

Air France-KLM completes the repayment of the EMP

| Letter from the Director of Air France-KLM

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

(Air France-KLM Group's raison d'être)



François Robardet

Representative of the employees and former employees shareholders
PS and PNC

N°904, March 20, 2023

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Editorial

Dear readers,

For the first time, this letter addresses the subject of the European green taxonomy.

I invite you to read the article "Taxonomy: aviation could integrate the list of green activities" and to complete this reading by following the link indicated in my comment.

*Enjoy your reading
François*

Monday's Press Review

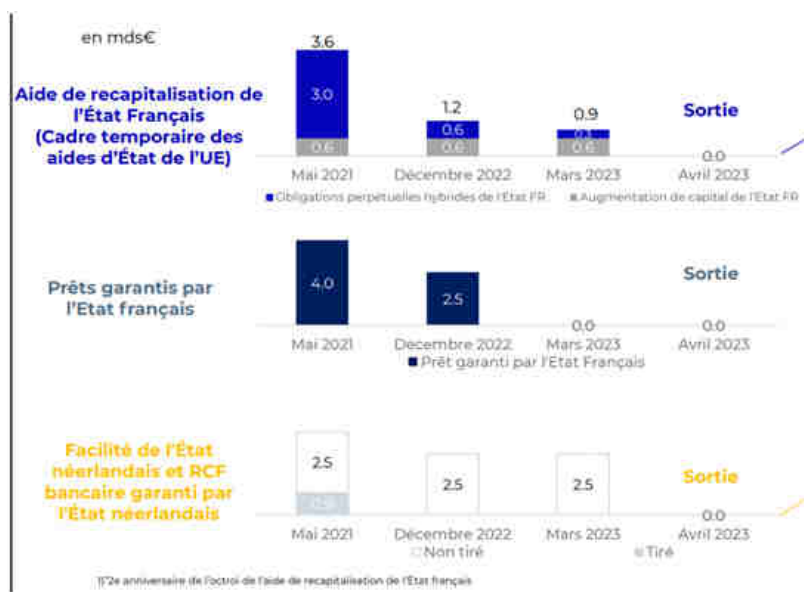
> Air France-KLM completes the repayment of the EMP

(source Les Echos) March 16, 2023 - **Air France-KLM** has taken another step forward. After returning to profit in 2022, the airline **announced**, at the end of Wednesday's trading session, that **it had finalized the full repayment of the 4 billion euros of the French state-guaranteed loan (PGE)**, granted at the height of the health crisis. It was part of the 7 billion granted by Bercy to prevent the group, in particular its French branch, Air France, from crashing. To settle its liabilities of 2.5 billion euros, out of the total 4 billion of the EMP, Air France-KLM has mobilized the

billion raised in January, via a bond linked to sustainable development, and dipped into its available cash up to 1.5 billion. "This full repayment will contribute to smoothing the group's debt profile, reducing financial costs and limiting the residual exposure to variable rates," says the group chaired by Ben Smith.

In addition to the EMP, Air France had received, in the spring of 2021, a shareholder loan of 3 billion euros over four years from the French government in return for the sale of flight slots at Paris-Orly airport. To date, 1.2 billion euros remain to be repaid. According to the timetable unveiled at the annual results presentation, **Air France-KLM will refinance €300 million of perpetual bonds into unconstrained perpetual hybrid instruments, which will enable it to exceed the 75% repayment threshold of the French State aid and give it more room to maneuver, notably for acquisitions.** Then, as of April 19, the remaining approximately 300 million euros of Paris perpetual hybrid instruments and the associated remuneration will be repaid in the same way.

On the stock market, Air France-KLM shares have recovered 4.7%, after an eventful session on Wednesday. If this repayment is a good thing, some will retort that Lufthansa, which had obtained a total of 9 billion euros of aid during the crisis, used less than 4 billion that it repaid in November 2021.



My comment (1): The table above summarizes the support of France and the Netherlands to their airlines Air France and KLM. This support took the form of refundable financial aid.

For Air France, the support was of two kinds :

. direct aid via a recapitalization, in particular, to the tune of three billion euros. This aid was accompanied by conditions imposed by the European Commission, such as a ban on taking stakes of more than 10% in competitors or other players in the same sector, a ban on paying variable remuneration to managers and shareholders

(dividends), and an obligation to give up slots at Orly airport.

. a guarantee from the French government on loans taken out by Air France, up to a total of four billion euros. In return for these loans, Air France had to present measures to reinforce its actions in favor of sustainable development. Air France also committed to reach the same level of competitiveness as its competitors within a short time.

For KLM, the support took a different form. There was no recapitalization, so there were no constraints from the European Commission. The Dutch government provided a loan and a guarantee on a revolving credit facility (RCF), for a total amount of 3.4 billion euros. This support was subject to very strict conditions, such as a reduction in the salaries of all KLM staff and an improvement in competitiveness.

This aid will be fully repaid by next month, which will lead to the lifting of the conditions imposed by the States and the European Commission.

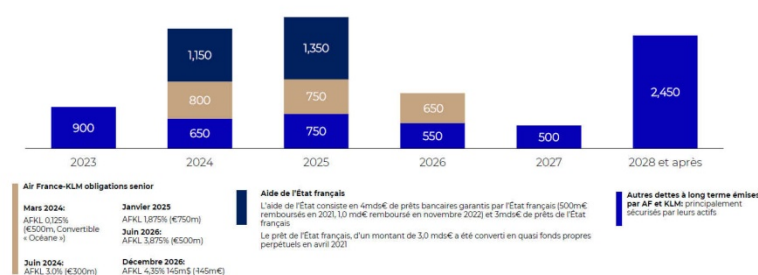
The Air France-KLM group will then be able to consider large-scale capital operations.

Please note: This commentary is not intended to be exhaustive.

Thus, I have not addressed the significant workforce reductions that have affected all the entities of the Air France-KLM group, nor the State aid through the long-term partial activity in France or the similar program in the Netherlands (the NOW program).

PROFIL DU REMBOURSEMENT DE LA DETTE AU 31 DÉCEMBRE 2022

Profil du remboursement de la dette⁽¹⁾
en m€



(1) Excluant les paiements de dettes des locations opérationnelles, les emprunts perpétuels de KLM et les quasi fonds propres perpétuels

My comment (2): Schematically, the repayments of the French and Dutch state aids were made in two ways :

. either by using the cash generated by the activity
. or by using financial instruments that will have to be repaid over a longer period of time and at more advantageous costs than the initial aid.

As stated in the latest Air France-KLM press release, "This full repayment will help smooth the Group's debt profile, reduce financial costs and limit residual exposure to variable rates".

The above diagram (drawn up at the end of December 2022) clearly shows the importance of the repayments to come in 2024 and 2025.

> **Luchtvaartnieuws Cabinet insists on introducing a CO2 cap for aviation by 2025**

(source Luchtvaartnieuws, translated with DeepL) March 17, 2023 - **The amount of carbon dioxide (CO2) that aviation can emit from the Netherlands will be capped.** This was decided by the cabinet on Friday, on the proposal of Minister Harbers (Infrastructure and Water Management). **The CO2 cap is expected to come into effect in 2025** and will help meet the targets for reducing CO2 emissions from aviation.

In doing so, the cabinet is ignoring comments from the aviation sector. The latter argued in January that the introduction of a CO2 cap is legally fragile, cannot be enforced and leads to inequality between the Netherlands and other European countries. It also deviates from the targets that the European Commission wants to set for the whole of Europe.

Minister Harbers believes that aviation cannot lag behind the climate targets set for other sectors for the coming years in the Climate Act. The agreement on sustainable aviation reached in 2019 between the aviation sector, research institutes and the government (the Sustainable Aviation Table) was a first step, but a ceiling should encourage the sector and the government to work on implementing the sustainability agreements.

All international flights from the Netherlands will be subject to a cap on CO2 emissions per airport. This amount will be fixed for several years, so that a surplus in one year can be compensated in the following years. The government is opting for a cap per airport, as the advice of CE Delft [an independent research and consultancy company] has shown that this is the only possible variant that is compatible with international regulations. The CO2 cap will be further defined in the coming period.

The Dutch aviation industry believes that the regulation is discriminatory. Only Dutch airlines can be fined if they do not comply with the cap, while foreign airlines do not care about fines or measures. Schiphol Group and KLM believe that the Netherlands should adhere to the measures in the European context, as foreseen in the Fit for 55 plan.

My comment: *The decisions of the Dutch government will need the approval of the European Commission before they can be implemented.*

The European Commission's director general for mobility and transport has made a few comments on the project.

In particular, he pointed out that the Dutch government will have to indicate how the desired reductions in noise and emissions cannot be achieved by other means.

To date, the actions proposed by the airlines to reduce noise and emissions have not been taken into account, so the Dutch government's proposal has little chance of being validated.

> **The "TK case", three years later...**

(source Journal de l'Aviation) March 14, 2023 - (...) Three years ago, at the start of a pandemic that was going to shake the aviation world for good, we took a particular interest in Turkish Airlines (...), which, with its vast global network and balanced fleet, was to be an indication of the general trend that would be set up between air transport players and OEMs during the recovery.

The results are more than revealing. **Turkish Airlines has just reported a net profit of \$2.7 billion for the year 2022 (\$791 million for Lufthansa Group, \$728 million for Air France-KLM Group, better than all the major North American airlines)**, with revenues well above 2019. The Turkish flag carrier has \$4.7 billion in cash, has a record fleet of 400 mainline aircraft in recent days (350 aircraft in March 2020, not counting the aircraft of its low-cost subsidiary AnadoluJet), serves 342 destinations in 129 countries.

And **the outlook is even better for 2023**, with new routes opened, an increase in its capacity offered of 10 to 20% (33 aircraft expected this year) and an increase in its load factors (82.9% last year compared to 87.5% before the pandemic), especially with the return of China.

The Turkish flag carrier is now taking full advantage of the new Istanbul International Airport (IGA) and its role as an international hub, albeit with a small boost from the Western sanctions against Russia. It also benefits, for a while, from the lower capacities offered by its major competitors based in Europe, the Middle East and Asia.

But Turkish Airlines has clearly not yet reached the limits of a strategy put in place in the mid-2000s, with a hub completely aligned with its decisions, and which promises to one day reach an annual capacity of 200 million passengers per year, more than double that of today.

Important announcements are logically to be expected with the deliveries of its latest wide-body aircraft orders (A350 and 787-9), whether for its current fleet or for its future growth needs.

(...)

My comment: *Turkish Airlines benefits from the unfailing support of its government*

for its development.

In addition, the geographical position of its hub places it in an ideal position to transport Europeans to Asia and Africa (and vice versa), competing as well with Gulf airlines as with European and Asian airlines.

Turkish Airlines is a member of Star Alliance alongside Lufthansa. Its strong development could in the coming years destabilize its European rivals, IAG and Air France-KLM.

> Toulouse / OpenAirlines: decarbonization of aviation at the heart of all discussions

(source L'Opinion) March 16, 2023 - From March 20 to 22, OpenAirlines is inviting more than 30 international airlines to Toulouse to reflect on the decarbonization of aviation.

(...)

OpenAirlines is a Toulouse-based company that has been offering "eco-piloting aircraft" solutions for over 15 years. The invited companies are users of the OpenAirlines "SkyBreathe" solution created to reduce fuel consumption and CO2 emissions. Its primary objective is to help airlines reduce their costs and their environmental impact.

Each year, nearly 660 million tons of CO2 are emitted by airplanes, which is more than 20,000 kilos of CO2 per second. The main challenge for the transformation of air transport in the coming years is to decarbonize it. **Helping airlines to reduce their environmental footprint is the ambition of OpenAirlines**", explains Alexandre Feray, CEO and founder of OpenAirlines.

Over three years, OpenAirlines aims to reduce CO2 emissions by more than 5 million tons per year.

Thus, for three days in Toulouse, OpenAirlines wants to focus its OpenDay event on the issues of decarbonization of aviation. "The decarbonization of aviation is a major undertaking for which the entire sector must come together and work together," insists Alexandre Feray.

Since 2015, these days have been an opportunity to bring airlines together around topics of great importance. For this new edition, more than 30 airlines from all horizons, low-cost, flag carriers, or cargo... from more than 25 countries will be present. On the agenda: masterclass on decarbonization, software training, personalized meetings and workshops led by experts in the optimization of aircraft environmental performance, but also sharing feedback from airlines. Will they find solutions together?

My comment: *The objective of reducing CO2 emissions pursued by OpenAirlines may seem derisory (1% of global emissions), but all initiatives are good to take.*

> Taxonomy: aviation could be included in the list of green activities

(source Les Echos) March 13, 2023 - The subject has long been taboo in the European debate. But **after months of heated discussions** between environmentalists on the one hand, and aircraft manufacturers such as Airbus and airlines on the other, **the European Commission has decided**. After nuclear power and gas, which caused controversy in 2022 and divided Europe, **aviation should be able to benefit from investments in sustainable finance, which is booming**.

The European Commission has decided to include this sector in the green taxonomy. This term refers to a classification of activities that have a favorable impact on the environment. **Its objective is to direct investments towards sustainable activities, with the goal of becoming carbon neutral by 2050.**

This regulatory change comes at a time when Brussels is due to issue a new delegated act (equivalent to a decree), amending a text dating from 2021. The aim is to complete the criteria that apply to maritime, river and rail transport activities. The scope of this text will therefore be expanded.

This delegated act could be unveiled this week, or at the latest early next week. On Friday, Contexte, the website specializing in public political institutions, published a draft version of the project. According to it, **it reserves the green label for zero-emission aircraft and, subject to strong controversy, for aircraft that are intended to replace current fleets by meeting certain energy efficiency criteria.** From 2028 onwards, these aircraft will be required to run on so-called "sustainable" fuels.

For aircraft manufacturers, including air transport in the European taxonomy is necessary to support the complete decarbonization of the industry. Investments in new aircraft should be considered sustainable even if they consume kerosene because they produce fewer emissions per passenger than older models. Airbus has a backlog of 7,239 aircraft, more than 80 percent of which are for its A320neo family of jets, which are equipped with new engines.

But for environmentalists, the criteria proposed by the Commission are not up to the challenge. They would allow the continuation of current activities in the sector and support the growth of the aeronautics industry under conditions that would not be compatible with the European Union's climate objectives.

"The taxonomy would simply put a green label on the usual aviation activities and allow green investments to flow into a sector dependent on fossil fuels," explains Jo Dardenne, director of the aviation division for the NGO Transport & Environment. "It would be a disaster for the climate and one of the biggest acts of greenwashing in aviation," she denounces.

In Paris, the Association des Acteurs de la Finance Responsable (AFR), chaired by

Olivia Blanchard, has launched an initiative to unite committed French and European asset managers and oppose this project, which would "discredit sustainable finance". The European Parliament and Council have two months, renewable once (i.e. a maximum of four months), to veto a delegated act. If they do not use this right, the text is adopted and is legally binding.

My comment: *Should the air transport sector be financially supported to reduce its greenhouse gas emissions?*

Despite the European Commission's decision, the debate is far from over.

However, the airlines' positions are changing.

While they used to emphasize reductions in unit consumption (per passenger-kilometer carried), European airlines are increasingly moving towards a net reduction in their emissions.

In my view, this is the only way to avoid accusations of greenwashing.

It remains to be seen whether they will be followed by their American, Asian or Gulf competitors.

To learn more about taxonomy, I invite you to read the article published by eco-act last November. You will find it on my blog on [the page dedicated to sustainable aviation](#).

Bonus Article

> Climate: IPCC to publish the "report of the reports"

(source Les Echos) March 20, 2023 - **Six years of work and over 10,000 pages summarized in a few dozen. This is the crazy exercise that the IPCC, the Intergovernmental Panel on Climate Change, has just undertaken** by condensing all the major reports it has produced during its sixth assessment cycle.

This synthesis, to be published this Monday afternoon, concentrates the information contained both in its main report (whose three parts were published between 2021 and 2022) and in the three special opuses produced in parallel - on the impact of a warming of 1.5°C, its effect on the oceans and cryosphere, and on the land surface. Above all, **this "report of reports", just adopted by the UN climate experts who spent a week in plenary session in Interlaken, Switzerland, is accompanied by a particularly awaited text: a "summary for decision-makers" that was examined and approved sentence by sentence by the governments, each of which has one vote.**

Compact as they are, **these texts are fundamental. They will "form the scientific basis for international climate negotiations for many years to come"**, explains climate scientist Gerhard Krinner, one of the 30 scientists on the main drafting team. It is an unquestionable tool on which all states will rely. "

It's a fairly political document, a kind of roadbook for governments. They are saying: this is what we recognize about climate change and what we validate as a scientific reference," says political scientist François Gemenne, lead author for the IPCC.

This report will therefore shape political decisions at the next COP, the world climate conferences. Starting with COP28, scheduled to take place in Dubai at the end of the year. **In particular, it will serve as the "backbone" of the very first global assessment of the implementation of the Paris Agreement.** An assessment that should make it possible to evaluate the progress of States to address the climate crisis and see how to accelerate the movement "to avoid disaster", emphasizes the World Resources Institute (WRI).

The IPCC

report "comes at a turning point", insisted the UN Secretary General at the opening of the working session. "We are approaching the point of no return, exceeding the internationally agreed limit of 1.5 ° C of warming," warned once again Antonio Guterres.

But "it is not too late, as you have shown," he said, while urging leaders to "understand the enormous consequences of delay, and the enormous benefits of making difficult but essential choices.

Its experts keep repeating it: **the IPCC does not advocate anything, it is not in its mission.** The hundreds of authors of the reports sift through tens of thousands of scientific studies already published in peer-reviewed journals. And while it has discussed all the possible solutions for reducing greenhouse gas emissions and adapting to global warming, it does not recommend any policy to governments.

On global warming, the basic message of the experts does not change.

Although some things have changed in recent years. "Science is talking about the climate emergency, which it did not do much before. And **the scientific literature is now saying that we need to act during this decade,**" notes Yamina Saheb, an energy policy expert and also a member of the senior writing team.

In the synthesis, some messages could be clarified. At the time of the last IPCC

publication in 2022, the (false) idea that there were "three years left to act" was widely taken up by the media and politicians. It was in fact an unfortunate interpretation of a sentence. Several authors had tried to correct the situation in an article in "Le Monde" and assured that "there is no deadline". Because there is no question of scientists "giving the impression that if the 1.5°C is exceeded, it is the end of the world", assures Gerhard Krinner.

My comment : Note : the text below comes entirely from the franceinfo website. It is

Anne Le Gall's scientific post, dated March 20, 2023. I did not consider it necessary to amend it.

For 35 years, the mission of the Intergovernmental Panel on Climate Change (IPCC) has been to enlighten decision-makers and citizens on the reality of climate change and to do so, to regularly establish critical summaries of the thousands of scientific publications on the subject. This means that the IPCC scientists, who represent 195 countries, are obliged to answer all the questions, doubts and comments sent to them by their colleagues around the world. And that each sentence written in the different reports is scrupulously weighed and validated by the entire scientific community.

The synthesis published on Monday 20 March 2023 summarizes the 10,000 pages of previous work. We can thus retain that our world is warmer, by 1.1°C compared to the beginning of the industrial era in 1850. It is also important to know that this is a climate change without precedent for 125,000 years and that there is no longer any scientific doubt that this climate change is the consequence of greenhouse gas emissions, due to human activities.

This warmer world is already causing more forest fires, heat waves, storms, and decreases in agricultural yields. To limit the risk of irreversible damage, we need to stay below 1.5°C or 2°C of warming by the end of the century, but this is not the trajectory we are on. Today we are heading towards a warming that could be 2.7°C by 2100.

We can be reasonable, if...

What gives hope is that there is also a scientific consensus on some solutions to get out of it. It is still possible to mitigate this climate change by urgently adopting appropriate policies. For example, in the agricultural world, by thinking about the place of livestock, which is a major emitter of greenhouse gases, or by restoring forests, human areas or by adapting energy choices, city architecture, transportation, etc.

There is another scientific certainty: the longer we wait for these measures to limit greenhouse gas emissions, the greater the effort required.

End of the press review

> Air France-KLM share price trend since 2022



The event that had the greatest impact on the share price in 2022 was the capital increase in June of 2.256 billion euros. This was used to accelerate the repayment of state aid and to reduce debt.

In 2023, the removal of state aid restrictions, the good 2022 results and the gradual improvement of the company's balance sheet were welcomed by analysts.

No new comments

> Air France-KLM share price trend

Air France-KLM shares closed at 1.5765 euros on Monday 20 March. It is down this week by -5.77%. It is suffering from the aftermath of the Californian bank failures.

It was at 1.253 euro on January 2, 2023.

The average (consensus) 12-month analysts' rating for AF-KLM shares is 1.75 euros. The highest price target is 2.30 euros, the lowest 1.10 euros. I only take into account analysts' opinions after the May 2022 capital increase.

You can find the details of the analysts' consensus on my blog.

My new comment: Down for the second week in a row, "after the spectacular bankruptcy of the Silicon Valley Bank, under the effect of massive withdrawals of its customers. A failure that raises fears of a contagion effect on the entire banking sector, while UBS announced the purchase of Credit Suisse, Sunday, March 19. (source: Capital)

The analysts' consensus rose from 1.72 to 1.75 euros following an increase in Alpha Value's price target.

> **Fuel price evolution in 2022**

Since the beginning of the war in Ukraine, there is no longer any correlation between the price of a barrel of Brent oil and a barrel of Jet Fuel. In 2022, the difference between the two products has fluctuated between \$30 and \$50, while in previous years it was no more than \$10.

No new comments

> **Fuel price changes this week**

The barrel of Jet Fuel in Europe is down again this week by -\$7 to \$99. After peaking at \$182 in June 2022, it was down to \$132 in early August. It was at \$79 before the outbreak of the war in Ukraine.

Brent crude oil (North Sea) is down this week by -\$8 to \$73. This is close to the average level observed over the past five years, excluding exceptional events. From mid-February 2022 to the end of July, it was yo-yoing between \$100 and \$120. Since then, it has oscillated between \$85 and \$99.

While oil has been back to a normal level for several weeks, **jet fuel is now approaching its normal level. The difference between jet fuel in Europe and Brent crude oil is now only \$26 per barrel.** In 2022, at the beginning of the Ukrainian conflict, this spread was close to \$50.

My new commentary: Little by little, the price of JetFuel is approaching the level (\$79) it had before the outbreak of the conflict in Ukraine.

Good to know

> **Advice for employees and former employees who are shareholders**

You will find on my [navigaction](#) site [the modalities of access to the managers' sites](#).

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

Keep all the documents related to your Air France-KLM shares in one place: all the letters you receive from the different managers, Natixis, Société Générale, your

personal financial institution if you bought your shares through it.

> **Management of employee investment funds**

When you invest money in one of the Air France FCPE funds, you get 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 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 stocks.

My comment: *If you would like more information on the management of the various Air France FCPEs, please consult [my website navigation, section Air France-KLM employee shareholding](#).*

Details

This information is not intended to be 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 better carry out my duties as a director of the Air France-KLM group.

You can ask me, by return, any question relating to the Air France-KLM group or to employee share ownership...

See you soon.

To find the last press reviews of Monday, it is [here](#)

If you like this press review, please pass it on.

New readers will be able to receive it by [giving me](#) the email address of their choice.

| François Robardet

Director of Air France-KLM representing the employees and former

employees shareholders of PNC and PS.
You can find me on my twitter
account @FrRobardet

Alternate Nicolas Foretz, PNC



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