

Basel-Mulhouse: first intercontinental link in sight



## I 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)

## Employee and former employee representative

PS and PNC shareholders of Air France-KLM

N°953, February 26, 2024

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## Monday's Press Review

### > Basel-Mulhouse: first intercontinental link in sight

(source Voyages d'Affaires) February 21, 2024 - **Soon there will be yet another airport with intercontinental connections from France** and Switzerland. Despite the economic potential of its catchment area (Alsace, Baden-Württemberg and the Basel region), Euroairport Basel-Mulhouse has not offered intercontinental services for over two decades. The airport handles over 8 million passengers a year.

This is good news for business travellers in the Grand Est region. From August 2, 2024, **flydubai will launch scheduled flights from the Euroairport to its hub in Dubai**. Initially, the route will be served four times a week (Mondays, Wednesdays, Fridays and Sundays, in the middle of the day).

(...)

The aircraft put into service is a single-aisle model. It is a Boeing 737 Max 8 with 156 seats in economy class and 10 seats in business class.

(...)

**The Euroairport-Dubai route will benefit from a code-share agreement with Emirates. The latter is de facto a shareholder in the low-cost carrier.** This code-share opens up all destinations for both carriers from the Dubai hub. It provides access to the rest of the Middle East, all of Africa and, above all, all of Asia

(...)

**My comment:** France's seven biggest airports (see table above, 2022 figures) are

now directly connected to the Persian Gulf, and consequently to the rest of the world via the Dubai and Doha hubs.

Basel-Mulhouse joins Lyon, Nice, Toulouse, Marseille and, of course, Paris.

#### TRAFIC PASSAGERS COMMERCIAUX

##### Classement par passagers des aéroports de France métropolitaine (>1M passagers)

Aéroports	Pax	% 2022/2021	% 2022/2019
1 Paris-Charles de Gaulle	57 474 033	119.4%	-24.5%
2 Paris - Orly	29 187 269	85.6%	-8.4%
3 Nice Côte d'Azur	12 119 043	85.3%	-16.3%
4 Marseille Provence	9 148 306	96.3%	-9.9%
5 Lyon-Saint Exupéry	8 558 341	89.1%	-27.1%
6 Bâle - Mulhouse	7 050 765	94.7%	-22.5%
7 Toulouse - Blagnac	7 037 150	84.1%	-26.9%
8 Nantes Atlantique	5 800 372	76.1%	-19.7%
9 Bordeaux	5 704 455	87.0%	-25.9%
10 Paris - Beauvais	4 614 424	122.5%	15.8%
11 Lille - Lesquin	1 773 154	51.9%	-19.0%
12 Montpellier Méditerranée	1 761 087	60.0%	-9.0%
13 Ajaccio - Napoléon Bonaparte	1 662 931	17.8%	2.7%
14 Bastia - Poretta	1 489 038	24.1%	-4.5%

These seven airports are also all connected to the Turkish Airlines hub in Istanbul, on its way to becoming the world's largest airport and already competing with its Gulf rivals.

### > Delta calls for cancellation of U.S. plan to end airline's partnership with Aeromexico

(Reuters source) February 23, 2024 - **Delta Airlines asked the Biden administration on Friday to reconsider its plan to remove the airline's antitrust immunity from its partnership with Aeromexico, citing significant economic impacts.**

Delta said that if the partnership were cancelled, "nearly two dozen routes between the U.S. and Mexico would be at risk of cancellation", and that at least ten other routes could be served by smaller aircraft and fewer seats.

Delta said fares would rise and "\$800 million in annual consumer benefits would evaporate". Jobs would be lost on both sides of the border. (Reporting by David Shepardson; editing by Jonathan Oatis)

**My comment:** The Mexican authorities have decided to cap the number of flights at Mexico City's Benito Juárez International Airport once again, dropping from 52 to 43 movements per hour as of January 8, 2024, despite protests from airlines and threats of retaliation from the USA.

The primary reason for the new cap is overcapacity at Mexico City's main airport.

*To relieve congestion, Mexico opened Felipe Angeles International Airport last year. This is a former military airport located some 50 km northeast of Mexico City.*

*It has not met with the success hoped for, with airlines preferring to stay at Benito Juarez International Airport, much closer to the capital's city center.*

## > **Lufthansa's Board of Management undergoes major overhaul**

(source Les Échos) February 23, 2024 - Thunder at **Lufthansa**. On **Thursday evening**, the German airline **announced a radical overhaul of its management team. Four members of the Management Board will be leaving the company.** Only the Chairman of the Board, Carsten Spohr, and the Head of Human Resources, Michael Niggemann, will remain on board, with Niggemann acting as interim Head of Finance.

"The challenges facing our industry and our company are different from those of previous years, but they remain immense. We want to tackle them with fresh impetus and a modified team that combines even more international experience and multiple perspectives," explained Group Supervisory Board Chairman Karl-Ludwig Kley. At the same time, the Group announced the arrival of Dieter Vranckx, current head of Lufthansa subsidiary Swiss Airlines, and Grazia Vittadini, Head of Technology at aircraft engine manufacturer Rolls-Royce.

The former will be in charge of "global markets and network management", while the latter has been appointed Chief Technical Officer. Grazia Vittadini had already been CTO at Airbus, before being let go by Guillaume Faury, the aircraft manufacturer's CEO, when he took over, and landing at Rolls-Royce.

**Why such a dramatic move? The board obviously felt that the various managers were not working together enough, and perhaps too much against each other.**

(...)

For the European giant's boss, Carsten Spohr, this is a message to be taken seriously if he intends to retain his position in the years to come. Carsten Spohr, whose contract runs until 2028, is the embodiment of the Lufthansa Group, but no potential successor seems to be in sight today.

**The Board also emphasizes the need for greater international experience, as the airline group faces the challenge of increasing digitalization and the arrival of new competitors in the skies.**

***My comment: It is difficult at this stage to interpret this radical decision.***

*What can Lufthansa's supervisory board blame its management for?*

*I can think of several answers.*

*The first is the management of the health crisis. In order to cut costs, Lufthansa didn't hesitate to cut corners. It cut tens of thousands of jobs, from 137,000 before the crisis to 105,000 by 2021.*

*Perhaps it even went a little too far, given the disruptions experienced during the summer of 2022, with a resurgence in demand that exceeded operational capacity, forcing it to cancel flights and then put A380s back into service (source: La Tribune).*

*The second is the partial sale of its maintenance subsidiary Lufthansa Technik. After a few months, Lufthansa's management backed down.*

*The third is the management of the takeover of Italian airline ITA Airways, which is dragging on (see next article).*

*Finally, several strikes or threats of strikes have occurred in recent months at various Lufthansa subsidiaries.*

### > **ITA-Lufthansa: an increasingly distant marriage**

(source Avionews, translated with DeepL) February 22, 2024 - **By June 6, 2024, the European Competition Commission will have to rule on the agreement between German aerospace group Lufthansa and the Italian Ministry of Economy and Finance (MEF) to privatize 41% of the share capital of national airline ITA Airways. Electoral tensions surrounding the renewal of the European Parliament, industrial lobbies and ITA's budget deficit are complicating this green light.**

This is the reason why, according to various industry experts, the green light from the European Competition Commission, chaired by Margrethe Vestager, has been delayed and complicated. The antitrust authority will have to indicate whether and under what conditions the operation can go ahead. **However, given that after the elections, the composition of the EU Competition Commission could also change, which should reflect the political balance that emerged during the electoral contest, the decision is likely to be postponed again.**

Perhaps in July? Perhaps August? September? Who knows? Because in addition to the possible change at the head of the Competition Commission, around the ITA-Lufthansa marriage, there is a cross-play of lobbying between competing airlines and their governments, which could bring alleged powers of influence to bear on Brussels. In all this, the management of Italy's state-owned airline, currently 100% controlled by the Ministry of the Economy, is trying to protect itself in the worst possible way: by hiding the company's balance sheets from taxpayers.

**Who will put an end to ITA Airways' disastrous economic situation?** Why have airline executives hidden the official documents for the 2023 annual budget, as well

as the last two quarterly reports (July-September and September-December 2023)? Will ITA management also keep in a drawer the documents relating to the company's performance in the first three months of 2024?

Perhaps ITA's management will try to divert public attention from the "too harsh" remedies demanded by Brussels to authorize the marriage with Lufthansa. Provided the Germans don't tire of Brussels' procrastination, but above all that they don't lose confidence in ITA's operation, when in 2023 the company's chairman, Antonino Turicchi, had promised a balanced budget (break-even). Instead, the accounts are almost certainly in the red. And if competitors (Air France-KLM and IAG Group) race to privatize, it is to be feared that, more than competition, the French, British and German lobbies in Brussels will weigh in the balance.

**My comment:** *The current M&A deals (Lufthansa - ITA Airways, Iberia - Air Europa) are unlikely to be completed by June 9, 2024, the date of the next European elections.*

*The process of selling TAP Air Portugal, which is of interest to the three main European airline groups, will not be launched until after the Portuguese parliamentary elections.*

*These take place on March 10.*

### > **737 MAX crisis: Boeing part ways with a senior executive**

(source Les Echos) February 20, 2024 - A head had to roll **after the 737 MAX accident on Alaska Airlines. The head of the manufacturing program for this aircraft line, Ed Clarke, has been dismissed by Boeing, after eighteen years of loyal service to the American aircraft manufacturer.**

The departure was revealed on Wednesday via an internal memo drafted by Stanley Deal, the company's commercial director. Ed Clark was immediately replaced by Katie Ringgold, who was in charge of 737 deliveries. She now oversees the Renton plant.

In addition, Elizabeth Lund, previously in charge of engineering and production for all commercial aircraft, has been appointed to oversee group-wide quality. This position did not exist until now. It will be crucial at a time when Boeing is under fire for negligence.

In January, an Alaska Airlines flight almost ended in disaster when a section of the fuselage ripped off in mid-air. The aircraft was a recently built 737 MAX. This model of aircraft had already been the cause of serious accidents before the Covid epidemic.

The National Transportation Safety Board

's investigation revealed that this time, the 737 MAX had not suffered from a design problem, but from the quality of its industrial processes. The aircraft apparently left the factory with four bolts missing.

(...)

**All eyes are on CEO David Calhoun, who took the helm in 2020 precisely to improve aircraft safety. Boeing's share price has lost 23% since the start of the year.** Regulators, airlines and Washington are all looking to him to turn things around.

***My comment:*** *The departure of the head of the B737 MAX manufacturing program is a necessary but not sufficient condition for resolving the problems at Boeing.*

*I invite you to (re)read the article "Boeing or financialization to excess" in my [previous newsletter n°952](#).*

## > **Airbus and TotalEnergies partner for SAF development**

(source Journal de l'Aviation) February 22, 2024 - **Airbus and TotalEnergies have signed a strategic partnership agreement to supply Airbus with sustainable aviation fuel (SAF) and pursue research in this field.**

**The agreement covers more than half of Airbus's SAF requirements for its European operations.**

The Research and Innovation component focuses on a program to develop 100% sustainable fuels, suitable for use in current and future aircraft, and their impact on reducing all types of emissions and on the formation of condensation trails.

(...)

***My comment:*** *Airbus has two good reasons for taking an interest in the development of sustainable aviation fuels.*

*The first is to ensure that its customers can operate the aircraft produced by the European manufacturer while minimizing their CO2 emissions.*

*The second reason is less well known: Airbus' direct CO2 emissions are essentially due to the kerosene used by the Beluga fleet, comprising three A300-600STs and six A330-743Ls. It should be noted that the three A300-600STs will now be used exclusively to transport oversize freight for companies outside Airbus.*

*These Beluga aircraft are intended to transport complete sections of Airbus aircraft from various production sites in Europe to the final assembly lines in Toulouse and Hamburg.*





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Source : L'Opinion

*"In 2023, Airbus used more than 11 million liters of SAF in its operations," announced the aircraft manufacturer on Monday, February 19, 2024. Twice the volume used in 2022. The aircraft manufacturer has even exceeded its initial target of one million liters.*

*Many types of flight have been conducive to the use of SAF.*

*First of all, the aircraft manufacturer has been using this fuel for Beluga flights dedicated to transporting parts from manufacturing sites to final assembly lines since 2019. Internal business trips are also covered.*

*Collaborations with the airlines Volotea and Air Corsica and an agreement with Air France have made it possible to integrate SAF into employee travel.*

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*Note: The Beluga fleet operating out of Broughton uses a 35% blend of non-fossil fuel. The sustainable aviation fuel used by the Beluga fleet is made from sustainable raw materials, such as cooking oil. It is supplied to Airbus by Air BP in Broughton and Hamburg.*

## > **How Orly airport aims to become a model of development without growth**

(source Les Échos) February 21, 2024 - **Conceiving a future without growth: this is the complex and unprecedented exercise ADP has undertaken to draw up a strategic plan for Orly airport up to 2035.** On Wednesday, just a few days before the start of the public consultation phase, the Parisian airport operator unveiled the main lines of the plan. While air traffic is not expected to increase, ADP aims to

make Orly a "model for the whole of Europe", according to CEO Augustin de Romanet.

Starting with decarbonization. **ADP wants to make Orly a model of its kind, with the ambitious goal of achieving "net zero CO2 emissions" by 2030 for an airport with 32.3 million passengers. This compares with 2050 for the sector as a whole.** This will involve a drastic reduction in car use, thanks to the long-awaited arrival of metro line 14 next June, followed by line 18 in 2027.

By 2030, private cars will be banned from Orly's terminals, in favor of new parking lots further away than the current ones, served by public transport. The ban will not be total. Cabs, VTCs and disabled vehicles will still be able to arrive at the terminal gates. Parking lot P3 will also remain accessible for long-term parking, reserved in advance. **But for the vast majority of travellers, 70% of whom arrive by car today, they will have to take public transport, either from Paris or from the parking lots.**

This measure is designed not only to reduce pollution from cars, which account for over 40% of the airport's ground-level CO2 emissions, but also to prevent a complete bottleneck on the access roads, which are already saturated at peak times. It will also enable ADP to reclaim land from existing parking lots for the construction of office buildings, the rents from which will offset the decline in parking lot revenues. The group estimates that 80 hectares of land around Orly are potentially available for construction. **"We're aiming to double the number of passengers and quadruple the number of hub employees using public transport"**, stresses Orly airport director Justine Coutard, even though there is **still room for improvement on a number of points. RATP, for example, has not provided a car for passengers' suitcases.** The number of trains going to Orly will also be limited, initially, to 83 per day.

**Nor are there any plans to bring forward the time of the first metro, despite the fact that a third of Orly's employees work staggered hours, some of them having to arrive between 4 and 5 in the morning. Those who live close to the airport may be able to use the 6 km of cycle paths that will reach Orly by 2030.**

Other projects should also contribute to making Orly a virtuous airport in environmental terms, including making Orly a supplier of low-carbon energy for local residents, from solar, geothermal or methanization sources. And let's not forget the airlines, with the construction of a hydrogen and biofuel distribution station. ADP is also committed to protecting biodiversity, by preserving 30% of its land as grassland.

However, the Paris-Orly 2035 plan does not totally forget about growth, even if the word is rarely uttered, for fear of alarming local residents. **Orly's traffic in 2035 should remain at 2018 levels, i.e. below the ceiling of 250,000 movements,** which is not called into question. Aircraft noise is even set to fall sharply. **Nevertheless, traffic at Paris-Orly is expected to have risen by 16% by 2035, due to the use of larger aircraft and better load factors.**

**This represents some 5 million additional passengers, who will need to be**



**accommodated. This will require the construction of a new departure lounge.** It will be linked to the Orly 2 zone by a spectacular skybridge, modelled on the London-Gatwick "skybridge", under which aircraft will taxi. Sixty-three years after its inauguration by General de Gaulle, Orly airport is still growing.

**My comment:** ADP generates most of its sales in France, to the tune of 3.3 billion euros.

Half of this comes from so-called aeronautical activities (via airlines and their customers), the other half from retail and services (for 1.675 billion euros) and real estate (for 296 million euros).

However, in terms of operating income, aeronautical activities weigh little: 117 million euros versus 599 million euros for non-aeronautical activities.

These figures are taken from ADP's universal 2022 document, reproduced in part below.

This brings up two points.

The first is that ADP has a greater interest in developing its non-aeronautical activities, as mentioned in the article above.

The second is that the airlines, without whom there would be no customers for ADP, are quite right to claim a share of the profits that ADP makes from its non-aeronautical activities.

## Chiffre d'affaires

(en millions d'euros)	2022
<b>Chiffre d'affaires</b>	<b>4 688</b>
Activités aéronautiques	1 675
Commerces et services	1 442
dont Extime Duty Free Paris (ex- SDA)	637
dont Relay@ADP	95
Immobilier	296
International et développements aéroportuaires	1 361
dont TAV Airports	1 048
dont AIG	263
Autres activités	166
Éliminations inter-segments	(252)

## Activités aéronautiques – Plateformes parisiennes

(en millions d'euros)	2022
<b>Chiffre d'affaires</b>	<b>1 675</b>
Redevances aéronautiques	1 004
<i>Redevances passagers</i>	616
<i>Redevances atterrissage</i>	232
<i>Redevances stationnement</i>	156
Redevances spécialisées	209
Revenus liés à la sûreté et à la sécurité aéroportuaire	428
Autres produits	34
<b>EBITDA</b>	<b>499</b>
<b>Résultat opérationnel courant</b>	<b>117</b>
<i>EBITDA / Chiffre d'affaires</i>	29,8 %
<i>Résultat opérationnel courant / Chiffre d'affaires</i>	7,0 %

## Commerces et services – Plateformes parisiennes

(en millions d'euros)	2022
<b>Chiffre d'affaires</b>	<b>1 442</b>
Activités commerciales	922
<i>Extime Duty Free Paris (ex. Société de Distribution Aéroportuaire)</i>	631
<i>Relay@ADP</i>	95
<i>Autres Boutiques et Bars et Restaurants<sup>1</sup></i>	119
<i>Publicité</i>	35
<i>Autres produits commerciaux</i>	41
Parcs et accès	149
Prestations industrielles	156
Recettes locatives	140
Autres produits	75
<b>EBITDA</b>	<b>613</b>
<b>Résultat opérationnel courant</b>	<b>475</b>
<i>EBITDA / Chiffre d'affaires</i>	42,5 %
<i>Résultat opérationnel courant / Chiffre d'affaires</i>	32,9 %

## Immobilier – Plateformes parisiennes

(en millions d'euros)	2022
<b>Chiffre d'affaires</b>	<b>296</b>
Chiffre d'affaires externe	249
<i>Terrains</i>	120
<i>Bâtiments</i>	89
<i>Autres</i>	40
Chiffre d'affaires interne	47
<b>EBITDA</b>	<b>194</b>
<b>Résultat opérationnel courant</b>	<b>124</b>
<i>EBITDA / Chiffre d'affaires</i>	65,5 %
<i>Résultat opérationnel courant / Chiffre d'affaires</i>	41,9 %

**End of press review**

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

**Air France-KLM shares** closed at **11.264 euros** on Friday February 23. It is **up this week by +2.10%**.

**Since the beginning of the year, the Air France-KLM share price has lost 17%.**

It stood at 12.53 euros on January 2, 2023, and 17.77 euros on June 19, 2023.

**The analysts' 12-month average (consensus) for AF-KLM shares is 16.33 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 comment**

> **Fuel price trends this** week

**The price of a barrel of Jet Fuel in Europe is down \$2 to \$111.** It was \$94 at the end of June, and \$79 before the outbreak of war in Ukraine.

**Brent crude oil** (North Sea) is **down \$2 to \$82 a barrel.**

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 stable this week, at \$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 [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 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 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 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 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.**

You can react to this press review or send me any information or thoughts that will

help me to keep you better informed.

**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**

**Representative of PS and PNC employees and former employees who are Air France-KLM shareholders.**

**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.

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