

Planes will be full this summer despite soaring prices

I Letter from the Director of Air France-KLM

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

(Air France-KLM Group raison d'être).



François Robardet

Representative of current and former employee shareholders PS and PNC

N°919, July 3, 2023

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Monday's Press Review

> Planes will be full this summer despite soaring prices

(source Les Echos) June 30 - After the summer of reconquest in 2022, **the summer of 2023 is shaping up to be the jackpot summer for French and European airlines**. Even if the overall supply of aircraft is not quite back to its 2019 level, available aircraft have been fully booked, at fares that are on average 15% to 20% higher than pre-crisis levels. And, to top it all off, oil prices have fallen by more than 20% since last summer.

Passengers have resumed the good habit of booking well in advance. And, having

learnt the lessons of last summer, airports and airlines are better prepared to cope with the influx of travellers, by beefing up their staffing levels. **All the basic ingredients are now in place to enable airlines and airports to expect record profits this summer.**

Air France, for example, expects to align 95% to 96% of its 2019 offer this summer. We're better prepared this year," said CEO Ben Smith recently. At Air France, we now have more capacity than in 2019".

The same reassuring tone was heard from the Paris airports. **"The necessary recruitments have been made** and a robustness plan for our baggage sorting systems has been put in place, with an increase in maintenance staff at our service providers", **says ADP.** A hundred additional reception staff are planned at Roissy-CDG. Even the usual black spot, **the air and border police, has finally found a way to reinforce its control staff,** with the deployment of 272 "contract workers" at Paris airports!

Once again, the main winners will be the low-cost airlines, led by Ryanair.

They have the double advantage of offering a sharply increased offer (+24% in early June for Ryanair versus June 2019) and serving the most popular Southern European destinations, such as Italy, Greece, Portugal and Spain. Four destinations that have already returned to their pre-crisis traffic levels.

Other summer winners: long-haul airlines well positioned to serve North

America. In particular, those linking the United States to France, led by Air France. This summer, traffic between the U.S. and Europe should amount to some 530 flights a day! And France tops the list of European destinations, with a 10% increase in capacity compared to 2019, and almost 50 flights a day this summer.

(...)

Turkey also continues to stand out in several respects. Its air traffic with France is up 30% over the first five months of the year, compared with 2019. Its national carrier Turkish Airlines posted the strongest growth (9%) of any hub carrier in the European airspace. And activity at Istanbul International Airport exceeded that of all other major European airports in early June, with an average of 1,505 flights a day (compared with 1,325 at Roissy-CDG) and growth of 22% vs. 2019.

(...)

My comment: *The first two weeks of July will enable us to gauge the effectiveness of the measures taken to avoid the malfunctions observed at Roissy last summer.*

Beyond that, I'd like to say a few words about Turkish Airlines.

The Turkish national airline benefits from unfailing support from its government, which has resulted in the opening of a brand-new airport.

Ideally placed between Europe, Asia and Africa, it offers major growth prospects for Turkish Airlines. With 70% of the destinations it serves accessible with single-aisle aircraft, Turkish Airlines will be able to feed its hub from medium-sized European cities.

Turkish Airlines has lower costs (airport taxes, salaries) than its European competitors. It is currently the biggest threat to European airlines, especially as it has a domestic market of 80 million people.

Eventually, it even plans to overtake the Gulf carriers,

> **KLM unveils its new business class**

(source luchtvaartnieuw) June 29 - **On Thursday, KLM officially unveiled the new business class product for its Boeing 777 fleet.**

(...)

The current business class on KLM's 777 fleet is a little outdated: not all passengers have direct access to the aisle. Passengers in the window have to step over their neighbor's legs. KLM is therefore introducing a new product.

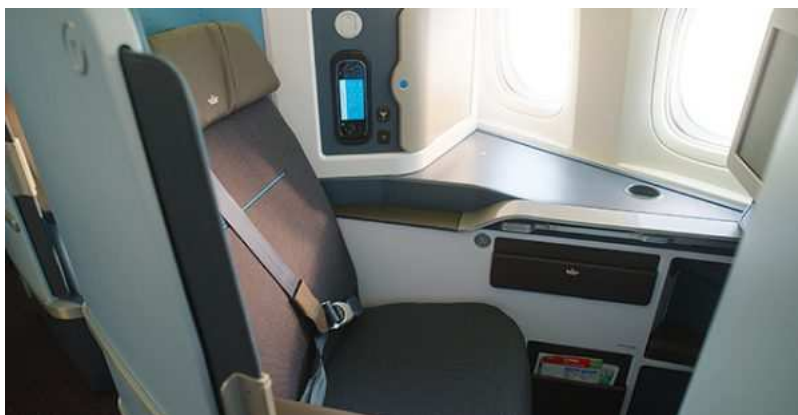
In the new business class, all passengers have direct access to the aisle thanks to a 1-2-1 layout. They also have sliding doors for greater privacy. This is a key difference from the 787's business-class seats, manufactured by the same supplier (Jamco), which do not offer this option.

When the seat is laid flat, passengers have a 198-centimeter bed. There are also various options for recharging equipment, including wireless recharging, as well as a lockable locker with additional storage space and an integrated mirror.

(...)

Over the next year, all 777s will be equipped with the new product. At the same time, the new Premium Comfort class (Premium Economy) will also be installed on aircraft.

(...)



My comment: KLM's new business class is similar to that of Air France. Passengers flying out on one airline and back on the other will enjoy the same level of comfort.

You can find [the video presentation of this cabin here](#).

> **Christine Ourmières-Widener to replace Marc Rochet as head of Dubreuil Aéro Group**

(source Journal de l'Aviation) June 29 - The **Dubreuil Aéro Group (GDA) is undergoing a major management transformation. Marc Rochet, General Manager, will be replaced by Christine Ourmières-Widener.** She will become head of the Dubreuil group's air transport division and CEO of the four airlines (Air Caraïbes, Air Caraïbes Atlantique, French Bee and Hi line Cargo) as of October 31.

This appointment follows Jean-Paul Dubreuil's decision to hand over to his son Paul-Henri as Chairman of GDA from July 1. This is a long-cherished project, but its implementation has been delayed by the crisis. As a result, the Dubreuil Group has decided to modify the management of the four companies in the Airline Division and to create a new team, with Christine Ourmières-Widener.

Marc Rochet will accompany the transition, before becoming a director of GDA.

"I'd like to thank all our staff, Jean-Paul Dubreuil and his family, for their passion and success! It's been an honor for me to take part in the many challenges we've had to face, and which are those of air transport. I used to say: change is all the time! So it's time for a new team. Christine will take our ambitions even higher, to the satisfaction of our customers and to better serve our overseas destinations in particular. I wish her every success," he commented.

My comment: Marc Rochet's departure marks the turning of a new page.

You don't stay at the head of an airline (or a group of airlines) for 20 years, going through numerous crises (September 11? Lehman Brothers, Covid-19) without real talent.

An adept at speaking his mind, sometimes excessively, his public interventions regularly "shook the coconut tree".

He will be replaced by Christine Ourmières-Widener, who spent over 20 years at Air France, before heading up Flybe and then TAP Air Portugal.

> **Lufthansa refocuses on air travel**

(source Tendances trends) June 29 - **Lufthansa's strategy is clear: to become a group of airlines**, and not just another aviation group. In other words, it wants to

refocus on passenger and freight transport, **and nothing else.**

In one fell swoop after another, it has just made this strategy clearer. **It sold its stake in LSG, its in-flight catering specialist, to a German fund.**

Last week, it sold AirPlus, its business travel manager. Seb Kort, a Swedish bank, wrote a cheque for 450 million euros to acquire it. And **it is preparing the sale of Lufthansa Technik, which manages aircraft maintenance.** A first tranche of 20% is for sale for 1.5 billion euros.

Clearly, **Lufthansa is freeing up cash to expand its wings: TAP, after ITA, is in its sights.**

***My comment:** Mea culpa. When the Lufthansa Group's 2022 results were announced, I missed the information published by La Tribune.*

Back in March, Remco Steenbergen, Group CFO, said: "One thing is clear: we want to move from an aviation group to an airline group. This process, due to start in 2021, will separate Lufthansa as an airline from the Group's central functions, to create a functional holding company for all airlines (Lufthansa, Swiss, Austrian Airlines, Brussels Airlines, Eurowings, Lufthansa Cargo) and services (Lufthansa Technik, AirPlus, LSGgroup).

He added: "The Group has initiated initial discussions for the partial sale of its maintenance subsidiary.

The partial sale of Lufthansa Technik would value its maintenance business at 7.5 billion euros, while the Lufthansa Group as a whole is only valued at 11.2 billion euros.

This valuation of the highly profitable maintenance business will give the Lufthansa Group greater financial leeway, enabling it to play an active role in the consolidation of European airlines.

> **"The Air Outre-mer project is stillborn".**

(source Le quotidien de la Réunion) June 28 - After more than four years of interruption, Corsair is relaunching its service to Madagascar this Wednesday. In an interview with Le Quotidien, the company's CEO, **Pascal de Izaguirre, looks back on the failed marriage with Air Austral and no longer believes, at least for the time being, in an alliance between the small airlines serving the French overseas territories and Air France.** He also expresses concern about the decarbonization of the sector, which will have a "gigantic" impact on airfares.

- *Pascal de Izaguirre, how is Corsair's sales activity at the start of the year?*

- We're delighted with the very strong upturn in traffic. At the end of May 2023, we have 16% more capacity than in May 2022, +32% more passengers and +55% more sales. We will end the year with sales 45% higher than in 2022, but also than in the pre-Covid period. Our development is very strong. **The summer season looks very good, but we also have sales for the winter season that look very dynamic.** It's a pleasant surprise. It gives the company a certain financial comfort.
(...)

- Like Air Austral, Corsair has benefited from State aid to overcome the Covid crisis. The French Minister of the Economy warned that the government "will not hand over public money if the shareholder does not hand it over either". How far along is the company's financial restructuring?

- We have a debt inherited from the Covid period. Let me remind you that we previously had zero euros in debt. Like Air France and Air Austral, we are seeking to renegotiate our debt. **We have a consortium of shareholders who have declared their willingness to go back to the drawing board, and we are finalizing these discussions.** There's no urgency, no criticality. Since January 2023, Corsair has been repaying its government loans and Covid debt in full.

- There have been rumors of a tie-up with Air France. Have there been any discussions?

- No. There have been statements by Ben Smith (Editor's note: Air France-KLM CEO) that have not been followed by anything concrete.
(...)

My comment: Contrary to what Corsair's CEO claims, all is not rosy for his company. If the summer looks good, autumn 2023 could mark a turning point.

The French Minister of the Economy has warned that the government "will not hand over public money if the shareholder does not hand it over either", a stance that stands in stark contrast to previous years.

Who is this shareholder who is supposed to bail out Corsair in the autumn?

It's a consortium of investors (Eric Koury, CEO of Air Antilles, Patrick Vial-Collet, who chairs the Guadeloupe Chamber of Commerce and Industry, and Jan Du, owner of Guyana's U stores).

Will they have the means (and the desire) to keep Corsair alive?

> Reducing air traffic without weakening tourism: Paris' impossible equation

(source Capital) June 29 - **Will Paris be a carbon-neutral city by 2050? The city has made this the objective of its new bioclimatic Local Urban Plan.** New green

spaces, less construction, thermal renovations... There's no shortage of projects to reduce Paris's impact on the environment. **But the impact of air traffic on the city's carbon footprint and coffers leaves one wondering how realistic this ambition is.**

After all, air traffic is by far the largest component of Paris's carbon footprint, and one of the few capital cities to include it in the calculation. In 2018, the last time Paris calculated its footprint, it stood at 22.7 million tonnes of CO₂ equivalent, with air traffic alone accounting for 33% of the total, or 7.6 million tonnes of CO₂. And the picture is about to get even bleaker.

Following a vote by the Paris City Council, initiated by Anne Hidalgo's ecologist allies, tourist flights to the City of Light will have to be included in the next Climate Plan, scheduled for October. As the world's most visited city, the French capital's carbon footprint is set to explode with this new calculation method. Without being able to do much about it.

At the Paris City Council meeting last May, **the Greens adopted a "vœu" - a sort of non-coercive commitment - in which the city called for a 12% reduction in take-off and landing slots at Paris airports by 2025, compared with 2022 levels.** A pious hope, since the City of Paris has no power over air traffic.

A letter signed by 300 elected representatives from the Paris region also calls for a 10% reduction in air traffic at Roissy CDG. Their model? The Dutch government's decision to cap the number of flights at Amsterdam-Schiphol airport, one of the most overloaded in Europe. Under pressure from elected representatives and associations, the Minister for Transport, Clément Beaune, has not closed the door on capping the number of flights at Paris airports. Even ADP Chairman Augustin de Romanet conceded at a general meeting last May that air traffic was not destined to grow infinitely: "If we don't show responsibility, it's the license to grow air transport that will be called into question. If we don't recognize that, we're shooting ourselves in the foot. It will be caps, coercive actions."

Nevertheless, attacking air traffic also means running the risk of disrupting the tourism sector: 54% of European tourists planning to visit the capital in 2023 intend to do so by plane, according to a document from the Île-de-France regional committee. Unthinkable, given the financial windfall that tourism represents for Paris.

Tourism accounts for 13% of Paris's GDP and 15% of jobs. By welcoming nearly 44 million visitors in 2022, the sector has generated 19.6 billion euros in revenue for the capital and its region. Tourist numbers are back to pre-Covid levels, and, jackpot, they're spending even more money than before the pandemic: \$390 per tourist on average, compared with \$356 in 2019. So, as far as City Hall is concerned, there's no question of discouraging potential visitors. "The objective is

not to reduce the number of tourists, but to stabilize it," says Frédéric Hocquard, deputy director of tourism, cautiously.

All the more cautiously, as the Olympic Games are fast approaching. **The ecologists' wish list carefully avoids setting an air traffic reduction target before the Olympics, when Paris is expected to welcome 15 million tourists, including 1.2 million from abroad, in the space of three weeks. This does not prevent the political group from looking ahead to the post-Olympic period.**

"Who can still anticipate an increase in the number of tourists in a world on fire, where Paris could reach 50°C?" grumbles Alexandre Florentin, an ecologist elected representative from the 13th arrondissement. Frédéric Hocquard, for his part, promises "incentive" measures in the City of Paris' forthcoming Climate Plan to reduce air traffic. However, according to forecasts, nothing is likely to shake the meteoric rise in air traffic.

After two sluggish years during the pandemic, the airline industry continues to take off at full speed. In 2022, the Île-de-France tourist board recorded 86.7 million passengers using the region's airports. This figure is 107% higher than in 2021.

European air traffic could exceed pre-pandemic levels as early as 2024, according to Eurocontrol projections. Over the next decade, the most "optimistic" estimate could be close to 13 million flights by 2029.

As far as Paris is concerned, a cap on the number of flights doesn't really seem to be in the offing. The Plan de Prévention du Bruit dans l'Environnement (PPBE) (Environmental Noise Prevention Plan) assumes an increase in the number of flights per year at Roissy from 500,000 to 680,000. Paris's carbon-neutral objective is further away.

My comment: It's at the foot of the wall ... that you see the wall best.

How do you reconcile maintaining tourist activity in Paris while reducing airline activity?

Parisian environmentalists have made up their minds: they'll look into the matter once the 2024 Olympics are over. Not before.

My point is not to castigate the attitude of the environmentalists, but to show that the fight against climate change will have a significant impact on the economy and employment as we know it today.

In France, most economic sectors have drawn up roadmaps describing their decarbonization scenarios.

Few of them have managed to map out the jobs needed to achieve the energy transition. And none, to my knowledge, have ventured to predict what jobs will remain once the energy transition is complete.

If you would like to find out more about the conditions required to make the global energy transition a success, I invite you to watch the "Energy versus raw materials" conference. You'll find the link on [the page of my website dedicated to sustainable aviation](#).

> EDF to produce e-kerosene for Air France KLM

(source Les Echos) June 30 - EDF and its partners, cement manufacturer Holcim, Ifpen (IFP Energies Nouvelles) and its subsidiary Axens, are preparing **an investment of "several hundred million euros"**, probably closer to 700 million euros. Still at the memorandum of understanding stage, **this project, called Take Kair, aims to set up a significant e-kerosene production facility in Loire-Atlantique, with Air France KLM as its first customer.**

The project will enable the annual production of 50 kilotonnes of "low-carbon" e-fuel from the capture of 160 kilotonnes of CO₂ and hydrogen produced by a 200-megawatt electrolyzer.

Take Kair is designed to meet the needs of the new French e-kerosene industry. The new European "ReFuel Aviation" regulation will require airlines to put more and more SAF or sustainable aviation fuels in their fuel tanks, up to 70% by 2050, half of which will be synthetic fuel. **These e-fuels, although costly to produce in electricity, are presented as a necessary addition to biomass fuels, in limited quantities.**

The site along the Loire estuary remains to be defined. The Cordemais power plant could be one of the possible locations, bearing in mind that, beyond Air-France KLM, "the commercial outlets would be local, regional and national", according to EDF.

Technically, **the project is based on CO₂ capture at Holcim's Saint-Pierre-La-Cour cement plant in Mayenne.** This CO₂, produced by washing the flue gases, will be compressed and then transported, combining Holcim's know-how and EDF Cist-Ingeum's engineering. In Loire-Atlantique, "low-carbon and renewable" hydrogen will be produced by water electrolysis, drawing on the skills of EDF Hynamics, another Group subsidiary.

E-kerosene will be generated from this hydrogen and carbon, using technologies developed by Ifpen with its subsidiary Axens. The latter would implement several technological building blocks, including the conversion of CO₂ into carbon monoxide, followed by the catalytic conversion, using the Fischer-Tropsch process, of this carbon monoxide and hydrogen into hydrocarbons.

The project's technical pre-feasibility study has just been finalized. "The market context, with its risks and opportunities, has been analyzed, enabling us to devote 2023 to feasibility and basic design studies for the project," says EDF.

The aim is to launch construction of the industrial pilots in 2026 for a first production phase in 2028 if the financing is secured. The project leaders are counting on strong public support for this. Take Kair was therefore presented in early 2023 to Ademe and the Ministries of Energy Transition, Industry and Transport. It will also be presented to the European Innovation Fund in early 2024.

My comment: *Here's a good example of how the skills of our engineers and scientists can be put to good use.*

We're talking about recovering CO₂ that would otherwise have ended up in the atmosphere, and turning it into a sustainable fuel.

What CO₂ are we talking about here?

According to the cement decarbonization roadmap, the main source of CO₂ emissions in cement manufacturing comes from the production of its main component, clinker. These emissions are broken down as follows :

*. total direct emissions (820 kilograms of CO₂ per tonne of clinker produced):
. so-called "process" emissions, from the decarbonation of calcium carbonate (525 kilograms per tonne of clinker produced). This is "non-energy" CO₂, which does not come from the combustion of fossil fuels; . energy emissions, from the heating of materials (one-third of emissions) ;*

. process electricity consumption (60 kilograms of CO₂ per tonne of clinker produced).

In its roadmap, the cement industry plans to reduce its emissions by 24% by 2030, then by 80% by 2050, compared with 2015 (in line with the national low-carbon strategy specific to the sector).

To achieve this objective, the sector will rely on levers such as reducing the clinker content of cements produced, replacing fossil fuels with alternative fuels, or carbon capture, utilization and storage.

To whom do we attribute these CO₂ "savings"? To the cement plant, which will capture the CO₂ it emits, or to Air France, which will use the synthetic kerosene obtained from CO₂?

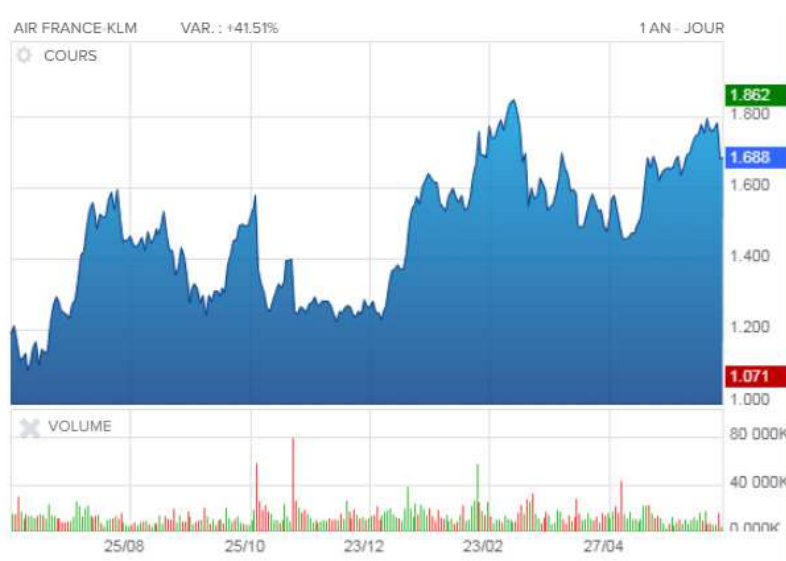
The question remains unanswered. One thing is certain: there can be no double

counting.

Note: clinker is formed inside the kiln during cement production. Clinker particles are between 3 and 25 millimeters in diameter. Cement is then produced by adding gypsum to the clinker and grinding to a fine powder.

End of press review

> Air France-KLM share price over the past year



Two events have had an impact on 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 further comments

> Air France-KLM share price trend

Air France-KLM shares closed at **1.739 euros** on Monday July 3. It is **up** this week by **+3.51%**.

It stood at 1.253 euros on January 2, 2023.

The average (consensus) 12-month analyst price for AF-KLM shares is 1.95 euros (it was 1.50 euros at the beginning of January). The highest price target is 2.50 euros, the lowest 1.10 euros. I only take into account analysts' opinions subsequent to the May 2022 capital increase.

The Air France-KLM share price suffered from the announcement of mixed

quarterly results and a weaker-than-expected full-year forecast (passenger business at 95% of 2019 levels). Since then, **analysts have been won over by the prospect of strong activity this summer, and the end of the constraints imposed by the European Commission.**

You can find details of the analyst consensus on my blog.

No further comments

> **Fuel price trends in** 2022

Since the start of the war in Ukraine, there has been no correlation between the price of a barrel of Brent crude oil and that of a barrel of Jet Fuel. In 2022, the gap between the two products hovered between \$30 and \$50, whereas in previous years it was no more than \$10.

Since the beginning of the year, the gap between the two products (Jet Fuel and crude oil) has narrowed, and is approaching the gap that existed before the war in Ukraine.

No further comments

> **Fuel price trends this** week

The price of a barrel of Jet Fuel in Europe rose this week by \$3 to \$97. After peaking at \$182 in June 2022, it had fallen back to \$132 by early August. It was \$79 before the outbreak of war in Ukraine.

**Brent (North Sea)
oil is up this week by \$1 to \$75.**

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 its usual level for several weeks, **Jet Fuel is now very close to its usual level. The difference between Jet Fuel in Europe and a barrel of Brent crude oil is now just \$20.** In 2022, at the start of the Ukrainian conflict, this gap was close to \$50.

No further comments

Good to know

> Advice for current and former employee shareholders

You'll find [details of how to access the managers' websites](#) on my [navigation](#) site.

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

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

My comment: *If you have shares in one of the funds managed by Natixis, remember to log in to your account manager once a year, to avoid it being considered inactive.*

PEE inactivity is governed by the Eckert law.

After 5 years of inactivity, Natixis sends a letter/email to those concerned asking them to log in to their account or call Natixis to reactivate their account.

Natixis sends this information every year after 5 years of inactivity and until the 10th year. After 10 years of inactivity, the assets are transferred to CDC, which holds them for 20 years.

This is in fact the old 30-year prescription period, which breaks down into 2 stages: 10 years with the account keeper and 20 years with CDC.

Inactivity means not carrying out any transactions and/or not logging on to your account and/or not calling and/or not writing to Natixis.

This system also applies to PERCO/PER since the PACTE law.

> FCPE management

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

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

The Aeroactions, Majoractions and Concorde funds hold only 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 the management of the various Air France employee shareholding funds, please visit the [Air France-KLM employee shareholding section of my website](#).*

Details

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

Please feel free to react to this press review, or to send me any information or thoughts that will help me better carry out my role as a director of the Air France-KLM Group.

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

See you soon.

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| François Robardet

Director of Air France-KLM representing employees and former employees who are PNC and PS shareholders.

You can find me on my twitter account @FrRobardet

Substitute Nicolas Foretz, PNC



When I was elected, I received the support of the CFDT and the UNPNC.

This press review deals with subjects linked to Air France-KLM shareholding.

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