Air France, new government support to come

Letter from the Director Air France-KLM

François Robardet Representative of employee and former employee shareholders PS and PNC

N°793, February 1, 2021

If you don't see this page correctly, or if you want to read the English or Dutch versions

If you do not see this page correctly, or if you want to read the English or Dutch versions,

Als u deze pagina niet goed ziet, of als u de Engelse of Nederlandse versie wilt lezen,

follow this link ,itishere, vindtudezehier

Editorial

Dear readers,

For the most serious experts, Covid-19, like the flu, cannot be eradicated. One of the solutions envisaged to return to a controlled situation will be to have an effective vaccine, which could be administered annually at the same time as the influenza vaccine.

Until then, only compliance with protective regulations will be able to contain the epidemic.

François

Monday's Press Review

> Air France: new government support will come "in a hurry" - Le Maire

(source Agefi-Dow Jones) February 1 - A **new government support for Air France, a subsidiary of the Air France-KLM air transport group, will take place within "short deadlines", said** Monday the Minister of Economy, Finance and Recovery, **Bruno Le Maire**.

Asked by RTL about new measures to help the airline, the minister said that the State "will continue [to] support Air France". "The State will provide additional support to Air France," Bruno Le Maire assured.
The official did not give further details on the terms of this aid.
Asked about the timetable, the minister said that this support would be provided "within a short period of time".

Paris had already provided initial aid to Air France-KLM, the parent company of Air France and the Dutch airline KLM, in the spring of 2020, in the form of direct loans and guaranteed loans for a total of 7 billion euros. The air transport group is currently working on a recapitalization plan to strengthen its balance sheet, which has been weakened by the health crisis.

***My comment:** When will the recapitalization of Air France and KLM take place?*

This is THE question everyone is asking about the Franco-Dutch group.

As I have written several times, it is only when all the elements of the recapitalization have been fionalized that the decision will be officialized.

Until then, the only possible response remains that given by the Minister of Finance.

> Rio-Paris flight: threat of a lawsuit for Air France and Airbus

(source Le Monde with AFP) January 27 - **Contrary to the examining magistrates who had dismissed the case in 2019, the public prosecutor's office has requested a trial in the crash of the Airbus A330 on flight AF447 between Rio-Paris, which killed 228 people on June 1, 2009,** the judicial source said, confirming information from Le Parisien.
On March 4, the examining magistrate's chamber of the Paris Court of Appeals will rule on whether or not Airbus and Air France should be sent back to the criminal courts for "manslaughter".
These demands go beyond those of the Paris Public Prosecutor's Office, which had appealed against the dismissal of the case, but had only requested a trial against the airline company alone.
In August 2019, the two investigating judges in charge of the investigation into the crash of flight AF447 had dismissed the case. All the passengers and crew members, of 34 nationalities, had perished in the accident, the deadliest in the history of the French airline. The civil

parties objected to this "highly questionable", "absurd and corporatist" decision.
The magistrates had considered that "this accident is obviously due to a conjunction of elements that had never happened, and which therefore highlighted dangers that had not been perceived before". The investigations "did not lead to characterize a faulty failure of Airbus or Air France in connection (...) with the piloting errors (...) at the origin of the accident", they considered.
According to the expert reports, in-flight icing of the Pitot speed probes had led to a disturbance in the speed measurements of the Airbus A330 and disoriented the pilots until the aircraft stalled. Airbus and Air France were indicted in 2011 for "manslaughter".
In July 2019, the Public Prosecutor's Office had requested that Air France be referred to the criminal court only, considering that the airline had "committed negligence and recklessness" by not providing its pilots with sufficient information on the procedure to adopt in the event of anomalies related to the probes used to control the aircraft's speed, after several incidents of the same type in the previous months.

My comment: *When the decision of the Paris Public Prosecutor's Office to dismiss Airbus was announced, I wrote this in my letter 719 :*

"... the decision ... surprised most observers. The new elements brought by the association Entraide et solidarité AF447 could lead the examining magistrates to take a different decision".

The association had provided a document which proved, according to it, that Airbus "was fully aware" of the failures of the probes manufactured by the equipment manufacturer Thales.

It appears that the association's arguments have been heard.

> Air France: Transavia launches an "XXL" offensive on the domestic market this summer

(source La Tribune) January 29 - While air transport is once again being hit hard by the tightening of travel restrictions accompanying the outbreak, **Air France continues to roll out its business plan on the French domestic network**. Now the group's flagship on the so-called "point-to-point" routes (as opposed to the routes reserved for feeding connecting passengers at the hubs of Roissy-Charles de Gaulle and Lyon, operated by Air France and HOP), **Transavia, the group's low-cost subsidiary, is getting ready, according to our information, to launch a large-scale offensive in the domestic market with the**

opening of some twenty new routes this summer, both so-called "radial" routes (Paris-regions) from Orly, and transversal routes (region-region), with a significant program of seasonal flights to Corsica. (...
)
With the maintenance of the first five "test" routes at the beginning of November (Orly-Biarritz, and four routes from Nantes to Toulouse, Montpellier, Marseille and Nice), Transavia will operate nearly 25 domestic routes during the next summer season, which, in aviation, runs from the end of March to the end of October. Transavia's first flights are scheduled for the end of March. For its first summer season on the domestic network, Air France's low-cost subsidiary therefore intends to get off to a very strong start.
Objective: to be present at the time of the expected recovery in traffic this summer. Last week, Air France CEO Anne Rigail indicated in our columns last week that she expected "a dynamic recovery in leisure traffic this summer".
But it is also a question of implementing the group's transformation plan on the French domestic network extremely quickly, and thus **avoiding that foreign low-cost airlines such as EasyJet, Volotea, Vueling or Ryanair regain tomorrow the strong positions they held before the crisis**. In fact, for Transavia, the Covid-19 crisis, and the reduction in capacity that it has caused in other low-cost airlines with a strong presence in France, represents a great "opportunity". With everyone **starting from scratch, the company does not have to rush behind EasyJet, Vueling or Volotea, which were several steps ahead before the crisis**. With the strong state aid from which its parent company benefits, Transavia even has a clear advantage over its competitors.
(...)
Transavia's massive deployment on the domestic network will continue in 2022, probably faster than expected, starting in the summer of 2022. To support this strong growth, the Air France subsidiary will bring in eight aircraft this year, bringing the fleet to 48 Boeing 737-800s. In 2022, eleven more aircraft will follow. Finally, the fleet plan calls for the number of aircraft to double by 2025 compared with 2020.

***My comment:** How fast will Transavia be deployed? No one today can predict it. Everything will depend on the evolution of the health crisis.*

> The 6 largest U.S. airlines have a combined loss of $35 billion.

(source Forbes) January 31 - **Three of the six largest U.S. airlines Thursday reported combined net losses of about $14 billion (**11.5

billion euros) for the entire 2020 pandemic year. **This comes on top of the $20.9 billion (**€17 billion) combined **net losses already reported by the other three major airlines**.
American Airlines, the largest U.S. airline, reported losing $9.5 billion (7.8 billion euros), including special accounting items, for the full year and $2.2 billion (1.8 billion euros) in the fourth quarter.
Southwest Airlines, which carries more domestic passengers than any other U.S. airline, recorded a loss of $3.1 billion (2.5 billion euros) for the full year and $908 million (7.5 million euros) in the fourth quarter.
JetBlue Airways reported a loss of nearly $1.4 billion (1.1 billion euros) for the full year and $381 million (314 million euros) in the fourth quarter.
(...)
Unlike his counterparts at Delta Airlines and United Airlines, who earlier this month spoke more optimistically of a recovery in demand beginning perhaps even before early summer, **American Airlines CEO Doug Parker said he sees no clear signs of such a recovery. "**We had hoped that demand would increase, not so much by April, but for the summer, and that we would accelerate into the summer, which hasn't happened yet," Parker said. **One goal, of course, would be to achieve a zero cash burn by the end of 2021, but that's still unpredictable,**" said Southwest Airlines CEO Kelly, adding later that "it's all about demand
. When will demand really pick up again? "»
(...)
CEO Robin Hayes said JetBlue Airways is very cautious about planning for additional capacity additions to its operations in the spring and summer, and in the second half of the year, as the company does not yet see signs of a resurgence in demand that would justify such capacity increases.
(...)

My comment: *The health crisis in the United States, poorly controlled by the Trump administration, has seriously damaged the airlines. According to the CEOs of US airlines, the prospects for recovery are far away, not before the end of 2021.*

> easyJet aast op marktaandeel KLM, Air France en Lufthansa (easyJet aims to gain market share for KLM, Air France and Lufthansa)

(source ANP translated with Deepl) January 25 - The low-cost **easyJet hopes to gain market share with major national airlines such as KLM, Air France, British Airways and Lufthansa in** the coming period. Johan Lundgren, managing director of the British airline,

believes that easyJet can benefit from the reduced capacity of these traditional airlines as it recovers from the Covid-19 crisis, he told the British business newspaper Financial Times.
According to Lundgren, **easyJet's network mainly overlaps with that of the major European airlines**. So he talks about a great opportunity for growth. easyJet will focus less on competing with low-cost airlines like Ryanair.
(...)

It **is expected that the former national airlines will recover more slowly as they focus more on business travel** and short haul flights to pick up passengers for long haul flights. Business and long-haul travel is expected to recover at a slower pace than the airline industry as a whole.
On two-thirds of its network, EasyJet competes with these established airlines. In planning its network this year, easyJet is giving priority to flights from the most expensive airports that these airlines typically use, Lundgren
said. He is more cautious about opportunities arising from the crisis than, for example, Michael O'Leary of Ryanair or József Váradi of Wizz Air. (...)

My comment: *Is easyJet only a low-cost company?*

It's a legitimate question. Like its sisters, the British airline offers fares that are sometimes lower than those of traditional airlines.

But it is increasingly targeting business customers. In a recent communication, it announced that it carries nearly 20% of business passengers in France.
To establish its strategy, it has not hesitated to set up at Paris-CDG, despite the unfavorable conditions it faces: a higher-than-average taxi time, which reduces the flight time of its fleet, and high taxes.

Conditions that have so far led Ryanair and most other low-cost airlines to snub this airport.

That easyJet announces that it wants to take market share from the traditional airlines is therefore not a surprise.

> Ryanair Seeks to Topple Lufthansa's Rescue at EU Court (Ryanair seeks to overturn Lufthansa's rescue before the EU Court of Justice)

(source Bloomberg translated with Deepl) January 28 - Germany's €6 billion recapitalization and the state guarantee for a €3 billion loan "illegally discriminate between EU airlines," Ryanair said in an email statement Thursday. The carrier filed its challenge before the EU court on January 22.
(...)
Ryanair is contesting more than a dozen state bailout packages for airlines in Europe, fearing that the financial boost given to its rivals would allow them to come out stronger, reduce their fares and swallow the rest. The Irish airline fears that it will burn up its own cash reserves while others get state rescues.
Its legal documents seek European Commission approval for state aid, saying the European regulator is not up to its job of ensuring that governments do not unfairly help one company favoured at the expense of others. The EU Court of Justice can overturn these authorizations.
The regulator has been under pressure to approve unprecedented state aid to save the European economy, which has been hit by the pandemic.
The Commission simply stated that it would defend all decisions taken before the Court of Justice. The German Ministry of Finance refused to comment, while Lufthansa did not respond to requests for comments.
Lufthansa fought last year against EU requests for concessions, especially on the main slots at Frankfurt and Munich airports, to compensate for the damage caused by the aid to competition. **The conditions effectively prevent Ryanair from taking the slots at Frankfurt, as they are only available to new entrants at the airport.**

The commitments "are totally inadequate to remedy the distortion of competition," said Ryanair.
(...)

My comment: *For years, Ryanair has been at the center of most disputes between airlines.*

Regularly, the very low-cost Irish airline is sued and condemned because it receives illegal subsidies from local authorities or because it does not respect social laws.

And now Ryanair is now attacking its competitors on the grounds that state aid is unfair. Let's hope that once again it will lose its lawsuits.

> Boeing loses nearly $12 billion in 2020 and delays 777X entry into service

(source Le Journal de l'Aviation) January 27 - 2019 had been very difficult for **Boeing** and 2020 just as much. The U.S. aircraft manufacturer **published its annual results on January 27**, **showing an explosion in net loss to $11.94 billion for sales down 24% to $58.16 billion.**
(...)
The financial results do not come as a big surprise. **Boeing has been in turmoil since the worldwide grounding of the 737 MAX in March 2019**. But to this crisis was added the crisis related to the Covid-19 pandemic **and quality problems on the 787,** which put a halt to deliveries on other programs. The losses were thus mainly due to the Commercial Aviation business, even though all activities slowed down. The services sector also lost 16% of its revenue (to $15.54 billion) and its operating income fell 83% (to $450 million), mainly due to the grounding of commercial aircraft.
However, 2020 ended on good news: the re-certification of the Boeing 737 MAX by the FAA and then by the Brazilian ANAC allowed the aircraft to return to flight and resume deliveries. This has lightened the program's workload and eased the pressure. Transport Canada in turn authorized the return to service in Canada last week and EASA has just issued its Airworthiness Directive for Europe.
(...)
As for the 777 program, not only is production at its lowest point, at two aircraft per month, but **Boeing has** also **had to resign itself to postponing the first delivery of the 777-9 until the end of 2023**. (...) New certification requirements, the impact of the pandemic on demand - and this impact is particularly heavy on wide-body aircraft programs - and new customer needs have further pushed the in-service horizon. **A $6.5 billion charge was made to the program**.
(...)

My comment: *In the end, the health crisis was good for Boeing.*

Airlines delayed their orders for single-aisle aircraft, which prevented its main competitor, Airbus, from taking advantage of the B737 Max's setbacks to sell more A220s and A320 Neo.

Similarly, despite delays in the B777-9 program, the expected slow recovery in long-haul activity is not expected to allow Airbus to move ahead of Boeing in the twin-aisle market.

> New lightening of the rules for the use of slots

(source EU Council: Press release) 27 January - The EU is developing

new temporary rules to help air carriers cope with the drastic drop in air traffic caused by the coronavirus crisis and avoid operating empty flights. **Member state ambassadors today approved a negotiating mandate to grant airlines a relaxation of the rules on the use of airport slots for the summer of 2021,** while taking the first steps to begin to revive the industry and encourage competition. The new rules will also provide flexibility to adapt to different scenarios and allow action to be taken up to the summer 2022 scheduling period.
VIDOC-19 is still very much in place, and a return to the old "use it or lose it" rule would be premature.
(...)
The Commission will be empowered to adopt delegated acts for one year to cover the following two seasons. With these acts, the Commission may modify the minimum slot utilization rate to a value between 30% and 70%. This provides the flexibility to adapt to different levels of air traffic based on actual and forecast traffic data and other indicators. (...
)
Negotiations between the co-legislators on the proposal are being held on an urgent basis to ensure that the new rules are in place in time for the start of the 2021 summer season on March 28, 2021.
(...)

My comment: *Since the beginning of the health crisis, the European Commission had been adjusting the rules for the use of slots season by season. This created difficulties for the airlines, which they would have done without in scheduling their flights.*

The new rules will be drawn up for the next two seasons, summer 2021 and winter 2021.

End of the press review

> Advice for employee and former employee shareholders

Annual statements from Natixis and/or Société Générale are currently being sent out. By default, these statements are sent by post.

You will find on my website http://navigaction.com/Vous/Vendre%20acheter.htm how to access the managers' websites.

To avoid forgetting to change your contact details each time your postal address changes, **I advise you to enter a personal e-mail address**. It will be used for all correspondence with the management bodies.

Keep all the documents relating to your Air France-KLM shares in one place: all your correspondence received from the various managers, Natixis, Société Générale, your personal financial institution if you purchased your shares through it.

> My comment on the evolution of the Air France-KLM share price

The Air France-KLM share closed **at 4.863 euros on** Monday, February 1. It is up sharply by +6.95% over one week.

Before the coronavirus epidemic, the Air France-KLM share was at 9.93 euros.

The average (the consensus) of analysts for AF-KLM shares is 3.31 euros. The highest target price is 5 euros, the lowest is 1 euro. You can find on my blog the details of the analysts' consensus. I no longer take into account the opinions of analysts prior to the beginning of the health crisis.

The barrel of Brent oil (North Sea) **is stable at $56.** Since the announcement of a potential vaccine, the price has increased by $16 (+41%).

At the beginning of the coronavirus epidemic, it was at $69.

This indicative information in no way constitutes an incitement to sell or a solicitation to buy Air France-KLM shares.

You can react to this press review or provide me with any information or thoughts that will help me better carry out my duties as a director of the Air France-KLM group.

You can ask me, by return, any question related to the Air France-KLM group or to employee shareholding...

See you soon.

To find the latest press reviews of Monday, it is here

If you like this press review, please circulate it.

New readers will be able to receive it by giving me the email address of their choice.

| François Robardet

Director Air France-KLM representing employees and former employee shareholders PNC and PS. You can find me on my twitter account @FrRobardet

When I was elected, I received the support of the CFDT and the UNPNCCThis press review deals with subjects related to Air France-KLM shareholding. If you no longer wish to receive this letter/press review, [unsubscribe]

If you prefer to receive the press review at another address, please let me know.

To reach me : message for François Robardet. 10820 people receive this press review live