

Rio-Paris crash: the prosecutor's office appeals

I Letter from the Director of Air France-KLM

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



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Representative of the employees and former employees shareholders PS and PNC

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Monday's Press Review

> Rio-Paris crash: the prosecution is appealing the acquittal of Air France and Airbus

(source Les Echos) April 27, 2023 - A new judicial twist in the **case of the crash of flight AF 447** between Rio and Paris on June 1, 2009. This Thursday, **the Paris public prosecutor's office appealed the acquittal pronounced by the Paris criminal court on April 17 against Air France and Airbus.**

The airline and the European aircraft manufacturer were prosecuted for involuntary manslaughter in the crash, which killed 228 people. The Criminal Court of Paris has cleared them of the criminal charges. "On April 26, 2023, the public prosecutor of Paris appealed this judgment," the prosecutor's office said in a statement. "He thus intends, in the face of the various decisions made during these proceedings, to submit the case to a second level of jurisdiction, giving full effect to the remedies provided by law," the prosecutor continued.

During the trial, which took place from October 10 to December 8, **the prosecutor's office had requested the release of the accused, considering that the guilt of the two companies was "impossible to prove"**. This position was shared by the criminal court. **On April 17, the judges in charge of the case had considered that no causal link between the incriminated anemometric probes or the faulty information on the one hand, and the accident on the other hand, could be**

demonstrated.

The court also considered that the pilots had the necessary knowledge to deal with the freezing of the probes. After thirteen years of proceedings and two months of trial, the lawyers of the two companies had also pleaded for acquittal. **But the final decision to acquit the two companies was met with "disgust" by the relatives of the victims of the crash**, who left the courtroom on the day of the judgment, expressing their anger: "We expected an impartial judgment, but that was not the case. We are disgusted", reacted Danièle Lamy, president of the association Entraide et Solidarité AF447. "All that remains of these fourteen years of waiting is despair, consternation and anger," she added.

This Thursday, Alain Jakubowicz, lawyer for some 40 victims and the Entraide et Solidarité association, expressed his "immense relief". **"This appeal by the public prosecutor's office was the last chance for the families of the victims,"** he insisted, underlining the numerous "errors in this case. Alain Jakubowicz hailed a **"very rare decision by the public prosecutor"**. "There will be a new trial, and the determination of the families will be even greater. This leaves us with a lot of hope," he said.

When contacted, Simon Ndiaye, Airbus' lawyer, did not wish to react immediately. For his part, François Saint-Pierre, Air France's lawyer, could not be reached immediately.

My comment: *Can one be responsible but not guilty?*

This is what emerged from the judgment handed down on April 17 (see my [letter n°908](#)).

Beyond relieving the families of the victims, the appeal of the decision should notably lead Airbus to explain the thirty or so grievances listed in the deliberation. The judge had recognized that carelessness had been committed without this being considered a crime.

> **Aviation industry cries crocodile tears over flight cuts**

(source Het Financieele Dagblad, translated with DeepL) April 27, 2023 - The Dutch government backed down earlier this month. **A judge blocked the government's plan to reduce the number of flight movements - or "slots" - by 10 percent. Despite this, Schiphol CEO Ruud Sondag went ahead with his plan to ban night flights and private jets at the airport.** Local residents reacted with caution and positivity, while the aviation industry was quick to condemn the plan. But these were crocodile tears, because most airlines and Schiphol will probably benefit. After all, **is this reduction in the number of flights really so dramatic for the airlines and for Schiphol itself?** Studies show that carriers that serve airports where slots are scarce can charge higher prices for their tickets. Simply because high demand keeps pushing up the price of a contracted offer. So they end up getting

better returns on their routes.

With a 10 per cent contraction, Schiphol would be comparable in size to London's Heathrow airport, an airport that, with its two runways, has been at its maximum capacity of 475,000 slots for years. Yet Heathrow remains an important European hub. Like Schiphol with KLM, Heathrow also has a dominant national airline, British Airways, which has an extensive hub network. In addition, both Heathrow and Schiphol have limited competition within a 200-kilometer radius.

The similarities end there. **London Heathrow has the highest fares in Europe. British Airways fills Heathrow's planes with local passengers who pay full price for their tickets, plus transfer passengers from its hub-and-spoke network.**

Thanks to its near-monopoly position in the British Isles and an appropriate pricing strategy, **Heathrow has been Europe's most profitable airport for years.** British Airways has also been posting strong profits year after year. This is not exactly the dire picture of contraction that the airline industry often portrays.

Limiting the number of flight movements at Heathrow has not resulted in a lack of capacity. On the contrary: **many airlines have opted for new, larger aircraft** because of the scarcity of slots. It can carry more passengers as well as more cargo. **This also makes it one of the largest cargo airports in Europe.**

(...)

For local residents, most airlines, cargo operators and Schiphol, the balance of the proposed measures is moderately positive. For consumers, however, there are problems. The study cited above points out that the increase in ticket prices leads to displacement: **capacity at Schiphol is increasingly reserved for those who are willing to pay more for it. Flying from Schiphol thus becomes more expensive.**

The scarcity created can also increase the costs for Schiphol airport users. As a result, **price hunters, holidaymakers and other low-cost airlines will divert to cheaper airports in the region.** In this regard, the Netherlands does not have much to offer: Lelystad is not operational, Rotterdam and Eindhoven are full. But Groningen and Maastricht still have free capacity, although some low-cost airlines will also head for Germany or Belgium. The budget-conscious Dutchman will therefore soon have to find an alternative to Schiphol.

For consumers, there will be less choice at Schiphol. Studies of airports with capacity restrictions show that fewer destinations are served there - carriers focus on routes that work well when there are shortages. **With a partner like Air France, Dutch consumers will still be able to fly to many destinations via Paris. This means more profit for KLM as well as growth in the number of transfers via Paris.** At Air France-KLM, the champagne is already chilled.

The contraction initiated by policymakers at Schiphol is a first in Europe. Foreign airports are watching developments in the Dutch polder with suspicion. **Competitors welcome flights that are no longer welcome at one of Europe's largest airports. But**

they are **wary that their own governments will follow the Dutch lead**. The future will show what the effects will be. For this reason, many scientists, both national and international, are following the Dutch experience with great interest.

Despite the benefits for the environment and the climate, **consumers will start to suffer from the shrinking of Schiphol. The airlines and the airport will benefit. The airline industry's crocodile tears about the shrinking of Schiphol should therefore be taken with a grain of salt.**

***My comment:** The thesis defended by the author of this article is admissible: the activity restrictions imposed at Schiphol could benefit the airlines.*

At least in terms of financial results, because the impact on employment would necessarily be negative.

> **Air France at the center of an arm wrestling match between Paris and Beijing** (source Les Echos) April 25, 2023 - Five months after the lifting of health restrictions in China, the battalions of Chinese tourists, who used to be the pride of French tourism, have not yet made their reappearance in Paris. And their absence will probably continue to be felt this summer. A discreet tug-of-war between Paris and Beijing over the balance of air links between the two countries is indeed slowing down the revival of air links and the return of Chinese tourists. To the great displeasure of some big names in tourism who are starting to mobilize.

In order to protect Air France, the French government has indeed undertaken to renegotiate the agreement concluded in 2017, which opened the doors of France to Chinese companies. A clause in the treaty provided for its suspension in the event of the closure of Russian airspace, forcing European companies to make a large and costly detour to reach China. **Each additional flight between France and China now requires a green light from both countries, which** has the effect of slowing down the revival of traffic between France and China, but also of maintaining high prices. And no agreement seems to be in sight in the short or medium term, as Paris is willing to suspend the treaty as long as the Russian overflight ban lasts.

The bilateral treaty signed on March 31, 2017, was very favorable to the development of Chinese tourism in France, since it allowed Chinese and French airlines, to operate up to 128 flights per week and per flag, against 50 previously. Knowing that at the time, flights under the French flag were limited to the 32 weekly frequencies of Air France (including a part in code-share with its partner and shareholder China Eastern) and three flights per week of Aigle Azur, while the four Chinese airlines - Air China, China Eastern, China Southern and Hainan Airlines - were blocked to 50 flights per week.

But the agreement, which was supposed to be fully applicable from 2020, never

came into force, due to Covid. And since then, the situation has changed. **Air France** is not only the only French airline to face the four Chinese airlines, but it was already struggling to make its flights profitable before the crisis, and **now has to deal with a fuel surcharge of around 20% on flights to China, due to the obligation to bypass Russia. This constraint does not apply to its Chinese competitors.** Air France has even had to suspend its code-share with its partner and shareholder China Eastern, because it cannot fly its customers on an aircraft over Russia.

This explains the current weakness of Air France's offer to mainland China, currently limited to one flight per week to Beijing and Shanghai (and three to Hong Kong). The aim is to increase to three flights a week in May, then to a daily flight to each destination in July. We are waiting for government authorizations to switch to daily flights from July 1," says Air France. In comparison, KLM has already gone back to six flights a week to China. As a result, even with the addition of Chinese flights, **Roissy-CDG, which used to be the main gateway for Chinese tourists to Europe, with 93 flights per week, is now** clearly behind the other major European airports in terms of connections with China. The Paris airport **can only offer 12 flights per week**, compared to 25 for London-Heathrow, 24 for Frankfurt and 21 for Amsterdam.

The main virtue, in the eyes of Air France, of this reduced offer is to ensure high fares and good profitability. But this assumes that Chinese airlines cannot flood the market with additional flights. And therefore, that the 2017 agreement be revised to ensure a better balance between the French and Chinese flags, as long as the ban on overflying Russia lasts. This is what the French government would have made known again last week, to the Chinese Minister of Commerce, who came to Paris to demand more flights.

But this obviously does not do the business of the many sectors of tourism, trade and leisure, which are eagerly awaiting the return of the Chinese tourist manna. They have demanded that the state restore the 2019 level of air connectivity. Without success so far.



My comment: The ban on overflight of Russia for Air France has two consequences :

- . Lengthen the flight time of Air France by two hours (thus increasing the cost of the journey),
- . Prohibit Air France from selling codeshare seats on Chinese airlines' flights.

This measure does not apply to Chinese airlines creating a strong distortion of competition. It is in the passengers' interest to give them preference.

The 2017 agreement still needs to be amended to remedy this, but how? It will be difficult to make Chinese airlines bear part of the additional cost of Air France flights.

> Airline ticket prices are skyrocketing but airlines are filling up for the summer

(source Europe1) April 30, 2023 - **Ticket prices have jumped**, inflation is eating away at purchasing power, **but airlines serving Europe say they are filling up with bookings for the summer**, letting the pandemic disappear a little more in the rear-view mirror.

(...)

The law of supply and demand is doing its work and, in **France, ticket prices jumped 23.6% over one year in the first quarter of 2023**, according to statistics from the Ministry of Ecological Transition.

Underlying much of the phenomenon is the explosion in the cost of hydrocarbons following Russia's invasion of Ukraine, as kerosene accounts for about 30% of carriers' costs. "Because of the 71% year-on-year increase in oil, our average fare has increased by 31%," Easyjet CEO Johan Lundgren told AFP. But **other factors come into play, such as "a very strong increase in maintenance costs"** related to the scarcity of certain metals and disrupted supply chains, according to Marc Rochet, head of the French companies Air Caraïbes and French Bee. He also mentions the repercussions of wage increases in the sector.

However, "we don't see any weakening of demand", says Mr. Lundgren, even if he concedes that customers "are looking for the best quality-price ratio".

Nicolas Henin, deputy general manager of Transavia France, in charge of sales and marketing, feels the same way

(...)

After having tended to book very late during the pandemic, when uncertainty reigned over border closures, travelers, "more selective on prices", are also gradually returning to their previous behavior, taking their tickets five months in advance for long-haul flights, according to Mr. Rochet.

(...)

In this context of rising prices, **the airlines** have "for many achieved higher revenues in 2022 than before the crisis, although the capacity remains below", noted Pascal Fabre, a specialist in this field at AlixPartners, at a recent press lunch. These carriers **"have generated cash and started to deleverage". This is the case of Air France-KLM, which announced on Wednesday evening that it had "fully reimbursed" the aid granted by the French government to enable it to survive the health crisis.**

The downside of this optimism is that airline executives, scalded by the saturation of airports last summer due to a lack of personnel, are now talking about the risk of a return to saturation of European skies during the high season, a potential chaos of which they had a foretaste in March due to the strike of French air traffic controllers.

My comment: Last summer, specialists explained the strong rebound in airline activity by the desire of customers to make up for lost trips (revenge travel).

Specialists estimated that this rebound would last only one summer and predicted a drop in demand leading to a drop in prices.

It is clear that the drop in demand has not been felt and that prices continue to remain high.

All the more so as slot restrictions at certain airports (see the article "Aviation weeps crocodile tears over flight cuts" above) are prompting airlines to increase their fares.

> Airports: ADP Group exceeds pre-crisis revenues in Q1

(source AFP) April 26, 2023 - Airport operator **Groupe ADP exceeded its pre-sanitary crisis revenue level in the first quarter, at 1.2 billion euros, on the back of** a "solid recovery in air traffic" and despite strikes in France, it announced Wednesday. ADP Group, which manages some 30 airport platforms worldwide, including Charles-de-Gaulle and Orly serving Paris, **saw its activity grow by 40.7% compared to the same period last year**, said in a statement the company, which is majority-owned by the French state.

(...)

In the first quarter, **ADP Group's airports saw 69.3 million passengers pass through, 95.2% of the level for the same period in 2019. Its two Paris hubs fared slightly worse at 88.7% of pre-crisis levels, or 21 million passengers. Orly and to a lesser extent Charles-de-Gaulle have been affected by the strike of French air traffic controllers against pension reform**, which, the group said on April 17, caused them to lose about 470,000 passengers in the first quarter. After two years of massive losses due to the pandemic that torpedoed global air traffic from March 2020, the group, in which the French state is a 50.6% shareholder, has largely returned to the green in 2022, at 516 million euros in net profit.

Counting on a "significant traffic this summer", according to its chief financial officer Philippe Pascal, it confirmed Wednesday its annual targets, estimating to reach in 2023 between 95% and 105% of its passenger volume of 2019 on all its platforms in the world. **For its Paris airports, ADP Group still sets its targets between 87% and 93% of passenger volumes of 2019 this year, and between 90 and 100% in 2024.**

***My comment:** Like airlines, airports are seeing a return of passengers.*

> 3D scanned luggage: experimentation at Orly for more security and speed

(source AFP) April 27, 2023 - "**You take absolutely nothing out of your luggage**", no more transparent pockets as toilet bags: Orly airport is experimenting with 3D scanners for carry-on bags, a technology that makes security checks more fluid while gaining in precision.

(...)

At the departure of Orly airport's terminal 3, where the two scanners have been tested since October, some passengers are surprised not to have to open their bags, while others, used to traditional controls, mechanically put in the plastic bins the pouch in which they had already put their small cosmetic products.

In addition to saving time for users, the technology also improves the accuracy of security checks.

While other European airports such as London's Heathrow and Amsterdam's Schiphol are also experimenting with the system, Paris is equipped with the most recent version of the software, which is therefore faster to run, according to ADP. In front of **the 3D visual of a suitcase that appears in a few seconds** on his screen, the operator "will be able to turn over the image, to look at it from every angle", says Mr. Arkwright, which **allows "to know if the object he has spotted requires a removal of doubt, therefore a manual search, which will take two or three minutes"**.

The employees of S curitas, ADP's subcontractor at these checkpoints, are already delighted that they no longer have to repeat "a thousand times in an hour that all liquids must be removed" as part of this test.

After this one-year trial phase at Orly, launched in October 2022, the system will be tested at Roissy Charles-de-Gaulle airport starting in October 2023.

***My comment:** A test had been carried out a few years earlier to detect liquids inside luggage, but had not been satisfactory.*

The prospect of the 2024 Olympic Games in Paris served as a gas pedal for the implementation of this new baggage scanning system.

It should be implemented at Roissy just after the Rugby World Cup, organized by France from September 8 to October 28, 2023.

> Aubert & Duval: Airbus, Safran and Tikehau Capital finalize the acquisition

(source Air & Cosmos) April 28, 2023 - **The Aubert & Duval takeover deal launched by Airbus, the Safran group and Tikehau Capital is now finalized.** The deal was officially announced in February 2022. This takeover is an opportunity for the two industrialists and the investment fund to appoint a new chairman for Aubert & Duval. Bruno Durand (...),

Group Vice President, Industry, Purchasing and Performance at Safran in 2020, is leaving this position to focus on Aubert & Duval's transformation project, working alongside Safran's CEO. Bruno Durand's appointment comes as no surprise. **When the acquisition was launched, it was agreed that the Safran group would "play the main role in the company's operational management"**. Bruno Durand's career path is in line with this appointment.

Aubert & Duval is the world's second largest producer of high-power forged parts for aerospace structures, aircraft engines, landing gear and land turbines. It is also one of the only producers to forge these four types of

materials: special steels, superalloys, aluminium alloys and titanium alloys.

Aubert & Duval is also present in forgings (ingots, round bars, square bars, shafts, tubes or hollow forgings in special steels, titanium alloys or superalloys via presses of up to 4,500 tons and heat treatments), long products (bars, flats, ingots and wires in Aubert & Duval's high performance steel or nickel-based alloy bars, flats, ingots and wires for processing or machining) and metal powders (for additive manufacturing, manufactured by argon atomization (solidification of fine gas droplets at high pressure) or by melting in a vacuum induction furnace)

In September 2017, the former shareholder had inaugurated the first aerospace titanium plant by recycling in Europe. Located in Saint-Georges-de-Mons in the Puy-de-Dôme region, the site was to produce several thousand tons of titanium alloy ingots each year to meet the strong demand of the aerospace markets through the recycling of "massive titanium scraps and chips collected from aerospace manufacturers and their subcontractors."

An integrated aerospace titanium chain offering a new supply route totally independent of existing American and Russian suppliers: ore extraction and titanium processing at UKTMP in Kazakhstan, forging of titanium ingots at UKAD, the joint subsidiary of Aubert & Duval and UKTMP; closed die-forging of parts at Aubert & Duval, finishing at MKAD, then recycling of offcuts and chips at EcoTitanium.

This ambition is all the more vital since the invasion of Ukraine by Russia.

My comment: *The pandemic, the war in Ukraine and especially the environmental crisis are pushing companies to relocalize in order to better control their supply chain.*

One challenge is to reinvent economic models based on short circuits by limiting price increases.

Another challenge is mentioned in the article: recycling.

The energy transition requires building new infrastructures for the production, storage, transport and use of energy, which consume many "basic" raw materials and rarer substances. The recycling of the main raw materials (copper, steel, aluminum, ...) will be essential.

If you are interested in this subject, I invite you to listen to the conference "Energy versus raw materials: Is the transition really possible?" by Olivier Vidal, researcher at the CNRS in Grenoble. You will find the link on my website on the [Sustainable Aviation](#) page.

> **Historic European agreement on sustainable aviation fuels**

(source Les Echos) April 26, 2023 - This time, it's good! After the failure of a first triologue in December, **representatives of the European Commission, the Council of the European Union and the Parliament have finally reached an agreement on** what is the central piece of the European decarbonization scheme for air transport. The **rules for the use of sustainable aviation fuels (SAF)**, considered the main tool for reducing CO2 emissions.

The text adopted during the night, which must still be ratified by the Council and Parliament, is even more ambitious than the Commission's initial proposal. This seems to satisfy both environmental organizations and airlines, which found the first draft insufficient. **"This pioneering agreement gives full support to the world's largest mandate for sustainable aviation fuels," says Matteo Mirolo, head of sustainable aviation fuels at the European NGO Transport & Environment, which has been working hard on this issue.** "They give airlines confidence that sustainable fuels, and **in particular e-kerosene**, will gradually become cheaper and more widely available."

The future regulation has increased the minimum percentage of non-fossil fuel that should be incorporated into jet fuel. This incorporation rate will start at 2% per year from 2025, rising to 6% in 2030, 20% in 2035, 34% in 2040, 42% in 2045, and rising to 70% by 2050, the date by which air transport has committed to carbon neutrality.

The triologue also increased the share of synthetic fuels, which are produced from hydrogen and are more environmentally friendly than fuels produced from vegetable or organic matter. They will have to represent 1.2% on average per year between 2030 and 2031, then 2% in 2032 and 2035, 5% from 2033 to 2040, 10% from 2040 to 2045, 15% from 2045 to 2050 and 35% from 2050 onwards.

These percentages may seem low, but they are significantly higher than the 0.7 percent initially proposed by the Commission between 2030 and 2034. And they will require a considerable effort from fuel producers to reach the necessary quantities, given that the quantity of ADC is still very insufficient.

World ADC production in 2022 is about 125 million tons, so 350 to 450 million tons will be needed to cover the needs of air transport by 2030. In Europe alone, nearly 4 million tons of ADC will be needed annually by 2030, which will require the construction of some 30 production sites.

This also represents a financial effort for the companies, knowing that these CAD are on average four times more expensive than conventional kerosene. According to the A4E association of European airlines, annual expenditure on sustainable fuels in Europe will reach 20 billion euros by 2030.

(...) In addition,

the agreement has also removed some of the obstacles that could have made these

objectives unattainable. **The negotiators have endorsed the idea that the hydrogen needed to produce synthetic fuels can be produced with either nuclear or renewable electricity.** At the previous dialogue in December 2022, anti-nuclear representatives scuppered the agreement by demanding that nuclear hydrogen be excluded from the scope of sustainable aviation fuels. Given the enormous amount of decarbonized electrical energy needed to produce the quantities of hydrogen requested, this was tantamount to torpedoing the air transport decarbonization plan in advance.

In the same spirit of realism, **negotiators also rejected the idea of limiting the amount of biofuels produced from animal fats and used cooking oils.** This would also have made the targets more difficult to achieve. The text sticks to the safeguards initially foreseen, **prohibiting the use of raw materials likely to compete with agri-food production or deemed too harmful for the environment, such as palm oil.**

In the end, the European bill is the most ambitious in the world in terms of ADC production and the most restrictive in terms of authorized raw materials. It is also the first to take into account greenhouse gas emissions other than CO₂, by opening the way to regulations on aromatic fuel additives, which are major contributors to emissions. The icing on the cake is that an "ecolabel" will also be created to inform passengers of the environmental performance of their flight.

On the other hand, the draft regulation remains primarily coercive, with obligations and fines for those who do not respect them, and it **still largely overlooks possible incentive measures** that could help airlines finance their energy transition. **This could result in a further loss of competitiveness for European airlines, particularly in comparison with their competitors across the Atlantic,** who benefit from government subsidies for the purchase of sustainable fuel. **But it could also lead to a sharp rise in the price of air tickets, which would limit the travel possibilities of the less fortunate.**

***My comment:** This agreement is a step in the right direction, but there is still a long way to go.*

One of the people I spoke to recently pointed out why the US will produce sustainable aviation fuel faster than the Europeans.

In Europe, to get support for sustainable fuel production, you have to go through a never-ending administrative process.

In the U.S., it's nothing like that. For every ton of sustainable fuel produced, you automatically receive a lump sum payment.

> **Why the compensation of the Air France-KLM boss will triple this**

year

(source Les Echos) April 25, 2023 - Like other shareholders' meetings before it, **Air France-KLM's June 7 general meeting will have to deal with the ever-sensitive issue of its executives' soaring remuneration.** With the lifting of the constraints linked to state aid and the return to profit for Air France-KLM, Benjamin Smith's cash compensation for the 2022 fiscal year should more than triple this year, from 900,000 euros to 3.049 million euros.

In detail, **Ben Smith's cash compensation consists of 900,000 euros in fixed salary and 1,059,769 euros in variable salary for 2022, to which will be added this year the 1,089,984 euros in variable salary for 2021, whose payment had been blocked until the repayment of at least 75% of the state aid granted in 2020 and 2021. A condition now met.**

To this sum, we can also add 2 million euros worth of shares in the group, which can only be monetized in 2025 and under certain conditions, as well as 275,380 euros worth of benefits in kind per year. These include a company car with driver, contributions to a health insurance and provident scheme, a housing allowance, air tickets and tuition and consultancy fees.

However, as the group points out in the registration document published Monday evening, "Benjamin Smith's compensation conditions have not changed since his arrival at Air France-KLM in 2018." To put it plainly, the Air France-KLM boss has not been raised. He will only recover the variable part of 2021. His compensation will return to normal next year. And the boss of Air France-KLM will not get back the variable part of 2020, which he had given up, nor the 25% reduction in his fixed salary also announced that year.

Moreover, Benjamin Smith will not be the only one to benefit from the lifting of the constraints imposed by the European Commission. **The other members of the Air France-KLM Board of Directors, as well as the group's general managers, will also see their remuneration conditions restored in full. In particular, Comex members will be able to receive bonuses again.**

However, this return to normality is likely to make some Air France-KLM shareholders cringe, as they have not received a single dividend for a decade and their share value is far from having returned to its pre-crisis level, notably due to successive capital increases. **In the Netherlands in particular, the issue of Air France-KLM executives' salaries has already caused controversy.**

However, even if some of them want to oppose it, the participants of the AGM will only have a say on the long-term variable part - the 2 million euros of shares - the other elements of Ben Smith's remuneration being fixed contractually. Moreover, **the Air France-KLM boss is far from being the best paid of the major airline managers.** If he had stayed at Air Canada and become its CEO, Ben Smith

would have received no less than 12.4 million Canadian dollars this year. **His main European competitor, Lufthansa boss Carsten Spohr, pocketed nearly 5 million euros. As for his main strategic partner, Delta's boss Ed Bastian, his compensation exceeded 14 million dollars.**

My comment: *As every year at the same time (before the Air France-KLM shareholders' meeting), criticism of Ben Smith's remuneration is flying in the Netherlands, even though this remuneration has been unchanged since his arrival in 2018.*

This was the case last year. Here is the answer I gave in April 2022 in [my letter #855](#). It is still relevant today.

Let's review the timeline of events since the beginning of the health crisis.

As soon as the crisis began and the partial activity was implemented in France, in March 2020, the CEO of Air France-KLM and the CEO of Air France reduced their fixed remuneration by 25% and waived their variable remuneration for 2020, thus marking their willingness to make an effort in the same way as Air France employees.

A few months later, when the NOW program was introduced in the Netherlands (the counterpart of the French partial activity scheme, but more advantageous), the CEO of KLM also waived part of his compensation.

When Air France received financial support from the French government, conditions were imposed on the airline by the government, such as the closure of routes or the need to drastically reduce CO2 emissions by 2030 [non-exhaustive list].

When KLM received financial support from the Dutch state, different conditions were imposed. Employees had to reduce their pay (up to 20% for the highest earners). In addition, the Dutch state prohibited the payment of variable shares to KLM managers until the aid was repaid [list not exhaustive].

Then, when Air France was recapitalized for the first time, the European Commission imposed constraints, such as giving up slots at Orly or freezing the variable portions of executives (of Air France and Air France-KLM) until 75% of the State aid had been repaid.

KLM, which has not been recapitalized, has therefore not been forced by the European Commission.

As you can see, Air France and KLM have received different types of aid from their

respective governments, so it is normal that the constraints vary from one company to another.

End of the press review

> **Air France-KLM share price performance over the past year**



Two events have impacted the share price over the past year:

- . in June 2022 the capital increase of 2.256 billion euros
- . in February 2023, the announcement of good results for 2022.

No new comments

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

Air France-KLM shares closed at **1.569 euros** on Friday 28 April. It is **up** this week by **+1.85%**.

It was at 1.253 euros on January 2, 2023.

The 12-month analysts' average (consensus) for AF-KLM shares is 1.85 euros (it was 1.55 euros in early February). The highest price target is 2.40 euros, the lowest 1.10 euros. I only take into account analysts' opinions after the May 2022 capital increase.

According to AFP, the markets are mixed, between slowing inflation and fears of recession in the United States.

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

No new comments

> **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 spread between the two products has fluctuated between \$30 and \$50, while in previous years it was no more than \$10.

For the past two months, the spread between the two products (Jet Fuel and crude oil) has been narrowing and is approaching the spread that existed before the war in Ukraine

No new comments

> **Fuel price changes this week**

The barrel of Jet Fuel in Europe is down this week by -\$3 to \$94. 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 -\$3 to \$80. The effect of OPEC+ production cut announcements is fading.

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

While oil has been back to a normal level for several weeks, **Jet Fuel is now very close to its normal level. The difference between jet fuel in Europe and Brent crude oil is now only \$14 per barrel.** In 2022, at the beginning of the Ukrainian conflict, this gap was close to \$50.

While it is too early to draw any definitive conclusions, this is good news for airlines. If confirmed, they will be able to devote more resources to sustainable aviation fuels.

No new comments

Good to know

> Advice for employees and former employees who are shareholders

You will find on my [navigation](#) 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.

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