

Annual report 2015

On Course

LuxairGroup

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Board of Directors

Paul Helminger

Chairman of the Board of Directors

Jean-Claude Finck

Vice-Chairman of the Board of Directors,
Chief Executive Officer,
Banque et Caisse d'Épargne de l'État

Karsten Benz*

Member,
Chief Infrastructure Officer,
Deutsche Lufthansa AG

*Until 20th November 2015

Michel Birel

Member,
Deputy Chief Executive Officer,
Banque et Caisse d'Épargne de l'État

Gaston Stronck

Member,
Director of International
Economic Relations,
Ministry of Foreign Affairs

Giovanni Giallombardo*

Member,
General Manager & Member
of the Management Board
Unicredit Luxembourg S.A.,
Member of the Management
Board Delfin Sàrl

*Since 22nd April 2016

Tom Weisgerber

Member,
First Government Advisor,
Ministry of Sustainable development
and Infrastructure

François Pauly

Member,
Chairman of the Board of Directors,
Banque Internationale
à Luxembourg S.A.

Patrick Streff

Member,
LuxairGroup personnel representative

Helder De Oliveira Borges

Member,
LuxairGroup personnel representative

Marc Zafra

Member,
LuxairGroup personnel representative

Max Nilles

Government Commissioner
for Luxair S.A.,
Policy Advisor,
Ministry of Sustainable
development and Infrastructure

Michel Folmer

Secretary of the Board
of Directors of Luxair S.A.,
General Secretary LuxairGroup

Luxair S.A. shareholding

The share capital of Luxair S.A. amounts to 13,750,000€ and is represented by 110,000 shares held by the shareholders.

Etat du Grand-Duché de Luxembourg	39.05%
Banque et Caisse d'Épargne de l'État	21.81%
Banque Internationale à Luxembourg	13.14%
Deutsche Lufthansa AG *	13%
Delfin **	13%
Luxair	10%
Luxair Finance	2.86%
Others	0.14%

Main companies in which Luxair holds a participation

Cargolux Airlines International S.A.	35.1%
Luxfuel S.A.	40%
Euro Moselle Loisirs	35%

* until 6th November 2015 / ** since 11th December 2015

Chairman's letter

Heartening results

LuxairGroup 2015 results are heartening: they show continued recovery of its airline activity, good resilience of its tour-operating business and sustained growth of the volumes handled by its cargo handling division.

This positive result is tangible proof that we performed well in 2015 and are on track to reach our long-term goals. It also reflects well on LuxairGroup's strategy, which we have adapted successfully over recent years each time we have been faced with challenges, such as the financial crisis in 2008, the sovereign debt crisis in 2011, intensified competition from other airlines or tour-operators, and, today, rising insecurity in several of our destinations.

We always managed to strengthen the Company in a sustainable fashion as both a key facilitator of the Grande Région's economy and as an agile niche player in the European aviation market.

It starts with the reflecting strategy, embedded in the Group's wider growth strategy. The fleet was rejuvenated and became more homogeneous, leading to more cost-efficiency with more seating, and therefore better suited to our growth strategy based on increasing the sale of entry price tickets. This emerging new fleet has significantly contributed to the 11% increase recorded in 2015 in the number of passengers transported by Luxair Luxembourg Airlines. To take this strategy forward, LuxairGroup's Board of Directors is closely monitoring the evolution of the new generation jets entering the market, to identify which type might fit into Luxair's fleet in the coming years.

Managing an airline or a tour operator in 2016 also means bringing to the market products undergoing profound change. The digital world is revolutionising the travellers' experience, changing the way they select and book a trip, but also their check-in, boarding and flight, what they do at the destination and how they interact afterwards with those who provided those services. It also means facing growing competition from the big European carriers and from so-called "low-cost" airlines. On each of these fronts, LuxairGroup is well positioned thanks to its ambitious digital strategy and its dynamic commercial policy based on proactive market stimulation.

Last year, Lufthansa decided, for strategic reasons, to sell its stake in LuxairGroup and to step up its operations to Luxembourg. Although the latter had some bearing on Luxair's operations, the airline was able to cope with it effectively. As of March 2016, we are pleased to welcome a new shareholder at LuxairGroup, Delfin, a Luxembourg-based firm managing assets belonging to the Del Vecchio family. Delfin now owns 13% of Luxair's capital.

Luxair must continue to strive for improved profitability in order to remain a key player of the Grande Région's economy. This was achieved last year, with the Company increasing its operating profit by 38% compared to 2014. This is a performance that I attribute fully to the commitment of LuxairGroup employees, who uncompromisingly personify the Company's values of passion, care and responsibility. I would like to take this opportunity to express my deepest gratitude to them. ×



"LuxairGroup is a key facilitator of the Grande Région's economy and an agile niche player in the European aviation market."

Paul Helminger

Chairman of the Board of Directors

1.8 million €



1.3 million €

Profit up

LuxairGroup's operating result rose 38% compared to 2014.



Higher Turnover

LuxairGroup increased its net turnover from 495,237 million € in 2014 to 505,435 million € in 2015.



New generation aircraft

Closely monitoring the evolution of the new generation jets entering the market.

LuxairGroup

Executive Committee

Adrien Ney

President,
Chief Executive Officer

Laurent Jossart

Executive Vice-President
Cargo Handling

Alberto Kunkel

Executive Vice-President
Tour Operating & Sales

Michel Folmer

General Secretary

Martin Isler

Executive Vice-President
Airline

Marc Schroeder

Executive Vice-President
Finance

Claude Olinger

Vice-President
Human Resources

Marc Gerges*

Vice-President Marketing &
Corporate Communication

**as of 1st March 2016*



CEO's letter

“The Airline is on its way to reach break-even”



2015 was a year of overall improvement for LuxairGroup, against the backdrop of a relatively weak European economy. This confirms that our company is well prepared to continue on its path towards growth as we face our competitors.

In 2015, we managed to increase the number of passengers to 1.814 million, a growth of 11%, which represented nearly half of the rise in the number of passengers registered at Luxembourg Airport in 2015. Luxair Luxembourg Airlines has also managed to reduce its deficit from 8 million euros to 3 million euros and is on its way to break-even. Political turmoil in the North African holiday destinations and terrorist attacks in core LuxairTours destinations made it a very challenging year for the tour operating business; although its passenger numbers remained stable, the financial result was marked by a severe drop. As for our air cargo handling activity, it once again increased its processed volumes by 5% at 759,000 tonnes.

This intensified activity translated into higher earnings, with an improvement of LuxairGroup's operating profit to 1.8 million euros against 1.3 million a year earlier.

Over the last decade, LuxairGroup decisively adapted to an ever-changing environment, either by its own initiative or reacting smartly to unexpected events. This ability to adjust, innovate and reinvent ourselves will remain key to guaranteeing a thriving business in the future.

Competition has never been stronger, with more airlines serving Luxembourg and challenging us on our core routes. To defend our home market, we are developing fleet and network strategies to deal with competition of traditional airlines, so-called “low cost” carriers,

and of international tour operators which continue to be attracted to our Greater Region home market. There are new challenges on the ground too. The Findel airport retail outlets are no longer run by LuxairGroup, and a second handling agent is due to arrive in September 2016.

In August 2016, the first phase of our fleet renewal programme will be completed. Our fleet will then be composed entirely of Boeing 737 and Bombardier Q400 aircraft. This move is a central part of our overall strategy to successfully withstand existing and future competition. On the long term, we are committed to moving to a new generation aircraft after 2020. This substantial investment is needed to stay competitive, thrive and remain the leading player out of Luxembourg.

This is a key aspect of our drive to build firm foundations for competitiveness and growth in the airline business, and all our other activities. We also have to consider investments into our CargoCenter to keep pace with the ever-growing volumes being demanded of LuxairCARGO. We need to invest into new infrastructure: we are planning a new, state-of-the-art, hangar for aircraft maintenance and a new building for the catering business.

As in the past, in 2015 we were once again able to rely on the unrelenting commitment of our employees. Furthermore, a constructive social dialogue throughout 2015 enabled us to introduce a number of changes that made our organisation more robust and agile. This is why I trust that LuxairGroup is well positioned to continue to perform well in 2016 and beyond, despite the ongoing fragility of the European economy and persistent geopolitical uncertainties which are tangible threats to our business. ×



More passengers

Luxair's **new fleet** contributed to the **rise in Luxair Luxembourg Airlines passengers in 2015.**



Evolving strategy

Over the last decade, LuxairGroup has continuously **adapted its strategy to an ever-changing environment.**



The key to success

Investments are a key aspect of our drive to build firm foundations for competitiveness and growth in all our activities.

"2015 was a year of overall improvement for LuxairGroup."

Adrien Ney
President,
Chief Executive Officer

Luxair Luxembourg Airlines

Growth path confirmed

The growth strategy initiated by the airline three years ago is now bearing fruit: over the last three years, its average annual growth rate of passengers was 13%.

In 2015 network capacity again increased by 11% compared to 2014. The greater offer was well received by the market, as passenger numbers rose by 12% with a steady seat load factor of 55%.

The newly introduced destinations in 2014 performed remarkably well in 2015: thanks to added frequencies, passenger numbers rose for Dublin and Stockholm.

London remains the most popular Luxair Luxembourg Airlines destination with 20,000 additional passengers compared to 2014.

These achievements positively impacted the revenue development, with a 9% improvement, compared to 2014. Hence, the operational loss of 3.6 million euros - significantly lower than the 8.4 million euros registered in 2014 - proves that Luxair Luxembourg Airlines is on its way to reaching break-even.

The share of Primo tickets continued to rise in 2015 by 63% compared to 59% in 2014 and 57% in 2013. x



"For the third consecutive year, Luxair Luxembourg Airlines did very well with an average annual growth rate in passengers of over 13%."

Martin Isler

Executive Vice-President Airline,
Accountable Manager

Outlook 2016

To further sustain its growth strategy, Luxair introduced a new tariff structure and product improvements related to passengers' experience via web and mobile interfaces in spring 2016. We expect the total number of passengers on our regular airline destinations to remain stable in 2016 despite the loss of the Frankfurt route. One of our focus destinations in 2016 and 2017 will be Portugal. Prague was successfully launched as a new destination in March 2016. The 10th Q400 will be introduced in September thus completing the renewal of the fleet initiated in 2013.



Improved results

Our renewed fleet enabled us to **grow capacity by 11% and to offer more entry price tickets**. Along with proactive market stimulation, this led to a significant improvement of the airline's financial result.



Dublin and Stockholm soar

The newly introduced destinations in 2014 performed remarkably well in 2015: **passenger numbers rose by 88% for Dublin and 56% for Stockholm** thanks to added frequencies.

LuxairServices

Sustained progression

Ground handling

The traffic increase at Luxembourg Airport was much stronger than in other European hubs, with Luxair Luxembourg Airlines alone contributing to half of the growth. The total number of passengers in 2015 was close to 2.7 million. The number of commercial aircraft movements reached 41,600, a 3% increase.

LuxairServices, which offers a wide range of services used by Luxair and other companies using the Luxembourg Airport facilities, including passenger assistance, ground handling and the use of specialised equipment, is further improving its already excellent level of service.



Catering

1,984,000 meals were supplied to airlines represented at or passing through Luxembourg Airport in 2015. This represents an increase of 7%.



BUY bye Luxembourg

The concession granted to Luxair for the management of BUY bye shops at the Luxembourg Airport was not renewed and it ended in October 2015. The shops' staff was taken over by the **new managing company**. Sales until the end of October amounted to 9.6 million euros, a 20% decrease compared to total 2014 sales. The loss of the shops signifies a lost source of revenue for LuxairGroup.

Outlook 2016

A new handling agent is expected to start operating at Luxembourg Airport in 2016, in line with EU regulations. With its efficient teams and strict quality processes, LuxairServices is ready to face this new competition.



Passenger increase

Passenger numbers at Luxembourg Airport **increased** from 2,470,000 in 2014 **to 2,690,000 in 2015**.

LuxairTours

A challenging context

Sale of classic holidays packages declined markedly (- 13%), due to reduced demand for North Africa and Turkey destinations and the violent events which occurred at these core holiday destinations. We actively sought to replace sales to these destinations by offerings in other regions. This was especially successful with our promotional packages, which rose by 33% and gained ground mainly on destinations located in Greece and the Balears. This shift allowed the number of clients to remain stable.

Our ad-hoc charter business experienced a strong rise at 17%.

Thus, the impact of violent incidents in Tunisia and Egypt was contained in overall passenger numbers, while LuxairTours' operational result dropped to a third of its 2014 achievement. ×

"2015 was difficult and 2016 might even be more difficult: this calls for no less than a revision of our business model."

Alberto Kunkel

Executive Vice-President
LuxairTours and Sales

Outlook 2016

The year started off with new terror attacks in some of our destination countries and in Europe. Political uncertainty continues to mar the horizon and 2016 will no doubt be a very difficult year. Nevertheless, LuxairTours' quality offerings remain attractive for our customers. We are reacting to the changing and uncertain geopolitical environment by actively shifting significant sales volumes to safe destinations. At the same time, we respond to the emergence of new digital offers and matching behavioural patterns among our customers via an in-depth review of our tour-operating business, challenging the way our products are defined, packaged and marketed.



Number of passengers remained stable

The number of passengers flying out of Luxembourg remained stable (+1% vs. 2014), despite the slump of the demand for our North African destinations.

LuxairCARGO

Continued growth



Outlook 2016

Volumes will continue to grow in 2016 and are expected to exceed 800,000 tonnes, a 5% increase vs. 2015. As we celebrate the 20 years of our CargoCenter, LuxairCARGO is successfully diversifying its customer base. At the same time, we are undertaking every effort to streamline and expand the infrastructure, in particular with regards to the air cargo parking positions at Luxembourg Airport.



Bold investment

LuxairCARGO invested some **5 to 7 million € a year** over the last five years.

Luxembourg is consolidating its role as one of Europe's leading air cargo hubs. The strong performance of LuxairCARGO reflects the increased volumes of its main customers, which significantly outperformed the global air cargo business. This notable increase in business was made possible, among others, by significant investments LuxairCARGO made in its infrastructure. Furthermore, as cargo handling is a labour intensive business, the number of jobs at LuxairCARGO increased in line with the handled tonnage.

Our turnover increased by 5% to 82.5 million euros, enabling a bold investment strategy which saw LuxairCARGO investing some 5 to 7 million € a year over the last five years.

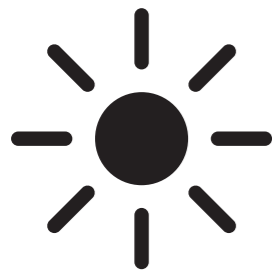
The number of aircraft movements was 5,292 which amounts to a 5% progression. ×

"We have been able to tap into the most dynamic air cargo growth segments both in Europe and worldwide over the last few years."

Laurent Jossart

Executive Vice-President Cargo Handling

2015 performance at a glance



LuxairTours

In 2013, LuxairTours operated 4,756 flights (+1.6% compared to 2014) and **606,279 passengers** were transported (+2.5% compared to 2014). LuxairTours flight occupancy rates decreased slightly from 78.6% in 2014 to 76.1%.



LuxairTours' top 3

Top 3 LuxairTours destinations in 2015

- Canary Islands** 1
+/- 50,000 customers
- Baleares Islands** 2
+/- 45,000 customers
- Continental Spain** 3
+/- 30,000 customers



LuxairCARGO

Volumes handled by LuxairCARGO reached 759,000 compared to 725,000 in 2014, still far away from the pre-crisis volume of 900,000 tonnes handled in 2007. The number of aircraft movements increased by 5% to reach 5,292.



Grande Région player

The geographic distribution of LuxairTours sales has remained relatively stable: France 32%, Luxembourg 29%, Belgium 10% and Germany 14%*. **Direct sales increased by 8% and represent 15% of passengers.**

*based on sales points and excluding grouped seat reservations and ad hoc charter
**including regular, leisure and ad hoc charter flights



Passengers

The total number of passengers transported by Luxair** in 2015 is **1,814,749**, which represents an **8.1% increase** compared to 2014.



Flights

Luxair operated **29,232 flights**** compared to 28,575 the previous year.



TOP Luxair destinations 2015

1. London City
2. Munich
3. Frankfurt
4. Vienna
5. Oporto

At a glance

	2015	2014	2013
Passengers Luxair *	1,814,749	1,678,608	1,505,331
Revenue Passengers-km (RPK) (mio) *	1,971	1,853	1,718
Load Factor	72.8%	74.5%	75.3%
Number of meals served (catering)	1,984,518	1,573,856	1,485,317
Number of passengers assisted at Luxembourg airport	2,690,000	2,470,000	2,197,497
Number of block hours (for entire Luxair fleet)	48,825	48,026	44,600
Freight handled (tons)	759,096	725,000	693,153
Personnel (on average)	2,438	2,394	2,288

*The total includes charter flights operated by Luxair Luxembourg Airlines

Luxair Luxembourg Airlines Fleet



Bombardier Q-400
December 2015 8
by September 2016 10



Embraer ERJ145
December 2015 3
by September 2016 0



Boeing 737-800
December 2015 4
by September 2016 4



Boeing 737-700
December 2015 2
by September 2016 2

Consolidated assets & liabilities

Consolidated assets Luxair Group (expressed in euros)			2015	2014
A. Subscribed capital unpaid			0	0
I.	Subscribed capital not called		0	0
II.	Subscribed capital called but not paid		0	0
Goodwill of first consolidation			520,838	781,257.6
B. Formation expenses			0	0
C. Fixed assets			498,076,846	365,740,358
I.	Intangible assets		500	2,399
1.	Costs of research and development		0	0
2.	Concessions, patents, licences, and similar rights and assets, if they were trade marks		500	2,399
a.	acquired for valuable consideration and need not be shown under C.I.3		500	2,399
b.	created by the undertaking itself		0	0
3.	Goodwill, to the extent that it was acquired for valuable consideration		0	0
4.	Payments on account and intangible fixed assets under development		0	0
II.	Tangible assets		309,362,396	219,756,748
1.	Land and buildings		32,028,071	34,543,647
2.	Plant and machinery		249,736,577	158,002,329
3.	Other fixtures and fittings, tools and equipment		5,470,335	6,159,120
4.	Payments on account and tangible assets in course of construction		22,127,413	21,051,652
III.	Financial assets		188,713,948	145,981,211
1.	Shares in affiliated undertakings		0	0
2.	Loans to affiliated undertakings		0	0
3.	Shares in undertakings with which the company is linked by virtue of participating interests		183,639,261	140,922,069
4.	Loans to undertakings with which the company is linked by virtue of participating interests		0	0
5.	Investments held as fixed assets		137,836	137,826
6.	Loans and claims held as fixed assets		223,255	207,720
7.	Own shares or own corporate units		4,713,596	4,713,596
D. Current assets			235,590,488	216,001,332
I.	Stocks		875,567	2,772,528
1.	Raw materials and consumables		557,197	641,254
2.	Work and contracts in progress		0	0
3.	Finished goods and goods for resale		318,370	2,131,274
4.	Payments on account		0	0
II.	Debtors		28,623,699	30,855,376
1.	Trade debtors		16,940,750	17,625,963
a.	becoming due and payable after less than one year		16,940,750	17,625,963
b.	becoming due and payable after more than one year		0	0
2.	Amounts owed by affiliated undertakings		0	0
a.	becoming due and payable after less than one year		0	0
b.	becoming due and payable after more than one year		0	0
3.	Amounts owed by undertakings with which the company is linked by virtue of participating interests		5,640,604	5,653,024
a.	becoming due and payable after less than one year		5,640,604	5,653,024
b.	becoming due and payable after more than one year		0	0
4.	Other debtors		6,042,345	7,576,389
a.	becoming due and payable after less than one year		6,042,345	7,576,389
b.	becoming due and payable after more than one year		0	0
III.	Securities and other financial instruments		62,827,887	85,211,433
1.	Shares in affiliated undertakings and in undertakings with which the company is linked by virtue of participating interests		0	0
2.	Own shares or own corporate units		0	0
3.	Other investments		62,827,887	85,211,433
IV.	Cash at bank and in hand		143,263,335	97,161,995
E. Prepayments			6,156,703	5,768,276
Total (Assets)			740,344,875	588,291,224

Consolidated liabilities Luxair Group (expressed in euros)			2015	2014
A. Capital and reserves			362,110,554	314,560,198
I.	Subscribed capital		13,750,000	13,750,000
II.	Share premium and similar premiums		0	0
III.	Revaluation reserves		0	0
IV.	Reserves		324,685,019	280,049,929
1.	Legal reserve		1,375,000	1,375,000
2.	Reserve for own shares		4,713,596	4,713,596
3.	Reserves provided for by the articles of association		0	0
4.	Other reserves		242,562,995	242,562,995
5.	Consolidated reserve		67,082,245	22,447,155
6.	Negative goodwill		8,951,183	8,951,183
V.	Profit or loss brought forward		8,756,032	(947,124)
VI.	Result for the financial year		12,055,671	(408,189)
VII.	Interim dividends		0	0
VIII.	Investment subsidies		0	0
IX.	Immunised appreciation		53,932,175	53,932,175
X.	Currency translation reserve		(51,068,343)	(31,816,593)
B. Subordinated creditors			39,499,104	26,944,736
a.	becoming due and payable after less than one year		8,672,676	4,237,819
b.	becoming due and payable after more than one year		30,826,428	22,706,917
C. Provisions			114,395,333	106,528,548
1.	Provisions for pensions and similar obligations		2,415,501	2,478,069
2.	Provisions for taxation		0	0
3.	Other provisions		111,979,832	104,050,479
D. Non subordinated debts			197,099,333	119,979,316
1.	Debenture loans		0	0
a.	Convertible loans		0	0
i.	becoming due and payable after less than one year		0	0
ii.	becoming due and payable after more than one year		0	0
b.	Non convertible loans		0	0
i.	becoming due and payable after less than one year		0	0
ii.	becoming due and payable after more than one year		0	0
2.	Amounts owed to credit institutions		121,495,636	48,027,878
a.	becoming due and payable after less than one year		15,131,073	8,232,725
b.	becoming due and payable after more than one year		106,364,563	39,795,153
3.	Payments received on account of orders in so far they are not shown separately as deductions from stocks		0	0
a.	becoming due and payable after less than one year		0	0
b.	becoming due and payable after more than one year		0	0
4.	Trade creditors		53,902,871	48,560,580
a.	becoming due and payable after less than one year		53,902,871	48,560,580
b.	becoming due and payable after more than one year		0	0
5.	Bills of exchange payable		0	0
a.	becoming due and payable after less than one year		0	0
b.	becoming due and payable after more than one year		0	0
6.	Amounts owed to affiliated undertakings		0	0
a.	becoming due and payable after less than one year		0	0
b.	becoming due and payable after more than one year		0	0
7.	Amounts owed to undertakings with which the company is linked by virtue of participating interests		109,701	121,324
a.	becoming due and payable after less than one year		109,701	121,324
b.	becoming due and payable after more than one year		0	0
8.	Tax and social security		13,660,662	15,793,875
a.	Tax		8,447,660	10,510,252
b.	Social security		5,213,002	5,283,623
9.	Other creditors		7,930,463	7,475,659
a.	becoming due and payable after less than one year		7,930,463	7,475,659
b.	becoming due and payable after more than one year		0	0
E. Deferred income			27,240,551	20,278,427
Total (Liabilities)			740,344,875	588,291,224

Consolidated income statement

Charges (expressed in euros)	2015	2014
1. Raw materials and consumables	10,365,080	10,864,434
2. Other external charges	328,869,343	316,626,720
3. Staff costs	157,457,263	153,668,466
a. Wages and salaries	134,168,358	131,487,236
b. Social security costs	19,805,754	18,895,437
c. Social security costs relating to pensions	3,468,303	3,271,123
d. Other social security costs	14,848	14,670
4. Value adjustments	38,767,993	40,361,198
a. on formation expenses and on tangible and intangible fixed assets	38,767,993	38,865,178
b. on elements of current assets	0	1,496,020
5. Other operating charges	918,646	1,234,349
6. Value adjustments and fair value adjustments on financial fixed assets	39,857	32,014
7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities	0,000	0
8. Interest payable and similar charges	2,674,940	2,239,804
a. concerning affiliated undertakings	0	0
b. other interest payable and similar charges	2,674,940	2,239,804
9. Share of corporate losses in equity	0	3,540,345
10. Extraordinary charges	218,549	4,025,049
11. Tax on profit or loss	814,355	730,611
12. Other taxes not included in the previous caption	0	0
13. Profit for the financial year	12,055,671	0
Total Charges	552,181,697	533,322,989

Income (expressed in euros)	2015	2014
1. Net turnover	505,463,943	495,236,946
2. Change in inventories of finished goods and of work and contracts in progress	0	0
3. Fixed assets under development	0	0
4. Reversal of value adjustments	32,405	0
a. on formation expenses and on tangible and intangible fixed assets	0	0
b. on elements of current assets	32,405	0
5. Other operating income	29,718,108	24,331,147
6. Income from financial fixed assets	0	0
a. derived from affiliated undertakings	0	0
b. other income from participating interests	0	0
7. Income from financial current assets	0	0
a. derived from affiliated undertakings	0	0
b. other income	0	0
8. Other interests and other financial income	1,459,527	3,259,856
a. derived from affiliated undertakings	411,266	1,798,575
b. other interest receivable and similar income	1,048,261	1,461,281
9. Share of corporate losses in equity	7,670,922	0
10. Extraordinary income	7,836,792	10,086,851
11. Loss for the financial year	0	408,189
Total Income	552,181,697	533,322,989

For the year ended 31 December 2015

Financial performance at a glance

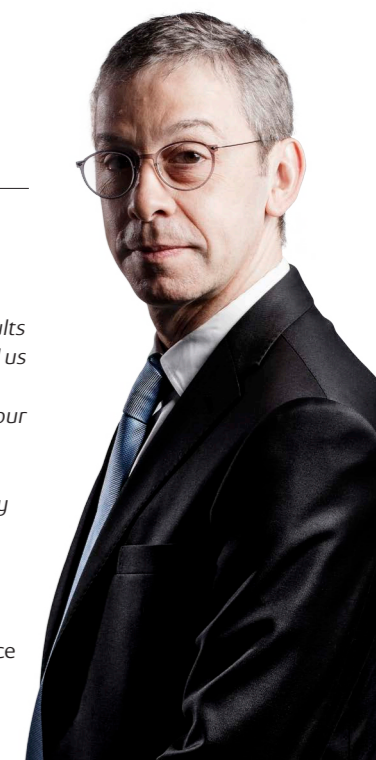
Financial summary (company accounts, not consolidated)	2013	2014	2015
Turnover (million €)	468,388	495,237	505,435
Operating profit (million €)	-0,561	1,314	1,800
Net result (million €)	1,895	9,703	9,700
Net profit ratio	0.40%	1.96%	1.92%
Balance sheet total (million €)	517,298	524,067	551,000
Capital & reserves (million €)	315,000	325,000	335,000
Capital & reserves / Balance sheet total	61%	62%	61%
Return of equity	0.60%	2.99%	2.90%

A financially sound company

"Bold investments in our fleet combined with positive net results and positive cash flows enabled us to strengthen LuxairGroup's competitive position as well as our balance sheet despite a mostly weak economic environment. As a consequence, our company can count on a sound financial basis to pursue its strategy."

Marc Schroeder

Executive Vice-President Finance



LuxairGroup

Corporate Social Responsibility

This societal responsibility report is based on a sustainable approach, which is part of the LuxairGroup's general strategy. The group's entities have integrated real actions into their daily operations as a result of this report.

LuxairGroup chose to assess the efficiency of its approach with key performance indicators, which are grouped together under the following four categories:

- corporate governance
- management of Environmental issues
- societal commitments
- human resources management

LuxairGroup bases its activities on its three core values – passion, care and responsibility - to develop services that put the customer at the forefront, to build a strong and secure business through an open and transparent dialogue with employees to serve the local and regional economy while preserving the environment and natural resources and respecting populations of served destinations. ×

Focusing on quality and local values

LuxairGroup is also focusing on local values for its recruitment policy and this is particularly true for specific industry profiles. LuxairGroup has developed partnerships with local schools in this respect. Check-in agents are trained at Lycée hôtelier Alexis Heck, for example, whilst aircraft mechanics are trained in cooperation with the Lycée technique Emile Metz. In 2015, LuxairGroup was even rewarded for this training approach at the Spring Awards, organised by the Luxembourg Chamber of Commerce, which annually rewards the best students and companies committed to vocational training (Stephan Posing was named best apprentice aircraft technician). More generally, students interested in aviation-

related occupations are given the opportunity to meet LuxairGroup recruiters at career-fairs organised in Luxembourg and surrounding regions (Unicareers organised by the Université du Luxembourg at the end of September and start of October; Jobdag proposed by RTL, on several occasions throughout the year; as well as the Moovijob fair in Luxembourg). In any case, potential applicants should be proficient in at least three languages (English, German and French) and be willing to learn Luxembourgish in addition to interpersonal and specific skills.

Local values and quality are at the heart of LuxairGroup business activities. Quality policy has continued to progress in all LuxairGroup Business Units, whilst complying with corporate commitments and standards. Constant improvements are being made in terms of work procedures involving staff members, in order to improve customer satisfaction.

LuxairGroup regularly innovates, in order to improve the customer in-flight experience. Throughout the Luxembourg presidency, Luxembourgish culture was featured in various ways, the Catering teams at LuxairServices also played their part by providing typical Luxembourgish cuisine onboard. LuxairGroup invited Carlo Sauber, a famous Luxembourgish chef, to work alongside LuxairServices' chefs to develop these specific menus for the occasion. Various culinary specialties were given a new twist by this fine team, as a tribute to the Luxembourgish presidency, which take into account quality requirements and technical restrictions for "air gastronomy." The use of local and home-made produce is important for LuxairGroup. Meals and snacks are all produced at LuxairServices Catering with fresh local produce. ×

The environmental issue: a continuous challenge

LuxairGroup is increasingly moving towards sustainable development and technologies for its activities whenever possible in terms of environmental management.

Environmental concerns are at the heart of fleet strategy and operational procedures at Luxembourg Airlines.

LuxairGroup has adopted a fleet strategy, which aims at progressively replacing its Embraer Eurojet fleet with a more energy-efficient Bombardier turboprop fleet, to keep a modern and well maintained fleet. Luxair has also carried out technological upgrades and further improved its operational procedures.

Since March 2015, most of Luxair Boeing B737-800s are fitted with "Split Scimitar Winglets," additional winglets which have been added to the tips of Boeing wings. This innovative technology should help save around 290,700 kg of fuel and reduce CO₂ emissions by 915,705 kg in the first year.

Regarding operational procedures, pilots have started using an Electronic Flight Bag solution allowing them to store maps, itineraries, weather forecasts or airport notifications and to access technical data in real time. This solution not only guarantees safe and quick access to all technical data needed before, during and after the flight, but also contributes to reducing fuel consumption within a more general objective of weight reduction.

These steps are an integral part of LuxairGroup's CO₂ emission and energy consumption reduction scheme, which includes, amongst other things, optimisation of flight procedures or on-board weight reduction. By working on several fronts, Luxair intends to step up its efforts to reduce its carbon footprint.

LuxairCARGO also applied for the "Lean & Green" certification in 2015, following an initiative of the Ministry of Sustainable Development and Infrastructure in collaboration with Cluster for Logistics. This certification applies to logistics industry organisations, which are interested in adopting a genuine green approach. Candidates commit to reducing their CO₂ emissions by at least 20% over 5 years. This entails the identification of CO₂ emission sources and the drawing up of a detailed action plan justified by key performance indicators. LuxairCARGO has introduced measures such as using power from renewable energies for its infrastructures, setting up modern and energy-efficient refrigeration equipment, integrating an LED lighting system and natural gas heating to achieve this. In addition, a dedicated team has been assigned >

LuxairGroup priorities

Satisfying customers...

by developing services that put customers first and meet all their needs by offering them an outstanding level of service and ensuring their comfort and safety at all times.

Building on human assets...

by securing jobs through open and transparent dialogue with employees, by working continuously to safeguard their health and ensure their safety in the workplace, by improving the required skills of employees through training programmes and encouraging internal mobility.

Continuing to serve the local and regional economy...

by providing services that meet expectations of all the communities in Luxembourg and the Greater Region, working in preference with local and regional suppliers, while ensuring that external service providers' environmental good citizenship policies are compatible with LuxairGroup's values.

Working to safeguard the environment...

by considering this issue when taking decisions and while making investments, by improving operational procedures to minimise environmental impact as much as possible and in order to preserve natural resources.

to constantly monitor the technical infrastructure and energy consumption, in order to readjust the action plan when needed. These efforts led to LuxairCARGO being awarded the “Customer Choice Green Award of the Year” in October 2015, during the Payload Asia Awards in Singapore, a worldwide key industry event.

The executive committee of LuxairGroup decided to set up a specific LuxairGroup environmental charter to be signed at the beginning of 2016 by all members of the Executive Committee and a personnel representative, to formalise the commitment in favour of sustainable development. The charter should serve as a basis for all staff members working at LuxairGroup. The charter is accessible to staff on a dedicated CSR intranet page, as it is the case with all information about sustainable development. ×

Caring for others...

In 2015, Luxair reinforced its social commitments, lending a helping hand to charity organisations and contributing to child protection.

Throughout April 2015, as in previous years, Luxair Luxembourg Airlines cabin crews became Red Cross ambassadors during the organisation’s Mois du Don. Luxair also relayed information from the Red Cross about the campaign on its media channels. In total, 2,000 volunteers took part in this project, which aimed to provide help for young people from difficult social backgrounds. The donations were used to support a humanitarian project in Ukraine, to improve living conditions of the displaced and victims of civil war.

In July, LuxairGroup lent a helping hand to Stëmm vun der Strooss, an organisation which works for the social and professional integration of homeless and vulnerable people, providing them with, amongst other things, a second-hand clothes distribution service. After being informed about Stëmm vun der Strooss activities, LuxairGroup staff enthusiastically offered their help and organised a clothes collection, within the Group for all sizes and ages and managed to donate almost 200 kilos of clothes to Stëmm vun der Strooss. LuxairGroup also donated new shirts, which used to be part of the previous uniform.

In September, for the first time, Luxair chartered a special flight for 149 children to show its support towards young people, contribute to child protection efforts and give them a fun time. Children, aged between 2 and 18, enjoyed a one-hour flight over the beautiful landscapes of Luxembourg accompanied by Arcus asbl, Croix-Rouge luxembourgeoise, Caritas Luxembourg and SOS Kannerduerf educators. When they landed in Luxembourg again, LUXi, the company’s mascot, was waiting for them with arms full of gifts. This initiative was highly appreciated by the children and charity organisations, but also by all staff members involved in the preparation and organisation of this special event.

Last but not least, LuxairGroup decided to formalise its commitment to child protection in 2015 by signing The Code, an industry-driven initiative, founded in 1996 by ECPAT in cooperation with the World Tourism Organization (UNWTO) and the tourism industry. The Code of Conduct is an international instrument to protect children against sexual exploitation in the tourism and travel industry. Since 2004, the Code of Conduct has been managed directly by the tourism industry and brings together responsible tourism players from all over the world. Members of The Code of Conduct join their forces to end sexual exploitation of children all over the world by implementing 6 criteria, such as the establishment of policies, procedures and employee training.

Signing The Code means that LuxairGroup will have to implement various steps to fulfil the following 6 criteria, some of which have already been completed:

- providing information to travellers on children’s rights, the prevention of sexual exploitation of children and how to report suspected cases
- supporting, collaborating & engaging stakeholders in the prevention of sexual exploitation of children
- annual reporting on the implementation of The Code
- including a clause in contracts throughout the value chain stating a common repudiation and zero tolerance policy towards sexual exploitation of children
- training employees in children’s rights, the prevention of sexual exploitation and how to report suspected cases
- establishing a policy and procedures against sexual exploitation of children

Signing The Code in 2016 shows LuxairGroup believes that the tourism and travel industry plays a crucial role in the protection of vulnerable populations and especially the protection of children at destinations served. This signature also reflects the very positive long-term collaboration developed between LuxairGroup and ECPAT Luxembourg since 2009. ×

LuxairGroup supports the UN Global Compact

By publishing this report, LuxairGroup would like to officially renew its support for the following ten principles in the Global Compact, relating to human rights, labour rights, the environment and anti-corruption.

Human Rights

- 01.** Businesses should support and respect the protection of internationally proclaimed human rights in their sphere of influence; and
- 02.** Make sure they are not complicit in human rights abuses.

Labour Rights

- 03.** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 04.** The elimination of all forms of forced and compulsory labour;
- 05.** The effective abolition of child labour; and
- 06.** The elimination of all forms of forced and compulsory labour;

Environment

- 07.** Businesses should support a precautionary approach to environmental challenges;
- 08.** Undertake initiatives to promote greater environmental responsibility; and
- 09.** Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- 10.** Businesses should work against corruption in all its forms, including extortion and bribery.

Social report

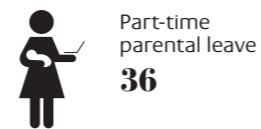
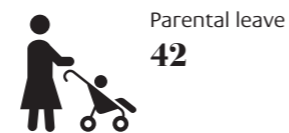
People that make up LuxairGroup

Snapshot of the company on 31 December 2015

Leaving and joining the company

	Hirings	Departures
Internships	201	173
Fixed-term / seasonal contracts	185	151
Permanent contracts	41	110
ADEM* contracts	31	9
Apprenticeships	4	1
Total	462	444

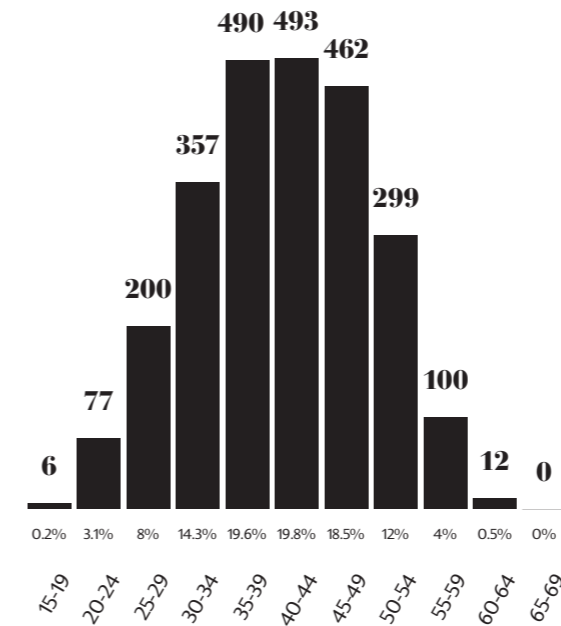
Parental leave, maternity leave, unpaid leave



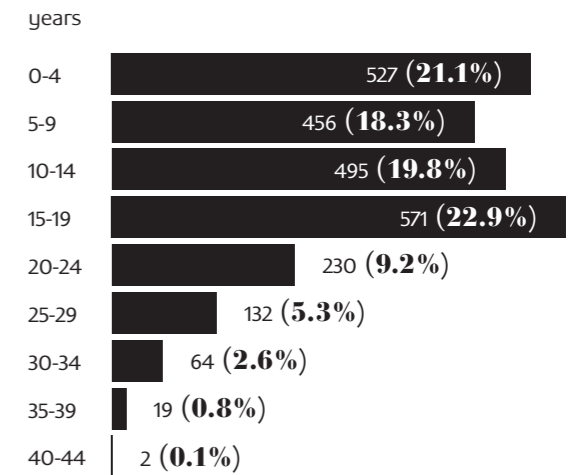
Total
135

*ADEM: Employment Development Agency

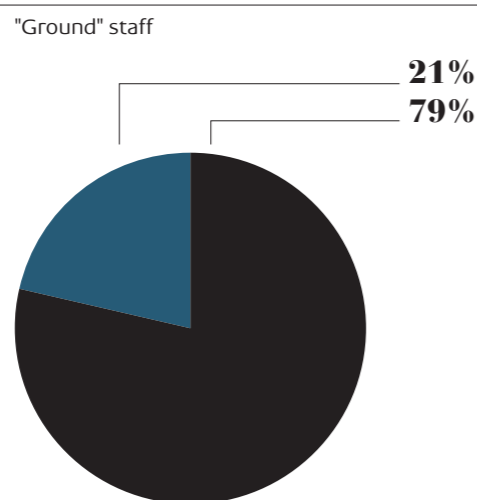
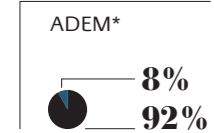
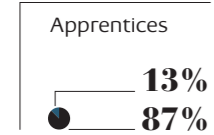
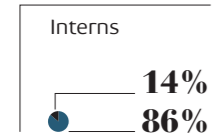
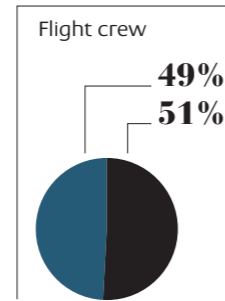
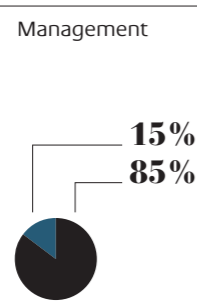
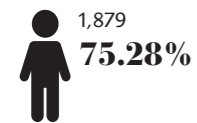
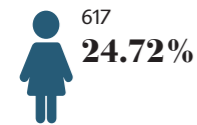
Average age



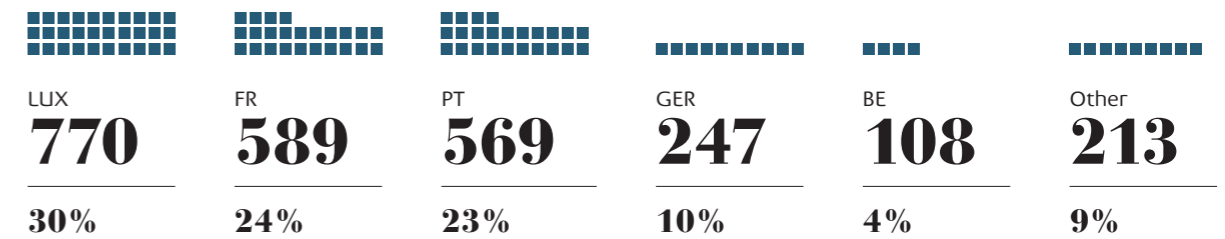
Seniority



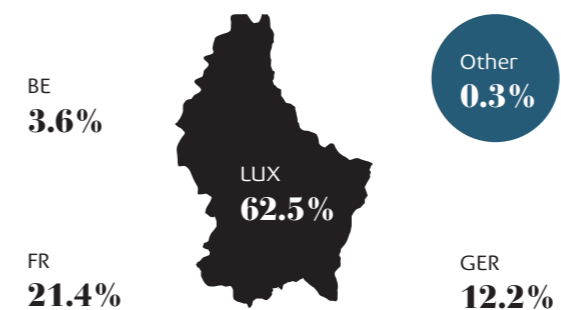
Distribution



Nationalities



Country of residence



Active LuxairGroup Staff Members

Permanent contracts	2,303
Fixed-term contracts	153
Apprenticeships	8
Internships	7
ADEM* contracts	25
Total	2,496

CSR monitoring

Key performance indicators



Business governance

	2014	2015	Progression
Number of CSR committee meetings	4	4	-

In 2015, the general social responsibility approach was reinforced within the CSR Committee, which continued to meet on a regular basis, 4 times a year, to act on commitments made, findings and possible changes. The CSR Committee regularly invited

Business Unit representatives to take part in these discussions, in order to take into account realities in the “field,” so that commitments made on paper could be implemented as effectively as possible in daily activities. ×



Environmental management

	2014	2015	Progression
Fuel consumption for ground vehicles (in litres)	721,519	782,290	+ 8.42%
Waste produced by the company (in tonnes)	2,393	2,456	+ 2.63%
Energy consumption (in Kw/h)	13,996,532	14,425,607	+3.06%
Water consumption (in m ³)	52,000	67,232	+29.29%
CO ₂ emissions (in kg)	204,764,247	220,214,897	+7.54%

Environmental management indicators show that figures are generally going up but nevertheless remain in line with the increase in production. In spite of the progressive integration of more environmentally-friendly vehicles for the ground fleet, fuel consumption increased by more than 8%, which is in line with the higher number of passengers and consequently with a higher number of passenger and ground assistance activities performed by LuxairServices at Luxembourg airport (more passengers means more bus transfers, more luggage transfers, more frequent catering, loading services, etc.). Thanks to the strict waste management programme, the volume of waste produced has been limited in comparison with activity intensification. The significant increase in water consumption is mainly due to harsher winter conditions, requiring a great number of de-icing operations for both

passenger and cargo aircraft. The increase in Catering activities, conducting to more intensive cleaning operations and the installation of water fountains for the staff in several LuxairGroup premises also impacted water consumption. Despite a figure showing a slight increase, energy consumption has been kept below the increase in production in the various Business Units in 2015. Intending to offer more capacity in 2015 in order to respond to the market growth, LuxairGroup extended its fleet with more energy efficient aircraft. Embraer ERJ 145 are progressively being replaced by Bombardier Q400 aircraft to operate scheduled airline routes whereas B737-800s, offering an ideal capacity for medium-haul routes, are being introduced in Luxair's fleet. The slight increase in CO₂ is mainly linked to this increase in capacity as well as to the extended destination network but also relates to a higher number of flight hours. ×



Human Resources Management

	2014	2015	Progression
Number of work-related accidents, resulting in days off work, medical treatment, professional illnesses, total or partial disability or death	249	308	+23.69%
Average number of hours of training per staff member	40	41	+2.5%
Percentage of female staff members holding a top management position	3	3	-
Percentage of female staff members holding a managerial position	22	20	-9.09%
Number of staff members with disabilities	7	7	-
Number of people whose jobs have been adapted due to a particular situation (e.g. health...)	88	97	+10.22%
Percentage of disabled members of staff or having been re-assigned or reclassified compared to the total number of active staff members	3	4	+33.33%
Percentage of staff members living in Luxembourg	64	62	-3.12%

LuxairGroup business sectors are constantly changing, as they are subject to strict regulations and procedures. This means that staff members have to be trained regularly. Courses are mainly destined for flight crew, maintenance engineers, technicians and the operators, who take part in handling pharmaceutical, temperature-controlled or dangerous goods. LuxairGroup also provides a catalogue of varied activity-related training courses and many opportunities for personal development. There has been a slight increase in the number of hours spent on training courses between 2014 and 2015. This is less than between 2013 and 2014, due to the implementation of the Pharma & Healthcare Hub, which required a more significant training plan, due to the development of a new and demanding activity.

The share of female staff members in management positions has gone down slightly compared to 2014. LuxairGroup is aware that there is room for improvement in this area. This demanding task was recently entrusted to the newly developed “Talent Management & Recruitment” team led by a woman.

The number of workplace accidents increased significantly in 2015. The intensification of airline and cargo handling activities which required recruiting new workforces might explain this tendency as for newly hired staff members, the risk of being involved in an accident related to work is six times higher than in the following years. An action plan was developed by the Health and Safety department to improve this trend in 2016.

The amount of people with disabilities has remained stable, whereas the amount of people, who were reclassified has increased slightly. ×



Social commitments

	2014	2015	Progression
Number of partnerships established with non-governmental organisations	4	5	+ 25%

Since 2009, LuxairGroup has committed itself to local charities involved in fields that are closely linked to the Group's activities. For LuxairGroup this commitment does not only involve financial support, but also tangible actions, which are developed in conjunction with the organisations. These actions can take on several forms, such as awareness-raising, logistics support, fund-raising, clothes collection, or other dedicated charity events. LuxairGroup also works

alongside Stëmm vun der Strooss, an organisation that helps the homeless and people in distress, in addition to partnerships developed with the Croix-Rouge luxembourgeoise, Caritas Luxembourg, ECPAT Luxembourg and natur&ëmwelt. LuxairGroup initially supported Stëmm vun der Strooss with specific actions, but the Group is now a permanent partner. The number of partnerships with NGOs is restricted on purpose, so that they can be managed effectively. ×

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Luxair
G R O U P

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