

Luxembourg, 14 May 2018

Annual Report 2017

2017 was a good year for LuxairGroup

LuxairGroup ends the year with positive financial and operating results

LuxairGroup

In 2017, LuxairGroup ended the financial year with an operating profit of 9.9 million Euros, which is a significant improvement compared to 1.3 million Euros realised in 2016.

This result was sustained by favorable economic recovery and a more stable international geopolitical situation but it is also due to LuxairGroup's responsible investments policy and a clear business strategy that stimulated the significant growth recorded in 2017 and generated a consequential increase in operating profit.

LuxairGroup has managed to face recent challenges, due to its staff's commitment and motivation, their experience has been accumulated and shared for over fifty years.

In an ever increasingly competitive context, LuxairGroup managed to reach an operating profit of 2 million Euros, which represents an increase of 3.1 million Euros compared to 2017.

Adrien Ney, President and CEO, declared that *"All our activities experienced substantial growth in 2017, our turnover has increased by 7%. Our operating profit of 2 million Euros was still negative in 2016. Our staff can be proud of this performance despite the increasingly competitive environment we are having to face. This performance is also an encouraging sign for the future, considering the huge increase in competition in all our activity sectors."*

Paul Helming, Chairman of the Board of Directors, also added that *"LuxairGroup cannot fail! 2018, will once again be a difficult year - but we have proved up to now that we can overcome these difficulties. I think I can confidently look ahead to the future, thanks to LuxairGroup's experience, as well as its solid foundations, due to our efficient staff and sound balance sheet, coupled with a drive to innovate."*

Luxair Luxembourg Airlines

In a difficult and highly competitive context, in particular due to a significant increase in "low-cost" offers at Luxembourg Airport in 2017, Luxair Luxembourg Airlines - the regular flights activity - registered dynamic growth, representing a passenger increase of 6%. Seat load factor increased by 2 points to reach 64%.

These increases are due to a price stimulation strategy based on demand, which significantly helped increase sales. The drop in the number of business passengers using flexible tickets was halted in 2017, whilst promotional or starting price fares for private trips experienced a significant increase.

In Autumn 2017, an 11th Q400-type of aircraft by Bombardier joined the fleet. In 2017, seat capacity rose by 2% and the number of flights increased by 0.5%.

The company's good performance in 2017 is the result of an increase in passengers, the stabilisation of unit costs and a decrease in the kerosene prices. Operating profit increased by 2.5 million Euros compared to 2016.

LuxairTours

The stable geopolitical context had a positive impact on tourism, in particular for destinations in North Africa and Turkey, which experienced a very strong recovery. In general, LuxairTours - the Tour Operator activity - registered a 9% increase in passengers from Luxembourg, which represents an increase of almost 50,000 passengers. All-inclusive package holidays increased by 6%, mainly generated by destinations in North Africa. Flight-only passengers increased by 19%. This was stimulated by the introduction of a new specific reservation system.

The new website in July 2017 had a positive impact and improved customer service, as well as improved accessibility to sales information.

The slight decrease in seat load factor to 74.5% can be explained by the extra capacity that was not fully used, despite the large increase in passenger numbers. In 2017, LuxairTours transported 646,192 passengers and sold 5,068 flights, representing a +7% increase compared to 2016.

So, to conclude, LuxairTours had an excellent year. Its operating profit was trebled compared with 2016 to reach 7.2 million Euros in 2017.

LuxairServices

In 2017, LuxairServices - stopover assistance to passengers and airlines activity - continued to grow in line with Luxembourg Airport's significant growth. The 3.6 million passengers recorded last year represent a 20% increase, which largely exceeds the increase in traffic noted elsewhere in Europe. LuxairServices managed to cope with this significant increase by maintaining high levels of quality, in particular for passenger check-in, boarding and disembarkation waiting times.

LuxairCARGO

2017 was a record year for the LuxairCARGO airfreight handling activity. LuxairCARGO largely surpassed its previous 896,000-tonne record from 2007 by handling 940,000 tonnes in 2017. As in 2015 with 5% and in 2016 with 8%, LuxairCARGO recorded a considerably better performance of 14% growth compared to the increase noted worldwide. Most of this growth came from LuxairCARGO's two major customers

Cargolux and Qatar Airways. LuxairCARGO thereby confirmed its ranking as 5th European Airport for air freight.

This increase also had a positive impact on employment, as 306 new permanent staff positions were created at the CargoCenter from January 2015 to July 2018.

It should nevertheless be noted that LuxairCARGO managed to maintain the high quality of its services, which is its major asset in this highly competitive environment, despite the high volatility of tonnage from one week to the next and the lack of visibility.

Perspectives

2017 got off to an uncertain start, but then ended with a certain economic stability and political stability for the Mediterranean regions. LuxairGroup managed to make the most of this environment to end 2017 with good financial results, before starting 2018 on a high note with continued growth for all its activities. Nevertheless, the significant growth recorded at the beginning of the year has dropped slightly since Spring. Especially LuxairCARGO faces a significant slowdown of its activities since April 2018.

LuxairGroup is investing in all its activities to sustain this growth. The purchase of an extra Boeing 737 for Luxair Luxembourg Airlines and LuxairTours should help develop key routes and launch new destinations. Thanks to extra capacity, both activities will be able to keep up with Luxembourg Airport's growth and confirm their market shares in the face of increasingly aggressive competition.

LuxairGroup is also investing heavily in digital transformation, so that it can provide high quality service to its customers in its various activities.

Forecasts for 2018 remain positive. However, the general situation remains fragile, notably due to a fluctuating fuel price, geopolitical risks and ever-growing competition for all activities.