



October 7, 2013

**Subject:** Draft Commercial Cooperation Agreement – RTL online

Dear Colleagues:

Today, the RTL website had published, as a PDF download, the 'Commercial Cooperation Agreement' to be entered into between Henan Civil Aviation Development and Investment Co., Ltd., (HNCA), Cargolux and the airline's current shareholders in the event a transaction was concluded for the purchase of the 35% shareholding in the airline from the Luxembourg government.

The document published by RTL was, however, the first draft of a cooperation agreement proposed by the potential investor as part of a non-binding, indicative bid proposal prior to final, binding offers being made by the potential buyers. Despite this being a confidential document, limited to a select number of individuals, it has unfortunately found its way into the hand of the press.

It goes without saying that there have been a series of discussions between the government of Luxembourg, as the seller, and HNCA, as one of the potential buyers, subsequent to the submission of the non-binding, indicative offer received in order to arrive at an acceptable agreement for consideration by the seller.

In conducting their negotiations, the government had requested the management of Cargolux to formally define its 'walkaway position' in the event any 'Commercial Cooperation Agreement' was entered into with HNCA.

The items provided for in our walkaway position are as follows:

- 1) Cargolux would be prepared to commit to a certain number of frequencies per week in order to develop CGO airport in Zhengzhou province as a cargo hub. As no agreement has been approved with HNCA at this point, the number of frequencies cannot be disclosed as it would compromise our negotiating position if made public.
- 2) Any additional frequencies above this commitment would be done on a strictly commercially viable basis depending on whether i) additional capacity was required or; ii) displacement of existing routes was necessary to perform the additional frequencies or; iii) we would increase the utilization of our existing fleet in the event this was possible. In summary, management requested that Cargolux be in no worse position after the implementation of these additional frequencies compared to its position before.
- 3) Furthermore, such additional frequencies would only be added if threshold tonnage targets were met. This has been clearly specified in our discussions with the parties involved and will form an annex to any future 'Commercial Cooperation Agreement' entered into with HNCA if a transaction is concluded with them.
- 4) Any joint venture (JV) airline will be strictly based on a feasibility study proving that such venture has the potential of being successful.

- 5) Any JV Maintenance, Repair and Overhaul (MRO) facility in China will be strictly based on a feasibility study proving that such facility will be viable. It has also been explicitly stated that such MRO facility will not result in any outsourcing of work from Luxembourg to China. The ultimate intent of such facility is to provide services to the JV airline, if established, as well as to other 3<sup>rd</sup> parties who may be interested.
- 6) In the event HNCA decides to proceed on its own in investing in an MRO facility based in China, Cargolux will have first option to provide the required management and training skills required to facilitate its establishment.
- 7) Cargolux will also provide pilot training services in the event any JV airline is deemed feasible.
- 8) The same principle of commercial feasibility will be applied to any other area of joint cooperation, e.g. ground handling, warehouse management.

As soon as we have any information that we are cleared to release to you, regarding the shareholder transaction, we will do so. To rely on allegations and speculation in the press that is obviously aimed at creating discord is extremely counter-productive. As of now, the actual position achieved with HNCA is better than the walkaway position detailed above.

The Government of Luxembourg and your shareholders are committed to ensuring that Cargolux continues to improve its sustainability, enhance its ability to grow sustainably in an extremely competitive industry and that it has the ability to withstand volatile economic cycles better than what it has been able to do in the past. Accordingly, any decision that will be taken will consider all of these factors.

Kind regards,



**Richard Forson**  
Interim President and Chief Executive Officer



**Paul Helminger**  
Chairman of the Board of Directors