

Luxembourg, 30 May 2013

LuxairGroup results for financial year 2012

A negative year

Following on from the problems in the regional air transport sector, LuxairGroup has published negative results for financial year 2012.

The aviation sector remains very sensitive to the vagaries of the economy, with increased exposure with regard to traditional regional air transport in Europe. Luxair Luxembourg Airlines' operating result thus logically experienced a further downturn in 2012, while the tour operator LuxairTours only just managed to struggle through in a highly competitive environment. As for the freight handling business, the interaction between the state of the economy and goods transport unsurprisingly resulted in a decline in volumes handled by LuxairCARGO. 2012 was therefore a difficult year for LuxairGroup and resulted in a loss of 10.5 million EUR.

LuxairGroup

Luxair Luxembourg Airlines' losses, the deterioration in the profitability of LuxairTours and LuxairCARGO's deficit pushed the operating loss to over 18 million EUR in 2012 against only 2 million EUR in 2011. Group revenue increased from 428.6 million EUR in 2011 to 446.7 million EUR in 2012. The net result for the year came out at a loss of 10.5 million EUR in 2012 against a profit of 3.6 million EUR in 2011.

Consolidated results

Luxair S.A. has a 43.4% stake in Cargolux. In 2012, Cargolux has suffered again from weak economic conditions. The handled volumes have decreased by 2% to 645,800 tonnes. An after-tax loss of 35 Mio USD had a negative impact on the financial year (loss of USD 18 Mio in 2011), equally affected by a fall of 7.6% in turnover.

By including the subsidiaries, including Cargolux by 43.4%, the consolidated net result of LuxairGroup comes to a loss of 21.2 Mio EUR in 2012 compared to a benefit of 1.4 Mio EUR in 2011.

Luxair Luxembourg Airlines

2012 was marked by increased competition on Luxair Luxembourg Airlines' domestic routes, particularly with regard to flights to and from Munich, Geneva, London and Hamburg, as well as connecting traffic via the hubs served by competitors. The rise in the price of oil, + 10% compared with 2011, is another factor which weighed heavily on Luxair's financial performance.

On a like-for-like basis, Luxair recorded a 7% rise in passengers, which enabled passenger numbers to stabilise despite lower capacity due to a reduction in the number of flights.

In 2012, 38% of the tickets sold were Primo tickets, marketed at the entry price. The success of this product (28% in 2010, 32% in 2011) goes hand in hand with the erosion of Business class and Ecoflex - in other words tickets offering flexibility of travel for a higher ticket price. The share of these tickets fell from 37% in 2007 to 16% in 2012, entailing a dramatic decline in revenue.

This fall in revenue, combined with constantly rising production costs, resulted in a loss approaching 20 million EUR for financial year 2012, compared with a loss of some 16 million EUR in 2011.

In order to remain competitive, Luxair Luxembourg Airlines continues to invest in a quality product, having replaced three of its Bombardier Q400s with four Next Generation Q400s in 2012. A new Boeing 737-800, operated on behalf of LuxairTours, was delivered in December 2012. These new aircraft not only provide greater comfort and are more environmentally friendly, but are also more economical and thus contribute to improving Luxair's competitiveness.

In 2012, Luxair Luxembourg Airlines carried 804,198 passengers, with an occupancy rate of 60.7%, which is a clear improvement compared with 2011 (58.2%).

LuxairTours

2012 was a complicated year for LuxairTours. Political instability in North Africa coupled with the sovereign debt crisis which is still rife in Greece, as well as Spain and Portugal, necessitated constant flexibility from LuxairTours teams in order to maintain holidaymaker confidence. This quality approach was highly successful, if we judge by the 15% increase in the number of passengers carried (570,612 passengers carried on the 4,724 LuxairTours flights marketed in 2012) and a slightly lower occupancy rate (79.4% in 2012 against 80.8% in 2011).

Direct sales grew 31% and now account for 11% of total revenue. Most of LuxairTours' clients are French, followed by Luxembourgers, Germans and Belgians. Here are details of the geographic split of LuxairTours clients in 2012: France 35%, Luxembourg 31%, Belgium 10% and Germany 13%.

LuxairCARGO

Dependent on exchanges of goods at a global level, freight handling is probably LuxairGroup's most exposed business to the crisis. Having, for the first time in its history, ended 2009 on a loss, LuxairCARGO was able to return to profit in 2010. Since then, the reduction in trading has resulted in a significant fall in volumes handled (735,000 tonnes in 2010; 678,000 tonnes in 2011; 638,000 tonnes in 2012) producing an operating loss for LuxairCARGO in 2012.

LuxairServices

LuxairServices whose business includes stopover assistance for passengers and catering at Luxembourg airport, benefited from the rising number of passengers at Luxembourg airport, exceeding 1.9 million, while the number of aircraft movements remained stable at 39,000. Catering, with 1,689,000 meals served in 2012, is 14% up on 2011.

Outlook for 2013: action to return to financial balance in 2015

In March 2013, the Board of Directors instructed the Management Committee to take the necessary measures to achieve financial balance in Airline activities in 2015. These measures, designed to improve results recurrently by 25 million EUR from 2015, are also intended to generate more revenue, as well as making savings. This project, which affects all LuxairGroup businesses, follows a strategic analysis of the Airline business carried out at the request of the shareholders by consultant Roland Berger between October 2012 and March 2013.

The Management Committee is currently entering into negotiations with the bodies in charge of representing the workforce with a view to renewing collective bargaining agreements on the basis of a new set of demands taking into account the conclusions of the strategic analysis adapted to the Luxembourg social model.

Luxair Luxembourg Airlines

While IATA is forecasting slightly positive operating results for European carriers in 2013, the competition position of Luxair Luxembourg Airlines will however intensify further with the arrival of new operators on the Barcelona and Milan routes.

LuxairTours

For LuxairTours, following a year of strong growth in terms of passengers, the on-going crisis in Southern Europe and the endless political turmoil in North Africa – mainly Tunisia, the second largest market after Spain – the situation calls for prudence.

LuxairCARGO

For LuxairCARGO, in view of the state of the economy and economic backdrop, a further reduction in volumes handled is on the cards for 2013, despite a slight increase in tonnage observed in the first half of the year. On 8th April, LuxairCARGO opened its new “Pharma & Healthcare Centre” with a capacity of 78,000 tonnes of freight subject to recommended low temperatures per annum. Global demand for handling goods at carefully controlled temperatures is rising sharply and these facilities will place Luxembourg Airport among the key players in this field.

LuxairGroup’s 2012 annual report can be downloaded at www.luxairgroup.lu.