

ANNUAL REPORT 2016

**C H A L L E N G I N G**  
**T I M E S**

**Luxair**  
G R O U P



# C O N T E N T

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# BOARD OF DIRECTORS

## Paul Helminger

Chairman  
of the Board of Directors

## Françoise Thoma

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

## Gaston Stronck

Member,  
  
Ambassador,  
Director of European  
affairs and International  
economic relations,  
Ministry of Foreign Affairs

## Tom Weisgerber

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

## Michel Birel

Member,  
  
Deputy Chief  
Executive Officer,  
Banque et Caisse d'Epargne  
de l'Etat

## Hugues Delcourt\*

Member,  
  
Chief Executive Officer,  
Chairman of the Executive  
Committee,  
Banque Internationale  
à Luxembourg

\* Since 9 May 2016

## Giovanni Giallombardo\*

Member,  
  
Member of the Management  
Board Delfin,  
Member of the Management  
Board, Unicredit Luxembourg

\* Since 22 April 2016

## Patrick Streff

Member,  
  
LuxairGroup personnel  
representative

## Helder De Oliveira Borges

Member,  
  
LuxairGroup personnel  
representative

## Marc Zafra

Member,  
  
LuxairGroup personnel  
representative

## Max Milles

Government Commissioner  
for Luxair S.A.,  
  
Conseiller,  
Chargé de Direction  
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 EUR and is represented by 110,000 shares held by the shareholders.

Etat du Grand-Duché de Luxembourg	39.05%
Banque et Caisse d'Epargne de l'Etat	21.81%
Banque Internationale à Luxembourg	13.14%
Delfin	13%
Luxair	10%
Luxair Finance	2.86%
Others	0.14%

## Main companies in which Luxair holds a participation

Cargolux Airlines International	35.1%
Luxfuel	40%
Euro Moselle Loisirs	35%

# CHAIRMAN'S LETTER

We are proud to say that LuxairGroup is a key player in the Luxembourgish and Greater Region's economy. The company pays a significant amount of taxes locally and directly employs up to 2,500 staff members, with at least as many indirect jobs. **LuxairGroup is therefore a major driver of economic growth.**

LuxairGroup, amongst others, has enabled Luxembourg and the Greater Region to flourish due to the company's various activities. **Luxair Luxembourg Airlines** connects Luxembourg to European and international business and political capitals. **LuxairServices** actively contributes to lux-Airport's amazing growth, whilst **LuxairCARGO** puts Luxembourg Airport on the map as the 6<sup>th</sup> biggest airport for freight handling in Europe and **LuxairTours** is the Greater Region's largest Tour Operator.

LuxairGroup is therefore much more than just an airline, aviation group or company. **LuxairGroup is a modern, reliable and attractive company,** which provides services to communities in Luxembourg and the Greater Region.

This means that LuxairGroup has a responsibility, which goes far beyond the usual care a company provides to its customers, staff and shareholders. In these difficult times, whilst LuxairGroup is having to face considerable pressure from competition, **we need to acknowledge our responsibility to Luxembourg's and the Greater Region's business and civil communities.**

The next few years will therefore not be easy for LuxairGroup. Aviation industry standards, as well as other standards, are changing at a breath-taking pace. This means that **standards constantly need to be reviewed and immediately adjusted** to comply with these new realities. Unfortunately, this change is ongoing, so we can no longer rest on our laurels.

LuxairGroup may be a big company in the Greater Region, but it becomes a tiny player at an international level – nevertheless, **the company has managed to stand out due to its high-quality services.** Companies like ours, which bring together several airline-related activities, do not exist anymore. They are long gone. Independent airline groups of our size no longer exist, as they have either been integrated into alliances, been taken over by big players or have simply just disappeared.

LuxairGroup is therefore unique. Up until now, it has managed to **turn this singularity into a strength.** This is a considerable achievement, when you take into account the fierce international competition we have to face as a "small player."

LuxairGroup has done well over the past few years, when you take into account the adverse environment it has had to handle. This is due to **LuxairGroup staff's commitment and their flexibility in adapting new strategies** defined by the Board of Director and the Executive Committee.

«Innovation, boldness, differentiation and high quality are key for a sustainable future.»

**Paul Helminger**

Chairman of the Board of Directors



**2016 shows a positive operational result of 1.3 million Euros.** This may be seen as a positive result compared to other airlines and airline groups, which are struggling to survive. However, in the long run, this is insufficient, as LuxairGroup needs to invest in major projects to stay competitive, such as infrastructure, technology and aircraft. So, **LuxairGroup needs to become more efficient**, if it wants to continue on this path.

Innovation, boldness, differentiation and high quality are therefore key for a sustainable future.

Nowadays, if you only react after trends have been set, this means that you are too slow, especially in an environment like ours, which is subjugated

by low-cost carriers, huge international groups and severe regulation. LuxairGroup needs to be able to **anticipate trends and to proactively innovate to keep up with competition.** We need to be able to attract customers by the nature and the quality of our services, so we can differentiate ourselves in this highly competitive environment.

**LuxairGroup is a financially sound company and has the necessary resources to face these challenges**, due to the expertise of its committed staff. So far, we have always managed to do this, and I am confident that we will still manage to do this in the future, for the company's sake, and for the communities in Luxembourg and the Greater Region's sake.

# CEO'S LETTER

The past few years could have been *Anni horribili* for LuxairGroup, but at the end of the day, they proved to be better than expected for the company.

As a small independent regional carrier confronted with the massive arrival of low-cost carriers in its home-market, **Luxair Luxembourg Airlines kept this threat at bay by reviewing its destination network and pricing**, in order to provide the best product to its customers. LuxairTours saw its best holiday destinations vanish, due to geopolitical turmoil and terrorism, yet it still managed to change its destinations and push sales, thereby successfully limiting losses. LuxairCARGO showed the necessary flexibility to keep apace with the air freight business' unpredictable ups and downs. Despite the attribution of a handling licence to a competitor, LuxairServices managed to contract all airlines that operate at Luxembourg Airport.

2016 shows an operational profit of 1.3 million Euros with all business activities performing according to the budget or better – except for LuxairTours, our tour operator, which was severely hit by the consequences of political instability in some Mediterranean regions and the threat of terrorist attacks. **LuxairTours managed to increase its passenger figures by 2%**. The financial result was nevertheless crushed by the escalation in prices for classic continental holiday destinations and a decrease in classic package sales.

Luxair Luxembourg Airlines stayed on track with its very good performance in 2015, but the massive arrival of competition on key routes, mainly from low-cost carriers, lowered the average yield.

Above the line, Luxair increased its passenger figures by 1%. If you take into account the 10% loss in passengers due to Lufthansa taking over the Frankfurt route, this may be seen as **excellent performance and recognition of our high-quality standards**.

LuxairServices' activities were boosted by exceptional growth, driven by Luxair's 7% increase in capacity at Luxembourg Airport. **Our handling services assisted 3 million passengers at Luxembourg Airport**, which is a 12% increase compared to 2015, with significant peaks in July and August, when almost 300,000 passengers a month transited through Luxembourg Airport. Despite this huge increase in volumes, waiting times were reduced, thanks to our Passenger Assistance teams' excellent work.

Lastly, LuxairCARGO ended 2016 with record figures. In December, 83,000 tons of air freight were handled, this is the most the company has ever handled. LuxairCARGO efficiently managed to face challenging and unpredictable fluctuations in the cargo business, due to its high quality and efficiency. Overall, **822,000 tons were handled in 2016, which is an 8% increase compared to 2015**.

«LuxairGroup is constantly having to change, to become more innovative, more efficient and more reactive.»

**Adrien Ney**

President, Chief Executive Officer





Despite these encouraging operational results, financial results remained stable compared to 2015. This is mainly due to overcapacities in the air cargo market and the resulting decline in yield.

Overall, this is an **excellent performance**, despite the adverse environment LuxairGroup had to face. This would not have been possible without our staff's commitment.

But, we cannot reduce pace and rest on our laurels. On the contrary, **the next few years will be just as challenging as the previous ones**. If the good results at the start of 2017 confirm the 2016 trends, too many uncertainties and threats remain. The overall situation continues to be very fragile for all our activities, due to the potential consequences of Brexit, geopolitical turmoil, which makes raw material prices unpredictable and terrorism threats. Competition will not disappear in 2017, far from it, as it will undoubtedly increase over the next few years.

**LuxairGroup will therefore continue to improve its efficiency and quality**, whilst investing in key projects to insure its future. Digital development is an all important factor for how we do business in the future. **Some major projects will be completed in 2017**, such as launching new websites and implementing new management software. We will continue to review our products to ensure they anticipate customer demand and improve customer experience. Notably, LuxairTours will reposition itself with new products that will be marketed in 2018. We will also closely monitor the evolution of aircraft technology to introduce new features for passenger comfort and new planes whenever possible.

LuxairGroup is constantly having to change, to become more innovative, more efficient and more reactive. By keeping this mind-set, **we will stay on track for success**, thanks to our LuxairGroup staff's commitment and passion.

# GROWTH IN CHALLENGING TIMES

The airline grew modestly in 2016 by 1%, this is mainly due to the Frankfurt route being taken over by Lufthansa as of end of 2015. Without the Frankfurt impact, **2016 is actually showing a positive growth of 10%**, which is above the European average.

**Seat capacity was increased by 7%** by replacing the Embraer with larger Bombardier Q400 aircraft, which enabled the airline to develop a strategy to stimulate demand. In 2016, the entry-price tickets represented 65% of all point-to-point tickets sold, compared to 63% in 2015, 59% in 2014 or 57% in 2013.

Compared to 2015, the total revenue decreased slightly by 2% in 2016. Unfortunately, operational losses could not follow the 2015 positive trend and the airline could not improve budget expectations. Hard competition on the Munich route and the end of the Frankfurt route severely affected the airlines high yield passengers (-23%). **A new price structure to boost traffic** was needed, in order to face constantly increasing competition and protect our market share. Low-Cost Carriers continue to access and grow on our home base. Low-Cost carriage is a tough and very different social business philosophy, but we are prepared to meet the challenge, we will face and handle the situation. Due to uncertainties related to "Brexit," the significant growth trend noted over the past few years on the London City route came to a standstill in 2016.

## Outlook for 2017

2017 will be a challenging, or a rather difficult year, as **the impact of "Brexit" on the London-City route** may prove to be very significant.

Unpredictable geopolitical changes, lack of visibility on evolution of raw materials and the increase in competition in Luxembourg, especially from Low-Cost airlines, may also contribute to this.

**Code share destinations will be extended and frequencies on some routes will be optimised and/or increased**, in order to improve service standards and passenger convenience.

Luxair Airlines is a niche player and in accordance to our business model, **we constantly develop and improve our products**, as well as service, quality and client satisfaction.

A new 11<sup>th</sup> Bombardier Q400 will join our fleet with this in mind, so it will provide the necessary capacity and flexibility for our continued development.

**The refurbishment of the runway at Luxembourg airport** may have a negative impact on operations. Work is planned to start in 2018 for 3 years.

During 2017 we will prepare for this situation in order to avoid and mitigate any constraints.



## Destination business barometer

**Continued passenger growth trend** for Dublin, Copenhagen and Stockholm in 2016. Good development of Scandinavian destinations, which will further grow due to code-share arrangement with SAS. Successful (re)-opening of Lisbon and Prague and +22% increase in passenger numbers for Madrid.

# S U C C E S S D U E T O E X C E L L E N C E

## Ground handling

Luxembourg airport exceeded the average traffic growth observed in Europe. **Over 3 million passengers transited through Luxembourg airport in 2016.** This was boosted by the significant increase in Luxair passengers.

Over 45,000 commercial aircraft movements were handled, which is a **9% increase.**

A positive trend was also noted in terms of turnover from third party airlines, +16% compared to 2015.

**The quality of LuxairServices' exemplary service is unanimously recognized.** LuxairServices signed new contracts and renewed existing contracts with all airlines flying from Luxembourg, in spite of the presence of a second competitor.

In July 2016, one of the busiest periods at Luxembourg airport, LuxairServices was nominated as "handling agent of the month" by Swiss, which showed that **LuxairServices provided the best quality service in the client's European Network.** During high season, in July and August, we assisted 295,000 and 296,000 passengers.

## Outlook for 2017

LuxairServices is a reliable, quality partner in its various fields of business. It is innovative, responsible, adapts quickly and is always willing to improve. **We will continue to perform efficiently and convince our customers in the future.**

Work in Luxembourg airport is progressing well, as Terminal B is planned to reopen again mid-2017.



## Catering

**Fresh local products** are key ingredients to all recipes and meals prepared by LuxairServices Catering. In 2016, **2,006,000 meals** were supplied to Luxair and third-party airlines going through Luxembourg airport, which is a 1% increase. **Our chefs are constantly looking for new exciting menu compositions**, ingredients and presentations on board.



## Increase in passenger numbers

Luxembourg Airport welcomed approximately 2.47 million customers in 2014 and 2.69 million in 2015. A new milestone was reached in December 2016 by servicing **3 million passengers, which is a +12% increase.**

# D I F F I C U L T B U T O P T I M I S T I C

Provisions were confirmed and 2016 proved to be as difficult as expected. The geopolitical situation and instability continued to **have an impact on our customers' travel behavior**. Turkey and Egypt have literally collapsed, whilst Morocco and Tunisia suffered significant losses. In spite of all the negative influences on our business, **LuxairTours still managed to create growth and to increase the number of passengers** by shifting capacity to popular, trusted and proven destinations. The Iberic destinations performed well, mainly due to the outstanding success of Almeria, which was introduced in 2016 and a solid increase in the Algarve. Despite all efforts, results decreased however by 40% compared to 2015.

## Outlook for 2017

“Challenging but optimistic.”

Today, the Balearic and Canary Islands seem to be victims of their success, in spite of an increase in the past, due to the tense situation Europe has faced over the past few years. Maximum capacities and costs have been reached, client travel behavior is shifting and bookings are expected to stagnate in 2017. Tunisia is picking up and we are confident of its further development. Nevertheless, uncertainty remains, due to the geopolitical situation.

**Launch of the new [www.luxairtours.lu](http://www.luxairtours.lu) site will be an opportunity to catch new customers.**



## Slight increase in passenger numbers

Although a significant decrease of clients on almost all North African routes was recorded, the Balearic and Canary Islands, as well as Almeria and Algarve have developed well, which resulted in an **overall 2% increase in passenger numbers**.



## Runway

2018-2020 will be a challenging time for the aviation business at Luxembourg airport in general, but especially for the Tour Operator. **The refurbishment of the runway** and the operational constraints and impacts will mean that special attention will need to be given to LuxairTours. In depth analysis combined with anticipation, innovation and preparation will ensure smooth operation.



# UNERRING GROWTH

Once again, **Luxembourg demonstrated its strong position amongst the top ten European cargo hubs**. LuxairCARGO outperformed by exceeding 8% of realized turnover in 2015. Partnerships with cargo airlines were strengthened and further developed, continued investments in infrastructure and human resources were made. LuxairCARGO developed strategic opportunities, niche markets that create value for our clients.

In 2016, **LuxairCARGO literally doubled the worldwide observed cargo growth** and moved up to 6<sup>th</sup> position in the European ranking of largest cargo hubs. A significant upturn was realized in the second semester, which was finally completed with **an extraordinary +27% increase** in December compared to the same month in 2015.

Overall volumes increased by 8% on average, reaching 822,000 tons, approaching the historical levels achieved in 2007.

Our turnover has reached **86 million Euros**, and the number of processed aircraft handled increased by 10% which represents 5,840 in total.

## Outlook for 2017

A 4% growth is expected for 2017. The LUCAS cargo management system, which has been used for the past 15 years, will be replaced by a **new cutting-edge technology IT tool called "Hermes."** Our Cargocenter currently has 8 parking spaces and 4 wide-body full freighter aircrafts can be handled simultaneously. In 2017, necessary work will be started to provide **4 additional Boeing-747 parking spaces** by mid-2018.







## Investments

LuxairCARGO will continue to invest several million Euros a year on **the modernization of its infrastructures and systems.**

The volume of off-size shipments is increasing, which is why a second additional 1 million Euro canopy was built and completed at the beginning of 2017.



## Anniversary

At the end of 2016, Luxembourg's pioneer in logistics, the only cargo handler at the airport **celebrated the 20<sup>th</sup> anniversary of its current cargo handling facility.**

From the outset, LuxairCARGO implemented new freight management systems and carried out many improvements to the infrastructure, in order to **provide higher quality service.**

We never stop seeking opportunities and niche markets. In this context, an innovative and complex **Pharma & Healthcare Hub** was created in the existing facilities. The volume of these goods increased to 30,000 tons in 2016. LuxairCARGO is recognized for its flexibility and professionalism. It handles luxury cars, perishable goods, oversized and heavy shipments, etc. Approximately 140,000 live animals transited through our facilities last year. More than **13 million tons of air freight** have been handled at the CargoCenter over the past twenty years. LuxairCARGO was one of the first companies to be certified with the **"Lean & Green"** label.

# PERFORMANCE AT A GLANCE

## LuxairTours



LuxairTours operated **4,743 flights** and **619,836 passengers** were transported (+2% compared to 2015). LuxairTours flight occupancy rates increased slightly from 76.1% in 2015 to 76.6%.

## LuxairCARGO



Volumes handled by LuxairCARGO reached **822,000** compared to 759,000 in 2015, approaching the volume of 900,000 tons handled in 2007. The number of aircraft movements increased by 10% to reach 5,840.

## LuxairTours' top 3



**Canary Islands**  
+/- 60,000 customers  
**Balearic Islands**  
+/- 50,000 customers  
**Continental Spain**  
+/- 50,000 customers

## Passengers



The total number of passengers transported by Luxair\* in 2016 is **1,837,456** which represents an **1% increase** compared to 2015.

## Flights



Luxair operated **28,136 flights\*** compared to 29,232 the previous year.

## Top Luxair destinations 2016



1. London City
2. Vienna
3. Munich
4. Porto
5. Paris

\* including regular, leisure and ad hoc charter flights

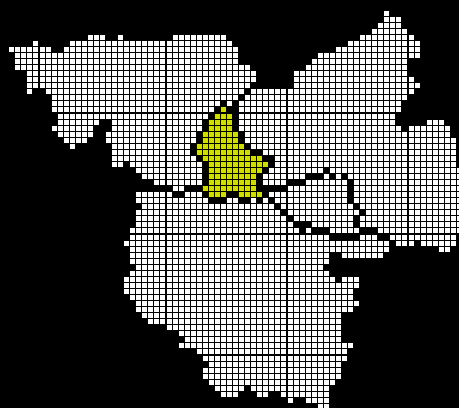
At a glance	2016	2015	2014
Passengers Luxair**	1,837,456	1,814,749	1,678,608
Revenue Passengers-km (RPK) (mio)**	2,049	1,971	1,853
Load Factor	71.6%	72.8%	74.5%
Number of meals served (catering)	2,006,000	1,984,518	1,573,856
Number of passengers assisted at Luxembourg airport	3,000,000	2,690,000	2,470,000
Number of block hours (for entire Luxair fleet)	49,091	48,825	48,826
Freight handled (tons)	822,196	759,896	725,000
Personnel (on average)	2,527	2,438	2,394

## Greater Region player

The geographic distribution of LuxairTours sales has remained relatively stable:

- France 30%,
- Luxembourg 27%,
- Belgium 10%,
- Germany 14% \*\*\*

**Direct sales increased by 29% and represent 19% of passengers.**



## Luxair Luxembourg Airlines Fleet



### Bombardier Q-400

December 2015	8
December 2016	10
by December 2017	11



### Boeing 737-700

December 2015	2
December 2016	2
by December 2017	2



### Boeing 737-800

December 2015	4
December 2016	4
by December 2017	4

\*\* the total includes charter flights operated by Luxair Luxembourg Airlines  
 \*\*\* based on sales points and excluding grouped seat reservations and ad hoc charter

# EXECUTIVE COMMITTEE

## Adrien Ney

President,  
Chief Executive Officer

## Martin Isler

Executive Vice-President  
Airline

## Laurent Jossart

Executive Vice-President  
Cargo Handling

## Alberto Kunkel

Executive Vice-President  
Tour Operating & Sales

## Marc Schroeder

Executive Vice-President  
Finance

## Michel Folmer

General Secretary

## Marc Gerges\*

Vice-President  
Marketing & Corporate  
Communication

\*As of 1 March 2016

## Claude Olinger\*

Vice-President  
Human Resources

\*Until 30 April 2017



# CONSOLIDATED ASSETS

Consolidated assets LuxairGroup (expressed in euros)		2016	2015
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	260,418	520,838
B.	Formation expenses	0	0
C.	Fixed assets	471,873,801	493,363,248
I.	Intangible assets	500	500
1.	Costs of research and development	0	0
2.	Concessions, patents, licences and similar rights and assets if they were trade marks	500	500
a.	acquired for valuable consideration and need not to be shown under C.I.3	500	500
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	293,745,697	309,362,396
1.	Land and buildings	28,914,994	32,028,071
2.	Plant and machinery	245,484,435	249,736,577
3.	Other fixtures and fittings, tools and equipment	5,288,914	5,470,335
4.	Payments on account and tangible assets in course of construction	14,057,354	22,127,413
III.	Financial assets	178,127,604	184,000,352
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	177,760,631	183,639,261
4.	Loans to undertakings with which the company is linked by virtue of participating interests	0	0
5.	Investments held as fixed assets	137,796	137,836
6.	Loans and claims held as fixed assets	229,177	223,255

D.	Current assets	262,451,012	240,304,004
I.	Stocks	964,672	875,567
1.	Raw materials and consumables	507,896	557,197
2.	Work and contracts in progress	0	0
3.	Finished goods and goods for resale	456,776	318,370
4.	Payments on account	0	0
II.	Debtors	38,192,886	28,623,699
1.	Trade debtors	17,795,748	16,940,750
	a. becoming due and payable after less than one year	17,795,748	16,940,750
	b. becoming due and payable after more than one year	0	0
2.	Amounts owned 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 owned by affiliated undertakings with which the company is linked by virtue of participating interests	13,530,220	5,640,604
	a. becoming due and payable after less than one year	13,530,220	5,640,604
	b. becoming due and payable after more than one year	0	0
4.	Other debtors	6,866,918	6,042,345
	a. becoming due and payable after less than one year	6,866,918	6,042,345
	b. becoming due and payable after more than one year	0	0
III.	Securities and other financial instruments	64,403,035	67,541,483
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	4,713,596	4,713,596
3.	Other investments	59,689,439	62,827,887
IV.	Cash at bank and in hand	158,890,419	143,263,335
E.	Prepayments	6,369,208	6,156,705
<b>Total (Assets)</b>		<b>740,954,439</b>	<b>740,344,875</b>

# CONSOLIDATED LIABILITIES

Consolidated liabilities LuxairGroup (expressed in euros)		2016	2015
<b>A.</b>	<b>Capital and reserves</b>	<b>358,473,481</b>	<b>362,110,554</b>
I.	Subscribed capital	13,750,000	13,750,000
II.	Shared premium and similar premiums	0	0
III.	Revaluation reserves	0	0
IV.	Reserves	394,768,243	378,617,194
1.	Legal reserve	1,375,000	1,375,000
2.	Reserve for own shares	4,713,596	4,713,596
3.	Reserve provided for by the articles of association	0	0
4.	Other reserves	301,495,169	296,495,169
a.	other available reserves	233,012,994	233,012,994
b.	other non available reserves	68,482,175	63,482,175
5.	Consolidated reserve	78,233,295	67,082,246
6.	Negative goodwill	8,951,183	8,951,183
V.	Profit or loss brought forward	13,448,325	8,756,032
VI.	Result for the financial year	-3,196,827	12,055,671
VII.	Interim dividends	0	0
VIII.	Investment sbsides	0	0
IX.	Currency translation reserve	-60,296,260	-51,068,343
<b>B.</b>	<b>Provisions</b>	<b>120,349,212</b>	<b>114,395,333</b>
1.	Provisions for pensions and similar obligations	2,245,046	2,415,501
2.	Provisions for taxation	0	0
3.	Other provisions	118,104,166	111,979,832
<b>C.</b>	<b>Non subordinated debts</b>	<b>230,392,706</b>	<b>236,598,437</b>
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 owned to credit institutions	152,513,739	160,994,740
	a. becoming due and payable after less than one year	25,511,999	23,803,749
	b. becoming due and payable after more than one year	127,001,740	137,190,991
3.	Payments received on account of orders in so far they are not shown separately as deductible 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	56,205,020	53,902,871
	a. becoming due and payable after less than one year	56,205,020	53,902,871
	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 owned 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 owned to undertakings with which the company is linked by virtue of participating interests	86,593	109,701
	a. becoming due and payable after less than one year	86,593	109,701
	b. becoming due and payable after more than one year	0	0
8.	Other creditors	21,587,346	21,591,125
	a. Tax	8,776,616	8,447,660
	b. Social security	5,356,835	5,213,002
	c. Other debts	7,453,895	7,930,463
	i. becoming due and payable after less than one year	7,453,895	7,930,463
	ii. becoming due and payable after more than one year	0	0
D.	Deferred income	31,739,040	27,240,551
<b>Total (Liabilities)</b>		<b>740,954,439</b>	<b>740,344,875</b>

# C O N S O L I D A T E D I N C O M E S T A T E M E N T

Consolidated income statement (expressed in euros)		2016	2015
1.	Net turnover	497,905,761	505,463,943
2.	Change in inventories of finished goods and of work and contracts in progress		0
3.	Fixed assets under development		0
4.	Other operating income	45,779,960	28,044,070
5.	Raw materials and consumables and other operating charges	327,386,555	333,771,370
	a. Raw materials and consumables	4,573,622	10,365,000
	b. Other operating charges	322,812,933	323,406,290
6.	Staff costs	162,324,700	157,457,264
	a. Wages and salaries	130,563,005	134,160,350
	b. Social security costs	20,016,968	19,820,436
	i) Social security costs related to pensions	10,682,149	10,451,170
	ii) Other social security costs	9,334,819	9,369,250
	c. Other staff costs	3,743,855	3,460,470
7.	Value adjustments	45,629,493	30,760,310
	a. on formation expenses and on tangible and intangible fixed assets	45,081,791	30,760,310
	b. on elements of current assets	547,702	0
8.	Other operating charges	0,722,932	407,459
9.	Income from financial fixed assets	0	2,992
	a. derived from affiliated undertakings	0	0
	b. other income from participating interests	0	2,992
10.	Income from financial current assets	0	0
	a. derived from affiliated undertakings	0	0
	b. other income	0	0
11.	Other income and other financial income	0,406,783	10,016,057
	a. derived from affiliated undertakings	11,178	411,266
	b. other interest receivable and similar income	0,475,605	10,405,591
12.	Share of corporate losses in equity	-4,966,964	7,670,923
13.	Value adjustments and fair value adjustments on financial fixed assets	43,073	39,857
14.	Interest payable and similar charges	5,644,409	0,356,218
	a. concerning affiliated undertaking	0	0
	b. other interests and similar charges	5,644,409	0,356,218
15.	Tax on profit or loss	327,020	700,027
16.	Profit before tax	-2,873,450	12,410,272
17.	Other taxes not included in the previous caption	323,377	354,601
18.	Profit for the financial year	-3,196,027	12,055,671

# FINANCIAL PERFORMANCE AT A GLANCE

Financial summary (company accounts, not consolidated)	2016	2015	2014
Turnover (million €)	497,877	505,435	495,208
Operating result (million €)	-1,057	5,578	1,314
Net result (million €)	4,406	9,692	9,703
Net profit ratio	0.88%	1.92%	1.96%
Balance sheet total (million €)	559,858	551,348	524,068
Capital & reserves (million €)	339,188	334,782	325,090
Capital & reserves / Balance sheet total	61%	61%	62%
Return of equity	1.30%	2.90%	2.99%



# C O R P O R A T E S O C I A L R E S P O N S I B I L I T Y

This social responsibility report is based on a **sustainable approach**, which is part of 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
- social commitments
- human resources management

LuxairGroup bases its activities on **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 open and transparent dialogue with employees, to serve the local and regional economy, while preserving the environment and natural resources and respecting populations at the group's destinations.

## Promoting quality, efficiency and teamwork

**LuxairGroup is constantly optimizing its processes and offers to improve quality and efficiency.** Our success is mainly due to the hard work of our colleagues and partners. Management is fully aware of the importance of human resources and has paid attention to this for many years now. Partnerships with local schools are in place, which allow many students to be trained at a very early stage, according to the requirements of the professions they may choose within the company.

Lycée Alexis Heck or Lycée Emile Metz are long-standing partners for providing check-in agent or aircraft technician training. But LuxairGroup's interest in talent and training goes even further.

### **Our training and talent management department is in contact and exchanges with schools**

in Luxembourg and the Greater Region on a regular basis, so that the company is visible and close to future colleagues. This means that training programs meet our company's requirements, whilst taking into account our employee's career goals. We are present at the most popular student fairs throughout the year, **we are accessible and students can easily get into contact with the aviation business and its representatives.**

Events like Unicareers, Moovijob and Jobdag are regular events in the company's calendar.

As LuxairGroup is a stable, challenging and social employer, schools and student-parent associations are contacting LuxairGroup for presentations about our business, needs and careers.

In December, the Cabin Emergency Evacuation Trainer was installed and inaugurated. It is an exact replica of a Boeing-737, equipped with special high-tech equipment, **this simulator will catapult LuxairGroup into a new era of inflight safety and service quality.** We are ambitious and want to achieve our objectives, so this simulator-classroom is the perfect example of the company's values that we are constantly trying to protect and improve: care, responsibility and passion. **Crew can be trained on any situation and improve techniques to perfection**, such as fire and smoke emergency evacuation, first-aid, management of unruly passengers and in-flight service.

Safety is one of many reasons why Luxair implemented the Electronic Flight Bag.

This system also means that LuxairGroup no longer needs any flight or cabin related paper documents.

This system is used on board, so our crews can easily access customer information and instantly organize relevant support. **The Electronic Flight Bag was entirely designed by a colleague, pilot and IT specialist.** It was tailor-made to fully meet the complexity of our operational requirements and shows LuxairGroup's confidence in its staff and how important teamwork is to the company. This is yet another example of how important staff members are to the Group and how committed its staff members are to the company.

**Team spirit combined with the appropriate approach and skills are the recipe for prosperity and success.** Employees are involved in business processes at various levels. They contribute to the development of a new internal communication project or can also be Special Assistance Team members that have been trained for any kind of irregular situation.

As national carrier, LuxairGroup supports **Luxembourg's new signature for the country's Nation Branding** by displaying the new logo on its Q400 fleet.

## Business in harmony with environmental issues

LuxairGroup's fleet strategy of progressively replacing Embraer aircraft is coming to an end with the LX-LGZ being phased out by December. **The more efficient Q400 fleet** is nearly complete and the last order has been placed. Delivery is scheduled for the second semester of 2017. The Electronic Flight Bag, designed to store maps, documents and real-time flight parameters, in order to **reduce weight on-board and increase**

**efficiency** by reducing fuel and emissions has now been extended to the cabin as a whole. The implementation of this system will also have a positive impact on client satisfaction. LuxairGroup is making a special effort to replace or use machines and vehicles that run on green energies. It has decided to review all its energy and waste related policies, by carrying out an audit on all the company's sites. Approximately 450 light bulbs are being replaced with more efficient LED technology, which **will reduce annual consumption by approximately 700 MWh.** LuxairGroup staff can benefit from special M-pass rates, in order to promote carpooling. 13 water fountains connected to the general water distribution system have been installed in various buildings on all our sites, which **significantly reduce waste from PET bottles and increase employee satisfaction.** In 2016, LuxairGroup also started building new "green" headquarters to extend the current LuxairTours facilities, in order to **regroup most LuxairGroup administrative and support entities at the Munsbach site.** The building is mainly built out of wood and is equipped with the latest innovative technologies. Employees will be able to experience a totally new work space environment and the new building will facilitate and stimulate collaboration between departments. Wood has also been used for the supporting structure of the new shelter doubling the oversized goods storage space at the CargoCenter. The re-fleeting project, replacing the Embraer, which emitted more CO<sub>2</sub>, with more efficient Q400 aircraft, meant that CO<sub>2</sub> emissions stagnated, despite an overall flight hours increase of nearly 7%.



## Yes, we care

The “Mois du Don” has become a regular event in April over the years. Approximately **2,000 volunteers** lent a helping hand once again to raise awareness amongst individuals, businesses and organisations and raise funds in Luxembourg. Our cabin crew collected donations on-board Luxair flights operated from 1<sup>st</sup> - 30<sup>th</sup> April. All LuxairGroup and its employees made a significant effort and used their respective communication channels and social media platforms to pass the message on. The funds raised are essential for the **Croix-Rouge Luxembourgeoise**, as they help the association to pursue their work in health, social, youth and humanitarian campaigns. The partnership between LuxairGroup and La Croix-Rouge has been strengthened over the past few years. LuxairTours Guides at our various destinations are all trained in first-aid by Croix-Rouge specialists, so they can help if needed.

LuxairGroup is a major local player in the tourism industry and is aware of its responsibility and commitment. By supporting the **ECPAT association** since 2009, the company decided to become more actively involved in **child protection**. The Code of Conduct, created by ECPAT in collaboration with WTO in the mid-nineties and accessible to the tourism industry since 2004 was signed by our CEO in May 2016. By signing this document, **the Group declares its commitment to implementing the**

### **Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism.**

The Company started taking the necessary steps to implementing the following **6 criteria** into daily operations:

- establishing an ethical policy regarding commercial sexual exploitation of children
- training personnel in the country of origin and travel destinations
- introducing a clause in contracts with suppliers, stating the common repudiation of commercial sexual exploitation
- providing appropriate and sufficient information to customers
- providing information to “key persons” at the destinations
- reporting annually

**The protection of wild animals may be less visible but is equally as important.** Illegal wildlife trade is worth up to USD 19 billion a year (WWF). In the first 4 months of 2016, over 500 kilograms of illegal ivory and rhino horn and over 8,000 trafficked reptiles were seized at airports worldwide. As a IATA member, Luxair has signed a declaration, to reduce illegal trafficking of wildlife. Airlines can act by mainly raising awareness about trafficking and by providing additional intelligence to enforcement authorities about suspicious shipments.



## LuxairGroup priorities

### Satisfying customers

by developing services that put customers first and meet all their requirements by providing 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 employee skill requirements through training programs and encouraging internal mobility.

### Continuing to serve the local and regional economy

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

### Protecting the environment

by taking this issue into account when making decisions and while investing, by improving operational procedures to minimize environmental impact, whenever possible, in order to preserve natural resources.

# LUXAIR GROUP SUPPORTS THE UNITED NATIONS 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 discrimination in respect of employment and occupation.





## 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.

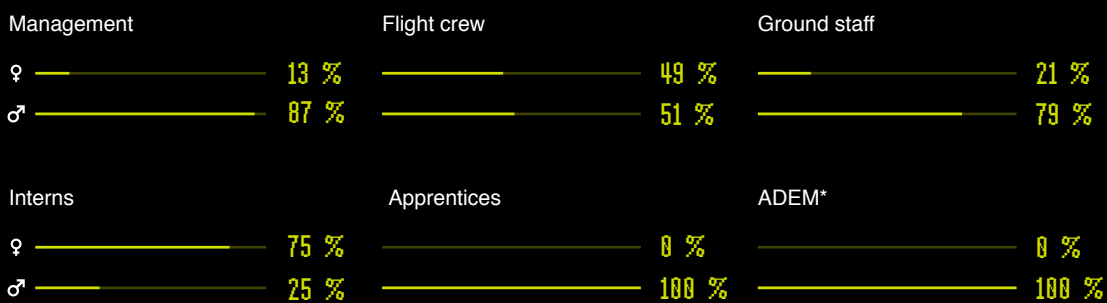
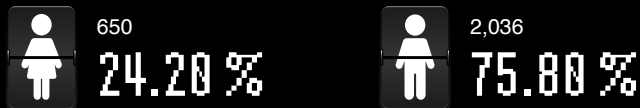
## Anti-corruption

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

# PEOPLE MAKING UP LUXAIR GROUP

Leaving and joining the company	Hirings	Departures
Internships	210	187
Fixed-term / seasonal contracts	325	165
Permanent contracts	117	94
ADEM* contracts	11	14
Apprenticeships	7	1
<b>Total</b>	<b>670</b>	<b>461</b>

## Distribution

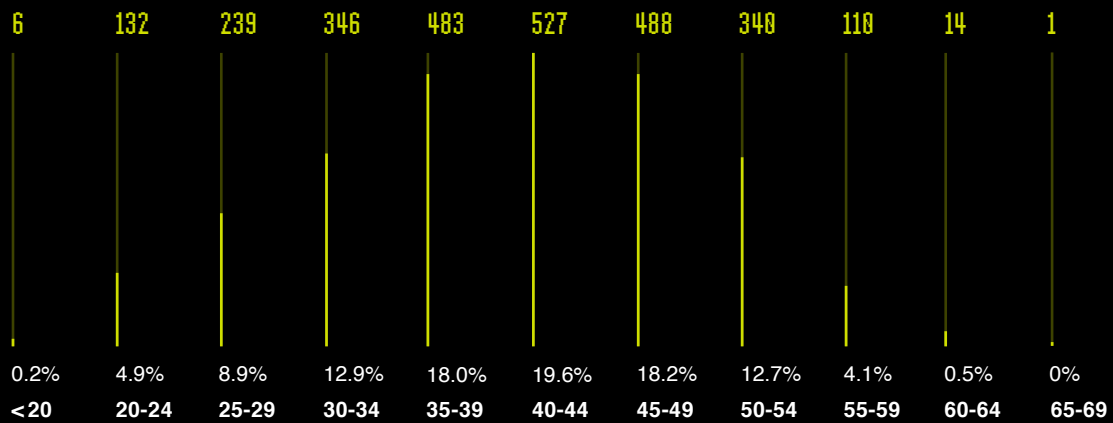


## Parental leave, maternity leave, unpaid leave



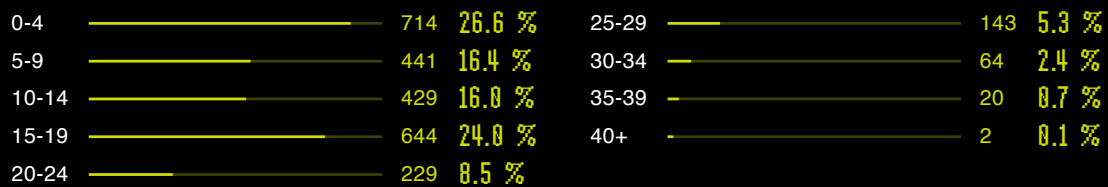
\*ADEM: Employment Development Agency

## Average age

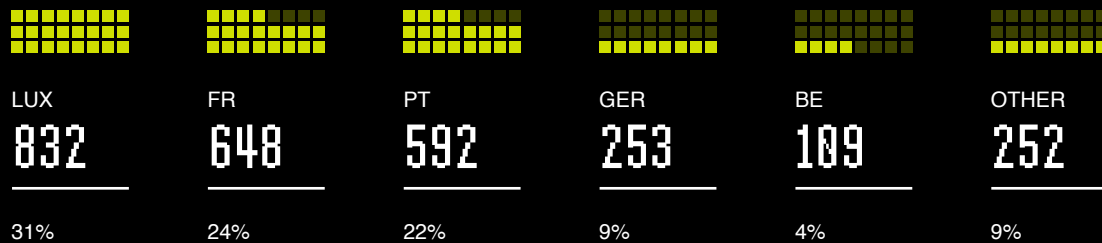


## Seniority

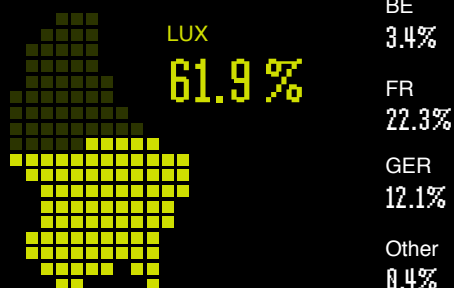
Years



## Nationalities



## Country of residence



## Active LuxairGroup staff members

Permanent contracts	2,445
Fixed-term contracts	212
Apprenticeships	11
Internships	12
ADEM* contracts	6
<b>Total</b>	<b>2,686</b>

# KEY PERFORMANCE INDICATORS

Business governance	2016	2015	Progression
Number of CSR committee meetings	4	4	-

In 2016, 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 that had been 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	2016	2015	Progression
Fuel consumption for ground vehicles (in liters)	859,090	782,290	+9.82%
Waste produced by the company (in tons)	2,551	2,456	+3.87%
Energy consumption (in kWh)	14,962,892	14,425,607	+3.72%
Water consumption (in m3)	69,476	67,232	+3.34%
CO2 emissions (in kg)	220,247,300	220,214,897	+0.01%

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 9%, 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 and the increase of cargo handling activity. Despite the increase in business, waste only increased slightly compared to 2015. Due to the **strict waste management program**, 74% of waste produced is recycled.

Water consumption increased by 3% mainly due to winter conditions, which required more de-icing operations, as well as the increase in catering activities. Similar trend as in 2015, energy consumption is slightly higher by nearly 4%, due to business activity, mainly in the CargoCenter as well as catering. LuxairGroup extended its fleet with more energy efficient aircraft to provide increased capacity in 2016, in order to respond to market growth. The Embraer ERJ 145 have been replaced by Bombardier Q400 aircraft to operate scheduled airline routes, whereas B737-800s provide ideal capacity for medium-haul routes. Due to these fleet measures, **CO2 has remained stable despite an increase in flight hours of +7%**.

Social commitments	2016	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 LuxairGroup'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 and Ecpat Luxembourg.** 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 efficiently.

Human resources management	2016	2015	Progression
Number of work-related accidents, resulting in days off work, medical treatment, professional illnesses, total or partial disability or death	328	308	+6.49%
Average number of hours of training per staff member	41	41	-
Percentage of female staff members holding a top management position	6.0%	3.0%	100.00%
Percentage of female staff members holding a managerial position	16%	20%	-20.00%
Number of staff members with disabilities	10	7	+42.86%
Number of people whose jobs have been adapted due to a particular situation (e.g. health...)	106	97	+9.28%
Percentage of disabled members of staff or having been reassigned or reclassified compared to the total number of active staff members	4.3%	4.0%	+8.00%
Percentage of staff members living in Luxembourg	62%	62%	-

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 operators, who take part in handling pharmaceutical, temperature-controlled or even dangerous goods. **LuxairGroup also provides a catalogue of varied activity-related training courses and many opportunities for personal development.** The number of hours spent on training courses between 2015 and 2016 stayed stable despite a significant increase of business, mainly in the cargo handling activity. These figures show how important training is to the company, even when there is a heavy workload.

In 2015, there was room for improvement regarding the share of female staff in management positions. In 2016, the ratio of top management positions was increased by 100%.

The number of work-related accidents increased by 6% in 2016, compared to 23% in 2015. Considering the significant increase of workload mainly in the cargo handling activity, this is a significant achievement. The action plan developed by the **Health and Safety department** to improve this trend, combined with the importance of training courses can be considered as having been successful.


The amount of people with disabilities as well as the amount of reclassified people has increased slightly.







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