)	112	13
of which non-current	-	645
Derivative liabilities	**(24,293)**	**(12,962)**
of which current (see note 26)	(1,678)	(12,921)
of which non-current	(22,615)	(41)
Balance at January 1	**(24,181)**	**(12,304)**
Net change in fair value recognized in equity	1,795	2,534
Non-qualifying hedges recognized in profit or loss	19,007	(14,411)
Derivative assets	**2,770**	**112**
of which current (see note 19)	-	112
of which non-current	2,770	-
Derivative liabilities	**(6,148)**	**(24,293)**
of which current (see note 26)	(1,409)	(1,678)
of which non-current	(4,739)	(22,615)
Balance at December 31	**(3,378)**	**(24,181)**

5. Financial risks and risk management (continued)

(d) Interest rate risk (continued)

As of December 31, 2021, the Company is holding the following derivative instruments (recognized at fair value) to manage the interest rate risk on its short- and long-term borrowings:

In thousands of U.S. Dollar	Notional amount	Carrying amount	< 1 year	1 - 5 years	> 5 years
Derivatives designated as hedging instruments	**91,903**	**(805)**	**(398)**	**(308)**	**(99)**
Assets	30,000	-	-	-	-
Liabilities	61,903	(805)	(398)	(308)	(99)
Derivatives non designated as hedging instruments	**356,390**	**(2,573)**	**(1,011)**	**(1,404)**	**(158)**
Assets	318,313	7,803	180	5,549	2,074
Liabilities	38,077	(10,376)	(1,191)	(6,953)	(2,232)

As of December 31, 2020, the Company is holding the following derivative instruments (recognized at fair value) to manage the interest rate risk on its short- and long-term borrowings:

In thousands of U.S. Dollar	Notional amount	Carrying amount	< 1 year	1 - 5 years	> 5 years
Derivatives designated as hedging instruments	**131,699**	**(1,880)**	**(763)**	**(910)**	**(207)**
Assets	67,661	-	-	-	-
Liabilities	64,038	(1,880)	(763)	(910)	(207)
Derivatives non designated as hedging instruments	**216,728**	**(22,301)**	**(803)**	**(15,202)**	**(6,296)**
Assets	180,302	2,514	(28)	219	2,323
Liabilities	36,426	(24,815)	(775)	(15,421)	(8,619)

(e) Liquidity risk

The Company'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. The foreseen 2022 liabilities and how the Company expects to cover those is discussed below.

The Company is subject to loan covenants for some of its borrowing and financing arrangements, which in case of breach, unless waived, would entitle the lending parties to demand prepayment of the loan. Financial covenants require the Company 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, under the second covenant the shareholders' equity must represent at least 16.7% of total liabilities and under the third covenant the Company commits to have a minimum consolidated cash of US$ 100 million. As at December 31, 2021, the Company was in compliance with these and all other contractual financial covenants.

5. Financial risks and risk management (continued)

(e) Liquidity rate risk (continued)

As at December 31, 2021, the contractual maturities of liabilities are the following:

In thousands of U.S. Dollar	Carrying amount	Contracted cash flows	2022	2023	2024	Further than 2024
Interest-bearing liabilities	(98,117)	(106,933)	(31,206)	(1,436)	(1,275)	(73,016)
Other financing arrangement liabilities	(993,757)	(1,102,964)	(396,925)	(89,567)	(95,799)	(520,673)
Lease liabilities	(149,258)	(156,589)	(13,867)	(13,461)	(13,789)	(115,472)
Trade payables and other payables	(652,592)	(652,592)	(648,569)	-	-	(4,023)
Derivative liabilities	(11,923)	(4,235)	(2,211)	(1,364)	(111)	(549)
	(1,905,647)	**(2,023,313)**	**(1,092,778)**	**(105,828)**	**(110,974)**	**(713,733)**

As at December 31, 2020, the contractual maturities of liabilities are the following:

In thousands of U.S. Dollar	Carrying amount	Contracted cash flows	2021	2022	2023	Further than 2023
Interest-bearing liabilities	(199,560)	(211,633)	(178,841)	(3,316)	(2,801)	(26,675)
Other financing arrangement liabilities	(1,135,771)	(1,305,170)	(210,592)	(195,525)	(207,481)	(691,572)
Lease liabilities	(166,106)	(172,638)	(12,949)	(13,367)	(12,969)	(133,353)
Trade payables and other payables	(512,921)	(512,922)	(487,543)	-	(21,152)	(4,227)
Derivative liabilities	(44,496)	(32,768)	(9,204)	(2,477)	(5,779)	(15,308)
	(2,058,854)	**(2,235,131)**	**(899,129)**	**(214,685)**	**(250,182)**	**(871,135)**

In addition to routine capital repayment under interest bearing loans, financial and lease liabilities and variable lease rentals, the Company foresees the following payments during the year immediately following the balance sheet date:

- Capital expenditures relating to aircraft components (approximately US$ 148 million);
- An approximately US$ 275 million prepayment of secured debt.

The Company will be able to meet its financial obligations in 2022 out of operating cash flows, the existing cash position and new debt mentioned below. The level of liquidity of the Company at the balance sheet date is expected to be maintained by the following additional measures during 2022:

- The Company maintains credit lines to ensure that it will be able to face its obligations when they fall due. As at December 31, 2021, the Company had the following credit lines available for drawing: US$ 107.5 million (US$ 60 million and EUR 42 million) with a maturity ranging from December 2022 to December 2026.

5. Financial risks and risk management (continued)

(f) Sensitivity analysis

In managing currency, interest rate and fuel price risks, the Company seeks to reduce the impact of short- to medium-term changes in values on the Company'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 2021, it is estimated that a general increase/decrease of one percentage point in interest rates would have increased/decreased the Company's profit before tax before marked-to-market of derivative instruments by respectively approximately US$ 12.3 million and US$ 15.7 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 Company's profit before tax by approximately US$ 25.6 million. The impact on the income statement of an increase in the value of the US Dollar can to a certain extent be mitigated by cash inflows from currency hedging.

It is estimated that an increase/decrease of US$/tonne 50 in the price of jet fuel (basis Barges Rotterdam) over a one-year period would have increased/decreased the Company's fuel bill by around US$ 67 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.

5. Financial risks and risk management (continued)

(g) Fair values

The fair values of financial assets and liabilities other than those with carrying amounts that are reasonable approximations of fair values, together with the carrying amounts shown in the balance sheet, are as follows:

In thousands of U.S. Dollar	December 31, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Interest rate transactions used for hedging	2,770	2,770	112	112
Fuel derivative contracts through profit and loss	11,538	11,538	3,574	3,574
Forward exchange contracts through profit and loss	4,692	4,692	184	184
	19,000	**19,000**	**3,870**	**3,870**
Assets carried at amortized costs				
Loans and receivables	720,201	720,201	654,320	654,320
Cash and cash equivalents	1,968,223	1,968,223	853,886	853,886
	2,688,424	**2,688,424**	**1,508,206**	**1,508,206**
Liabilities carried at fair value				
Interest rate transactions used for hedging	(6,148)	(6,148)	(24,293)	(24,293)
Fuel derivative contracts through profit and loss	(471)	(471)	(570)	(570)
Forward exchange contracts through profit and loss	(5,304)	(5,304)	(19,633)	(19,633)
	(11,923)	**(11,923)**	**(44,496)**	**(44,496)**
Liabilities carried at amortized cost				
Secured bank loans	(75,581)	(66,470)	-	-
Unsecured bond issued	(22,652)	(22,479)	(198,617)	(167,930)
Other financing arrangement liabilities	(995,081)	(900,907)	(1,144,243)	(835,398)
Lease liabilities	(149,252)	(149,252)	(166,099)	(166,099)
Loan from subsidiary	(3)	(3)	(77)	(77)
Trade and other payables	(648,568)	(648,568)	(487,543)	(487,543)
	(1,891,137)	**(1,787,679)**	**(1,996,579)**	**(1,657,047)**

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

(h) Fair values hierarchy

In thousands of U.S. Dollar	December 31, 2021		December 31, 2020	
	Level 2	Total	Level 2	Total
Interest rate transactions used for hedging	2,770	2,770	112	112
Fuel derivative contracts through profit and loss	11,538	11,538	3,574	3,574
Forward exchange contracts through profit and loss	4,692	4,692	184	184
	19,000	**19,000**	**3,870**	**3,870**
Interest rate transactions used for hedging	(6,148)	(6,148)	(24,293)	(24,293)
Fuel derivative contracts through profit and loss	(471)	(471)	(570)	(570)
Forward exchange contracts through profit and loss	(5,304)	(5,304)	(19,633)	(19,633)
	(11,923)	**(11,923)**	**(44,496)**	**(44,496)**

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

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

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

6. Revenues

In thousands of U.S. Dollar	2021	2020
Cargo sales	3,908,482	2,826,984
Aircraft rental revenues	69,849	61,702
Maintenance revenues	71,454	62,562
Trucking, handling and other services	46,549	51,006
	4,096,334	**3,002,254**

Cargo sales represent revenues directly related to the Company's core business, i.e. air freight, net of customer incentives and rebates. The largest contributors to net turnover were Area III (Asia & Pacific) traffic with 48.6% (2020: 44.9%), followed by Area II (Europe, Middle East & Africa) traffic with 36.0% (2020: 33.8%), with the balance accounted for by Area I (the Americas) and charter traffic with 15.4% (2020: 21.3%).

7. Other operating income

In thousands of U.S. Dollar	2021	2020
Gain on sale of fixed assets	-	3,064
Dividend received	9,519	451
	9,519	**3,515**

In 2021, the Company received a dividend from its subsidiary Cargolux Italia S.p.A..
In 2020, the Company sold one of its B747-400 freighters.

8. Aircraft lease expenses

In thousands of U.S. Dollar	2021	2020
Aircraft rentals under dry leases	5,666	8,029
Aircraft rentals under wet leases	57,884	55,888
Fees payable under block space agreements	-	255
Return conditions provision in respect of dry leased aircraft	-	(9,352)
	63,550	**54,820**

At the balance sheet date the Company dry leased the following aircraft: LX-GCL, LX-ICL, and LX-KCL.
From 2019, the Company applied IFRS 16 and all aircraft under dry lease are classified as right-of-use assets and depreciated over its lease term. Only the variable part of the aircraft dry lease contracts remains classified as *Aircraft lease expenses.*

9. Aircraft maintenance expenses

In thousands of U.S. Dollar	2021	2020
Engine repair and overhaul	35,477	28,302
Component and brakes repair	34,410	26,879
Stock consumption	27,050	23,643
Line maintenance at stations	11,564	9,810
Engine lease	7,215	5,202
Engine reserve	3,217	7,547
Other maintenance expenses	17,627	31,709
	136,560	**133,092**

Other maintenance expenses include scrap of material, retreading of tires, provision for obsolescence of stock and exchange of components.

10. Personnel costs and benefits

In thousands of U.S. Dollar	2021	2020
By category of expenses		
Salaries, 13th month, profit sharing and overtime	468,073	349,848
Social security	34,184	28,999
Employee benefits		
- Expenses related to defined benefit plans	222	41
- Expenses related to defined contribution plans	8,511	7,381
- Other (accident and invalidity insurance)	7,992	9,711
Training and sundry personnel charges	15,924	15,510
	534,906	**411,490**

Average number of staff by category	2021	2020
Active		
Flight Operations (including crews)	684	650
Sales and Marketing	309	310
Maintenance	560	551
Finance and Administration	139	139
General Management (Corporate Division)	89	68
Legal and Compliance Division	74	66
Commercial Planning	51	48
Global Logistics	323	309
Corporate Development	5	3
	2,234	2,144
Other		
Reclassified staff	10	10
Employees on early retirement	7	3
Apprentices	18	18
	2,269	**2,175**

As at December 31, 2021, 1,972 (2020: 1,883) employees (excluding apprentices) were based in countries of the European Union, of which 1,830 in Luxembourg (2020: 1,740).

10. Personnel costs and benefits (continued)

On August 5, 2019, two CWAs covering Luxembourg based staff other than managers and exempt employees were signed, the first CWA covering the years 2018-2019 and the second CWA covering the years 2020-2022. On May 27, 2021, an amendment of the CWA covering the years 2020-2022 was signed.

11. Other operating expenses

In thousands of U.S. Dollar	**2021**	**2020**
GSA commissions	23,850	15,872
IT services	31,996	36,804
Travel & entertainment	18,262	20,693
Office and office equipment (rental and maintenance)	20,966	16,226
Legal, audit and consulting fees	11,588	14,000
Other aircraft expenses	11,082	7,490
Purchase, maint. & repairs of ULD & packing material	5,545	4,059
Office & printing material	4,421	6,872
Net worth tax	(161)	3,398
Foreign exchange loss, net	5,695	11,773
Loss on sale of fixed assets	266	-
Miscellaneous	26,209	39,417
Anti-Trust	-	9,393
	159,719	**185,997**

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

As of December 31, 2021, there are ongoing litigations in various countries. Management is required to make estimates and judgments about the ultimate outcome of these anti-trust related civil proceedings in determining anti-trust provisions. Final settlements or court rulings may differ from management estimates (see also note 25).

Legal, audit and consulting fees include US$ 0.9 million (2020: US$ 2.3 million) related to the anti-trust cases in various jurisdictions, which are entirely provisioned (see also note 25).

Legal, audit and consulting fees also include an amount of US$ 0.4 million (2020: US$ 0.4 million) accrued for audit fees and an amount of US$ 0.1 million (2020: US$ 0.1 million) accrued for tax services to our external auditors.

Miscellaneous includes telecommunication expenses, indemnity fees, value adjustments on current assets, advertising and public relations and non-aircraft insurances.

12. Net finance costs

Recognized in income statement

In thousands of U.S. Dollar	2021	2020
Net change in fair value of financial instruments	19,088	-
Interest income on bank deposits	2,627	2,791
Interest on loans and receivables	334	439
Gain on sale of financial asset	10,530	-
Other financial income (IATA call day adjustments, discounts received)	165	198
Financial income	**32,744**	**3,428**
Interest expense	(49,887)	(64,970)
Net change in fair value of financial instruments	-	(29,807)
Accrued interest on net present value of provisions and liabilities	(4,981)	(5,063)
Value adjustment financial asset (Note 16)	(2,822)	(19,435)
Other financial expenses (bank charges, loan agency fees, CASS commissions)	(7,288)	(2,217)
Financial expenses	**(64,978)**	**(121,492)**
Net finance costs	**(32,234)**	**(118,064)**

In December 2021, the Company sold its participation in the associate Champ Cargosystems S.A.. The proceed of the sale was above the value of the participation and the Company recognized a gain on sale of financial asset (see note 16).

Recognized in other comprehensive income

In thousands of U.S. Dollar	2021	2020
Effective portion of changes in fair value of interest cash flow hedges	5,729	5,027
Net change in fair value of cash flow hedges transferred to profit or loss	720	(2,493)
Income tax on finance income and finance costs recognized in other comprehensive income	(1,608)	(632)
Finance income recognized in other comprehensive income, net of tax	**4,841**	**1,902**

13. Income tax expense

In thousands of U.S. Dollar	2021	2020
Current tax expense		
Current year	331,120	70,180
	331,120	70,180
Deferred tax expense		
Origination and reversal of temporary differences	(512)	(1,019)
Effect of investment tax credit	-	12,787
	(512)	11,768
Total income tax expense in income statement	**330,608**	**81,948**
Income tax expense recognized in other comprehensive income	**1,676**	**562**

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

Reconciliation of effective tax rate

In thousands of U.S. Dollar	2021 %	2021	2020 %	2020
Profit before tax		1,516,718		791,082
Income tax using the domestic rate	24.94	378,270	24.94	197,296
Effect of current tax in foreign branches		152		155
Non-deductible expenses / Non-taxable income		(9,896)		(18,268)
Benefits of tax credits through financing arrangement		-		-
Unrecognized DTA		(37,918)		(110,022)
Tax exempt revenues		-		-
Effect of investment tax credit		-		12,787
Effect of change in tax rate		-		-
Effect of tax losses		-		-
Income tax expense		**330,608**		**81,948**

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

As at December 31, 2021, all Investment Tax Credits ("ITC") available were recognized and utilized (2020: all ITC available were recognized and utilized).

14. Property, plant and equipment

2021

In thousands of U.S. Dollar	**Aircraft and equipment**	**Land and buildings**	**Other equipment**	**Payments on accounts and assets in course of construction**	**Total**
Cost at beginning of year	3,889,792	10,364	76,025	65,800	4,041,981
Acquisitions	193,219	232	3,370	68,768	265,589
Transfer from assets under construction	70,284	875	2,974	(74,133)	-
Disposals	(75,690)	(5,811)	(2,161)	(413)	(84,075)
At end of year	4,077,605	5,660	80,208	60,022	4,223,495
Accumulated depreciation at beginning of year	(2,031,653)	(8,419)	(58,509)	-	(2,098,581)
Charge for the year	(297,285)	(725)	(4,539)	-	(302,549)
Impairment loss	-	-	-	-	-
Adjustments for disposals	71,823	5,803	2,154	-	79,780
At end of year	(2,257,115)	(3,341)	(60,894)	-	(2,321,350)
Net book value as of December 31, 2021	**1,820,490**	**2,319**	**19,314**	**60,022**	**1,902,145**

2020

In thousands of U.S. Dollar	**Aircraft and equipment**	**Land and buildings**	**Other equipment**	**Payments on accounts and assets in course of construction**	**Total**
Cost at beginning of year	3,697,515	8,864	70,565	90,757	3,867,701
Acquisitions	93,175	267	2,660	111,981	208,083
Transfer from assets under construction	132,726	1,233	2,889	(136,848)	-
Disposals	(33,624)	-	(89)	(90)	(33,803)
At end of year	3,889,792	10,364	76,025	65,800	4,041,981
Accumulated depreciation at beginning of year	(1,766,737)	(7,857)	(54,812)	-	(1,829,406)
Charge for the year	(217,899)	(562)	(3,786)	-	(222,247)
Impairment loss	(76,700)	-	-	-	(76,700)
Adjustments for disposals	29,683	-	89	-	29,772
At end of year	(2,031,653)	(8,419)	(58,509)	-	(2,098,581)
Net book value as of December 31, 2020	**1,858,139**	**1,945**	**17,516**	**65,800**	**1,943,400**

14. Property, plant and equipment (continued)

Impairment loss
As of December 31, 2021, the Company reviewed the carrying amount of aircraft in light of current market condition. Following the review, the Company concluded there were no indication of impairment or reversal of impairment. Accordingly, in 2021 the Company did not recognize an impairment against these aircraft. In 2020, the Company recognized an impairment loss of US$ 76.7 million and the estimate of value in use was determined using a pre-tax discount rate of 10.8%.

Aircraft subject to financing arrangements
The Company operates aircraft subject to financing agreements: LX-MCL, LX-YCV, LX-VCA, LX-VCB, LX-VCC, LX-VCD, LX-VCE, LX-VCF, LX-VCG, LX-VCH, LX-VCI, LX-VCJ, LX-VCK, LX-VCL, LX-VCM and LX-VCN (2020: LX-MCL, LX-YCV, LX-VCA, LX-VCB, LX-VCC, LX-VCD, LX-VCE, LX-VCF, LX-VCG, LX-VCH, LX-VCI, LX-VCJ, LX-VCK, LX-VCL, LX-VCM and LX-VCN). At the end of each of the financing contracts the Company has the option to purchase the aircraft at a preferential or favorable price (except LX-VCC and LX-VCD). At December 31, 2021, the net carrying amount of aircraft under financing arrangements was US$ 1,435.6 million (2020: US$ 1,780.2 million).

Security
At December 31, 2021, aircraft and equipment with a carrying amount of US$ 1,460.1 million (2020: US$ 1,685.8 million) are subject to mortgages to secure the bank loans relating to LX-MCL, LX-YCV, LX-VCA, LX-VCB, LX-VCC, LX-VCD, LX-VCE, LX-VCF, LX-VCG, LX-VCH, LX-VCI, LX-VCJ, LX-VCK, LX-VCL, LX-VCM, LX-VCN and two GEnx spare engines (2020: LX-MCL, LX-YCV, LX-VCA, LX-VCB, LX-VCC, LX-VCD, LX-VCE, LX-VCF, LX-VCH, LX-VCI, LX-VCJ, LX-VCK, LX-VCL, LX-VCM, LX-VCN and two GEnx spare engines). On May 28, 2008 the Grand-Duchy of Luxembourg ratified the Cape Town Convention on international interests in mobile equipment (Cape Town 2001). The convention was enacted into Luxembourg law effective of December 12, 2008. Some of the Company's aircraft are subject to a mortgage registration in the Cape Town registry.

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 Company keeps the risks and rewards of the aircraft under the intended financing structure.

15. Right-of-use assets

2021 *In thousands of U.S. Dollar*	**Aircraft and equipment**	**Return cost**	**Land and buildings**	**Other equipment**	**Total**
Cost at beginning of year	34,551	26,694	141,174	836	**203,255**
New contract	-	-	3,688	5,421	**9,109**
Change in contract	-	-	157	-	**157**
Disposals	-	-	(5,410)	(98)	**(5,508)**
at end of year	34,551	26,694	139,609	6,159	**207,013**
Acc. depr. at beginning of year	(9,635)	(5,262)	(15,149)	(339)	**(30,385)**
Amortization	(4,818)	(2,475)	(8,528)	(2,437)	**(18,258)**
Impairment loss	-	-	-	-	**-**
Adjustments for disposals	-	-	4,723	90	**4,813**
at end of year	(14,453)	(7,737)	(18,954)	(2,686)	**(43,830)**
NBV as of December 31, 2021	**20,098**	**18,957**	**120,655**	**3,473**	**163,183**

At December 31, 2021, the sole lease aircraft subject to return obligation is LX-KCL.

2020 *In thousands of U.S. Dollar*	**Aircraft and equipment**	**Return cost**	**Land and buildings**	**Other equipment**	**Total**
Cost at beginning of year	52,901	37,281	76,691	662	**167,535**
New contract	-	-	66,239	315	**66,554**
Change in contract	-	-	115	-	**115**
Disposals	(18,350)	(10,587)	(1,871)	(141)	**(30,949)**
at end of year	34,551	26,694	141,174	836	**203,255**
Acc. depr. at beginning of year	(15,319)	(7,596)	(7,908)	(215)	**(31,038)**
Amortization	(8,399)	(6,765)	(8,859)	(234)	**(24,257)**
Impairment loss	-	-	-	-	**-**
Adjustments for disposals	14,083	9,099	1,618	110	**24,910**
at end of year	(9,635)	(5,262)	(15,149)	(339)	**(30,385)**
NBV as of December 31, 2020	**24,916**	**21,432**	**126,025**	**497**	**172,870**

The following amounts are recognized in profit or loss:

In thousands of U.S. Dollar	**2021**	**2020**
Depreciation expense of right-of-use assets	18,258	24,257
Interest expense on lease liabilities	4,981	5,063
Variable lease payments	5,666	8,029
Expenses relating to short-term and low value leases	1,941	1,591
	30,846	**38,940**

16. Investments in subsidiaries, associates and joint ventures

		Direct Ownership	Country of residence	In thousands of	Equity (excluding profit/(loss))	Profit / (Loss)	Carrying amount (in USD)
Investments in subsidiaries	**2021**						
Cargolux RE S.A.		100%	Luxembourg	USD	5,519	2,300	2,000
Cargolux Italia S.p.A.		40%	Italy	USD	48,358	126,924	10,882
Italia Aerologistic S.R.L.		98%	Italy	USD	2,080	14,231	1,393
8F Leasing S.A.		100%	Luxembourg	USD	599	74	-
Aircraft Leasing S.à r.l.		100%	Luxembourg	USD	17	132	17
Aircraft Leasing 2 S.à r.l.		100%	Luxembourg	USD	17	113	17
Investments in joint ventures							
Global Aviation Technical Solutions GB (BVI) Ltd.		50%	British Virgin Islands	USD	44,046	(5,643)	19,225

		Direct Ownership	Country of residence	In thousands of	Equity (excluding profit/(loss))	Profit / (Loss)	Carrying amount (in USD)
Investments in subsidiaries	**2020**						
Cargolux RE S.A.		100%	Luxembourg	USD	3,218	-	2,000
Cargolux Italia S.p.A.		40%	Italy	USD	13,053	59,102	10,882
Italia Aerologistic S.R.L.		98%	Italy	USD	3,358	(1,278)	1,393
8F Leasing S.A.		100%	Luxembourg	USD	653	(54)	-
Investments in associates							
Champ Cargosystems S.A.		49%	Luxembourg	EUR	39,246	(10,842)	8,244
Investments in joint ventures							
Global Aviation Technical Solutions GB (BVI) Ltd.		50%	British Virgin Islands	USD	49,379	(7,333)	21,047

In 2021, the Company made no contribution in kind to Global Aviation Technical Solutions GB (BVI) Ltd. (2020: US$ 0.1 million).

The management decided, based on the 2021 result and outlook, to partially write-off its participation in the joint venture Global Aviation Technical Solutions GB (BVI) Ltd. (see note 12).

In December 2021, the Company sold its participation in the associate Champ Cargosystems S.A.. The proceed of the sale was above the value of the participation and the company recognized a gain on sale of financial asset (see note 12).

17. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of U.S. Dollar	2021	2020	2021	2020	2021	2020
Aircraft and equipment, and right-of-use assets	1,996	6,239	-	-	1,996	6,239
Other property, plant and equipment	-	-	-	-	-	-
Derivative assets	-	-	(4,739)	(703)	(4,739)	(703)
Investments in associates	-	-	-	-	-	-
Trade receivables and other receivables	-	-	(3,941)	(3,000)	(3,941)	(3,000)
Other investments	-	12	(8)	-	(8)	12
Financial and lease liabilities	28,690	12,824	-	-	28,690	12,824
Employee benefits	475	484	-	-	475	484
Derivative liabilities	2,974	11,097	-	-	2,974	11,097
Trade and other payables	-	-	(503)	(387)	(503)	(387)
Provisions	2,822	2,365	-	-	2,822	2,365
Benefit of tax losses brought forward	-	-	-	-	-	-
Investment tax credit	-	-	-	-	-	-
Tax credit on loss carry forward	-	-	-	-	-	-
Tax assets / (liabilities)	36,957	33,021	(9,191)	(4,090)	27,766	28,931
Deferred tax assets	-	-	-	-	-	-
Deferred tax liabilities	(9,191)	(4,090)	9,191	4,090	-	-
Net tax assets	**27,766**	**28,931**	-	-	**27,766**	**28,931**

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

A positive amount of deferred tax adjustments of US$ 1.7 million was recognized in equity in 2021 and a positive of US$ 0.6 million in 2020 (see note 13).

All ITC available were recognized and utilized in 2021 (2020: All ITC available were recognized and utilized).

18. Other financial assets

In thousands of U.S. Dollar	2021	2020
Interest rate loans – at amortized cost	14,375	11,026
Current	**14,375**	**11,026**
Interest rate loans – at amortized cost	33,146	33,185
Non-current	**33,146**	**33,185**

Interest rate loans have an interest rate of Euribor 3M + 100 basis points and have a maturity of 8 years.

19. Trade receivables and other receivables

Trade receivables of US$ 583.0 million (2020: US$ 417.7 million) are shown net of any impairment losses recognized in the current year (see note 5(a)).

In thousands of U.S. Dollar	**2021**	**2020**
Trade receivables	583,023	417,671
Prepayments	54,437	151,009
Advances paid to suppliers	5,918	6,204
VAT	6,966	7,252
Derivative assets	12,049	2,703
Other receivables	22,335	27,973
	684,728	**612,812**

Prepayments mainly include an advance payment made to suppliers for future services.

In 2021, the Company recognized an impairment of trade and other receivables of US$ 0.7 million (2020: US$ 1.3 million) based on the expected credit loss model.

The expected loss rates are based on the Company's historical credit losses experienced over the three-years period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers.

20. Other investments

In thousands of U.S. Dollar	**2021**	**2020**
Term deposits	417,124	293,077
Restricted cash	12,743	31,403
	429,867	**324,480**

Restricted cash comprises an amount of US$ 1.8 million (2020: US$ 5.2 million) of pledged deposits related to aircraft financings and an amount of US$ 2.3 million (2020: US$ 2.5 million) securing letters of credit issued on behalf of the Company. Cash for an amount of US$ 8.6 million (2020: US$ 23.7 million) is pledged as collateral in derivative transactions.

21. Cash and cash equivalents

In thousands of U.S. Dollar	**2021**	**2020**
Bank balances	214,378	268,669
Short term deposits	1,753,845	585,217
Cash and cash equivalents in the statement of cash flows	**1,968,223**	**853,886**

22. Capital and reserves

Share capital and main shareholders

In thousands of U.S. Dollar excluding share numbers	**2021**	**2020**
Issued and subscribed		
20,939,223 registered common shares of no par value (2020: 20,939,223)	525,007	525,007

At balance sheet date the main shareholders are:

	2021	**2020**
Luxair	35.1%	35.1%
HNCA	35.0%	35.0%
Banque et Caisse d'Epargne de l'Etat (BCEE)	10.9%	10.9%
SNCI	10.7%	10.7%
Luxembourg State	8.3%	8.3%

As at December 31, 2021, the share capital of the Company is represented by 20,939,223 common shares which are fully paid in.

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.

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.

23. Interest-bearing loans and borrowings, other financing arrangement liabilities and lease liabilities

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

In thousands of U.S. Dollar	2021	2020
Non-current liabilities		
Secured bank loans	68,351	-
Unsecured bank loans ("Schuldschein")	1,133	24,562
Loan originated costs	(361)	(178)
Total:	**69,123**	**24,384**
Other financing arrangement liabilities	626,335	963,002
Lease liabilities	135,762	153,486
Loan originated costs	(2,286)	(6,566)
Total:	**759,811**	**1,109,922**
Grand total:	**828,934**	**1,134,306**
Current liabilities		
Interest payable on current and non-current liabilities	2,431	3,479
Loan originated costs	(3,992)	(6,187)
Current portion of secured/unsecured bank loans	28,749	174,055
Loan from related parties	3	77
Current portion of other financing arrangement liabilities	371,517	183,094
Current portion of lease liabilities	13,490	12,613
Total:	**412,198**	**367,131**

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In thousands of U.S. Dollar	Currency	Nominal interest rate	Year of maturity	Principal amount 2021	Principal amount 2020
Secured bank loans	US$	Libor 3M + margin	2030	75,581	-
Unsecured bank loans	US$	Fixed	2022 - 2024	22,652	198,617
Other financing arrangement liabilities	US$	Fixed, Libor 3M + margin,	2022 - 2033	995,081	1,144,243
Lease liabilities	multiple currencies	Euribor 6M + margin, 5.1%, 2.5%	2022 - 2050	149,252	166,099
Total interest-bearing liabilities				**1,242,566**	**1,508,959**

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

23. Interest-bearing loans and borrowings, other financing arrangement liabilities and lease liabilities (continued)

Other financing arrangement liabilities and lease liabilities

Other financing arrangement liabilities are repayable as follows:

In thousands of U.S. Dollar	Minimum lease payments 2021	Interest 2021	Principal 2021	Minimum lease payments 2020	Interest 2020	Principal 2020
Less than one year	394,048	23,368	370,680	209,906	26,812	183,094
Between one and five years	329,801	46,430	283,371	652,422	72,292	580,130
More than five years	374,304	33,274	341,030	429,226	48,207	381,019
	1,098,153	**103,072**	**995,081**	**1,291,554**	**147,311**	**1,144,243**

Lease liabilities are repayable as follows:

In thousands of U.S. Dollar	Minimum lease payments 2021	Interest 2021	Principal 2021	Minimum lease payments 2020	Interest 2020	Principal 2020
Less than one year	16,473	2,983	13,490	15,880	3,267	12,613
Between one and five years	51,493	9,263	42,230	55,332	9,829	45,503
More than five years	113,867	20,335	93,532	130,120	22,137	107,983
	181,833	**32,581**	**149,252**	**201,332**	**35,233**	**166,099**

The total cash outflow for leases in 2021 was US$ 14.8 million (2020: US$ 20.0 million).

Capital Ratios

In thousands of U.S. Dollar	2021	2020
Outstanding loans	98,117	199,560
Outstanding financial obligations	993,757	1,135,771
Outstanding lease obligations	149,258	166,106
Total debt	**1,241,132**	**1,501,437**
Less cash and cash equivalents and other investments	(2,398,090)	(1,178,366)
Net debt	**(1,156,958)**	**323,071**
Present value of future lease payments	-	-
Adjusted net debt	**(1,156,958)**	**323,071**
Equity	**2,936,910**	**1,845,754**
Net debt/equity	-39.4%	17.5%
Adjusted net debt/equity	-39.4%	17.5%

See also note 5 (e).

24. Employee benefits

In thousands of U.S. Dollar	2021	2020
Fair value of plan assets	(289)	(1,753)
Present value of net obligations	4,707	6,574
Recognized liability for defined benefit obligations (see below)	4,418	4,821
Other employee benefits	1,856	2,136
Total employee benefits	**6,274**	**6,957**

The Company 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 three years of service. The Company'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 Company. The Company is current with respect of its payment obligations of the annual premiums due under the Company's pension schemes and such premiums are expensed under *Personnel costs and benefits*.

The Company 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 Company. 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 2022.

In 2018, the Company changed the pension scheme from defined benefit scheme to defined contribution scheme for Luxembourg based ground staff.

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

In thousands of U.S. Dollar	2021	2020
Net liability for defined benefit obligations at January 1	4,821	4,828
Contributions received	-	-
Pension payments	(407)	(431)
Expense recognized in the income statement (see below)	222	41
Foreign exchange impact	(375)	471
Remeasurements	157	(88)
Net liability for defined benefit obligations at December 31	**4,418**	**4,821**

24. Employee benefits (continued)

Expense recognized in the income statement

In thousands of U.S. Dollar	2021	2020
Interest on pension obligation	27	41
Past service costs	195	-
	222	**41**

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

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

	2021	2020
Discount rate at December 31	0.75%	0.75%
Expected return on plan assets at December 31	0.75%	0.75%

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

25. Provisions

2021

In thousands of U.S. Dollar	Anti-trust	Legal	Return cost provision	Other	Total
Balance at January 1, 2021	46,668	5,000	34,164	8,739	**94,571**
Provisions made during the year	-	929	-	-	**929**
Effect of net present value on provision	-	-	1,724	-	**1,724**
Provisions used during the year	(16,266)	(929)	-	-	**(17,195)**
Provisions reversed during the year	-	-	-	-	**-**
Effect of exchange	(3,220)	-	-	(660)	**(3,880)**
Balance at December 31, 2021	27,182	5,000	35,888	8,079	**76,149**
Current	27,182	5,000	-	8,079	**40,261**
Non-current	-	-	35,888	-	**35,888**

2020

In thousands of U.S. Dollar	Anti-trust	Legal	Return cost provision	Other	Total
Balance at January 1, 2020	79,059	3,340	89,765	3,818	**175,982**
Provisions made during the year	9,393	2,265	-	4,548	**16,206**
Effect of net present value on provision	-	-	1,395	-	**1,395**
Provisions used during the year	(44,286)	(574)	(47,644)	-	**(92,504)**
Provisions reversed during the year	-	-	(9,352)	-	**(9,352)**
Effect of exchange	2,502	(31)	-	373	**2,844**
Balance at December 31, 2020	46,668	5,000	34,164	8,739	**94,571**
Current	46,668	5,000	-	8,739	**60,407**
Non-current	-	-	34,164	-	**34,164**

In 2021, provisions were recognized to cover the Company against remaining liability risks from pending anti-trust related civil proceedings in various countries.

In 2020, the Company ended some of its lease contracts, used the return cost provision against the settlement arrangement with the lessor and released the remainder part.

The return cost provision of US$ 35.9 million represents the net present value of maintenance cost expected to be incurred to deliver the aircraft under lease to the lessor at lease-end in conformity with the delivery conditions stipulated in the respective lease agreements.

26. Trade payables and other payables

In thousands of U.S. Dollar	**2021**	**2020**
Trade payables	207,926	187,108
Accruals for:		
- General and administration	35,563	31,007
- Maintenance	18,623	14,724
- Fuel	21,494	12,581
- Handling, landing and overflying	40,643	45,204
- Trucking, truck handling and interlining	13,647	13,383
- Incentive and worldwide commissions	29,940	27,714
Staff related costs	238,153	132,171
Derivatives liabilities	6,753	18,485
Anti-trust	838	852
Amount owed to related parties	2,535	2,455
Deferred income	11,373	11,107
Miscellaneous	31,857	34,615
Total trade payables and other payables	**659,345**	**531,406**
of which current	655,322	506,028
of which non-current	4,023	25,378

27. Contingencies

Legal proceedings
The Company is party to legal proceedings, both as defendant and claimant, from time to time in the normal course of its business. In addition, the Company was subject to proceedings from anti-trust authorities in the USA, the EU and six other countries in connection with a worldwide investigation of air cargo carriers regarding alleged violations of anti-trust laws. Most of these official proceedings have been closed in prior years, with the exception of the cases in the EU and Switzerland, where appeals are still pending. In the EU, in December 2015, the General Court annulled the EU Commission's 2010 decision that imposed a fine of EUR 79.9 million against the Company. In March 2017, however, the EU Commission re-adopted its decision and imposed the same amount of fine on Cargolux. The Company had settled the fine with a payment of the full amount to the Commission (see note 25). The Company had also challenged the re-adopted EU Commission decision before the EU General Court. That process is still pending.

In the wake of the anti-trust proceedings, civil follow-on lawsuits were launched in nine countries against a number of air carriers, including Cargolux. At the date of this report, the civil proceedings against Cargolux are still ongoing in the Netherlands and South Korea. During the course of 2021, the Company has settled at a certain amount and the civil claims against the Company in Germany were withdrawn.

In 2021 and prior periods, the Company constituted provisions to cover its exposure with respect to the anti-trust related proceedings (see also notes 11 and 25).

In 2020, a foreign competitor has commenced an action against the Company in respect of an unfair competition for violation of public law rules. The amount claimed is EUR 230 million.
The Company has been advised by its legal counsel that the likelihood of the claim to be successful did not justify any provision for any liability based on the assessment of current case and arguments.

28. Related parties

Identity of related parties
The Company has a related party relationship with shareholders, its subsidiaries, joint ventures, associates and with its directors and executive officers.
The Company is an entity that is controlled by the State of Grand-Duchy of Luxembourg directly and indirectly via its shareholders. The Company uses the exemption in IAS 24 and discloses below only the individual significant related party transactions. The Company 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 Company also provides cash (described below) and non-cash benefits (company car and fuel card) to members of the extended Executive Committee and area vice-presidents and contributes (as for other Company employees) to a defined contribution plan and to an accident/invalidity insurance on their behalf.

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

In thousands of U.S. Dollar	**2021**	**2020**
Salaries and profit sharing	4,828	4,544
Contribution to pension scheme and accident/invalidity insurance	1,179	1,127
	6,007	**5,671**

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 Company. 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:

In thousands of U.S. Dollar	**2021**	**2020**
Directors	563	526

Shareholders
- The Company paid landing fees to the "Administration de la Navigation Aérienne". The amount charged to operations for such services was US$ 6.4 million (2020: US$ 5.5 million).

- The Company paid handling fees, fuel and other service charges to Luxair in Luxembourg. The amount charged to operations for such services was US$ 111.5 million (2020: US$ 89.7 million).

- Interest and commissions of approximately US$ 0.1 million (2020: US$ 0.1 million) were paid in 2021 and US$ 0.3 million (2020: US$ 0.5 million) of investment income was received in 2021 from banks which are shareholders.

- The Company receives freight and maintenance revenues from Luxair. The amount invoiced was approximately US$ 1.0 million (2020: US$ 1.3 million).

In 2018, all the shareholders of the Company established a structured entity (Master LeaseCo S.A.) for the purpose of aircraft re-financing, notably in the context of financing arrangements. Given the nature of the contractual arrangements, the assets and liabilities are shown on the balance sheet in accordance with accounting policy 3 (c).

28. Related parties (continued)

Joint ventures and associates

During the year ended December 31, 2021, the Company paid overhead fees and repair of component parts of US$ 7.6 million (2020: US$ 5.0 million) to Global Aviation Technical Solutions SECS.
Between January 1, 2021, and the date of the sale of its participation, the Company paid for IT services of US$ 4.9 million (2020: US$ 5.8 million) to Champ Cargosystems S.A..

Subsidiaries

During the year ended December 31, 2021, the Company paid US$ 57.9 million (2020: US$ 55.9 million) for aircraft wet lease rental to Cargolux Italia and received aircraft rental, maintenance and administration revenues in the amount of US$ 155.3 million from Cargolux Italia (2020: US$ 134.5 million).

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

Accounts receivable and deposits with related parties:

In thousands of U.S. Dollar	**2021**	**2020**
Associates and Joint Venture	-	855
Shareholders	575,092	251,378
Subsidiaries	31,329	41,011
	606,421	**293,244**

Accounts payable and loan from related parties:

In thousands of U.S. Dollar	**2021**	**2020**
Associates and Joint Venture	705	578
Shareholders	2,391	1,315
Subsidiaries	69,299	38,222
	72,395	**40,115**

Structured entities

A number of structured entities have been established for the purpose of aircraft financing, notably in the context of financing arrangements. 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. Accounting estimates and judgments

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

Deferred tax asset and investment tax credits
Deferred tax assets are recognized on temporary differences and/or investment tax credits (see note 13). Their recoverability is based on the most recent consolidated business plan under IFRS available (which may significantly differ from the fiscal result of the Company) at each balance sheet date and represents a significant estimate.

Heavy Maintenance Check
The timing of "C", "D-check" and "Landing Gear" is determined in accordance with the Company'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. Since 2009, the Company 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 (see note 25).

Carrying amount, useful lives and residual values of aircraft
Management estimates of residual values, useful lives and carrying amount are reassessed regularly on the basis of facts 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 of the residual values, useful lives, carrying amount and related impairment losses. In 2021, the change in estimate of residual values and the reassessment of the useful lives of components impacted the Company's financial statements in the amount of US$ 33.2 million (See note 3 (c)(v) and note 14).

Loan originated costs
Management estimates of depreciation periods for the loan originated costs are reassessed regularly on the basis of facts and circumstances existing at year end. Past transactions and market conditions, when appropriate, lead to revisions of the depreciation periods.

Leases – Incremental borrowing rate
The Company cannot readily determine the interest rate implicit in all the leases, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires an estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.
The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (See note 3 (c)(iii)).

Leases term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Expected credit loss allowance
The measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the trade receivables.

30. Subsequent events

On March 30, 2022, the General Court reconfirms the imposed fine of EUR 79.9 million by the European Commission on November 9, 2010, as explained in note 27.

Impact of economic sanctions on Russia and related risks

The current conflict in Ukraine and the related economic sanctions imposed or to be imposed on Russia and similarly the protective measures taken by Russia may have a significant cost impact on the activities of the Company.

EY
Building a better working world

Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

Tel: +352 42 124 1

www.ey.com/en_lu

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Cargolux Airlines International S.A. (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the director's report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the financial statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Building a better
working world

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The director's report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Luxembourg, April 1, 2022

UK company number
FC010045

Consolidated financial statements of Cargolux Airlines International S.A.

Consolidated income statement

For the year ended December 31, 2021

In thousands of U.S. Dollar	*Notes*	**2021**	**2020**
Revenues	*6*	4,428,786	3,167,674
Other operating income	*7*	-	3,023
Aircraft lease expenses	*8*	(5,666)	1,068
Aircraft maintenance expenses	*9*	(136,560)	(133,092)
Depreciation, amortization and impairment	*14 / 15*	(320,881)	(323,275)
Fuel		(951,796)	(598,731)
Personnel costs and benefits	*10*	(569,194)	(435,757)
Handling, landing and overflying		(396,696)	(351,722)
Trucking, truck handling and interlining		(163,914)	(147,138)
Other operating expenses	*11*	(165,866)	(191,202)
Operating profit before financing costs		**1,718,213**	**990,848**
Financial income		35,064	6,753
Financial expenses		(62,521)	(118,864)
Net finance costs	*12*	**(27,457)**	**(112,111)**
Share of profit / (loss) of associates and joint ventures		(2,822)	(10,190)
Profit before tax		**1,687,934**	**868,547**
Current tax	*13*	(380,943)	(91,427)
Deferred tax	*13*	(11,694)	(8,451)
Profit for the year		**1,295,297**	**768,669**
Profit attributable to:			
Owners of the Parent		1,295,297	768,669
Non-controlling interests		-	-
Profit for the year		**1,295,297**	**768,669**

The notes on page 67 to 109 are an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended December 31, 2021

In thousands of U.S. Dollar	*Notes*	**2021**	**2020**
Profit for the year		**1,295,297**	**768,669**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability / (asset)	*24*	272	(282)
Related tax	*13*	(68)	70
		204	**(212)**
Items that are or may be reclassified to profit or loss			
Effective portion of changes in fair value of cash flow hedges	*5 / 12*	5,729	5,027
Net change in fair value of cash flow hedges transferred to profit or loss	*5 / 12*	720	(2,493)
Income tax on other comprehensive income	*12 / 13*	(1,608)	(632)
Currency translation adjustment		135	2,900
		4,976	**4,802**
Other comprehensive income for the year, net of income tax		**5,180**	**4,590**
Total comprehensive income for the year		**1,300,477**	**773,259**
Total comprehensive income attributable to:			
Owners of the Parent		1,300,477	773,259
Non-controlling interests		-	-
Total comprehensive income for the year		**1,300,477**	**773,259**

The notes on page 67 to 109 are an integral part of these financial statements.

Consolidated balance sheet

As at December 31, 2021

In thousands of U.S. Dollar	*Notes*	**2021**	**2020**
Assets			
Aircraft and equipment	14	1,820,490	1,858,139
Other property, plant and equipment	14	81,655	85,264
Right-of-use assets	15	163,426	173,185
Derivative assets		6,952	1,167
Investments in associates and joint ventures	16	15,200	25,757
Other financial assets	18	33,146	33,185
Deposits with third parties	14	25,670	21,131
Deferred tax assets	17	15,561	28,931
Total non-current assets		**2,162,100**	**2,226,759**
Expendable parts and supplies		37,599	31,443
Trade receivables and other receivables	19	652,985	585,105
Other financial assets	18	14,375	11,026
Other investments	20	527,558	367,912
Cash and cash equivalents	21	2,128,287	963,630
Total current assets		**3,360,804**	**1,959,116**
Total assets		**5,522,904**	**4,185,875**
Equity			
Issued capital		525,007	525,007
Share premium		5,846	5,846
Reserves		1,190,644	565,668
Retained earnings		114,188	65,315
Profit for the year		1,295,297	768,669
Equity	22	**3,130,982**	**1,930,505**
Non-controlling interest		-	-
Total equity		**3,130,982**	**1,930,505**
Liabilities			
Interest-bearing loans and borrowings	23	69,123	24,384
Other financing arrangement liabilities	23	624,049	956,436
Lease liabilities	23	135,941	153,758
Employee benefits	24	8,667	9,030
Other payables	26	4,023	25,378
Derivative liabilities		5,169	26,010
Provisions	25	35,888	34,164
Total non-current liabilities		**882,860**	**1,229,160**
Interest-bearing loans and borrowings	23	28,991	175,099
Other financing arrangement liabilities	23	369,388	179,336
Lease liabilities	23	13,568	12,697
Trade payables and other payables	26	621,049	490,867
Provisions	25	40,261	60,407
Taxes payable	13	435,805	107,804
Total current liabilities		**1,509,062**	**1,026,210**
Total liabilities		**2,391,922**	**2,255,370**
Total equity and liabilities		**5,522,904**	**4,185,875**

The notes on page 67 to 109 are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended December 31, 2021

In thousands of U.S. Dollar	*Notes*	**2021**	**2020**
Cash flow from operating activities			
Profit for the year		1,295,297	768,669
Adjustments for			
Depreciation, amortization and impairment	*14 / 15*	320,881	323,275
Unrealized foreign exchange gains and losses		(26,365)	20,664
Net finance costs	*12*	37,987	112,111
Share of profit of associates and joint venture		2,822	10,190
(Gain) / Loss on sale of fixed assets	*7*	266	(3,023)
Gain on sale of financial asset	*12*	(10,530)	-
Fuel hedging	*5 (b)*	(3,409)	(3,020)
Change in provisions	*25*	929	6,854
Tax expenses		395,038	106,572
Use of provisions	*25*	(17,195)	(92,504)
Operating cash flow before changes in working capital		**1,995,721**	**1,249,788**
Changes in working capital		(75,615)	(50,023)
Cash generated from the operations		**1,920,106**	**1,199,765**
Income tax paid		(49,329)	(5,826)
Benefits of tax credits		1,768	3,367
Interest paid		(42,523)	(82,167)
Net cash from operating activities		**1,830,022**	**1,115,139**
Cash flow from investing activities			
Acquisition of property, plant and equipment		(157,687)	(154,015)
Acquisition of associates		(1,000)	(4,625)
Acquisition of other investments		(212,185)	(325,840)
Loans granted to third party		(16,820)	(44,132)
Dividends from associates		-	451
Interest received		3,087	3,087
Reimbursement of loans from third parties		10,473	-
Proceeds from sale of property, plant and equipment		100	3,175
Proceeds from sale of other investments		50,739	84,434
Deposits with third parties		(6,556)	4,790
Net cash used in investing activities		**(329,849)**	**(432,675)**
Cash flow from financing activities			
Dividends paid		(100,000)	-
Repayment of borrowings		(171,071)	(40,706)
Repayment of other financing arrangement liabilities		(280,509)	(245,567)
Repayment of lease liabilities		(14,898)	(20,110)
Proceeds from borrowings		206,091	11,126
Net cash used in financing activities		**(360,387)**	**(295,257)**
Net increase in cash and cash equivalents		1,139,786	387,207
Cash and cash equivalents at January 1		963,630	594,705
Effect of exchange rate fluctuations on cash held		24,871	(18,282)
Cash and cash equivalents at December 31	*21*	**2,128,287**	**963,630**

The notes on page 67 to 109 are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended December 31, 2021

In thousands of U.S. Dollar	Issued capital	Share premium	Non distributable reserve	Free reserve	Currency translation reserve	Hedging reserve	Total reserves	Retained earnings	Total equity	Non-controlling interest	Total equity
BALANCE AS OF											
DECEMBER 31, 2019	**525,007**	**5,846**	101,001	455,170	(4,033)	(7,272)	**544,866**	**81,527**	**1,157,246**	-	**1,157,246**
Transactions with owners											
Allocation to free reserve	-	-	16,000	-	-	-	**16,000**	**(16,000)**	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income											
Profit for 2020	-	-	-	-	-	-	-	**768,669**	**768,669**	-	**768,669**
Other comprehensive income	-	-	-	-	2,900	1,902	**4,802**	**(212)**	**4,590**	-	**4,590**
Total comprehensive income	-	-	-	-	2,900	1,902	**4,802**	**768,457**	**773,259**	-	**773,259**
BALANCE AS OF											
DECEMBER 31, 2020	**525,007**	**5,846**	117,001	455,170	(1,133)	(5,370)	**565,668**	**833,984**	**1,930,505**	-	**1,930,505**
Transactions with owners											
Allocation to reserves	-	-	20,000	600,000	-	-	**620,000**	**(620,000)**	-	-	-
Dividends paid	-	-	-	-	-	-	-	**(100,000)**	**(100,000)**	-	**(100,000)**
Total comprehensive income											
Profit for 2021	-	-	-	-	-	-	-	**1,295,297**	**1,295,297**	-	**1,295,297**
Other comprehensive income	-	-	-	-	135	4,841	**4,976**	**204**	**5,180**	-	**5,180**
Total comprehensive income	-	-	-	-	135	4,841	**4,976**	**1,295,501**	**1,300,477**	-	**1,300,477**
BALANCE AS OF											
DECEMBER 31, 2021	**525,007**	**5,846**	137,001	1,055,170	(998)	(529)	**1,190,644**	**1,409,485**	**3,130,982**	-	**3,130,982**

The notes on page 67 to 109 are an integral part of these financial statements.

1. Reporting entity

The parent company, Cargolux Airlines International S.A. (the "Company" or "Cargolux"), was incorporated on March 4, 1970 and is registered as a "société anonyme" under the laws of the Grand Duchy of Luxembourg.
The registered address of the Company is Aéroport de Luxembourg, L-2990 Sandweiler, Grand-Duchy of Luxembourg and the registration number is R.C. Luxembourg B 008.916.
The Company is an all cargo airline. It also maintains its own aircraft and provides third party maintenance and flight operations assistance (including crew training) to third parties at its Luxembourg headquarters. As at the balance sheet date, operations outside of Luxembourg that relate to the Company's business activities are conducted solely under branch 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 35 countries.

The consolidated financial statements of the Group for the year ended December 31, 2021, comprise the Company and its subsidiaries, Cargolux RE S.A., Cargolux Italia S.p.A., Italia Aerologistic S.R.L., Aircraft Leasing S.à r.l., Aircraft Leasing 2 S.à r.l. and 8F Leasing S.A. (together referred to as the "Group") and the Group's interest in joint ventures and associates.

2. Basis of preparation

(a) Statement of compliance

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

The Board of Directors approved the financial statements for the year ended December 31, 2021 on March 23, 2022 and authorized the publication of said financial statements on April 27, 2022, following confirmation by the shareholders thereof on that date.

(b) Basis of measurement

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

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

(c) Going concern

The Group believes that the operating cash flows and the credit facilities in place secure the liquidity needs of the Group for the foreseeable future and at least 12 months from the date of issuance of these financial statements (see notes 5 (e) and 23). Consequently, the financial statements have been prepared on the basis of the assumption of the Group'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$") which is also the functional currency of the Group. US dollars are rounded to the nearest thousand.

2. Basis of preparation (continued)

(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 that basis, judgments about carrying values of assets and liabilities 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 and estimates made by management in the application of IFRS that have significant effect on the financial statements are disclosed 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.

3. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

(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 and joint ventures are eliminated to the extent of the Group's interest in the associate and joint ventures.

3. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies initially recorded by the Group's entities at their respective functional currency spot rate at the date of the transaction first qualifies for recognition. 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 under IFRS 9 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 cash flow hedge accounting under IFRS 9 , 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 income statement for the period.

3. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Aircraft and equipment

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

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

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

(ii) Other property, plant and equipment

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

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

(iii) Lease contracts

Lease contracts, as defined under IFRS 16 *Leases*, are recorded in the balance sheet, which leads to the recognition of:

- an asset representing a right of use of the asset leased during the lease term of the contract,
- a liability related to the payment obligation.

The two capitalization exemptions proposed by the standard have been used, i.e. lease contracts with a duration equal or less than 12 months and lease contracts for which the underlying asset has a low purchase value. This value was defined by the Group to an amount below US$ 15,000.

Financing arrangements with the following features are not eligible to an accounting treatment according to IFRS 16:

- the lessor has a legal ownership retention as security against repayment and interest obligations,
- and, in view of the contractual conditions, it is (virtually) certain that the aircraft will be purchased at the end of the lease term.

Since these financing arrangements are "in substance purchases" and not leases, the related liability is considered as a financial debt under IFRS 9 and the asset, as an aeronautical asset, according to IAS 16.

<u>Measurement of the right-of-use asset</u>

At the inception date, the right-of-use asset is measured at cost and comprises:

- the amount of the initial measurement of the lease liability, to which is added, if applicable, any lease payments made at or before the commencement date, less any lease incentives received,
- where relevant, any initial direct costs incurred by the lessee for the conclusion of the contract. These are incremental costs which would not have been incurred if the contract had not been concluded,
- estimated costs for restoration and dismantling of the leased asset according to the terms of the contract. At the date of the initial recognition of the right-of-use asset, the lessee adds to its costs, the discounted amount of the restoration and dismantling costs through a return obligation provision (see (m)(i)). These costs also include maintenance obligations regarding the engines and the airframe.

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Lease contracts (continued)

Following the initial recognition, the right-of-use asset must be depreciated over the useful life of the underlying asset's (lease term for the rental component, cycles for the component relating to engine maintenance or on a straight-line basis for the component relating to the airframe until the date of the next major overhaul).

Measurement of the lease liability

At the commencement date, the lease liability is recognized for an amount equal to the present value of the lease payments over the lease term.

Amounts involved in the measurement of the lease liability are:

- fixed payments less any lease incentives receivable (including in-substance fixed payments; meaning that even if they are variable in form, they are in-substance unavoidable),
- variable lease payments that depend on an index or a rate, initially measured using the index or the rate in force at the lease starting date,
- amounts expected to be payable by the lessee under residual value guarantees,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured based on a process similar to the amortized cost method using the discount rate:

- the liability is increased by the accrued interests resulting from the discounting of the lease liability, at the beginning of the lease period,
- less payments made.

The interest cost for the period as well as variable payments, are not considered in the initial measurement of the lease liability and incurred over the relevant period are recognized as costs.

In addition, the lease liability may be remeasured in the following situations:

- change in the lease term,
- modification related to the assessment of the reasonably certain nature (or not) of the exercise of an option,
- remeasurement linked to the residual value guarantees,
- adjustment to the rates and indices according to which the rents are calculated when rent adjustments occur.

Capitalization of aircraft lease contracts fulfilling the capitalization criteria defined under IFRS 16:

The lease term corresponds to the non-cancellable period of each contract except in cases where the Group is reasonably certain of exercising the renewal options contractually foreseen. The discount rate used to value the lease debt corresponds, for each aircraft, to the incremental borrowing rate at the date of initial application or to the implicit rate of the contract when available.

Capitalization of real-estate lease contracts:

Based on its analysis, the Group has identified lease contracts within the meaning of the standard concerning surface areas rented at its station, rented building dedicated to the maintenance business and rented office buildings. The lease term corresponds to the non-cancellable period of the contract. Most of the contracts do not provide renewal options. The discount rate used to calculate the lease debt is determined, for each asset, according to the incremental borrowing rate at the date of initial application or according to the implicit rate of the contract when available.

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)
Sale and leaseback transactions:
The Group qualifies as sale and leaseback transactions, operations which lead to a sale according to IFRS 15.
More specifically, a sale is considered as such if there is no repurchase option on the goods at the end of the lease term.

- Sale according to IFRS 15
  If the sale by the vendor-lessee is qualified as a sale according to IFRS 15, the vendor-lessee must: (i) derecognize the underlying asset and (ii) recognize a right-of-use asset equal to the retained portion of the net carrying amount of the asset.
- Not a sale according to IFRS 15
  If the sale by the vendor-lessee is not qualified as a sale according to IFRS 15, the vendor-lessee maintains the goods transferred on its balance sheet and recognizes a financial liability equal to the disposal price (received from the buyer-lessor).

(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 life 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 of relevant assets are as follows:

Components of aircraft:	Useful life (average)
• Airframe	20 years
• Engines (Carcass)	14 years
• Engines (LLPs)	9,700 cycles
• Engines (Shop visits)	3,700 cycles
• 1st and 2nd "D-check"	8 years
• Subsequent "D-checks"	6 years
• Landing gears	10 years
• Rotable spare parts	10 years
Equipment:	5 years

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

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

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

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

3. Significant accounting policies (continued)

(g) Trade receivables and other receivables
Trade receivables and other receivables are initially recognized at fair value plus transaction costs and subsequently measured at their amortized cost less impairment.

Regarding the impairment of *trade receivables*, the Group has chosen the simplified method approach, because the automated invoicing and settlement processes limit the credit risk significantly. In addition, the Group uses a credit insurance to reduce the risk of default that could exist.

(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 (maturity inferior to 3 months) 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 an indication that an asset may be impaired. If any indication 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 income statement.

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 income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

3. Significant accounting policies (continued)

(k) Interest-bearing loans and borrowings, other financing arrangement liabilities and lease liabilities
Interest-bearing loans and borrowings, Other financing arrangement liabilities and *Lease liabilities* are recognized initially at fair value 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 24).

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 income statement.

(m) Provisions
(i) Return obligation provision on leased aircraft
The Group recognizes return obligation provisions in respect of the required maintenance obligations within the framework of the lease of aircraft to lessors. The constitution of these return obligation provisions depends on the type of maintenance obligations to be fulfilled before returning these aircraft to the lessors: overhaul and restoration work as well as airframe and engine potential reconstitution. These provisions also consist of compensations paid to lessors in respect of wear of the limited life parts of the engines.

- Overhaul and restoration work (not depending on aircraft utilization)
  Costs resulting from repairs required before returning an aircraft to the lessors, such as aircraft painting or overhaul ("D-Check") are recognized as a provision as of the inception of the contract. The counterpart of these provisions is booked as a complement through the initial book value of the aircraft right-of-use assets. This complement to the right-of-use asset is depreciated over the lease term.
- Airframe and engine potentials reconstitution (depending on the utilization of the aircraft and its engines)
  The airframe and the engine potentials are recognized as a complement to the right-of-use assets since they are considered as full-fledged components, as distinct from the physical components which are the engines and the airframe. These components are the counterparts of the return obligation provision, recognized in its totality at the inception of the contract. When maintenance events aimed at reconstituting these potentials take place, the costs incurred are capitalized (see (d)(iv)). These potentials are depreciated over the period of use of the underlying assets.

(ii) Other 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.

3. Significant accounting policies (continued)

(n) Trade payables and other payables

Trade payables and other payables are initially recognized at fair value plus transaction costs and subsequently measured at their amortized cost.

(o) Revenue - Services rendered

(i) Freight transportation

Sales related to air transportation operations, which consist of freight transportation, are recognized as revenue when the transportation service is provided, net of any discounts granted.

The transportation service is also the trigger for the recognition of external expenses, such as the commissions paid to agents.

The Group applies the exemption provided by IFRS 15 which allows the balance of the outstanding transactions to remain unspecified as well as their planned recognition date for the performance obligations related to contracts with an initial term set at one year or less. If those contracts are not used, the performance obligations related to freight transportation effectively expire within one year.

The Group considers that the entity that issues the airway bill acts as principal since the latter has control over the achievement of the performance obligation. When the Group issues freight airway bills for its goods carried by another carrier (airline company or road carrier), the Group acts as principal. Therefore, at the time of transportation the Group recognizes as revenue the amount invoiced to the customer in its entirety as well as chartering costs invoiced by the other carrier for the service provision.

(ii) Lease of aircraft

Lease income is recognized over the lease term on a straight-line basis, unless another systematic basis is more representative on the time pattern in which use benefit is derived from the leased asset is diminished.

(iii) Maintenance

The main types of contracts with customers identified within the Group are:

- Sales of maintenance and support contracts – Power by the hour contracts

Some maintenance and support contracts cover the airworthiness of engines, equipment or airframes, an airframe being an aircraft without engines and equipment. The invoicing of these contracts is based on the number of flight hours or cycles of the goods concerned by these contracts.

The different services included in each of these contracts consist of a unique performance obligation due to the existing interdependence between the services within the execution of these contracts.

The revenue is recognized: (i) if the level of completion can reliably be measured; (ii) if costs incurred and costs to achieve the contract can be measured reliably.

As there is a continuous transfer of the control of these services, the revenue from these contracts is recognized over time as the costs are incurred. As long as the margin on the contract cannot be measured in a reliable manner, the revenue will only be recognized at the level of the costs incurred.

Forecast margins on the contracts are assessed through the forecast future cash flows that take into account the obligations and factors inherent to the contracts as well as other internal parameters to the contract selected using historical and/or forecast data.

These forecast margins are regularly reviewed. If necessary, provisions are recorded as soon as any losses on completion of contracts are identified.

Amounts invoiced to customers, and therefore mostly collected, which are not yet recognized as revenue, are recorded as liabilities on contracts (deferred revenue) at the year end. Inversely, any revenue that has been recognized but not yet invoiced is recorded under assets on the balance sheet at the year end.

3. Significant accounting policies (continued)

(o) Revenue - Services rendered (continued)

- Sales of spare parts repair and labor - Time & Material contracts

These services which relate to engines, equipment or airframes, an airframe being an aircraft without engines and equipment, are generally short term.
They consist of a unique performance obligation. The revenue is recognized over time as costs are incurred.

(p) Expenses

(i) Lease payments and financing arrangement 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 financial and lease liability payments is recognized in the income statement using the effective interest rate method.

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

Interest income and expense are 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 income statement 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 enacted 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. 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.

3. Significant accounting policies (continued)

(r) New and amended standards adopted by the Group
The Group has applied the following standards and amendments for the first time in its annual financial reporting period commencing January 1, 2021:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the Group's financial statements. The Group intends to use the practical expedients in future periods if they become applicable.

(s) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2021, and not early adopted
A number of new standards are effective for annual periods beginning after January 1, 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- IFRS 17 Insurance Contracts.

4. Determination of fair values

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

(i) Investments in equity securities
The fair value of financial assets is determined by reference to their quoted bid price at the reporting date.

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

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

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 delegated this responsibility to the Risk Management Committee (management expert 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 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 income statement. The Group's risk management policy prohibits short selling of options.

5. Financial risks and risk management (continued)

Investment policy

The primary goal of the Group's investment policy is to optimize returns while always preserving the invested capital. To this effect, the Group invests excess cash, according to Board approved limits, 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 asset 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 only purchases 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 11% (2020: 9%) of the Group's revenue is attributable to sales transactions with a single customer. The five largest customers of the Group represent 41% (2020: 41%) of the net cargo sales. More than 76% (2020: 73%) 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 of potential defaulting customer payments is covered through a credit risk insurance which is underwritten by a major international insurance company which in turn partially reinsures this risk through the Group's captive reinsurance company.

5. Financial risks and risk management (continued)

(a) Credit risk (continued)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (see note 19).

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

In thousands of U.S. Dollar	2021	2020
Area I (the Americas)	52,239	37,102
Area II (Europe, Middle East & Africa)	199,122	141,802
Area III (Asia & Pacific)	307,631	210,050
	558,992	**388,954**

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 2021, 88.8% of receivables were cleared through CASS and ICH (80.5% in 2020). As of December 31, 2021, 100% (100% in 2020) of the total outstanding trade debtors were within the contractual payment terms. The average DSO of trade receivables was 38.3 days in 2021 (37.1 days in 2020). In 2021 the Group suffered a credit loss of US$ 0.82 million (2020: US$ 0.58 million).

(b) Fuel risk

Fuel price
The price of fuel significantly affects the Company's earnings. At a 2021 average of US$/tonne 607, the jet market price increased by US$/tonne 248 compared to the preceding year. The span of 2021's fuel price was between US$/tonne 437 and 777. The jet price rose to its peak in October and then receded towards year-end.

Fuel hedges
The Group is exposed to fuel risk related to the jet fuel used to its flight operations. Additionally, the Group is also exposed to fuel risk related to jet fuel purchases from supply contracts outside the current reporting period. The Group adopts a policy of ensuring that its exposure to increases in fuel prices is capped or reduced while allowing the Group to benefit, to a certain extent, from a low fuel price environment. This strategy is generally deemed preferable than fixing the fuel price at the time a supply contract is entered, unless fuel prices are deemed to be low and in which case such fuel prices are locked in via a swap or call option, a strategy that the Group has pursued in 2021.

Cargolux's fuel bill varies with the price of jet fuel. The Group can offset a significant part of such variations through the Fuel Surcharge Mechanism. 84% of the variations fuel price increase is compensated through fuel surcharges as at December 31, 2021. To the remainder the Group applies financial risk management measures using derivative instruments. This is in line with the Group's risk management strategy aimed to hedge that part of the fuel bill which is not covered by fuel surcharges.

Where possible the Group seeks to apply hedge accounting for those instruments in order to reduce volatility in income statement.

5. Financial risks and risk management (continued)

(b) Fuel risk (continued)

As at December 31, 2021, the fair value of fuel derivatives was as follows:

In thousands of U.S. Dollar	2021	2020
Derivative assets	**3,574**	**1,515**
of which current (see note 19)	2,407	1,145
of which non-current	1,167	370
Derivative liabilities	**(570)**	**(1,531)**
of which current (see note 26)	(380)	(1,107)
of which non-current	(190)	(424)
Balance at January 1	**3,004**	**(16)**
Net change in fair value recognized in equity	4,654	-
Non-qualifying hedges recognized in profit or loss	3,409	3,020
Derivative assets	**11,538**	**3,574**
of which current (see note 19)	7,873	2,407
of which non-current	3,665	1,167
Derivative liabilities	**(471)**	**(570)**
of which current (see note 26)	(153)	(380)
of which non-current	(318)	(190)
Balance at December 31	**11,067**	**3,004**

As of December 31, 2021, the Group is holding the following derivative instruments (recognized at fair value) to manage the fuel risk on its future purchases:

In thousands of U.S. Dollar	Notional amount	Carrying amount	< 1 year	1 - 5 years	> 5 years
Derivatives designated as hedging instruments	**5,350**	**4,654**	**1,307**	**3,347**	-
Assets	4,118	5,125	1,460	3,665	-
Liabilities	1,232	(471)	(153)	(318)	-
Derivatives non designated as hedging instruments	**2,183**	**6,413**	**6,413**	-	-
Assets	2,183	6,413	6,413	-	-
Liabilities	-	-	-	-	-

As of December 31, 2020, the Group is holding the following derivative instruments (recognized at fair value) to manage the fuel risk on its future purchases:

In thousands of U.S. Dollar	Notional amount	Carrying amount	< 1 year	1 - 5 years	> 5 years
Derivatives designated as hedging instruments	-	-	-	-	-
Assets	-	-	-	-	-
Liabilities	-	-	-	-	-
Derivatives non designated as hedging instruments	**7,059**	**3,004**	**2,027**	**977**	-
Assets	5,572	3,574	2,407	1,167	-
Liabilities	1,487	(570)	(380)	(190)	-

5. Financial risks and risk management (continued)

(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 secured indebtedness to finance its assets stated in US$ in order to eliminate any related volatility in income statement except if the management sees in such financing an opportunity to reduce its currency exposition.

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

In thousands of U.S. Dollar	**EUR**	**HKD**	**CNY**	**other**	**% of total**
Deposits with third parties	15,005	128	197	319	61.0
Other financial assets	47,520	-	-	-	100.0
Trade receivables and other receivables	155,714	162,132	70,313	115,997	84.3
Other investments	70,247	-	-	-	13.3
Cash and cash equivalents	191,940	7,281	16,754	52,910	12.6
Employee benefits	(8,487)	-	-	(180)	100.0
Interest-bearing loans and borrowings	(23,037)	-	-	-	23.4
Financial liabilities	-	-	-	-	0.0
Lease liabilities	(126,017)	(544)	(178)	(698)	85.2
Trade payables and other payables	(320,901)	(6,184)	(7,992)	(17,341)	56.4
Taxes payable	(433,301)	-	-	(1,897)	99.9

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

In thousands of U.S. Dollar	**EUR**	**HKD**	**CNY**	**other**	**% of total**
Deposits with third parties	14,511	127	179	339	71.7
Other financial assets	44,212	-	-	-	100.0
Trade receivables and other receivables	115,751	103,717	78,246	75,975	86.2
Other investments	51,608	-	-	-	14.0
Cash and cash equivalents	188,867	778	26,571	43,533	27.0
Employee benefits	(8,902)	-	-	(128)	100.0
Interest-bearing loans and borrowings	(106,362)	-	-	-	53.3
Financial liabilities	(135)	-	-	-	0.0
Lease liabilities	(137,962)	(903)	(427)	(664)	84.1
Trade payables and other payables	(117,912)	(8,494)	(10,530)	(18,022)	30.0
Taxes payable	(105,194)	-	-	(1,675)	99.1

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

	Average rate		**Reporting date spot rate**	
	2021	**2020**	**2021**	**2020**
EUR	1.18317	1.14101	1.13260	1.22810
HKD	0.12865	0.12893	0.12822	0.12899
CNY	0.15501	0.14498	0.15742	0.15326

Depending on market views as well as applying a stepped approach, the Group hedges the foreign exchange risk related to payables and receivables through the use of forwards and options.

5. Financial risks and risk management (continued)

(d) Interest rate risk

The Group is exposed to interest rate risk on interest payments related 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 refinancing of current fleet 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. This strategy is generally deemed preferable than fixing the rate at the time the loan is contracted or the payment liability is crystallized, unless interest rates are deemed to be low and in which case such rates are locked in via a swap, a cap or fixed interest loan, a strategy that the Group has pursued in 2021.

A significant portion of Cargolux's debt is issued based on floating rates in US$. Swaps and options are the main derivative instruments that allow the Group to be protected from possible rates increases. Before swaps and options, the floating portion of the debt represents approximately 62% of its total debt as of December 31, 2021. Including derivatives, the fixed portion represents around 79% of its total debt, which is in line with the Group's risk management strategy aimed to fix at least 33% of the total debt.

Where possible the Group seeks to apply hedge accounting for those instruments in order to reduce volatility in income statement.

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

In thousands of U.S. Dollar	**2021**	**2020**
Fixed rate instruments		
Financial assets	47,521	44,212
Financial liabilities	410,241	580,610
Floating rate instruments		
Financial assets	2,655,845	1,331,542
Financial liabilities	683,073	762,250
Interest rate derivatives		
Nominal amount of underlying financings in place at the balance sheet date	448,292	348,427

As at December 31, 2021, the fair value of interest rate derivatives was as follows:

In thousands of U.S. Dollar	**2021**	**2020**
Derivative assets	**112**	**658**
of which current (see note 19)	112	13
of which non-current	-	645
Derivative liabilities	**(24,293)**	**(12,962)**
of which current (see note 26)	(1,678)	(12,921)
of which non-current	(22,615)	(41)
Balance at January 1	**(24,181)**	**(12,304)**
Net change in fair value recognized in equity	1,795	2,534
Non-qualifying hedges recognized in profit or loss	19,007	(14,411)
Derivative assets	**2,770**	**112**
of which current (see note 19)	-	112
of which non-current	2,770	-
Derivative liabilities	**(6,148)**	**(24,293)**
of which current (see note 26)	(1,409)	(1,678)
of which non-current	(4,739)	(22,615)
Balance at December 31	**(3,378)**	**(24,181)**

5. Financial risks and risk management (continued)

(d) Interest rate risk (continued)

As of December 31, 2021, the Group is holding the following derivative instruments (recognized at fair value) to manage the interest rate risk on its short- and long-term borrowings:

In thousands of U.S. Dollar	Notional amount	Carrying amount	< 1 year	1 - 5 years	> 5 years
Derivatives designated as hedging instruments	**91,903**	**(805)**	**(398)**	**(308)**	**(99)**
Assets	30,000	-	-	-	-
Liabilities	61,903	(805)	(398)	(308)	(99)
Derivatives non designated as hedging instruments	**356,390**	**(2,573)**	**(1,011)**	**(1,404)**	**(158)**
Assets	318,313	7,803	180	5,549	2,074
Liabilities	38,077	(10,376)	(1,191)	(6,953)	(2,232)

As of December 31, 2020, the Group is holding the following derivative instruments (recognized at fair value) to manage the interest rate risk on its short- and long-term borrowings:

In thousands of U.S. Dollar	Notional amount	Carrying amount	< 1 year	1 - 5 years	> 5 years
Derivatives designated as hedging instruments	**131,699**	**(1,880)**	**(763)**	**(910)**	**(207)**
Assets	67,661	-	-	-	-
Liabilities	64,038	(1,880)	(763)	(910)	(207)
Derivatives non designated as hedging instruments	**216,728**	**(22,301)**	**(803)**	**(15,202)**	**(6,296)**
Assets	180,302	2,514	(28)	219	2,323
Liabilities	36,426	(24,815)	(775)	(15,421)	(8,619)

(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. The foreseen 2022 liabilities and how the Group expects to cover those is discussed below.

The Group is subject to loan covenants for some of its borrowing and financing 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, under the second covenant the shareholders' equity must represent at least 16.7% of total liabilities and under the third covenant the Group commits to have a minimum consolidated cash of US$ 100 million. As at December 31, 2021, the Group was in compliance with these and all other contractual financial covenants.

5. Financial risks and risk management (continued)

(e) Liquidity risk (continued)

As at December 31, 2021, the contractual maturities of liabilities are the following:

In thousands of U.S. Dollar	**Carrying amount**	**Contracted cash flows**	**2022**	**2023**	**2024**	**Further than 2024**
Interest-bearing liabilities	(98,114)	(106,930)	(31,206)	(1,436)	(1,275)	(73,013)
Other financing arrangement liabilities	(993,437)	(1,102,644)	(396,925)	(89,567)	(95,799)	(520,353)
Lease liabilities	(149,509)	(156,850)	(14,050)	(13,465)	(13,791)	(115,544)
Trade payables and other payables	(618,320)	(618,320)	(648,569)	-	-	30,249
Derivative liabilities	(11,923)	(4,235)	(2,211)	(1,364)	(111)	(549)
	(1,871,303)	**(1,988,979)**	**(1,092,961)**	**(105,832)**	**(110,976)**	**(679,210)**

As at December 31, 2020, the contractual maturities of liabilities are the following:

In thousands of U.S. Dollar	**Carrying amount**	**Contracted cash flows**	**2021**	**2022**	**2023**	**Further than 2023**
Interest-bearing liabilities	(199,483)	(211,633)	(178,841)	(3,316)	(2,801)	(26,675)
Other financing arrangement liabilities	(1,135,772)	(1,305,170)	(210,592)	(195,525)	(207,481)	(691,572)
Lease liabilities	(166,455)	(173,036)	(13,143)	(13,370)	(12,971)	(133,552)
Trade payables and other payables	(497,738)	(512,922)	(487,543)	-	(21,152)	(4,227)
Derivative liabilities	(44,496)	(32,768)	(9,204)	(2,477)	(5,779)	(15,308)
	(2,043,944)	**(2,235,529)**	**(899,323)**	**(214,688)**	**(250,184)**	**(871,334)**

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

- Capital expenditures relating to aircraft components (approximately US$ 148 million);
- an approximately US$ 275 million prepayment of secured debt.

The Group will be able to meet its financial obligations in 2022 out of operating cash flows, the existing cash position and new debt 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 2022:

- The Group maintains credit lines to ensure that it will be able to face its obligations when they fall due. As at December 31, 2021, the Group had the following credit lines available for drawing: US$ 107.5 million (US$ 60 million and EUR 42 million) with a maturity ranging from December 2022 to December 2026.

5. Financial risks and risk management (continued)

(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 2021, it is estimated that a general increase/decrease of one percentage point in interest rates would have increased/decreased the Group's profit before tax before marked-to-market of derivative instruments by respectively approximately US$ 12.3 million and US$ 15.7 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$ 25.6 million. The impact on the income statement of an increase in the value of the US Dollar can to a certain extent be mitigated by cash inflows from currency hedging.

It is estimated that an increase/decrease of US$/tonne 50 in the price of jet fuel (basis Barges Rotterdam) over a one-year period would have increased/decreased the Group's fuel bill by around US$ 76 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.

5. Financial risks and risk management (continued)

(g) Fair values

The fair values of financial assets and liabilities other than those with carrying amounts that are reasonable approximations of fair values, together with the carrying amounts shown in the balance sheet, are as follows:

In thousands of U.S. Dollar	December 31, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Other investments	47,668	47,668	43,408	43,408
Interest rate transactions used for hedging	2,770	2,770	112	112
Fuel derivative contracts through profit and loss	11,538	11,538	3,574	3,574
Forward exchange contracts through profit and loss	4,692	4,692	184	184
	66,668	**66,668**	**47,278**	**47,278**
Assets carried at amortized costs				
Loans and receivables	688,458	688,458	626,613	626,613
Cash and cash equivalents	2,128,287	2,128,287	963,630	963,630
	2,816,745	**2,816,745**	**1,590,243**	**1,590,243**
Liabilities carried at fair value				
Interest rate transactions used for hedging	(6,148)	(6,148)	(24,293)	(24,293)
Fuel derivative contracts through profit and loss	(471)	(471)	(570)	(570)
Forward exchange contracts through profit and loss	(5,304)	(5,304)	(19,633)	(19,633)
	(11,923)	**(11,923)**	**(44,496)**	**(44,496)**
Liabilities carried at amortized cost				
Secured bank loans	(75,581)	(66,470)	-	-
Unsecured bond issued	(22,652)	(22,479)	(198,617)	(167,930)
Other financing arrangement liabilities	(995,081)	(900,907)	(1,144,243)	(835,398)
Lease liabilities	(149,505)	(149,505)	(166,467)	(166,467)
Trade and other payables	(614,296)	(614,296)	(472,382)	(472,382)
	(1,857,115)	**(1,753,657)**	**(1,981,709)**	**(1,642,177)**

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

(h) Fair values hierarchy

In thousands of U.S. Dollar	December 31, 2021			December 31, 2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Other investments	47,668	-	47,668	43,408	-	43,408
Interest rate transactions used for hedging	-	2,770	2,770	-	112	112
Fuel derivative contracts through profit and loss	-	11,538	11,538	-	3,574	3,574
Forward exchange contracts through profit and loss	-	4,692	4,692	-	184	184
	47,668	**19,000**	**66,668**	**43,408**	**3,870**	**47,278**
Interest rate transactions used for hedging	-	(6,148)	(6,148)	-	(24,293)	(24,293)
Fuel derivative contracts through profit and loss	-	(471)	(471)	-	(570)	(570)
Forward exchange contracts through profit and loss	-	(5,304)	(5,304)	-	(19,633)	(19,633)
	-	**(11,923)**	**(11,923)**	-	**(44,496)**	**(44,496)**

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

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

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

6. Revenues

In thousands of U.S. Dollar	2021	2020
Cargo sales	4,402,499	3,126,592
Aircraft rental revenues	66	3,395
Maintenance revenues	11,526	13,669
Trucking, handling and other services	14,695	24,018
	4,428,786	**3,167,674**

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 III (Asia & Pacific) traffic with 48.6% (2020: 44.9%), followed by Area II (Europe, Middle East & Africa) traffic with 36.0% (2020: 33.8%), with the balance accounted for by Area I (the Americas) and charter traffic with 15.4% (2020: 21.3%).

7. Other operating income

In thousands of U.S. Dollar	2021	2020
Gain on sale of fixed assets	-	3,023
	-	**3,023**

In 2020, the Group sold one of its B747-400 freighters.

8. Aircraft lease expenses

In thousands of U.S. Dollar	2021	2020
Aircraft rentals under dry leases	5,666	8,029
Fees payable under block space agreements	-	255
Return conditions provision in respect of dry leased aircraft	-	(9,352)
	5,666	**(1,068)**

At the balance sheet date the Group dry leased the following aircraft: LX-GCL, LX-KCL and LX-ICL.
From 2019, the Group applied IFRS 16 and all aircraft under dry lease are classified as right-of-use assets and depreciated over its lease term. Only the variable part of the aircraft dry lease contracts remains classified as *Aircraft lease expenses*.

9. Aircraft maintenance expenses

In thousands of U.S. Dollar	2021	2020
Engine repair and overhaul	35,477	28,302
Component and brakes repair	34,410	26,879
Stock consumption	27,050	23,643
Line maintenance at stations	11,564	9,810
Engine lease	7,215	5,202
Engine reserve	3,217	7,547
Other maintenance expenses	17,627	31,709
	136,560	**133,092**

Other maintenance expenses include scrap of material, retreading of tires, special fees, provision for obsolescence of stock and exchange of components.

10. Personnel costs and benefits

In thousands of U.S. Dollar	2021	2020
By category of expenses		
Salaries, 13th month, profit sharing and overtime	497,684	369,656
Social security	37,278	31,805
Employee benefits		
- Expenses related to defined benefit plans	222	41
- Expenses related to defined contribution plans	8,511	7,381
- Other (accident and invalidity insurance)	7,992	9,711
Training and sundry personnel charges	17,507	17,163
	569,194	**435,757**

Average number of staff by category	2021	2020
Active		
Flight Operations (including crews)	799	756
Sales and Marketing	309	310
Maintenance	560	551
Finance and Administration	153	150
General Management (Corporate Division)	93	72
Legal and Compliance Division	74	66
Commercial Planning	51	48
Global Logistics	323	309
Corporate Development	5	3
	2,367	2,265
Other		
Reclassified staff	10	10
Employees on early retirement	7	3
Apprentices	18	18
	2,402	**2,296**

As of December 31, 2021, 2,109 (2020: 2,007) employees (excluding apprentices) were based in countries of the European Union, of which 1,830 in Luxembourg (2020: 1,740).

On August 5, 2019, two CWAs covering Luxembourg based staff other than managers and exempt employees were signed, the first CWA covering the years 2018-2019 and the second CWA covering the years 2020-2022. On May 27, 2021, an amendment of the CWA covering the years 2020-2022 was signed.

11. Other operating expenses

In thousands of U.S. Dollar	**2021**	**2020**
GSA commissions	23,850	15,872
IT services	32,165	36,965
Travel & entertainment	20,693	23,002
Office and office equipment (rental and maintenance)	21,257	16,530
Legal, audit and consulting fees	12,762	14,859
Other aircraft expenses	9,750	6,081
Purchase, maint. & repairs of ULD & packing material	5,572	4,103
Office & printing material	4,449	6,911
Net worth tax	(156)	3,404
Foreign exchange loss, net	6,318	12,890
Loss on sale of fixed assets	266	-
Miscellaneous	28,940	41,192
Anti-trust	-	9,393
	165,866	**191,202**

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

As of December 31, 2021, there are ongoing litigations in various countries. Management is required to make estimates and judgments about the ultimate outcome of these anti-trust related civil proceedings in determining anti-trust provisions. Final settlements or court rulings may differ from management estimates (see also note 25).

Legal, audit and consulting fees include US$ 0.9 million (in 2020: US$ 2.3 million) related to the anti-trust cases in various jurisdictions, which are entirely provisioned (see also note 25).

Legal, audit and consulting fees also include an amount of US$ 0.5 million (in 2020: US$ 0.5 million) accrued for audit fees and an amount of US$ 0.1 million (in 2020: US$ 0.1 million) accrued for tax services to our external auditors.

Miscellaneous includes telecommunication expenses, travel and entertainment, indemnity fees, value adjustments on current assets, advertising and public relations and non-aircraft insurances.

12. Net finance costs

Recognized in income statement

In thousands of U.S. Dollar	2021	2020
Net change in fair value of financial instruments	17,513	2,423
Interest income on bank deposits	6,522	3,681
Interest on loans and receivables	334	439
Gain on sale of financial asset	10,530	-
Other financial income (IATA call day adjustments, discounts received)	165	210
Financial income	**35,064**	**6,753**
Interest expense	(49,542)	(64,898)
Net change in fair value of financial instruments	-	(29,807)
Accrued interest on net present value of provisions and liabilities	(4,988)	(5,071)
Value adjustment financial asset (Note 16)	-	(16,471)
Other financial expenses (bank charges, loan agency fees, CASS commissions)	(7,991)	(2,617)
Financial expenses	**(62,521)**	**(118,864)**
Net finance costs	**(27,457)**	**(112,111)**

In December 2021, the Group sold its participation in the associate Champ Cargosystems S.A.. The proceed of the sale was above the value of the participation and the Group recognized a gain on sale of financial asset (see note 16).

Recognized in other comprehensive income

In thousands of U.S. Dollar	2021	2020
Effective portion of changes in fair value of interest cash flow hedges	5,729	5,027
Net change in fair value of cash flow hedges transferred to profit or loss	720	(2,493)
Income tax on finance income and finance costs recognized in other comprehensive income	(1,608)	(632)
Finance income recognized in other comprehensive income, net of tax	**4,841**	**1,902**

13. Income tax expense

In thousands of U.S. Dollar	2021	2020
Current tax expense		
Current year	380,943	91,427
	380,943	91,427
Deferred tax expense		
Origination and reversal of temporary differences	11,694	(9,355)
Use of tax losses	-	-
Effect of investment tax credit	-	17,806
	11,694	8,451
Total income tax expense in income statement	**392,637**	**99,878**
Income tax expense recognized in other comprehensive income	**1,676**	**562**

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

Reconciliation of effective tax rate

In thousands of U.S. Dollar	2021 %	2021	2020 %	2020
Profit before tax		1,687,934		868,547
Income tax using the domestic rate	24.94	420,971	24.94	216,616
Share of profit / (loss) of associates		(704)		(2,542)
Effect of current tax in foreign jurisdictions		152		155
Non-deductible expenses / Non-taxable income		(569)		(22,135)
Benefits of tax credits through financing arrangement		-		-
Unrecognized DTA		(27,213)		(110,022)
Tax exempt revenues		-		-
Effect of investment tax credit		-		17,806
Effect of change in tax rate		-		-
Effect of tax losses		-		-
Income tax expense		**392,637**		**99,878**

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.

As at December 31, 2021, all Investment Tax Credits ("ITC") available were recognized and utilized (2020: all ITC available were recognized and utilized).

14. Property, plant and equipment

2021

In thousands of U.S. Dollar	Aircraft and equipment	Land and buildings	Other equipment	Payments on accounts and assets in course of construction	Total
Cost at beginning of year	3,889,792	10,571	76,156	65,801	4,042,320
Acquisitions	193,219	232	3,370	68,768	265,589
Transfer from assets under construction	70,284	875	2,974	(74,133)	-
Disposals	(75,690)	(5,811)	(2,161)	(414)	(84,076)
At end of year	4,077,705	5,867	80,339	60,022	4,223,933
Accumulated depreciation at beginning of year	(2,031,653)	(8,626)	(58,638)	-	(2,098,917)
Charge for the year	(297,285)	(725)	(4,541)	-	(302,551)
Impairment loss	-	-	-	-	-
Adjustments for disposals	71,823	5,803	2,154	-	79,780
At end of year	(2,257,115)	(3,548)	(61,025)	-	(2,321,688)
Net book value as of December 31, 2021	**1,820,490**	**2,319**	**19,314**	**60,022**	**1,902,145**

2020

In thousands of U.S. Dollar	Aircraft and equipment	Land and buildings	Other equipment	Payments on accounts and assets in course of construction	Total
Cost at beginning of year	3,697,515	9,072	70,747	90,757	3,868,091
Acquisitions	93,175	267	2,660	111,981	208,083
Transfer from assets under construction	132,726	1,232	2,889	(136,847)	-
Disposals	(33,624)	-	(140)	(90)	(33,854)
At end of year	3,889,792	10,571	76,156	65,801	4,042,320
Accumulated depreciation at beginning of year	(1,766,737)	(8,062)	(54,991)	-	(1,829,790)
Charge for the year	(217,899)	(564)	(3,787)	-	(222,250)
Impairment loss	(76,700)	-	-	-	(76,700)
Adjustments for disposals	29,683	-	140	-	29,823
At end of year	(2,031,653)	(8,626)	(58,638)	-	(2,098,917)
Net book value as of December 31, 2020	**1,858,139**	**1,945**	**17,518**	**65,801**	**1,943,403**

14. Property, plant and equipment (continued)

Impairment loss

As of December 31, 2021, the Group reviewed the carrying amount of aircraft in light of current market condition. Following the review, the Group concluded there were no indication of impairment or reversal of impairment. Accordingly, in 2021 the Group did not recognize an impairment against these aircraft. In 2020, the Group recognized an impairment loss of US$ 76.7 million and the estimate of value in use was determined using a pre-tax discount rate of 10.8%.

Aircraft subject to financing arrangements

The Group operates aircraft subject to financing agreements: LX-MCL, LX-YCV, LX-VCA, LX-VCB, LX-VCC, LX-VCD, LX-VCE, LX-VCF, LX-VCG, LX-VCH, LX-VCI, LX-VCJ, LX-VCK, LX-VCL, LX-VCM and LX-VCN (2020: LX-MCL, LX-YCV, LX-VCA, LX-VCB, LX-VCC, LX-VCD, LX-VCE, LX-VCF, LX-VCG, LX-VCH, LX-VCI, LX-VCJ, LX-VCK, LX-VCL, LX-VCM and LX-VCN). At the end of each of the financing contracts the Group has the option to purchase the aircraft at a preferential or favorable price (except LX-VCC and LX-VCD). At December 31, 2021, the net carrying amount of aircraft under financing arrangements was US$ 1,435.6 million (2020: US$ 1,780.2 million).

Security

At December 31, 2021, aircraft and equipment with a carrying amount of US$ 1,460.1 million (2020: US$ 1,685.8 million) are subject to mortgages to secure the bank loans relating to LX-MCL, LX-YCV, LX-VCA, LX-VCB, LX-VCC, LX-VCD, LX-VCE, LX-VCF, LX-VCG, LX-VCH, LX-VCI, LX-VCJ, LX-VCK, LX-VCL, LX-VCM, LX-VCN and two GEnx spare engines (2020: LX-MCL, LX-YCV, LX-VCA, LX-VCB, LX-VCC, LX-VCD, LX-VCE, LX-VCF, LX-VCH, LX-VCI, LX-VCJ, LX-VCK, LX-VCL, LX-VCM, LX-VCN and two GEnx spare engines). On May 28, 2008 the Grand-Duchy of Luxembourg ratified the Cape Town Convention on international interests in mobile equipment (Cape Town 2001). The convention was enacted into Luxembourg law effective of December 12, 2008. Some of the Group's aircraft are subject to a mortgage registration in the Cape Town registry.

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. Right-of-use assets

2021 *In thousands of U.S. Dollar*	**Aircraft and equipment**	**Return cost**	**Land and buildings**	**Other equipment**	**Total**
Cost at beginning of year	34,551	26,694	141,607	836	**203,688**
New contract	-	-	3,688	5,421	**9,109**
Change in contract	-	-	157	-	**157**
Disposals	-	-	(5,410)	(98)	**(5,508)**
at end of year	34,551	26,694	140,042	6,159	**207,446**
Acc. depr. at beginning of year	(9,635)	(5,262)	(15,267)	(339)	**(30,503)**
Amortization	(4,818)	(2,475)	(8,600)	(2,437)	**(18,330)**
Impairment loss	-	-	-	-	-
Adjustments for disposals	-	-	4,723	90	**4,813**
at end of year	(14,453)	(7,737)	(19,144)	(2,686)	**(44,020)**
NBV as of December 31, 2021	**20,098**	**18,957**	**120,898**	**3,473**	**163,426**

At December 31, 2021, the sole lease aircraft subject to return obligation is LX-KCL.

2020 *In thousands of U.S. Dollar*	**Aircraft and equipment**	**Return cost**	**Land and buildings**	**Other equipment**	**Total**
Cost at beginning of year	52,901	37,281	76,989	662	**167,833**
New contract	-	-	66,374	315	**66,689**
Change in contract	-	-	115	-	**115**
Disposals	(18,350)	(10,587)	(1,871)	(141)	**(30,949)**
at end of year	34,551	26,694	141,607	836	**203,688**
Acc. depr. at beginning of year	(15,319)	(7,596)	(7,958)	(215)	**(31,088)**
Amortization	(8,399)	(6,765)	(8,927)	(234)	**(24,325)**
Impairment loss	-	-	-	-	-
Adjustments for disposals	14,083	9,099	1,618	110	**24,910**
at end of year	(9,635)	(5,262)	(15,267)	(339)	**(30,503)**
NBV as of December 31, 2020	**24,916**	**21,432**	**126,340**	**497**	**173,185**

The following amounts are recognized in profit or loss:

In thousands of U.S. Dollar	**2021**	**2020**
Depreciation expense of right-of-use assets	18,330	24,325
Interest expense on lease liabilities	4,988	5,071
Variable lease payments	5,666	8,029
Expenses relating to short-term and low value leases	2,187	1,800
	31,171	**39,225**

16. Investments in associates and joint ventures

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

	Country	Ownership 2021	2020
Champ Cargosystems S.A.	Luxembourg	-	49%
Global Aviation Technical Solutions GB (BVI) Ltd.	British Virgin Islands	50%	50%

In 2021, the Group made no contribution in kind to Global Aviation Technical Solutions GB (BVI) Ltd. (2020: US$ 0.1 million).

In 2021, the Group sold its participation in the associate Champ Cargosystems S.A.. The proceed of the sale was above the value of the participation and the company recognized a gain on sale of financial asset (see note 12).

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

In thousands of U.S. Dollar	Ownership	Carrying amount	Assets	Equity	Liabilities	Revenues	Profit / (Loss)
2021							
Global Aviation Technical Solutions GB (BVI) Ltd. (joint venture)	50%	15,185	41,302	38,403	2,899	25,222	(5,643)
		15,185	**41,302**	**38,403**	**2,899**	**25,222**	**(5,643)**
2020							
Champ Cargosystems S.A. (associate)	49%	8,244	82,315	35,890	46,425	51,573	(13,315)
Global Aviation Technical Solutions GB (BVI) Ltd. (joint venture)	50%	17,007	44,353	42,046	2,307	18,544	(7,333)
		25,251	**126,668**	**77,936**	**48,732**	**70,117**	**(20,648)**

17. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of U.S. Dollar	2021	2020	2021	2020	2021	2020
Aircraft and equipment, and right-of-use assets	1,934	5,300	-	-	1,934	5,300
Other property, plant and equipment	-	-	-	-	-	-
Derivative assets	-	-	(4,739)	(703)	(4,739)	(703)
Trade receivables and other receivables	-	-	(3,941)	(3,000)	(3,941)	(3,000)
Other investments	-	1,032	(530)	-	(530)	1,032
Financial and lease liabilities	28,690	23,528	-	-	28,690	23,528
Employee benefits	475	484	-	-	475	484
Derivative liabilities	2,974	11,097	-	-	2,974	11,097
Trade and other payables	-	-	(503)	(387)	(503)	(387)
Provisions	-	-	(8,799)	(8,420)	(8,799)	(8,420)
Benefit of tax losses brought forward	-	-	-	-	-	-
Investment tax credit	-	-	-	-	-	-
Tax credit on loss carry forward	-	-	-	-	-	-
Tax assets / (liabilities)	34,073	41,441	(18,512)	(12,510)	15,561	28,931
Deferred tax assets	-	-	-	-	-	-
Deferred tax liabilities	(18,512)	(12,510)	18,512	12,510	-	-
Net tax assets	**15,561**	**28,931**	-	-	**15,561**	**28,931**

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

A positive amount of deferred tax adjustments of US$ 1.7 million was recognized in equity in 2021 and a positive of US$ 0.6 million in 2020 (see note 13).

All ITC available were recognized and utilized in 2021 (2020: All ITC available were recognized and utilized).

18. Other financial assets

In thousands of U.S. Dollar	2021	2020
Interest rate loans – at amortized cost	14,375	11,026
Current	**14,375**	**11,026**
Interest rate loans – at amortized cost	33,146	33,185
Non-current	**33,146**	**33,185**

Interest rate loans have an interest rate of Euribor 3M + 100 basis points and have a maturity of 8 years.

19. Trade receivables and other receivables

Trade receivables of US$ 563.2 million (2020: US$ 396.4 million) are shown net of any impairment losses recognized in the current year (see note 5(a)).

In thousands of U.S. Dollar	**2021**	**2020**
Trade receivables	563,161	396,438
Prepayments	51,892	148,657
Advances paid to suppliers	5,918	6,207
VAT	7,232	7,454
Derivative assets	12,049	2,703
Other receivables	12,733	23,646
	652,985	**585,105**

Prepayments mainly include an advance payment made to suppliers for future service.

In 2021, the Group recognized an impairment of trade and other receivables of US$ 0.7 million (2020: US$ 1.3 million) based on the expected credit loss model.

The expected loss rates are based on the Group's historical credit losses experienced over the three-years period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

20. Other investments

In thousands of U.S. Dollar	**2021**	**2020**
Term deposits	467,147	293,076
Restricted cash	12,743	31,428
Securities held at fair value through profit and loss	47,668	43,408
	527,558	**367,912**

Restricted cash comprises an amount of US$ 1.8 million (2020: US$ 5.2 million) of pledged deposits related to aircraft financings and an amount of US$ 2.3 million (2020: US$ 2.5 million) securing letters of credit issued on behalf of the Group. Cash for an amount of US$ 8.6 million (2020: US$ 23.7 million) is pledged as collateral in derivative transactions.

Securities held at fair value through profit and loss comprises investments done in Equity funds, Government Bond funds and Alternative investment funds. The negative net change in fair value of the securities amounts to US$ 1.6 million (2020: positive US$ 2.4 million).

21. Cash and cash equivalents

In thousands of U.S. Dollar	**2021**	**2020**
Bank balances	369,947	374,876
Short term deposits	1,753,845	585,217
Money market shares	4,495	3,537
Cash and cash equivalents in the statement of cash flows	**2,128,287**	**963,630**

22. Capital and reserves

Share capital and main shareholders

In thousands of U.S. Dollar excluding share numbers	**2021**	**2020**
Issued and subscribed		
20,939,223 registered common shares of no par value (2020: 20,939,223)	525,007	525,007

At balance sheet date the main shareholders are:

	2021	**2020**
Luxair	35.1%	35.1%
HNCA	35.0%	35.0%
Banque et Caisse d'Epargne de l'Etat (BCEE)	10.9%	10.9%
SNCI	10.7%	10.7%
Luxembourg State	8.3%	8.3%

As at December 31, 2021, the share capital of the Company is represented by 20,939,223 common shares which are fully paid in.

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.

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.

23. Interest-bearing loans and borrowings, other financing arrangement liabilities and 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	**2021**	**2020**
Non-current liabilities		
Secured bank loans	68,351	-
Unsecured bank loans ("Schuldschein")	1,133	24,562
Loan originated costs	(361)	(178)
Total:	**69,123**	**24,384**
Other financing arrangement liabilities	626,335	963,002
Lease liabilities	135,941	153,758
Loan originated costs	(2,286)	(6,566)
Total:	**759,990**	**1,110,194**
Grand total:	**829,113**	**1,134,578**
Current liabilities		
Interest payable on current and non-current liabilities	2,431	3,479
Loan originated costs	(3,992)	(6,187)
Current portion of secured/unsecured bank loans	28,749	174,055
Current portion of other financing arrangement liabilities	371,197	183,094
Current portion of lease liabilities	13,562	12,691
Total:	**411,947**	**367,132**

Terms and debt repayment schedule
Terms and conditions of outstanding loans were as follows:

In thousands of U.S. Dollar	**Currency**	**Nominal interest rate**	**Year of maturity**	**Principal amount 2021**	**Principal amount 2020**
Secured bank loans	US$	Libor 3M + margin	2030	75,581	-
Unsecured bank loans	US$	Fixed	2022 - 2024	22,652	198,617
Other financing arrangement liabilities	US$	Fixed, Libor 3M + margin,	2022 - 2033	995,081	1,144,243
Lease liabilities	multiple currencies	Euribor 6M + margin, 5.1%, 2.5%	2022 - 2050	149,505	166,467
Total interest-bearing liabilities				**1,242,819**	**1,509,327**

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

23. Interest-bearing loans and borrowings, other financing arrangement liabilities and lease liabilities (continued)

Other financing arrangement liabilities and lease liabilities

Other financing arrangement liabilities are repayable as follows:

In thousands of U.S. Dollar	Minimum lease payments 2021	Interest 2021	Principal 2021	Minimum lease payments 2020	Interest 2020	Principal 2020
Less than one year	394,048	23,368	370,680	209,906	26,812	183,094
Between one and five years	329,801	46,430	283,371	652,422	72,292	580,130
More than five years	374,304	33,274	341,030	429,226	48,207	381,019
	1,098,153	**103,072**	**995,081**	**1,291,554**	**147,311**	**1,144,243**

Lease liabilities are repayable as follows:

In thousands of U.S. Dollar	Minimum lease payments 2021	Interest 2021	Principal 2021	Minimum lease payments 2020	Interest 2020	Principal 2020
Less than one year	16,552	2,989	13,562	15,964	3,273	12,691
Between one and five years	51,679	9,268	42,409	55,616	9,841	45,775
More than five years	113,867	20,336	93,532	130,120	22,137	107,983
	182,098	**32,593**	**149,503**	**201,700**	**35,251**	**166,449**

The total cash outflow for leases in 2021 was US$ 14.9 million (2020: US$ 20.1 million).

Capital Ratios

In thousands of U.S. Dollar	2021	2020
Outstanding loans	98,114	199,483
Outstanding financial obligations	993,437	1,135,772
Outstanding lease obligations	149,509	166,455
Total debt	**1,241,060**	**1,501,710**
Less cash and cash equivalents and other investments	(2,655,845)	(1,331,542)
Net debt	**(1,414,785)**	**170,168**
Present value of future lease payments	-	-
Adjusted net debt	**(1,414,785)**	**170,168**
Equity	**3,130,982**	**1,930,505**
Net debt/equity	-45.2%	8.8%
Adjusted net debt/equity	-45.2%	8.8%

See also note 5 (e).

24. Employee benefits

In thousands of U.S. Dollar	2021	2020
Fair value of plan assets	(289)	(1,753)
Present value of net obligations	4,707	6,574
Recognized liability for defined benefit obligations (see below)	4,418	4,821
Other employee benefits	4,249	4,209
Total employee benefits	**8,667**	**9,030**

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 three 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 2022.

In 2018, the Group changed the pension scheme from defined benefit scheme to defined contribution scheme for Luxembourg based ground staff.

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

In thousands of U.S. Dollar	2021	2020
Net liability for defined benefit obligations at January 1	4,821	4,828
Contributions received	-	-
Pension payments	(407)	(431)
Expense recognized in the income statement (see below)	222	41
Foreign exchange impact	(375)	471
Remeasurements	157	(88)
Net liability for defined benefit obligations at December 31	**4,418**	**4,821**

24. Employee benefits (continued)

Expense recognized in the income statement

In thousands of U.S. Dollar	**2021**	**2020**
Interest on pension obligation	27	41
Past service costs	195	-
	222	**41**

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

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

	2021	**2020**
Discount rate at December 31	0.75%	0.75%
Expected return on plan assets at December 31	0.75%	0.75%

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

25. Provisions

2021

In thousands of U.S. Dollar	Anti-trust	Legal	Return cost provision	Other	Total
Balance at January 1, 2021	46,668	5,000	34,164	8,739	**94,571**
Provisions made during the year	-	929	-	-	**929**
Effect of net present value on provision	-	-	1,724	-	**1,724**
Provisions used during the year	(16,266)	(929)	-	-	**(17,195)**
Provisions reversed during the year	-	-	-	-	**-**
Effect of exchange	(3,220)	-	-	(660)	**(3,880)**
Balance at December 31, 2021	27,182	5,000	35,888	8,079	**76,149**
Current	27,182	5,000	-	8,079	**40,261**
Non-current	-	-	35,888	-	**35,888**

2020

In thousands of U.S. Dollar	Anti-trust	Legal	Return cost provision	Other	Total
Balance at January 1, 2020	79,059	3,340	89,765	3,818	**175,982**
Provisions made during the year	9,393	2,265	-	4,548	**16,206**
Effect of net present value on provision	-	-	1,395	-	**1,395**
Provisions used during the year	(44,286)	(574)	(47,644)	-	**(92,504)**
Provisions reversed during the year	-	-	(9,352)	-	**(9,352)**
Effect of exchange	2,502	(31)	-	373	**2,844**
Balance at December 31, 2020	46,668	5,000	34,164	8,739	**94,571**
Current	46,668	5,000	-	8,739	**60,407**
Non-current	-	-	34,164	-	**34,164**

In 2021, provisions were recognized to cover the Group against remaining liability risks from pending anti-trust related civil proceedings in various countries.

In 2020, the Group ended some of its lease contracts, used the return cost provision against the settlement arrangement with the lessor and released the remainder part.

The return cost provision of US$ 35.9 million represents the net present value of maintenance cost expected to be incurred to deliver the aircraft under lease to the lessor at lease-end in conformity with the delivery conditions stipulated in the respective lease agreements.

26. Trade payables and other payables

In thousands of U.S. Dollar	2021	2020
Trade payables	144,820	154,038
Accruals for:		
- General and administration	37,462	32,482
- Maintenance	18,623	14,724
- Fuel	25,010	14,138
- Handling, landing and overflying	46,345	50,493
- Trucking, truck handling and interlining	13,647	13,383
- Incentive and worldwide commissions	29,810	28,124
Staff related costs	254,127	140,463
Derivatives liabilities	6,753	18,485
Anti-trust	838	852
Amount owed to related parties	1,321	1,798
Deferred income	12,021	11,146
Miscellaneous	34,295	36,119
Total trade payables and other payables	**625,072**	**516,245**
of which current	621,049	490,867
of which non-current	4,023	25,378

27. Contingencies

Legal proceedings

The Company is party to legal proceedings, both as defendant and claimant, from time to time in the normal course of its business. In addition, the Company was subject to proceedings from anti-trust authorities in the USA, the EU and six other countries in connection with a worldwide investigation of air cargo carriers regarding alleged violations of anti-trust laws. Most of these official proceedings have been closed in prior years, with the exception of the cases in the EU and Switzerland, where appeals are still pending. In the EU, in December 2015, the General Court annulled the EU Commission's 2010 decision that imposed a fine of EUR 79.9 million against the Company. In March 2017, however, the EU Commission re-adopted its decision and imposed the same amount of fine on Cargolux. The Company had settled the fine with a payment of the full amount to the Commission (see note 25). The Company had also challenged the re-adopted EU Commission decision before the EU General Court. That process is still pending.

In the wake of the anti-trust proceedings, civil follow-on lawsuits were launched in nine countries against a number of air carriers, including Cargolux. At the date of this report, the civil proceedings against Cargolux are still ongoing in the Netherlands and South Korea. During the course of 2021, the Company has settled at a certain amount and the civil claims against the Company in Germany were withdrawn.

In 2021 and prior periods, the Company constituted provisions to cover its exposure with respect to the anti-trust related proceedings (see also notes 11 and 25).

In 2020, a foreign competitor has commenced an action against the Group in respect of an unfair competition for violation of public law rules. The amount claimed is EUR 230 million.

The Group has been advised by its legal counsel that the likelihood of the claim to be successful did not justify any provision for any liability based on the assessment of current case and arguments.

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 Company extended Executive Committee, Cargolux Italia Management Committee and 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 extended Executive Committee and heads of areas are as follows:

In thousands of U.S. Dollar	**2021**	**2020**
Salaries and profit sharing	6,316	5,749
Contribution to pension scheme and accident/invalidity insurance	1,571	1,453
	7,887	**7,202**

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:

In thousands of U.S. Dollar	**2021**	**2020**
Directors	**563**	**526**

Shareholders

- The Group paid landing fees to the "Administration de la Navigation Aérienne". The amount charged to operations for such services was US$ 6.4 million (2020: US$ 5.5 million).

- The Group paid handling fees, fuel and other service charges to Luxair in Luxembourg. The amount charged to operations for such services was US$ 112.9 million (2020: US$ 90.0 million).

- Interest and commissions of approximately US$ 0.1 million (2020: US$ 0.1 million) were paid in 2021 and US$ 0.3 million (2020: US$ 0.5 million) of investment income was received in 2021 from banks which are shareholders.

- The Group receives freight and maintenance revenues from Luxair. The amount invoiced was approximately US$ 1.0 million (2020: US$ 1.3 million).

In 2018, all the shareholders of the Group established a structured entity (Master LeaseCo S.A.) for the purpose of aircraft re-financing, notably in the context of financing arrangements. Given the nature of the contractual arrangements, the assets and liabilities are shown on the balance sheet in accordance with accounting policy 3 (d).

28. Related parties (continued)

Joint ventures and associates

During the year ended December 31, 2021 the Group paid overhead fees and repair of component parts of US$ 7.6 million (2020: US$ 5.0 million) to Global Aviation Technical Solutions.
Between January 1, 2021, and the date of the sale of its participation, the Company paid for IT services of US$ 4.9 million (2020: US$ 5.8 million) to Champ Cargosystems S.A..

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

Accounts receivable and deposits with related parties:

In thousands of U.S. Dollar	**2021**	**2020**
Associates and Joint Venture	-	855
Shareholders	575,092	251,378
	575,092	**252,233**

Accounts payable and loan from related parties:

In thousands of U.S. Dollar	**2021**	**2020**
Associates and Joint Venture	705	578
Shareholders	2,391	1,315
	3,096	**1,893**

Structured entities

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

29. Group entities

Subsidiaries

	Country of incorporation	**Direct ownership**	
		2021	**2020**
Cargolux RE S.A.	Luxembourg	100%	100%
Cargolux Italia S.p.A.	Italy	40%	40%
Italia Aerologistic S.R.L.	Italy	98%	98%
8F Leasing S.A.	Luxembourg	100%	100%
Aircraft Leasing S.à r.l.	Luxembourg	100%	-
Aircraft Leasing 2 S.à r.l.	Luxembourg	100%	-

The Group holds a 100% controlling interest in all its subsidiaries.

30. Accounting estimates and judgments

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

Deferred tax asset and investment tax credits
Deferred tax assets are recognized on temporary differences and/or investment tax credits (see note 13). Their recoverability is based on the most recent consolidated business plan under IFRS available (which may significantly differ from the fiscal result of the Group) at each balance sheet date and represents a significant estimate.

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. Since 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 (see note 25).

Carrying amount, useful lives and residual values of aircraft
Management estimates of residual values, useful lives and carrying amount are reassessed regularly on the basis of facts 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, useful lives, carrying amount and related impairment losses. In 2021, the change in estimate of residual values and the reassessment of the useful lives of components impacted the Group's financial statements in the amount of US$ 33.2 million (See note 3 (d)(v) and note 14).

Loan originated costs
Management estimates of depreciation periods for the loan originated costs are reassessed regularly on the basis of facts and circumstances existing at year end. Past transactions and market conditions, when appropriate, lead to revisions of the depreciation periods.

Leases – Incremental borrowing rate
The Group cannot readily determine the interest rate implicit in all the leases, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires an estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.
The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (See note 3 (c)(iii)).

Leases term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Expected credit loss allowance
The measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the trade receivables.

31. Subsequent events

On March 30, 2022, the General Court reconfirms the imposed fine of EUR 79.9 million by the European Commission on November 9, 2010, as explained in note 27.

Impact of economic sanctions on Russia and related risks

The current conflict in Ukraine and the related economic sanctions imposed or to be imposed on Russia and similarly the protective measures taken by Russia may have a significant cost impact on the activities of the Group.

Building a better working world

Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

Tel: +352 42 124 1

www.ey.com/en_lu

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Cargolux Airlines International S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated director's report but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance 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 IFRS 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.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

EY
Building a better
working world

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The consolidated director's report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Luxembourg, April 1, 2022