

Luxembourg, 01 July 2011

Annual Report 2010

2010 – a year of ups and downs

Although three activities have begun to emerge from the crisis, the Airline activity is still loss-making.

LuxairGroup

LuxairGroup's operating earnings for 2010 amounted to EUR 1.8 million, versus a loss of over EUR 7 million in 2009. The group's turnover in 2010 rose to EUR 408,825,327 from EUR 382,778,520 in 2009.

The Tour operator

The Tour operator posted good figures in 2010, in spite of the collateral damage due to the Icelandic volcano episode which impacted the earnings of the Tour operator to the tune of 1.5 million euro.

Sales of package holidays rose by 6%. The Tour operator witnessed an increase in sales on all its markets: Belgium 18%, Germany 14%, Luxembourg 6% and France 1%.

The load factor of the Tour operator flights by was 81.1% in 2010 versus 80.6% in 2009.

Cargo handling

Whereas the Cargo handling made its first ever loss in 2009, the business unit was back in the black in 2010, thanks to an increase in the volumes of goods handled. Reaching 735,000 tons in 2010 (versus 672,000 in 2009) the Cargo handling registered a growth of 9% in the volumes handled, which allowed Luxembourg airport to remain the fifth busiest air freight terminal in Europe.

LuxairServices

LuxairServices benefited from the increase in passenger numbers at Luxembourg airport. In 2010, the number of passengers transiting via Luxembourg airport amounted to 1,630,165, which represents an increase of 5.1% over the corresponding figure for 2009.

For its part, LuxairServices Catering served 1,486,000 meals in 2010, i.e. 7% more meals than in 2009.

The Airline

The Airline experienced a growth of 6.4% in passenger numbers, without however managing to overcome the continuing erosion in per-unit income, which amounted to -4%.

Just like 2009, 2010 was marked by a sharp increase in oil prices. The price of a barrel of oil began at USD 80 in January, and then fell in the second quarter before rising to nearly USD 100 in late 2010.

Sales of business class tickets continued to fall. Whereas in 2008, 30% of passengers flew business class, only 24% did so in 2009, and 22% in 2010.

On the other hand, the number of Primo fares sold increased, from 145,000 in 2009 to 185,000 in 2010.

The loss of income and the increased passenger assistance costs due to the harsh weather conditions at the end of the year cost the airline a total of one million euro.

The load factor in 2010 was 60.5% versus 58.7% in 2009.

Strategic adjustments

2010, the Airline suffered an operational loss of EUR 11.1 million. Without a reaction, Luxair will have to face growing losses that will severely affect the results of the whole group.

On July 1st the Board of Directors gave mandate to the management of LuxairGroup to act against this situation with the objective to limit the losses of the Airline activity.

After extensive studies, the Airline decided to adjust its network:

- the destinations Prague and Dublin didn't reach break even and will be cancelled.
- The costs for the positioning of an Embraer in Saarbrücken, after the arrival of a competitor on the Munich route, are not balanced by the revenues generated. The aircraft will be withdrawn from Saarbrücken. Luxair of course will continue to operate flights via Saarbrücken, and Saarbrücken will remain part of the network.
- two Embraer ERJ 135 freed by these measures will be put up for sale.

But these measures will neither lead to a suppression of jobs nor to redundancies, one of the priorities of the LuxairGroup management from the beginning of the crisis on having always been to secure jobs. Luxair will however reduce the number of time contracts during the strong activity periods. All these measures will be taken together with the social partners in a tight and permanent consultation. The latter were previously informed of these decisions and the Management of LuxairGroup has already invited them for a first meeting.

In parallel new commercial strategies will be developed to stimulate the ticket sale while maintaining the existing quality of service.

All these measures are taken to guarantee the financial health of the group by limiting the losses of the Airline activity.

You may download the Annual Report on www.luxairgroup.lu.