



LUFTHANSA MAY MAKE MORE MONEY IN 2016, THANKS TO CHEAP FUEL

News / Airlines



Deutsche Lufthansa AG is forecasting that operating profit will rise in 2016 as fuel costs decline a fourth consecutive year.

Adjusted earnings before interest and taxes will exceed the 2015 range of 1.75 billion euros (\$1.9 billion) and 1.95 billion euros, the Cologne, Germany-based airline said in a presentation for investors published on Friday.

While a predicted 20 percent drop in the price of kerosene means group fuel expenses will amount to 4.9 billion euros this year, restructuring costs will rein in profit, and earnings at the plane-maintenance and catering divisions will decline. Spending on fuel probably totaled 5.7 billion euros in 2015, the company said, reiterating an earlier estimate.

Chief Executive Officer Carsten Spohr outlined plans in September to split Lufthansa's airline business into a unit focusing on its mainline, network brands and another for low-cost operations. The reorganization, which includes the elimination of 150 managerial jobs, is targeted at saving 500 million euros by 2019. Lufthansa didn't specify a figure on Friday for expected restructuring

costs in 2016.

Seating capacity will rise by about 7 percent this year, up from an October forecast for 6.3 percent growth, after a walkout by cabin crews in November held back the company's offering last year. Traffic will grow in line with capacity while yields, a measure of average ticket prices, will continue to be "clearly negative," the airline said.

The company is scheduled to release detailed full-year earnings figures on March 17.

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SOURCE: BLOOMBERG

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