Brussels hardens its doctrine and threatens the marriage between Lufthansa and ITA

Letter from François Robardet

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

(Raison d'être of the Air France-KLM group)

former Director Air France-KLM

Representative of current and former employee shareholders of PS and PNC

N°952, February 19, 2024

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Editorial

Dear readers,

At the end of this newsletter you'll find several articles on the 2023 results of Airbus, Safran and ADP.

Airbus reports net income of 3.789 billion euros (sales 65.446 billion euros)
Safran reports consolidated net income of 3.4 billion euros (sales 23.2 billion euros)
The ADP group reports net income of 631 million euros (sales 5,495 million euros).

All these companies are making a profit.

Air France-KLM's results, expected at the end of the month, will show that airlines are the poor cousins in the air transport value chain.

The prospect of new taxes to combat climate change will only exacerbate the situation. These taxes will be borne solely by the airlines.

Enjoy your reading
François

Monday's Press Review

> Brussels hardens its doctrine and threatens the marriage

between Lufthansa and ITA

(source Le Figaro) February 19, 2024 - In Europe, major air transport consolidation operations are in the pipeline. But will they ever come to fruition? With ticket prices soaring, **travel agencies, tour operators and airports have sounded the alarm, claiming that "the operations underway involving ITA, Air Europa, Sas and TAP will lead to the five largest groups** (Lufthansa, Air France-KLM, IAG, Ryanair and easyJet) **controlling 73.5% of the market, compared with 47% almost twenty years ago. This will considerably limit competition on thousands of air routes."**
This warning comes at an opportune moment, when **the European Commission's Directorate-General for Competition, which is examining a number of cases, is in the process of tightening its demands**. This applies not only to major operations, such as IAG's takeover of Air Europa, but also to smaller ones, such as Lufthansa's takeover of Italy's ITA, initially at 41%, before increasing to 100% within two years. And for this operation, despite the German company's proposals to free up takeoff and landing slots, the European Union (EU) deemed it necessary to open an in-depth investigation.
The Italian airline ITA (created in 2020 after the demise of Alitalia) is a small operator, with 20% of the peninsula's domestic flights by 2022, but only 3.5% of intra-European flights and 7.1% of international flights **from Italy**. It faces the overwhelming domination of Ryanair, which controls 50% of domestic flights (78% for all low-cost carriers), and 37.5% of Italy's flights with Europe. "**In no other European country does the incumbent national carrier have such a low market share, and the largest low-cost carrier such a high market share,**" points out Ugo Arrigo, former director of ITA. He is even surprised by the opening of a phase 2 investigation into the merger with Lufthansa.

But Brussels doesn't think in market segments, but line by line. In Central Europe, it points to the creation of monopolies, given that the Lufthansa plus ITA group would control 66% of slots at Linate, the airport closest to Milan. In particular on the Linate-Frankfurt-Brussels routes, but also from Fiumicino on the Rome-Frankfurt, Rome-Munich and Rome-Zurich routes. Lufthansa did offer to free up slots at Linate. But considering that "slot release alone is no longer enough", Brussels is asking Lufthansa to give up certain routes. In intercontinental flights, the EU considers that "the operation could reduce competition on certain routes between Italy and the United States, Canada, Japan and India, due to strong competition between ITA, Lufthansa or Lufthansa's joint venture partners". United Airlines and Air Canada are partners of the German airline in the A++ joint venture. **The European Commission is broadening its scope of analysis**," says Leonard Berberi, aviation specialist at Corriere della Sera. It is also taking into account routes with stopovers where the time difference does not exceed 2 to 3 hours for the same destination. And **it does not confine itself to the new group's own routes, but also includes airlines belonging to alliances**. It is within these alliances and joint ventures that carriers agree on prices, routes, frequencies and schedules, and share revenues. **On the Rome-New York route, for example, ITA and A++ will hold 54% of the seat capacity on offer in 2024.**

But the EU's most radical change of approach lies elsewhere. It is calling for Lufthansa-ITA to provide logistical support for the purchasers of vacated slots for a period of 3 to 5 years, until such time as the purchaser is able to break even financially. This is what Lufthansa already did when it gave the go-ahead to the Korean Air-Asiana cargo operation on February 13. This time again, according to Leonard Berberi, it is asking ITA to sign code-share agreements with the buyer of its routes, whoever it may be, but also to provide handling services at its own expense, at a rate of 20 to 25 euros per customer boarded, to allow it to join the frequent flyer program, and to welcome its customers in ITA lounges. While ITA has no maintenance company of its own, the Commission is asking Lufthansa to sell shares in Technik, its highly profitable aircraft maintenance company. "It considers that taking over ITA, to which it will provide maintenance services, will give Lufthansa an anti-competitive advantage", explains Leonard Berberi. In short, the Commission is attacking the very synergies at the heart of consolidation operations. Unacceptable for Lufthansa.

All these demands arouse a great deal of irritation, not to say incomprehension, on the Italian side, where ITA is too small to remain independent. The alliance with Lufthansa is the only one that guarantees its future. "Given ITA's size, the European Union's demands seem excessive, not to say implausible," explains Andrea Giuricin, an air transport consultant. Eleven ITA and Lufthansa unions have even written to Margrethe Vestager, defending the merger. If the EU comes to the conclusion that consolidation is not possible for reasons of lack of competition in European hubs," analyzes Ugo Arrigo, "then ITA will not be able to get closer to any airline, and no carrier will be able to merge in the future with those who dominate their hubs. Because, by virtue of the "grandfather rights" that have allowed the dominant carriers to retain their slots, competition is de facto very reduced in all European hubs."

My comment: *The European Commission seems to be looking more and more closely at airline mergers.*

Could this call into question current projects?

It's a possibility that could destabilize European airlines and limit their ability to compete with airlines from the USA, Asia, the Gulf and even the Middle East (Turkish Airlines).

Note: the article refers to A++. This is the joint venture between Lufthansa, United Airlines and Air Canada on the North Atlantic.

> Schiphol says it will do everything in its power to ensure

sufficient staff this summer

(source Belga) February 16, 2024 - According to Robert Carsouw, CFO of Schiphol Group, the company that operates the facility, **a large number of security guards have recently been hired to avoid the chaos of summer 2022.** Back then, long queues formed at the airport due to a lack of security staff.
Last summer, however, went more smoothly. Travellers were better prepared, for example by packing their hand luggage more efficiently. In the end, 95% of departing passengers passed through security checks in less than eight minutes. Over the year as a whole, 93% of passengers took less than 10 minutes to pass through security, according to Schiphol's annual results. The average waiting time was three minutes last year.

The number of departures among security staff is currently slightly higher than the number of arrivals, said Schiphol boss Ruud Sondag on Friday, who is stepping down at the end of the month. But **to make up for this shortfall, the airport is recruiting new staff and, to this end, trying to improve working conditions**. Security guards are also entitled to an additional allowance this year. This will amount to 1.40 euros per hour until September, then 70 cents per hour in subsequent months.
Schiphol hired almost 2,000 new security guards last year.

My comment: *The upcoming summer season promises to be a tricky one for KLM.*

Difficulties in recruiting ground staff at the airport will require us to adapt our schedule to avoid peak periods as much as possible.

> Air France and Air Corsica chosen by the Executive Council for the Paris-Corsica routes

(source France Télévisions) February 15, 2024 - It was uncertain for several months, but Corsica's Executive Council has now made its choice: **the Air Corsica and Air France consortium should continue to operate all public service routes between Corsica and Paris-Orly airport.**

Their offer was judged more satisfactory than that of Volotea, which had bid for the first time to win the Bastia - Paris Orly and Ajaccio - Paris Orly routes.
(...)
In a report which is still confidential, but which France 3 Corse ViaStella has been able to consult, the Corsican Executive Council details the reasons for this proposal.

According to the report, **the two bids were examined in the light of three criteria**: the amount of financial compensation requested (i.e. the payment by the public authorities to the concessionaires of compensation to ensure the financial equilibrium of the contract, provided that the cost of the service is not borne solely by

users); the quality of the service; and the financial and legal robustness of the bid.
For each of these points, a score ranging from one (very inadequate) to six (very satisfactory, commitments beyond expectations) was awarded.
For the first criterion, financial compensation, the Spanish airline Volotea received the highest score. Its bids were judged satisfactory (5), compared with fair (4) for the Air Corsica - Air France consortium.

For the Ajaccio - Paris Orly route, Volotea proposed financial compensation of 19.7 million euros annually, (73.9 million euros over the four years of the PSD). This was 13% **less than the 22.3 million euros per annum requested by the Air Corsica - Air France consortium** (83.8 million euros in total, i.e. an additional 9.9 million euros).

For the Bastia - Paris Orly route, Volotea proposed financial compensation of 22.7 million euros annually, (85.3 million euros over the four years of the DSP). This was 12.4% **less than the 25.6 million euros per year requested by the Air Corsica - Air France consortium** (95.9 million euros in total, i.e. an additional 10.6 million euros).

This advantage is not retained by the Spanish airline in terms of the other two criteria: its quality of service is judged to be satisfactory (4), compared with satisfactory for the Air Corsica - Air France group (5). Lastly, the financial and legal robustness of Volotea's business case was rated satisfactory (4), compared with very satisfactory for the Air Corsica - Air France consortium (6).

An overall score in favor of Air Corsica and Air France, prompting the Corsican Executive Council to propose awarding the PSD agreements to the consortium.
(...) It should be
noted that **for the Calvi - Paris Orly and Figari - Paris Orly routes - routes without competition - the Air Corsica - Air France consortium has requested financial compensation of 9.7 million euros and 7.4 million euros per year** respectively.
(...)
This document from the Corsican Executive Council also addresses the issue of resident fares. A "necessity" defended by the CdC, it states, which was heard by the European Commission with a view to examining the Corsica 2024-2027 DSP dossier.

The resident fares for the four years of these various routes are set at 111.6 euros (incl. tax) for a round trip between Corsica and Marseille, 109.4 euros (incl. tax) for a round trip between Corsica and Nice, and 215 euros (incl. tax) for a round trip between Corsica and Paris.
(...)

My comment: *Ensuring territorial continuity has a significant cost.*

If you add up the sums requested by Air Corsica and Air France, you come up with a total of 86 million euros per year (not including connections between Nice and Corsica, I don't have the figures).

But the Corsican Transport Office has a budget of 80.4 million euros a year to compensate for the public service obligations for this PSO.

The State will have to cover the difference. This was already the case previously. For the last public service contract, Paris was asked to provide an additional 38 million euros.

> Volotea heavily fined: staff flew too much

(source Capital) February 15, 2024 - The skies are darkening over **Volotea**. The Spanish low-cost airline **has just had its conviction upheld by the Rennes Court of Appeal**, reports Ouest-France. In June 2022, Volotea was convicted by the Nantes police court **of failing to comply with flight time regulations for its cabin crew, i.e. pilots, stewards and stewardesses**. What was the charge? Essentially, that it had made its staff work longer hours than authorized by French law, but based on European legislation.

For example, pilots were allowed to work up to 106 hours a month, when they should not have exceeded 90. The court reported a total of 165 infractions in six months, between April and September 2018. **Violations related to working hours, but also to the mandatory rest time after a flight**. The low-cost airline, which employs 700 staff in France, was fined 247,450 euros. In 2022, the airline's former head of human resources in France disputed these facts and pleaded good faith.
(...)
Also sanctioned, the former human resources director's 60,000 euro fine was partially suspended. He is now unemployed. **Dirty times for Volotea, already accused of breaking the curfew on landing and takeoff times at Nantes**. On Wednesday February 14, the airline undertook to bring forward its last landings to 10:30 p.m. (instead of 11 p.m.) from March 31. To be continued.

My comment: *The convictions handed down against Volotea (in Nantes and also in Bordeaux for undeclared work in 2021) were probably a factor in the Corsican Assembly's decision (see previous article).*

> Airbus: sales soar, profits fall

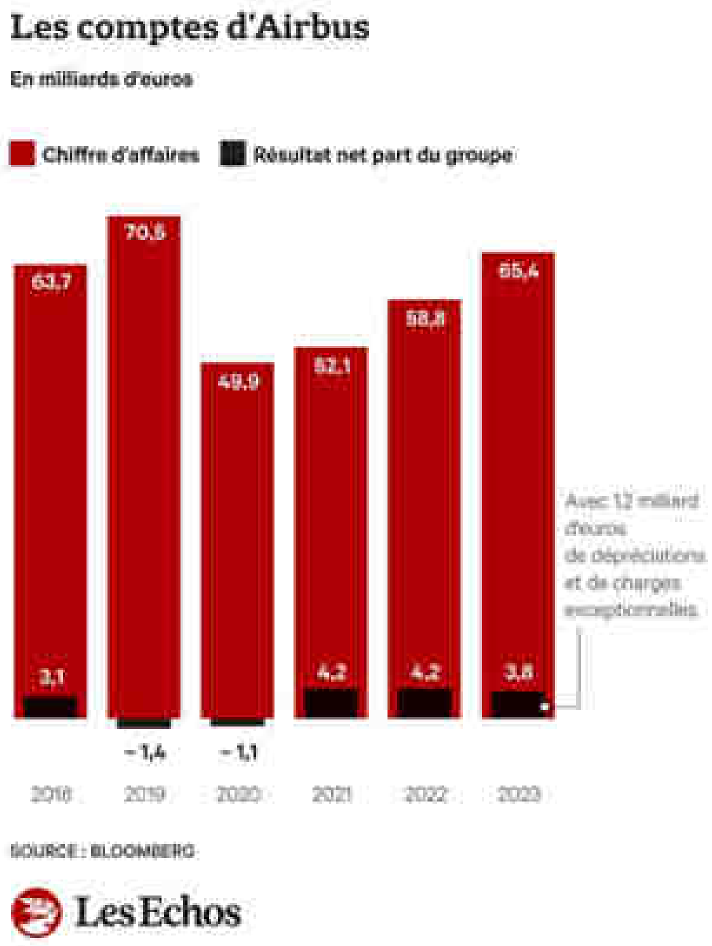
(source Les Echos) February 15, 2024 - **2023 was a good year for Airbus, but not the best**. Despite sales up 11% to 65.446 billion euros, and gross operating income up 4% to 5.838 billion euros, the aerospace group posted net income down 11% to 3.789 billion euros. Reported operating income was also down by 14%, to 4.6 billion euros.

A mixed picture despite a record number of commercial aircraft orders (2,319 before cancellations and 2,094 net orders), worth a total of 186.5 billion euros, which took Airbus' market share to almost 60% of worldwide aircraft orders.

"We have achieved our objectives in an environment that remains complex and difficult," said Airbus CEO Guillaume Faury, who also announced a special dividend of 1 euro per share.

These results were rather well received by investors. "**The 2023 results were broadly in line with our expectations**, although free cash flow was ahead of our forecasts," says Tom Chruszcz, senior director at Fitch Ratings. The special dividend of 1 euro per share is a positive sign of management's confidence in the underlying strength of the market and the expectation of improved cash generation."

The decline in earnings is due to impairment and exceptional charges totalling 1.235 billion euros, mainly due to a downward revaluation of the value of orders to completion.



Airbus' order book is so full, with 8,598 aircraft yet to be delivered at December 31, that the final value of some of them has to be updated, usually downwards, between the date of contract signature and the expected delivery date, several years later.

But the aircraft manufacturer also had to take a new provision of 600 million euros for additional costs in its space business, 41 million euros for the A400M program, and 81 million euros for the restructuring of its aerostructures branch, which reduced operating income.

Despite this more than respectable balance sheet, **Airbus also failed to return to its 2019 level of activity**, when the group exceeded 70 billion euros in sales, with 768 commercial aircraft deliveries, compared with 735 last year.

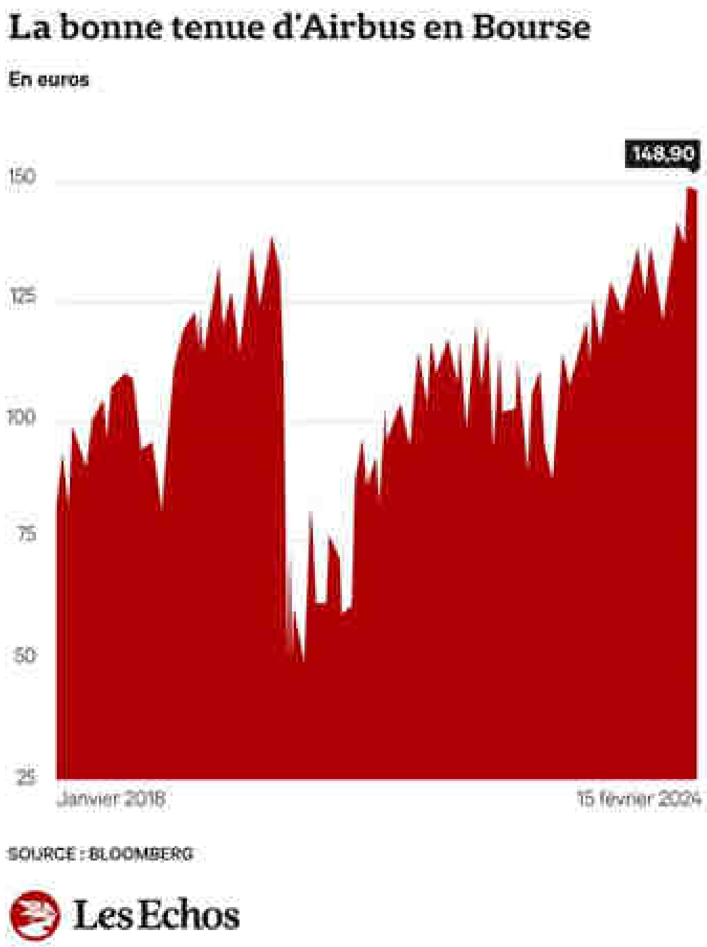
The commercial aircraft branch even remains well below pre-Covid levels, with sales of 47.7 billion euros, compared with 54.7 billion in 2019, and an ebit of 3.61 billion, down 25% compared with 2022. **This compares with sales of $33.9 billion and a loss of $1.635 billion for Boeing's commercial aircraft division in 2023.**

By contrast, Airbus is set to return to and even exceed its pre-Covid level in 2024, as the Group targets around 800 commercial aircraft deliveries (versus 768 in 2019) and EBITDA of between 6.5 and 7 billion euros.

The group has also confirmed that it will continue to ramp up production beyond this year, with a target of 75 A320s (up from 57 today), 14 A220s and 10 A350s per month in 2026. To achieve this, Airbus has already added an A321 assembly line in Toulouse and launched the construction of additional assembly lines in Tianjin (China) and Mobile (USA). "We're well on our way to achieving this goal," assured the CEO.
And **this despite persistent difficulties in the supplier chain, which continue to generate production delays**. "We are striving to find the best compromise between the strong demand for aircraft and the many problems in the supply chain," explained Guillaume Faury.
The aircraft manufacturer also confirmed that the long-awaited A321 XLR will enter service this year, but with a slight delay, as the first delivery, initially scheduled for the second quarter, has been pushed back to the third quarter.
"We have entered the final phase of certification, and the first A321 XLR will enter production at the end of 2023," said the Airbus boss. **Another event expected this year: the first firing of the new Ariane 6 launcher, which will enable Europe to regain access to space.**

For the rest, Airbus Helicopters and Airbus Defence and Space have already exceeded their pre-crisis levels, with sales of €7.33 billion and €11.5 billion respectively. Airbus Helicopters has also improved its operating profit by 12% compared with 2022 (717 million euros), while Airbus D&S returned to profit last year (220 million euros).
The Defence and Space branch will nevertheless have to continue its restructuring efforts this year, in order to return to a satisfactory level of profitability. A new organization came into effect on January 1, which should contribute to this.

Guillaume Faury also confirmed the continuation of discussions with Atos, for a possible takeover of their BDS
division, despite the appointment of an ad hoc trustee at the digital services company. "The general situation at Atos makes it a little more difficult to bring these discussions to a successful conclusion, but we are continuing to discuss.



***My comment:** Airbus is well ahead of Boeing in 2023.*

Its order book is almost saturated. Airlines wishing to place new orders will have to be patient.

> Why Safran and GE are "trapped" by the huge success of an aircraft engine

(source Les Echos) February 18, 2024 - **Safran has rich people's problems. Paradoxically, one of them is the incredible success of the Leap aircraft engine.**

Manufactured in partnership with American GE, Leap already powers all Boeing 737 Max jets (for which it is the sole engine). But it is also in the

process of marginalizing its sole competitor on the Airbus A320, the American Pratt & Whitney. This
might seem like good news if Safran and GE didn't already have too much to do to take additional market share.

In 2023, Safran and GE's Leap won 75% of orders against Pratt & Whitney's PW1100 GTF, compared with 70% in 2022. **At the end of December, the group's "best-seller" had a total of 10,675 orders**, of which more than 2,500 were won last year, representing more than six years of production at the current rate.
Safran CEO Olivier Andriès reiterated this point again on Friday, when presenting the annual results. Our objective is not to achieve such a high market share," he reaffirmed. Because after that, we need to be able to produce and deliver. Since the start of the Leap program, we're at 60%, which is already a lot, bearing in mind that on the CFM56 [Leap's predecessor, editor's note], we were between 50% and 60%."
But **Safran and GE may be putting the brakes on their joint subsidiary CFM, responsible for marketing Leap, but technical problems with Pratt & Whitney's GTF are enough to drive most A320 NEO customers into the arms of Leap**.
Many airlines are turning to us," admits Olivier Andriès. Including airlines that are already GTF customers and would like to switch to the Leap, as Indigo and Qatar Airways have done."

By Pratt & Whitney's own admission, the inspections and repairs to be carried out on the 3,000 or so faulty GTF engines will result, on average, in the grounding of some 350 A320s per month throughout 2024, with a peak of 650 aircraft in the spring. But despite all the requests, Safran and GE have neither the desire nor the means to replace Pratt & Whitney.

And with good reason! Both are still struggling to return to their pre-Covid production levels, and even to meet their commitments. Last year, their joint subsidiary CFM was only able to deliver 1,570 Leaps. That's 434 more than in 2022, but 130 fewer than forecast at the start of the year, and 166 fewer than in 2019. Olivier Andriès
assures us: "We'll be back to our 2019 production level by 2024. But **our production capacity remains at pre-Covid levels. That's enough to meet a production rate of 65 A320s a month at Airbus and more than 50 Maxes a month at Boeing, even if the aircraft manufacturers have higher targets today**."

This will lead us to commit additional capacity when the time comes," continues the Safran CEO. For 2024, it's already a foregone conclusion. **Any increase in production requires almost eighteen months of preparation**. And right now, we're still in discussions with Airbus for deliveries in 2025," he stresses.
Boeing's latest woes, with its 737 Max 9, will not benefit Airbus customers either. While the US Civil Aviation Authority has forced Boeing to suspend its ramp-up for the duration of the investigation, the aircraft manufacturer has not given up on its target of more than 50 single-aisle aircraft per month by 2025.

What's more, **Leap-1B engines, which power Boeing aircraft, cannot be used on Airbus A320s. They also have very few parts in common with the Airbus Leap-1A model, and different suppliers.**

This lack of short-term industrial leeway is **compounded by another limiting factor for Safran and GE: after-sales**. "It's not enough to deliver an engine, you also have to be able to meet maintenance needs," explains Olivier Andriès. Here too, Safran and GE are far from being able to meet demand on their own.
As with the CFM56, the two engine manufacturers estimate that they can supply no more than 40% to 50% of the Leap's maintenance requirements. The remaining 50% to 60% will therefore be entrusted to aircraft maintenance companies, whether independent or airline subsidiaries.

To date, Safran and GE have only signed five license agreements for Leap maintenance (including one with Air France Industries). If, as is likely, the 30 CFM56-licensed partners are destined to switch to Leap, there's still work to be done.
All the more reason not to let the Leap order book grow too fast and too big, and there's another fundamental fact to bear in mind. **New "original equipment" engines, including Leap, are always sold at a loss, with engine-makers making their profits later from the sale of spare parts**. For the time being, the more Leap engines Safran sells, the more money it loses. So it's best not to bite off more than you can chew.

My comment: *Like Airbus, engine manufacturers have been filling their order books since the end of the health crisis.*

Among them, Safran is on a roll. The group has published its financial results for 2023, which show sales of 23.2 billion euros, up 21.9%.

The company's business was buoyed by the ramp-up of LEAP production and strong demand for services, notably for CFM56s, as single-aisle fleets returned to service.

Consolidated net income reached 3.4 billion euros (source: Le Journal de l'Aviation).

> Strong growth in ADP Group's 2023 results

(source Air & Cosmos) February 15, 2024 - **Group traffic has, as expected, virtually returned to its pre-crisis level** (98.7% of 2019 level), while Paris Aéroport traffic is still a little behind, but on the way to full recovery (92.3% of 2019 level).

In 2023, the ADP Group posted sales of 5,495 million euros, up 17.2% on the previous year, driven by traffic growth, both in Paris and internationally, and strong momentum in commercial activities, with sales per Extime Paris passenger (the umbrella brand for the ADP Group's commercial activities) reaching a record level of

30.6 euros (+3.2 euros vs. 2022, +7.1 euros vs. 2019). **Net income, Group share rose by 22.2% to 631 million euros**. Operating income recurring rose by 32.4% to 1,239 million euros.
The Group's total traffic reached 336.4 million passengers in 2023, up 20.2% on 2022. Traffic at Paris Aéroport (Paris CDG+Orly) is up 15.1%, to 99.7 million passengers. Last year**, the Group's total traffic reached 98.7% of pre-crisis 2019 traffic, and Paris Aéroport traffic reached 92.3% of 2019 traffic**. By traffic type, domestic traffic is still down, reaching 75.2% of the 2019 level. Overseas traffic, on the other hand, almost returned to its 2019 level (99%), as did European traffic (95.5%). The remainder of international traffic reached 94.7% of the 2019 level, with a very strong recovery in traffic to Africa (108.3%) and North America (100%), followed by traffic to the Middle East (94.4% of 2019 traffic), Latin America (81.2%) and Asia-Pacific (68.8%).

For the coming years, the ADP Group forecasts annual growth of between 3.5% and 5% for Paris Airport traffic in 2024, and between 2.5% and 4% in 2025 (compared with 2023 and 2024). Group-wide, passenger traffic should be up by more than 8% in 2024 compared with 2023. In terms of future projects, the ADP Group will of course be focusing on preparations for the Paris 2024 Olympic and Paralympic Games over the coming months. In addition, from the end of February 2024, the ADP Group intends to submit the "Paris Orly 2035" development project for the Paris-Orly airport hub to voluntary public consultation. In line with the objectives of the Group's airports towards a new airport model set out in the "2025 Pioneers" strategic roadmap, the "Paris Orly 2035" project aims to meet air transport demand while ensuring the sustainable industrial transformation of the airport hub. The project is based on reference scenarios forecasting a moderate increase in traffic at Paris-Orly.

My comment: *Airport groups have a monopoly. This allows them to make profits at the expense of the airlines.*

> Boeing or financialization gone wild

(source Les Echos) February 9, 2024 - Big bosses aren't used to apologizing. But **David Calhoun is now a master in the art of the mea culpa. After showing contrition to his employees, apologizing to his major customers and explaining himself to members of Congress, the Boeing boss spent the first part of his annual results presentation apologizing again.**

"Boeing is responsible for what happened," he said, referring to the in-flight loss of a door on an Alaska Airlines 737 MAX in early January. "Over the past few weeks, I've had difficult conversations with our customers, our regulators, parliamentarians and others," he explained. "We understand why they are angry, and we will work to regain their trust," he added.

It's no coincidence that Boeing's first step on the road to redemption was not to present financial targets. The source of Boeing's woes has long been identified, even before the crash of the Ethiopian Airlines 737 MAX in March 2019, which marked the altitude peak of Boeing's share price.
As early as the 2010s, the 787 Dreamliner's
setbacks represented an early warning. Its design had been marred by major cost overruns and delays, and unexpected battery fires had led to the fleet being grounded by the Federal Aviation Authority (FAA) in 2013. A decision that caused quite a stir, since the FAA hadn't taken such precautions since 1979.
Since then, the 737 MAX has also suffered the same fate, for over a year after the Ethiopian Airlines accident, and for some of the aircraft in this family in the wake of the Alaska Airlines incident. Far from being isolated, these problems are the result of a cultural shift at Boeing, where profit maximization has taken precedence over engineering. The turning point? The acquisition of competitor McDonnell Douglas in 1997. "**Before the merger, Boeing had an engineering-oriented culture, and was accustomed to making bold investments in new aircraft. McDonnell Douglas, on the other hand, was risk-averse and focused on cost reduction and financial performance, and its culture came to dominate the company**," wrote Gautam Mukunda, now a professor at Yale University, back in 2014 in an article for the Harvard Business Review.

Despite the warnings, Boeing has continued to prefer to pamper its shareholders rather than invest. Over five years, between 2014 and 2018, the period during which it was developing the 737 MAX, the American aircraft manufacturer disbursed $39 billion in dividends and share buybacks, for less than $11 billion in investments. This was enough to reduce the number of outstanding shares by 25% and triple the company's share price. Airbus, for its part, accumulated around 15 billion in investments over the same period, for less than 6 billion in dividends and share buy-backs.

The impact of the culture change at Boeing has become a real case study, with multiple academic articles and a successful documentary broadcast on Netflix in 2022. It **is particularly noticeable in the composition of its board of directors. Engineers were still in the majority in 1997, but only 23% in 2020,** notes Christine Marsal, senior lecturer at the University of Montpellier, in an article published last year. At the same time, the influence of financiers has only increased, rising from 23% of the board in 1997 to over 60% in 2020.

***My comment:** Between 2014 and 2018, the grasshopper (Boeing) looked down on the ant (Airbus).*

Now the stock market is losing patience, and so are customers.

"Boeing's technical prowess has dulled due to an obsession with financial metrics inflated by cost reduction and cash flow generation," notes Bank of America, which

believes the company "needs a radical overhaul of its corporate culture."

Boeing's customers are on the same wavelength.

In an interview with the Financial Times, the boss of AerCap, the world's largest aircraft leasing group, said that "financial indicators [were] completely secondary to the future of the company".

Robert Isom, President of American Airlines, also denounced the excesses of the American aircraft manufacturer: "Boeing must get its act together, these recent problems, but also those that go back several years, are unacceptable [...] Boeing must get back on the right track", he said on the occasion of the publication of the group's annual results.

End of press review

> Air France-KLM share price trend

Air France-KLM shares closed at **11.032 euros on** Friday February 16. **It is down this week by -2.22%.**

Since the beginning of the year, the Air France-KLM share price has lost 19%.

It was 12.53 euros on January 2, 2023, 17.77 euros on June 19, 2023, 13.59 euros on January 1, 2024.

The analysts' 12-month average (consensus) for AF-KLM shares is 16.54 euros (it was 15.0 euros at the beginning of January 2023). The highest price target is 23.00 euros, the lowest 9.50 euros. I only take into account analysts' opinions subsequent to the May 2022 capital increase.

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

***No further** comments*

> Fuel price trends this week

The price of a barrel of Jet Fuel in Europe is down this week by -$7 to $113. It was $94 at the end of June, and $79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) **is up +$2 to $84.**

From mid-February 2022 to the end of July 2022, it was yo-yoing between $100 and

$120. Since then, it has oscillated between $75 and $99.

My comment: *The spread between Jet Fuel in Europe and Brent crude oil was around $15 before the conflict in Ukraine. In 2022, at the start of the Ukrainian conflict, the spread was close to $50.*

It is down +$4 this week, to $29.

From February to July 2023, the spread had returned to reasonable levels (between $12 and $25). Since August 2023, the spread between Jet Fuel in Europe and a barrel of Brent crude oil has systematically exceeded $30.

Good to know

> Advice for current and former employee shareholders

You'll find details of how to access the managers' websites on my navigaction 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 Interépargne, 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 Interépargne, remember to log in to your account manager once a year, to avoid it being considered inactive.*

Please note: After 5 years of inactivity, Natixis Interépargne will send a letter/email to those concerned asking them to log in to their account or to call Natixis Interépargne in order to reactivate their PEE account.

After 10 years of inactivity, your account is transferred to the Caisse des Dépôts et Consignations.

To unblock your PEE, click here.

> 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's 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 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.

For the latest Monday press reviews, click here.

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

New readers can receive it by sending me an email address of their choice.

| François Robardet

former Director of Air France-KLM.
You can find me on my twitter account @FrRobardet

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.