

Coronavirus buffets Air France as 2019 profits dive

20 February 2020, by Sonia Wolf



Air-France-KLM said the COVID-19 fallout was hitting receipts hard, days after the International Civil Aviation Organization forecast a possible \$4-5 billion overall drop in worldwide airline revenue

French-Dutch airline Air France-KLM said Thursday the coronavirus has blown a large hole in 2020 earnings to date while separately unveiling lower profits for 2019.

"Assuming a progressive resumption of (full-scale) operations from April, the estimated impact of COVID-19 on operating income is for a 150 to 200 million euros hit between February and April," the group said in a statement.

Air France-KLM said its forward guidance on the virus hit came on the heels of a 31 percent drop in [net profit](#) to 290 million euros (\$313 million), on the back of a falloff in freight and rising fuel bills.

The spread of the virus since the turn of the year has forced major carriers including British Airways, Air Canada, Air France-KLM, Lufthansa, American Airlines, United Airlines, Qantas, American Airlines and Delta to suspend thousands of flights to China.

The outbreak could mean an overall \$4-5 billion drop in worldwide airline revenue, the International Civil Aviation Organization stated last week.

The UN body said that 70 airlines had scrapped all [international flights](#) to and from China with 50 others cutting services.

Latest data from China indicate that more than 74,500 people have now been infected nationwide by the virus, which first emerged in central Hubei province in December, with the death toll standing at 2,118—eight of them outside China.

'Severe effect'

China accounts for around 5.5 percent of annual business for Air France-KLM, and the virus has had a "severe effect", finance director Frederic Gagey told reporters.

Against the virus backdrop, projected long-haul demand is also down, while the health scare has further hit cargo demand.

According to the International Air Transport Association, demand for air freight had already slipped 3.3 percent last year for a worst showing in a decade on Sino-US trade tensions.

Air France-KLM, which said its operating result dropped 19 percent to 1.14 billion euros, had announced on February 6 that it would progressively resume daily flights to and from Shanghai and Beijing from March 16.

The group, the first major carrier to release earnings since the severity of COVID-19 became clear, said Thursday it targeted a "return to normal schedule" from March 29, including onward flights to the virus epicentre of Wuhan.

The tourist sector as a whole is reeling from the effect of the virus with dozens of Chinese cities in

quarantine lockdown and tour operators shelving China trips for the time being.

Air France-KLM indicated that the [virus](#) would not affect the strategic five-year plan of director general Ben Smith which includes lifting the medium-term operating margin to 7-8 percent from 5 percent in 2018.

"In November we presented our [strategic plan](#) with the goal of a strong progression in our [financial performance](#)," Smith said in a statement.

Over 2020 the group plans 3.6 billion euros of investment while forecasting a 300 million euro cut in its fuel bill over 2019 to 5.2 billion euros.

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