

# Air France-KLM plunges into 1.8 bn eur loss as virus bites

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No return to normality for 'several years'

Air France-KLM on Thursday announced a first-quarter loss of 1.8 billion euros and warned of more woe to come as the coronavirus pandemic decimates international travel.

The group said it did not expect to reach pre-crisis levels of passenger demand "before several years".

Chief executive Benjamin Smith was quoted in a statement as saying the company was working on "a renewal plan" that was likely to include staff cuts.

The Franco-Dutch airline said it had suffered a net loss of 1.8 billion euros (\$1.94 billion) in the first three months of the year, more than five times its 324-million-euro loss in the first quarter of 2019.

The group highlighted 455 million euros in "over hedged" fuel purchases that were never used as the pandemic collapsed demand for oil and hence prices which tumbled to more than 20-year lows before recovering slightly.

Its first-quarter result underscored the effect of the virus crisis which hit France in full in March, with a nationwide lockdown implemented on March 17.

Second quarter figures risk being even more disastrous with most planes now stuck on the tarmac as international travel grinds to a virtual standstill.

Chief financial officer Frederic Gagey told a conference call that the airline had even started the year "very well in January and February".

French deputy transport minister Jean-Baptiste Djebbari told France 2 television that Smith had hinted at "more voluntary departures than direct job cuts" at the airline.

Rival British Airways has announced plans to shed 12,000 jobs and United Airlines is looking to eliminate 3,450.

## **'Slow capacity resumption'**

The group noted "a strong performance at the start of the year with passenger unit revenue up 0.8 percent" at the end of February.

"March 2020 however was strongly impacted by the expansion of the virus and consequential globally imposed travel restrictions to counter the spread of the COVID-19 virus."

The group said that 10.5 percent of its capacity had been suspended in the quarter.

But looking ahead, capacity was forecast to be 95 percent lower in the second quarter than in the same period a year earlier, before easing back slightly to a still hefty 80 percent drop in the third.

The group predicted "a progressive lifting of border restrictions in 2020, enabling a slow capacity resumption" in the summer, but also "a prolonged negative impact on passenger demand, not expected to recover to pre-crisis levels before several years."

Air France is to benefit from seven billion euros in French loans either from or backed by the state along with an expected two to four billion euros in aid from the Dutch government.

The European Commission has given its green light to the package.

The French government has insisted that the help is "not a blank cheque" and is dependent on the airline notably becoming greener by reducing carbon emissions, using more modern aircraft and cutting domestic routes.

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