

Aeronautics sector withstands turbulence and boosts French industry



I Letter from François Robardet

Air transport in France, Europe and the world

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> Aeronautics sector withstands turbulence and boosts French industry

(source Les Echos) August 9, 2025

My comment: French aeronautics is doing well. This trend is set to continue, as the sector is exempt from the Trump tax hikes.

Read the article:

Aerospace, and in particular Airbus and Safran, continues to drive growth in French industrial production. Washington's introduction of 10% tariffs on

European exports in April, which have since been lifted, appears to have had no significant impact.

Safran remains the sector's French champion in terms of financial performance, with sales, driven by aircraft engines and spare parts, up 13.2% to 14.7969 billion euros, and operating income up 27.2% to 2.51 billion. This represents a 17% margin.

On the other hand, **Airbus continues to be penalized by late deliveries from its main aircraft equipment suppliers, led by Safran for CFM aircraft engines.**

The aircraft manufacturer was only able to deliver 306 aircraft in the first half of the year, compared with 323 in the same period last year, and its half-year sales fell by 2% to €20.8 billion, slowing the Group's growth to €29.6 billion. The Aircraft Division's EBITDA also fell by 38%, to 1.231 billion euros, due to the additional costs incurred by these late deliveries. The Group's cash consumption tripled to 1.6 billion euros.

However, **the clear upturn in the Defense & Space division helped to offset this decline.** Group net income almost doubled in the first half, to 1.525 billion euros. Airbus also maintained its delivery forecast for 2025 (820 aircraft vs. 766 in 2024), hoping to receive the missing engines for sixty aircraft already assembled before the end of the year.

At the other end of the aeronautical chain, **Air France-KLM and the airlines as a whole continue to benefit from strong demand for air transport, coupled with cheap oil.** These buoyant winds are reinforced in the case of Air France, by the move upmarket of part of the leisure customer base, who have swapped economy class for "premium" or "business", and by a flattering comparison effect with the disappointing results of summer 2024, impacted by the Paris Games.

This enabled the Air France-KLM group to present (...) a margin, rarely achieved at Air France-KLM, of 8.7%.

> Air France-KLM: a compromise reached between KLM and the pilots

(source Zonebourse) August 6, 2025

My comment: At KLM, annual wage negotiations are proving tense this year.

Faced with a fragile financial situation, management has announced a pay freeze

and wants to increase the number of flights in order to turn around the accounts.

Against this backdrop, the VNV pilots' union has reached an agreement, summarized in the article. A similar arrangement had already been applied in the past, forcing pilots to work an extra day. "At the time, this measure was permanent and, over the years, it became burdensome. This time, we agreed that the effort would remain temporary", explains a KLM executive.

To alleviate the shortage of pilots, other measures are planned: compulsory simulator training and exams can be held at weekends.

Tensions remain, however, particularly with ground staff. The FNV union, which had issued strike notice, suspended its actions in July until after the summer vacations.

Read the article :

KLM, a subsidiary of the Air France-KLM group, announced on Wednesday that it had reached an agreement with the Dutch pilots' union VNV, which will result in an increase in their workload but also in the benefits they enjoy.

As part of this arrangement, KLM pilots will agree to work an extra day per month during the 2026 summer season. At the same time, the airline will also be able to schedule one extra working day per quarter during their weekends.

The airline says it expects these changes to boost business: more than 10,000 additional flights are envisaged thanks to this compromise, which should enable KLM to carry millions more passengers.

This should give a solid boost to the company's revenues in the years to come, while pursuing the objective of a sustainable and stable operating performance.

This agreement comes at a time when KLM saw its sales increase in the first half of the year, but failed to turn a profit due to high costs.

In return for this commitment, the pilots will receive commensurate compensation. For example, the current program enabling them to travel at a reduced fare once a year will be continued.

This preliminary agreement must still be put to a vote by VNV union members in September.

> Turkish Airlines, the only bidder for the takeover of Spain's Air Europa

(source Les Echos) August 8, 2025

My comment: After IAG and Air France-KLM, it's now Lufthansa's turn to throw in the towel.

The German company also considers the demands of the Hidalgo family, Air Europa's main shareholder, to be excessive.

As a reminder, Air Europa is facing a heavy debt burden, not least as a result of the loans guaranteed by the Spanish state that it received during the COVID-19 pandemic.

The airline's total debts amount to almost 563 million euros, split between a 475 million euro loan from the Spanish sovereign wealth fund SEPI (maturing November 2026) and an 88 million euro loan from the state-owned credit bank ICO (maturing 2028).

Read the article:

After flirting with IAG, Lufthansa and Air France-KLM, Air Europa could finally fall into the arms of Turkish Airlines. The Turkish company has confirmed its intention to bid for a 25% stake in the Spanish airline, which is well established at Madrid-Barajas airport and in the Latin American market.

In a statement issued on Thursday, Turkish Airlines said it was pursuing "non-binding discussions to evaluate a potential investment opportunity in Air Europa Holding". **However, the Board of Directors of Turkish Airlines has not yet validated a precise and quantified offer. This leaves the outcome of these "discussions" relatively uncertain.**

Before Turkish Airlines, the IAG group (British Airways-Iberia), which still holds 20% of Air Europa's capital, had to give up its bid to take control of the company, due to the conditions imposed by the European Commission to preserve competition on the Spanish market. Air France-KLM and Lufthansa then approached the Spanish airline.

But at the end of July, after lengthy negotiations with the Hidalgo family, owners of

Air Europa, Air France-KLM announced that it was throwing in the towel, failing to reach agreement on the price. According to the Spanish press, Air France-KLM had made an offer of 300 million euros for 51% of the capital, while Air Europa shareholders were demanding one billion euros. Then, last week, it was Lufthansa's turn to leave the negotiating table.

Even if limited to a minority stake, **such an external growth operation would be a major first for the Turkish airline**. With the exception of a former stake in charter airline Sun Express, in partnership with Lufthansa, Turkish has until now concentrated on organic growth, underpinned by huge aircraft orders.

In its press release, Turkish justifies its interest by citing "the complementary nature of Turkish Airlines' global network and Air Europa's strong presence in the Iberian Peninsula and Latin America", in both the passenger and cargo segments, enabling "accelerated and large-scale growth in the Latin American market" and "increased regional operational diversification".

The takeover of Air Europa would enable the company to bypass the obstacle of traffic rights and extend its nets to one of the most dynamic markets today - Latin America - for which its Istanbul hub is not the best placed.

However, in addition to the demands of Air Europa's shareholders, Turkish Airlines can expect its major European competitors and the European Commission not to make its task any easier. The heads of Air France-KLM, IAG and Lufthansa have already more than once asked Brussels to curb Turkish Airlines' ambitions in Europe, reproaching it for not being subject to the same regulatory and tax constraints as themselves.

> CO2 emissions: airlines call for reassessment of EU decarbonization targets

(source Le Monde) August 5, 2025

My comment: European airlines are becoming increasingly annoyed, seeing the decarbonization constraints imposed by Brussels as a direct threat to their competitiveness.

As the deadline approaches, one thing becomes clear: the targets set seem out of reach.

If they fail, carriers on the Old Continent will have to pay penalties, while their non-

European rivals, not subject to the same rules, will continue to operate without hindrance.

The idea of uniform regulation on a global scale has always been utopian.

The protectionist measures taken under the Trump era have further weakened this prospect, taking away any hope of an international consensus on reducing airline CO2 emissions.

Read the article:

It's about to become the summer hit of the air transport industry. It's a catchy refrain denouncing the scarcity and excessive cost of so-called "sustainable" aviation fuels, CAD, made from biomass or used oils...

This little tune began to be heard at the International Air Transport Association's (IATA) general meeting in New Delhi at the beginning of June. On this occasion, Willie Walsh, IATA's Director General, sounded the alarm: "Instead of promoting the use of DACs, European obligations have made them five times more expensive than conventional kerosene", he exclaimed.

The European Refuel EU plan, which came into force at the beginning of 2025, requires European airlines to gradually incorporate DACs into their aircraft fuel tanks until 2050: 2% from 2025, then 6% in 2030, 20% in 2035 and 70% in 2050. The companies emphasize that **CAD production must keep pace**. And while this should double again by 2025, to reach 2 million tonnes, it will only account for 0.7% of the world's annual air transport fuel consumption.

Worse still, argues a study by the European airline lobby Airlines for Europe, **current CAD production is 30% below the levels needed to meet the 2030 target**. "I find it hard to see how we will have enough sustainable aviation fuel to meet the target in the short term," Walsh explained again in an interview with a Singapore daily on July 16.

To break this deadlock, Mr. Walsh believes that "the European Union, in particular, needs to reassess the targets it has set". Airlines want a relaxation of their decarbonization obligations. A demand which echoes that recently obtained by carmakers for the calculation of their efforts to decarbonize their production. After intense lobbying, any fines will no longer be based on annual car sales, but smoothed over three years.

This is a loophole that the air transport industry is keen to exploit. **The demands of**

the industry's players have environmentalists up in arms. They are "not based on a scientific observation, but on a political opportunity", laments Jérôme du Boucher, head of aviation in France for the NGO Transport & Environnement (T&E). He underlines their unwillingness. "There are European CAD producers who have given up developing projects because they couldn't find enough buyers", argues the T&E manager.

In fact, companies are reluctant to buy green fuels. Far too expensive in their eyes. "CADs are still three to four times more expensive than conventional kerosene," points out Benjamin Smith, CEO of Air France-KLM. For Luis Gallego, CEO of the IAG Group and new Chairman of the Board of Directors of the International Air Transport Association, "the only solution is to postpone the 2030 target".

To achieve carbon neutrality by 2050, IATA estimates that \$4,700 billion (around €4,012 billion) will have to be invested over the next twenty-five years to develop CAD production and distribution systems. By way of comparison, in 2025, again according to IATA, airlines should collectively generate a net profit of \$36 billion. And fuel costs, estimated at 25% of a company's fixed costs, could peak at 36%. Passengers, of course, would ultimately have to bear the brunt, with higher ticket prices.

Stock market press review

> Air France-KLM: Barclays raises guidance, target almost doubled

(source Zonebourse) August 4, 2025

My comment: *Following the publication of good half-year results by the Air France-KLM group, several analysts have raised their price targets:*

- *Barclays raised its target from 5.4 to 10.5 euros*
- *Berstein from 9.0 to 12.0 euros*
- *Deutsche Bank from 10.0 to 12.0 euros*
- *UBS from 7.45 to 14.25 euros*

Air France-KLM shares have risen by more than 20% in the space of a week. Since the end of April, it has risen by 80%.

Read the article:

Barclays announced on Monday that it had raised its recommendation on the Air France-KLM share from 'underweight' to 'weight in line', with its price target almost doubled, from 5.4 to 10.5 euros.

The analyst underpins its upgrade with better revenue per passenger prospects for 2025, pointing out that an increase of just 1% in revenues would boost operating profit by almost 30%, a "significant" impact for a group whose margins remain structurally weak.

From his point of view, **Air France is taking full advantage of strong demand in the 'premium' leisure travel market**, and now benefits from more favorable comparisons after the exceptional effect of the 2024 Olympic Games.

KLM, on the other hand, is **going through a turbulent period** due to the 40% surge in charges at Schiphol airport, while low-cost carrier Transavia has to contend with both difficult conditions in the Netherlands and the impact of geopolitical instability in the Middle East, the intermediary moderates.

While **Barclays** welcomes the proposed integration of SAS into the group, subject to the green light from the competition authorities, it **warns that the debt inherited from public aid obtained during the pandemic is a burden on the stock**, knowing that its full repayment will take some time yet.

End of press review

> **Air France-KLM share price trend**

Air France-KLM shares closed at **13.44 euros** on Friday August 8. Over the week, it has **risen sharply (+20.86%)**. It was 13.60 euros on January 1, 2024, 8.23 euros on July 1, 2024, and 7.604 euros on January 1, 2025. **Since its lowest point of the year at the end of April, it has risen by +81%!**

The average (consensus) 12-month analyst price for AF-KLM shares is 9.80 euros, up +1.2 euros since the announcement of the half-year results (it was 17.50 euros at the beginning of January 2024). The highest price target is 14.25 euros, the lowest 5.70 euros.

I only take into account analysts' opinions after July 1, 2023.

You can find [details of the analyst consensus](#) on my blog.

Below is the share price trend over the last 5 years.



My comment: Read my previous comment.

> Fuel price trends this week

The price of a barrel of Jet Fuel in Europe is down slightly (-\$1) to \$89. It was \$94 at the end of June 2023, and \$79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is down (-\$4) to \$66 a barrel.

From mid-February 2022 to the end of July 2022, it was yo-yoing between \$100 and \$120. Since then, it has oscillated between \$75 and \$99.

My comment: Oil is down a significant -10% over the past three weeks.

> CIPF management

When you invest in one of Air France's FCPE funds, you obtain shares in these funds. You do not hold shares directly.

It is the Supervisory Boards, which you elected in July 2021 for a five-year term, that manage the funds and make the decisions.

The Partners for the Future, Aeroactions, Majoractions and Concorde funds only

hold Air France shares.

The Horizon Épargne Actions (HEA), Horizon Épargne Mixte (HEM) and Horizon Épargne Taux (HET) funds manage portfolios of various equities.

My comment: If you'd like to find out more about how the various Air France FCPEs are managed, please [visit my navigation website, under the heading Air France-KLM employee share ownership.](#)

More information

This information does not constitute a solicitation to buy or sell Air France-KLM shares.

You can react to this press review or send me any information or thoughts that will enable me to keep you better informed.

By return, you can ask me any questions you may have about the Air France-KLM group or employee share ownership.

See you soon.

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| François Robardet

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(Air France-KLM's raison d'être)

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