

Air France-KLM maintains its growth forecasts for 2025



| Letter from François Robardet

Air transport in France, Europe and the rest of the world

N°1015, May 5, 2025

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> Air France-KLM maintains its growth forecasts for 2025

(source Les Echos) April 30, 2025

My comment: Air France-KLM continues to post good results, despite mixed results for KLM and its subsidiaries.

The stock market has not been mistaken, with the share price up +9% in just a few days.

Please note that the Air France-KLM Group's Annual Report 2024 and the Notice of Meeting for the Combined General Meeting of June 4, 2025 are available on the home page of my website.

In particular, the latter document contains the resolutions that will be put to a shareholder vote.

Read the article:

Still holding. Despite the headwinds raised by President Trump, declining consumer spending in Europe and higher airfares, **Air France-KLM posted better-than-expected first-quarter results. The company is also maintaining its supply growth targets of 4% to 5% for 2025.**

As the Lufthansa group announced the day before, Air France-KLM continues to benefit from strong demand, particularly on the North Atlantic - and more specifically on the American market - which economic and political uncertainties do not seem to be discouraging. "Margins on the passenger network have been very solid, particularly on the North Atlantic, but also to Asia and the Middle East, Latin America and in premium cabins", said Benjamin Smith.

The Air France-KLM boss even said he was "surprised" by the resilience of the market, and of premium traffic to Paris in particular. "We're lucky to be based in Paris," he stressed.

The increase in unit revenue (+3%), coupled with the drop in the fuel bill (-5.6%), underpin the optimism expressed for this summer, even if Air France-KLM did note a slowdown in sales to the United States in economy class. This slowdown has been offset by lower fares.

"We are convinced that Air France-KLM is well positioned to adapt and continue to perform well", assures Benjamin Smith, who points out that his group is less exposed than its competitors Lufthansa and IAG to the US market. "The United States accounts for 26% of our capacity, compared with 37% and 47% for our competitors", he points out.

In detail, Air France-KLM's first-quarter sales rose by 6.7% to 7.16 billion euros (versus +10% for Lufthansa, to 8.12 billion). Operating income remained at a loss of 328 million euros, as did net income (-246 million), as is almost always the case in this slack period, but **the loss was reduced by 161 million euros. Air France-KLM once again outperformed the Lufthansa group**, whose quarterly net loss swelled by 21 million to 885 million.

Within the group, Air France continues to slightly outperform KLM, with quarterly

sales up 7.8% (4.34 billion euros) for an operating loss of 183 million euros, compared with 2.94 billion (+7.7%) and 199 million euros of losses for the Dutch company, which made clear progress. Transavia continued its double-digit growth, with sales up 13.9% (526 million euros), but increased its losses (205 million euros), due in particular to higher taxes in the Netherlands, "which led some passengers to opt for departures from Germany and Belgium", says the press release.

> ANP KLM expects further Boeing 787 maintenance cancellations

(source NU) May 4, 2025

My comment: *KLM stressed that safety was not at stake. A maintenance error was made on a component used to refuel the aircraft.*

Three initial flights were cancelled on Saturday May 3.

Read the article:

KLM expects to have to cancel several flights in the coming weeks which would be operated with a Boeing 787. According to a spokeswoman, this could mean several flights a day, but the company cannot give exact figures. The situation will be examined on a day-to-day basis.

The reason for this is the accelerated maintenance of a number of Boeing 787s in the KLM fleet. Previous maintenance did not follow the correct procedure on certain parts of seven of these aircraft. The airline expects the planes to gradually resume operations after the additional maintenance. "We are already working on the first three aircraft," it said.

Passengers on the cancelled flights will be rebooked on another flight, according to KLM. This may be a flight operated by another airline. In addition, some Boeing 787 flights will be operated by Boeing 777s.

According to KLM, the problem is linked to the maintenance of a component used to refuel the aircraft. **"Although this part is identical to that on the Boeing 777, for which the procedure is correct, a different instruction applies to 787 models. KLM has therefore decided to carry out maintenance work on the seven 787 aircraft concerned as soon as possible, following the correct instructions",** said the airline.

KLM has a fleet of 228 aircraft. Of these, 24 are Boeing 787s, used worldwide for long-haul destinations.

> [China's big three airlines widen first-quarter losses](#)

(source Reuters) April 29, 2025

Read the article:

China Southern Airlines, Air China and China Eastern struggled to break even after the pandemic, despite the sector's worldwide return to profitability in 2023, and recorded five consecutive years of annual losses.

Air China, the national airline, reported a net loss of 2.04 billion yuan (\$281 million) for the quarter, up 22% on the same period last year.

China Southern, the country's largest airline in terms of capacity, reported a net loss of 747 million yuan in the first three months of this year, after posting a comparable quarterly profit of 756 million yuan last year.

Shanghai-based China Eastern Airlines reported a quarterly net loss of 995 million yuan, down 24% on the previous year.

The airlines did not comment on these results, but last month cited competition in the domestic market, weak international demand and business travel, supply chain problems and currency depreciation as business challenges.

> [Lufthansa reports heavy first-quarter losses but maintains 2025 guidance](#)

(source AbcBourse) April 29, 2025

My comment: Lufthansa is struggling to return to pre-Covid profitability levels.

This worrying situation has prompted the company to set up a crisis unit. The takeover of ITA Airways, which is rarely profitable, is likely to complicate its turnaround.

Read the article:

Lufthansa had a difficult first quarter in 2025. On Tuesday, the German group reported a net loss of 885 million euros, well above the 734 million euros recorded a year earlier. This figure far exceeds Factset consensus expectations, which had forecast a reduced loss of 248 million euros.

Between January and March, **passenger demand remained "consistently high"**, according to the Group, with sales up 6%. A slight increase in average ticket prices (+0.4%) also boosted sales. **But this momentum was not enough to offset the explosion in costs**, linked in particular to increases in air traffic control fees, airport charges and maintenance services. The postponement of the Easter vacations, which this year fell in the second quarter, also weighed on results.

What factors explain Lufthansa's increased losses?

Several factors combined to explain the widening losses: the general rise in operating costs, the postponement to the second quarter of the strong business usually recorded during the Easter vacations, and the impact of trade tensions, particularly between the United States and the European Union. Despite these headwinds, Lufthansa managed to generate operating profit (Ebit) of €722 million, in line with its internal forecasts. This figure illustrates the resilience of its business model, even in a particularly uncertain environment.

Why Lufthansa remains confident for 2025

Lufthansa has decided to maintain its forecasts for 2025. The Group expects operating profit to be "significantly higher" than in 2024, when it generated €1.6 billion. This confidence is based on a summer 2025 announced as "solid", with sustained demand for transatlantic flights. In March, Lufthansa carried 25% more passengers between the USA and Europe than in the previous year.

At the same time, **Lufthansa has set up a "crisis unit" to keep a close eye on economic and commercial developments.** Lufthansa has also set up a "crisis unit" to keep a close eye on the economic and commercial situation, and says it intends to be able to adjust capacity quickly should demand contract.

(...)

Since last summer, Lufthansa has been implementing a vast cost-cutting plan to strengthen the competitiveness of its main airline, particularly in the face of increasingly high fixed costs. The Group has also expanded its portfolio, taking a 41% stake in ITA Airways in January 2025, thereby consolidating its strategic position in the European market.

> Etihad and China Eastern form joint venture

(source Abouttravel) May 1, 2025

My comment: Etihad Airways is stepping up its partnerships with member airlines of the SkyTeam alliance.

The new agreement with China Eastern is fully in line with this expansion strategy.

Already in September 2023, Etihad Airways had strengthened its cooperation with Air France-KLM, expanding their partnership to include commercial and operational collaboration in several areas: passenger transport, frequent flyer programs, talent development and aircraft maintenance.

Read the article:

The launch follows the arrival of China Eastern's inaugural flight MU237 between Shanghai and Abu Dhabi on April 28, which was celebrated with a welcome ceremony at Zayed International Airport.

(...)

Following on from the launch of the joint venture, **Etihad Airways and China Eastern also signed a new agreement between their respective frequent flyer programs** at the Arabian Travel Market. From June 1, 2025, members of the Etihad Guest and Eastern Miles programs will be able to earn and redeem miles on both airlines' global networks.

The Etihad Airways - China Eastern Airlines 'joint venture', originally announced for June 2024, now becomes operational, offering seamless connectivity and a stronger combined network. The collaboration underscores the long-standing ties between the UAE and China, offering expanded travel options for passengers travelling between major Chinese cities such as Shanghai, Beijing, Guangzhou, Xi'an and Kunming, and key cities in the UAE, Middle East and Africa.

This partnership is the first joint venture between a Middle Eastern and a Chinese airline, setting a precedent for future bilateral aviation agreements.

The two companies will continue to align in areas such as codeshare flights, joint marketing initiatives and improving the customer experience. (TI)

> State aid: Brussels takes aim at Corsair airline

(source Francetv) May 5, 2025

My comment: *The European Commission only authorizes state aid under certain conditions, in particular to avoid distorting competition.*

This is why obligations, such as the restitution of slots, are often imposed on beneficiary airlines.

Furthermore, a company is not eligible for new aid if the previous aid did not enable it to return to a healthy financial situation.

In this context, Corsair could be forced to repay the 32 million euros it received in 2023 without delay.

Read the article:

Corsair is facing potential turbulence. **The European Commission has decided to extend, to two new points, its investigation opened over a year ago into the operator's modified restructuring plan. Corsair says it is "serene"**, but these additional investigations could make its case against Brussels even more difficult.

Last week, **the European Commission** officially **asked France for further explanations concerning Corsair, notably about "illegal aid amounting to more than 32 million euros"** and a potential "violation of the obligation to limit the fleet to 9 aircraft" during the restructuring period.

In December 2020, against the backdrop of the Covid-19 health crisis, the French government approved a restructuring plan for Corsair, with support measures totalling almost 137 million euros.

However, **at the end of 2023, France presented the Commission with modifications to this plan.**

Brussels then announced the opening of an in-depth investigation in early 2024 to determine whether the plan complied with European Union rules on state aid.

This investigation has now been extended.

France has one month to respond to Brussels, not only on these new potentially illegal public aids, but also on the use of a tenth aircraft, in principle unauthorized.

> For Airbus, customs duties would cost 400 million euros... Three times less than for Boeing

(source Usine Nouvelle) April 30, 2025

My comment: *The information may come as a surprise, but it seems well-founded: all Boeing aircraft are assembled in the USA, whereas just 10% of Airbus A320s are.*

In the end, it will be just a few of Airbus's U.S. airline customers, but all Boeing's airline customers who will foot the bill.

The increase in customs duties on spare parts could penalize Boeing, already weakened by its production difficulties.

Unless, of course, the President of the United States makes another U-turn.

Read the article:

"The situation is very unstable", "**assumptions change every week, if not every day**". At the presentation of Safran's quarterly results at the end of April, its CEO **Olivier Andriès made no secret of the difficulty of quantifying the impact of the increase in customs duties imposed in a confused manner by the new US administration.** And the other players in the aeronautics industry, hit hard by the sector's complex industrial structure, have hardly attempted to provide any estimates in recent weeks.

But a **French firm specializing in the aeronautics sector has taken on the task, at least as far as the additional production costs of the two major aircraft manufacturers, Airbus and Boeing, are concerned:** Archery Strategy Consulting. The results of the work carried out by the firm's experts, which was passed on to L'Usine Nouvelle, are as follows **The impact of customs duties on production costs could represent 400 million euros for Airbus. For Boeing, the figure is worse, at around 1.2 billion euros, based on the latest available data and assuming reciprocal tariffs of 10% between China and the United States.**

Additional costs and delivery delays ahead

"To arrive at these estimates, we took into account the number of aircraft assembled in the USA and their average selling prices, as well as the geographical origin of parts for each major program assembled in the USA," explains Rémy Bonnery, an aeronautical expert at Archery Strategy Consulting. Before U.S. President Donald Trump announced the forthcoming reduction in tariffs on China, the consulting firm had estimated the additional cost to Boeing at around €2 billion.

"But in **any case, Boeing will be much more affected by the tariffs than Airbus,**" says Rémy Bonnery, pointing out that **Airbus assembles only the A220 and A320 on American soil. No Boeing aircraft escapes the need to import parts: notably between 35 and 45% for the 737 and between 55 and 65% for the 787.** In fact, the single-aisle aircraft alone would represent an additional cost of between 500 and 700 million euros, with 265 delivered by 2024. Although Airbus A320s assembled in the USA comprise between 80 and 90% of imported parts, the low production volume they represent (64 aircraft last year out of a total of 602 A320s assembled by the aircraft manufacturer) minimizes the impact, amounting to between 300 and 360 million euros.

These estimates are necessarily imprecise due to the erratic decisions of the Trump administration. But the tariffs promise serious adjustments in any case. There are optimized logistical flows, as Safran's CEO has made clear, reductions in parts inventories at factory level, and, on the aircraft manufacturer side, a rescheduling of deliveries of aircraft assembled in Europe and the United States.
(...)

> **France's air travel offer stalls this summer under the weight of taxes**

(source Les Echos) April 30, 2025

My comment: *One should be cautious in analyzing the causes of the decline in supply in France.*

If we refer to the first article in this letter, the head of Air France-KLM said he was "surprised" by the resilience of the market and, in particular, of "premium" traffic to Paris. "We're lucky to be based in Paris," he stressed.

So it's more likely to be the smaller French airlines and low-cost carriers that will be affected.

Higher taxes may be one of the reasons for the drop in supply.

But we mustn't forget that since the end of the Covid crisis, travellers have changed their mentality.

In France, they increasingly prefer the train, following the recommendations made by the government at the end of 2022.

Here's what I wrote in my [letter N°903, March 13, 2023](#):

- *Among the recent measures that have had an impact on airlines in the French domestic market, I'd like to single out one: the recommendation made by the government on October 3 [2022] in the Energy Sobriety Plan.*

It was worded as follows: "Transfer from air to rail for outbound journeys of less than 4 hours by rail (or less than six hours round trip if the journey is made on the same day)".

Although not mandatory, this recommendation was immediately taken up by companies and individuals alike, proving that travellers are increasingly concerned about the impact of their journeys.

Read the article:

After the airports, it's now the turn of the airlines to sound the alarm about the stalling of air traffic in France. **While demand has so far held up well in the face of headwinds, the French market is now showing signs of slowing down, and is increasingly out of step with the other major European markets**, explained representatives of the Fédération nationale de l'aviation et de ses métiers (FNAM) on Tuesday. **This was even before the impact of the doubling of the "solidarity" tax on airline tickets (TSBA) on March 1.**

First observation: France, along with Germany, is the only major European destination whose air traffic has not yet returned to pre-Covid levels. "With 178.4 million passengers, traffic in France in 2024 was still 1.8% lower than in 2019," pointed out Fnam president Pascal de Izaguirre.

Spain, Italy and Portugal, on the other hand, have seen increases of 13% to 17% since 2019. "Of the 10 largest European air transport markets, France is the one with the lowest growth," says Pascal de Izaguirre.

Second observation: while demand remained strong in the first quarter, with a 4.7% increase in passenger numbers compared to the same period in 2024, airline seat supply in France this summer will be stable at best, if not down, compared to summer 2024. Seat capacity in France will decline this summer," says Muriel Assouline, CEO of Air Caraïbes, speaking on behalf of FNAM. And for the first time, France will fall behind Italy and Turkey, to sixth place in the Europe zone."

Data compiled by the Cirium research company, based on airline schedules, confirms France's decline. **With 58.62 million seats sold in France in the third quarter, this summer's French offer is far behind the UK (97.62 million), Spain**

(90.58 million), Germany (74.54 million), Italy (67.97 million) and Turkey (66.4 million).

But, above all, the growth dynamic is significantly weaker, with seat supply up by just 1% compared with the third quarter of 2024, compared with 4.4% in Spain, 2.7% in Italy, 2.1% in the UK, 5.1% in Portugal, 5.9% in Greece and 6.1% in Turkey. Even Germany, the other major sufferer of European air travel, did better, with a 4.8% increase in summer capacity.

For French air transport professionals, there is no doubt as to the cause of this downturn. "It's the result of regulatory penalties and taxes introduced in France, of which the TSBA, although highly publicized, represents only a quarter," sums up Pascal de Izaguirre. "Muriel Assouline adds: **"The total amount of taxes on air transport in France reaches 4 billion euros per year, while the sales of French airlines are only 18 billion euros.**

According to EasyJet's head of France, Bertrand Godinot, French taxes even act as a disincentive for foreign airlines to fly to France. "For many tourists, the Balearic sun is as good as Corsica's, and people would rather pay a little less for their plane ticket and spend locally than pay taxes," he explains. **According to an impact study carried out by EasyJet, the doubling of the TSBA could cost France half a million British tourists this year.**

Ryanair, too, is likely to reduce its offer in France by 4% to 5% this summer, after threatening to close half its stopovers. "France is not a competitive market," explained Ryanair CEO Michael O'Leary recently.

Hence the alarm signal sent to the government, at a time when preparations for the 2026 budget are already raising fears of a further tax increase. **Transport Minister Philippe Tabarot himself has acknowledged that higher taxes will have an impact on tourism in France,**" stresses Pascal de Izaguirre. These statements give us hope of being heard. The government urgently needs to define a genuine national strategy for air transport."

End of press review

> Air share price trend

Air France-KLM shares closed at **8.108 euros** on Friday May 2. Over the week, it is **up sharply (+5.85%)**.

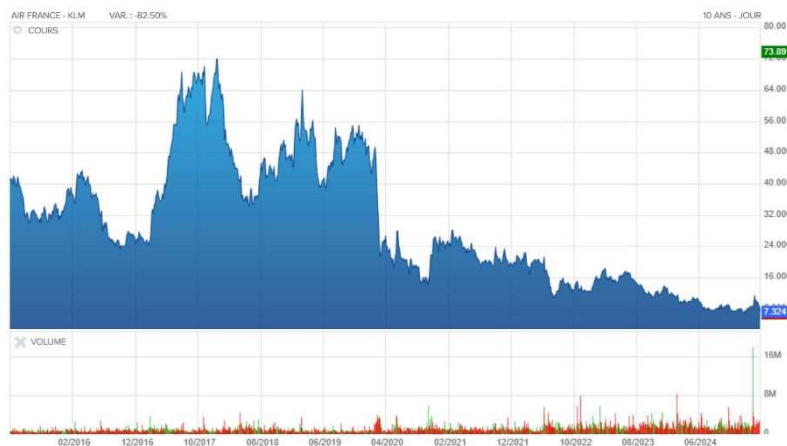
It was 13.60 euros on January 1, 2024, 8.23 euros on July 1, 2024, and 7.604 euros on January 1, 2025.

The analysts' 12-month average (consensus) for AF-KLM shares is 8.88 euros (it was 17.50 euros at the beginning of January 2024). The highest price target is 12.50 euros, the lowest 7.00 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 10 years.



My comment: Following the announcement of Air France-KLM's good quarterly results, the share price recovered (+6%).

> Fuel price trends this

The price of a barrel of Jet Fuel in Europe is down (-\$6) to \$81. 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 (-\$6) to \$61 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: Decisions on tariffs in the United States led to a fall in oil prices.

They then recovered slightly.

With this week's sharp drop, oil has reached its lowest price since January 2021!

> Corporate Mutual Funds

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 the [Air France-KLM Employee Share Ownership section of my website](#).*

Details

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 help 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.

To read my latest letters, [click here](#)

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| François Robardet

At the forefront of more responsible European aviation, we bring people together to build the world of tomorrow.

(Air France-KLM's raison d'être)

I represented current and former Air France-KLM employees. You can find me on my twitter account @FrRobardet and on LinkedIn.

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