

# Air France-KLM profits up in 2016, cautious for 2017

Air France-KLM said on Thursday profits rose sharply in 2016, but issued a cautious outlook for the current year in face of global uncertainty and aggressive competition in the sector.



The French-Dutch airline said in a statement that its bottom-line net profit soared to 792 million euros (US\$840 million) last year, up from 118 million euros in 2016.

The headline figure was boosted by one-off gains from the sale of a 49.9% stake in the onboard catering arm Servair to Switzerland's Gategroup.

Underlying or operating profit grew by 34% to 1.05 billion euros as passenger numbers were up 4% at 93.4 million.

However, revenues declined by 3.3% to 24.8 billion euros, the statement said.

## Lower unit revenues

"While the fall in the oil price significantly reduced the group's costs, the geopolitical context, competition and industry overcapacity all resulted in lower unit revenues," chief executive Jean-Marc Janailac explained.

The airline said lower oil prices cut its fuel bill by nearly 26% in 2016. The French business, Air France, booked a decline

in operating profit, while the Dutch arm, KLM, saw underlying earnings rise.

That was due to the impact on business of a series of jihadist attacks in France, as well as the costs of two flight crew strikes, the carrier explained. But Air France-KLM had rolled out measures to address the situation, it said.

"We are resolutely committed to regaining the offensive ... and improving our competitiveness. In an economic and geopolitical context that remains very uncertain, and faced with aggressive competition, the status quo is not an option," said CEO Janaillac.

## **"Resilient start"**

Looking ahead, Air France-KLM said it got off to a "resilient start" to the current year.

Nevertheless, "the global context remains highly uncertain regarding the geopolitical and economic environment in which we operate, fuel prices and the ongoing overcapacity on several markets, resulting in pressure on unit revenues," the group cautioned.

Air France-KLM said it was targeting a capacity increase of 3.0-3.5% for 2017, "in order to regain the offensive in long-haul and to improve the performance in medium-haul."

And it also aimed to cut costs by "a minimum of 1.5%," it said.

*Source: AFP*

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