

Luxembourg, 19 May 2014

2013 Activity Report

LuxairGroup tackles the crisis

LuxairGroup is profitable and closes the financial year 2013 with a positive financial result. This performance, which exceeds all forecasts, confirms the airline's growth strategy.

While the financial year 2012 was characterised by a heavy loss of over 10 million Euro, 2013 was marked by a reversal of the negative trend for LuxairGroup. With a positive net result of 1.9 million Euro despite fierce and growing competition and a still gloomy economic environment.

This extraordinary performance, with results beyond all predictions and expectations, did not come about by chance, but shows the LuxairGroup staff's commitment and the company's capacity to achieve change.

"LuxairGroup has demonstrated its capacity to react and perform in difficult times, and continues to be an important player in the local economy", says LuxairGroup chairman Paul Helminger

Mandated by the Board of Directors to define a new strategy, Roland Berger Consultants concluded that the current business model is the only possible one. To make it sustainable, however, LuxairGroup has to achieve financial stability by limiting losses in the regular airline activity, by controlling costs generally and by optimising processes to increase efficiency and productivity.

LuxairGroup President and CEO Adrien Ney is satisfied with the outcome: *"To achieve Roland Berger's recommendations, we carried out a thorough analysis of LuxairGroup's operations and subsequently optimised and innovated where we could. Thanks to an aggressive commercial strategy, we managed to reduce losses for our Airline activity while maintaining the current level of employment, which we can be proud of."*

Operational break-even

Except for a slight economic recovery, three elements were essential to recover operational break-even after having experienced a 18 million Euro loss in 2012: the fact that the Airline was able to reduce its financial losses beyond expectation; LuxairCARGO's return to profitability, merit of Cargolux's unexpected positive performance; and the best ever result of LuxairTours.

The growth strategy implemented by Luxair Luxembourg Airline and by LuxairTours is hence paying off.

For Luxair Luxembourg Airline, the success is the result of a 14% rise in passenger numbers, the launch of new destinations (Copenhagen, Dublin, Stockholm, Lisbon) and the increase of legs to key destinations (London, Milan, Hamburg, Berlin, Geneva, Munich, Paris).

A growth strategy for Luxair

Luxair Luxembourg Airline is ready to fight back low cost competition with its sales strategy focusing on leisure travellers. With prices starting at 99 Euro for a return flight, the concept of a honest and transparent pricing and highest service quality contributed to Luxair's success.

Increasing revenues, which went up by 6%, and efficient cost control allowed the regular Airline activity to reduce its loss by a third – well beyond the most optimistic forecasts.

Best results ever for LuxairTours

LuxairTours witnessed a historic year 2013: a very strong growth in financial results, and a 2% growth in passenger numbers, for a total of 549.000 holiday makers travelling with the company in 2013. The excellent LuxairTours results prove its steady growth and the importance of the investments done, notably into the fleet with new Boeing 737-800 aircraft offering more comfort to the client and more capacity to the Tour Operator.

The political situation in Northern Africa and Egypt though remains tense and uncertain, which impacts negatively the traditional tourist destinations in Egypt, Morocco and specifically Tunisia. LuxairTours managed to reorient some ten-thousands customers to other destinations, but since the outbreak of the Arab Spring in 2010, more than 40.000 customers have cancelled their holidays in that region.

LuxairCARGO's improved performance

LuxairCARGO took advantage of the slight recovery of the world economy to recover profitability, after losing 3.4 million Euro in 2012. This rather unexpected good result is also due to the extraordinary Cargolux performance (+17%) in 2013, in terms of freight volume carried.

The future of cargo handling business depends on the world economy's growth rate which continues to be fragile. The economic activities directly influences the air freight, while the number of handled tons defines the financial results.

The situation for LuxairCARGO thus remains delicate because of its dependence to the general state of the world economy. To reduce this risk, LuxairCARGO has developed expertise-driven niche services. The development of the Pharma & Healthcare Hub, the veterinary station or the planned cooperation with the Luxembourg Freeport are for example activities which are less affected by economic downturns than the classic freight handling.

Trend-reversal to be confirmed

LuxairGroup now has to continue this positive trend, ending the negative trends of several years of financial and economic crisis. But as the economy is not expected to really pick up this year, LuxairGroup has to be vigilant throughout the year.

“LuxairGroup is well-equipped for business in future. The company's sound and stable financial position actually empowers the Board of Directors – provided cost-control is assured - to implement the LuxairGroup management's ambitious growth strategy with new aircraft, new destinations and other innovations.” declares Paul Helminger, and Adrien Ney adds *“Consequently LuxairGroup will only remain on the right track if we are aware of the fact that the game is not over yet and that we have to continue to work in the future with the same high standards and commitment as we are today.”*

LuxairGroup's business areas are exposed to a fierce competition and to competitors who keep reducing their costs. LuxairGroup will thus be obliged to follow the trend in order to ensure a sustainable future.

Fact sheet

Facts	2013	2012	VAR
Net Result Luxair	1,9	-10,5	12,4
Turnover Luxair	471,6	446,7	24,9
EBIT Luxair	1,9	-16,8	18,6
EBIT Luxair Luxembourg Airlines	-12,0	-19,4	7,3
EBIT LuxairTours	9,4	4,3	5,1
EBIT LuxairCARGO	1,7	-3,4	5,1
EBIT LuxairServices	2,8	1,8	1,0
Number of passengers Luxair Luxembourg Airlines	912.213	804.198	108.015
Number of passengers LuxairTours	556.939	546.354	10.585
Number of passengers overall (incl. charter flights)	1.505.331	1.374.815	130.516
Number of seats offered Luxair Luxembourg Airlines	1.402.003	1.332.324	69.679
Number of seats offered LuxairTours	671.919	667.335	4.584
Seat Load Factor Luxair Luxembourg Airlines	63,3%	58,6%	5%
Seat Load Factor LuxairTours	81,8%	81,0%	1%
Seat Load Factor Overall	69,8%	66,5%	3%
Number of passengers handled at Luxairport	2.162.393	1.889.025	273.368
Tons handled (in 1.000 kg)	693.153	638.046	55.107

Fleet	2013	2012
Embraer ERJ-145	6	6
Bombardier Q400	6	6
Boeing 737-700	3	3
Boeing 737-800	2*	2*
* one aircraft on wet-lease during summer season (XL Airways France)		
Executive Committee		
Adrien Ney	President and Chief Executive Officer	
Martin Isler	Executive Vice-President Airline	
Laurent Jossart	Executive Vice President LuxairCARGO	
Alberto Kunkel	Executive Vice President Tour Operating and Sales & Marketing	
Marc Schroeder	Executive Vice President Finance ¹	
Thomas Czypulowski	Senior Vice President Information Systems & Organisation	
Michel Folmer	General Secretary	
Claude Olinger	Vice President Human Resources ²	

¹ as from May, 15th 2014

² as from March, 15th 2014