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°957, March 25, 2024

If you do not see this page correctly, or if you want to read the English or Dutch versions, please contact us.

If you do not see this page correctly, or if you want to read the English or Dutch versions,

Als u deze pagina niet goed ziet, of als u de Engelse of Nederlandse versie wilt lezen,

follow this link , it is here, vindt u deze hier

Monday's Press Review

> Airlines denounce Europe's inconsistencies and pretenses

(source Les Echos) March 20, 2024 - Pre-election periods are always an opportunity to write letters to Santa Claus. With eleven weeks to go before the European elections, the heads of the major airlines have not failed in this tradition. Meeting this Wednesday in Brussels as part of **their association Airlines for Europe (A4E), the bosses of Air France-KLM, Lufthansa, IAG, easyJet and Ryanair sent their list of expectations to the future European representatives**.

This list has hardly changed since the previous elections in 2019. **The main players in Europe's skies are still calling for a genuine reform of air traffic control in Europe**, whose fragmentation remains an enormous source of waste, as well as better control of air traffic controller strikes. But also **incentives to increase the production of sustainable aviation fuels,** whose supply remains far below demand. **And above all, no new environmental tax**, the proceeds of which will never go to the energy transition.

All these wishes went unheeded during the previous mandate, which left a bitter taste in the mouths of industry leaders. A case in point is the "so-called agreement" on **the "Single European Sky" project** between the Council of the European Union and the European Parliament, announced with great fanfare on March 6.

This draft regulation, which has yet to be voted on by MEPs, **was supposed to tackle the fragmentation of the European sky**, which lengthens flight times,

increases fuel consumption and CO_2 emissions, and causes major delays.
But with the exception of Belgian Transport Minister Georges Gilkinet, who contributed to the agreement, **no one seems satisfied with this compromise text**, which does not call into question the management of different national airspaces by national civil air forces.

The initial idea of a supranational European authority with the power to impose sanctions in the event of poor performance by national air navigation services has fallen by **the wayside**, not least because of opposition from France and Germany.
(...)
Even the European Commission's representative for transport, preferred to give up. "**The Commission had great ambitions with regard to the Single Sky, but this is a matter for the Member States**", Rachel Smit points out.
(...)
Furthermore, **the obligation to use an increasing percentage of sustainable aviation fuels by 2050** - a regulation unique in the world, supported by all European airlines - **is still hampered by the lack of available CAD in Europe**.

For Air France-KLM CEO **Benjamin Smith**, it's also a question of the competitiveness of European air transport. "**If European airlines can't compete on a level playing field with their non-European rivals, the sovereignty of European countries is likely to suffer**", he stresses.
"At Lufthansa, we can only cover 0.2% of our needs with CAD," explains Carsten Spohr. **Europe has made no provision for stimulating CAD production**. "The result is that today, **90% of sustainable aviation fuels are produced in the USA**, thanks to tax incentives from the US government," adds IAG boss Luis Gallego.

The American example seems to have unanimous support, including in European bodies. The DG Move representative admits: "A carrot should be added to the stick. But here again, it's up **to the member states to act**, as the Commission doesn't have the necessary budget."
(...)

My comment: *The airlines mentioned in the article compete fiercely with very different business models.*

And yet, they are working together, which is a testament to the level of the issues at stake, and provides a greater chance of success.

Like the airlines, various organizations representing the interests of air transport employees are doing the same for candidates in the European elections.

When it comes to the production of sustainable aviation fuels (SAGF), the US model is the envy of the world, and far ahead of the European model:

- financially, through the Inflation Reduction Act, which uses tax credits to help manufacturers finance the energy transition in the United States (see my letter n°917)

- in the organization of the industry; for example, the CAAFI "Commercial Aviation Alternative Fuels initiative" launched in 2006 (whose role is to promote the development, evaluation and marketing of alternative fuel options that offer environmental improvement and security of energy supply for aviation).

On this CAD issue, organizations representing the interests of European airlines, such as A4E (Airlines for Europe), and organizations representing the interests of employees, such as the ETF (European Transport Workers Federation), have an interest in identifying and defending common positions.

Concerning the lack of coherence in European air navigation, the subject was previously addressed in my letter n°955.

> Court rules that KLM misled consumers with "green advertising

(source ANP, translated with Deepl) March 20, 2024 - **KLM** had misled consumers with several green claims in advertisements, an Amsterdam court has ruled. According to the judges, the airline had in the **past painted an "overly rosy" picture of the beneficial effects of, for example, forestry projects and the use of more sustainable jet fuel.**
These measures "only marginally reduce the negative environmental aspects and falsely give the impression that flying with KLM is sustainable", says the ruling.
The case concerning KLM's greenwashing had been brought by the anti-aviation club Fossielvrij NL. The activist organization was unhappy that the company was giving the impression that it was possible to fly without exacerbating the climate crisis.
(...)
KLM does not seem shocked by this decision. "The judge found that 15 of the 19 sustainability claims were misleading. As KLM has not used these expressions for a long time, it does not have to rectify them. **KLM is also allowed to communicate on its sustainability initiatives**, but it must give an honest picture of the situation", said the company in an internal communication to which Aviation News had access.

KLM said it was "very pleased" that the court had ruled that it could continue to communicate with customers and partners about its approach to sustainability. "Our communication on sustainability must be honest and transparent. We are constantly learning how to make our consumers understand the importance of sustainable development in the aviation sector. That's why we've already taken significant steps in our communications policy and haven't used the 19 phrases that were at the center of this case for some time."

It is essential for KLM to raise awareness and communicate about its sustainability objectives, activities and dilemmas. "
In doing so, **we reach out to governments, fuel suppliers, research institutes, NGOs, aircraft manufacturers and customers - all the parties who need to make aviation less polluting**. KLM is also pleased that the court is giving us more clarity on what is possible and how we can continue to communicate transparently and honestly about our approach and activities."

My comment: *For companies, communicating on their initiatives to reduce CO2 emissions is a relatively new and delicate matter.*

They need to be vigilant to avoid being accused of greenwashing.

This is what happened to KLM. As soon as the first remarks were made, the airline immediately modified its communication.

This is why the court ruling does not penalize KLM.

It's also very difficult for airlines to get people to admit that their efforts are bearing fruit.

I think it's important to remember that the two main ways of reducing aviation's impact on the climate remain the use of sustainable aviation fuels and the gradual replacement of older aircraft with new, more fuel-efficient ones.

Observers are skeptical about the effectiveness of these measures, especially when the airline industry is forecasting a sharp increase in traffic by 2050.

The best response to these observers would be for airlines to communicate as much about reductions in CO2 emissions per passenger as about reductions in total emissions.

The Air France-KLM group is committed to this approach.

Air France has reduced its total CO2 emissions by 6% between 2007 and 2022.

> This plant near Angers will lighten the seats on HOP! planes.

(source Ouest-France) March 21, 2024 - Expliseat is on a roll. The company, founded in 2011 and specializing in aerospace construction, is to design and produce, at its Avrillé site near Angers (Maine-et-Loire), the future seats for **HOP**! airline's Embraer 190s. The company **announced** this in a press release issued on Thursday, March 21, 2024, as part of **the complete renewal of its aircraft cabins**. The aim is to continue "upgrading its product and service offering on its short- and medium-haul network".

More comfort, therefore, for less weight. And less impact on the environment.
This is the specialty of Expliseat, headquartered in Paris.
In 2023, the company, headed by Amaury Barberot, set up a 6,000 m² production site in the Anjou region, to produce **innovative, ultralight seats for regional aviation and the medium-haul segment.**

My comment: *HOP! currently operates 33 Embraer 170 and 190 aircraft.*

The decision to invest in new, lighter and more comfortable seats will enable HOP! to better satisfy its customers.

It is in line with the strategy of feeding the CDG hub, and sends a positive signal for the future of HOP!

> Transavia Netherlands leases additional Airbus a321neo aircraft

(source Luchtvaartnieuws, translated with Deepl) March 21, 2024 - **Transavia leases two additional Airbus A321neo aircraft from Air Lease Corporation, for a total of nine aircraft**. These aircraft are in addition to those already owned by the company. The two additional A321neos will join the fleet in late 2025 and early 2026.

Air France-KLM has ordered a total of 100 A320neo Family aircraft from Airbus, but aircraft are also leased. KLM, for example, will also lease A321neo aircraft from CDB Aviation. In all, there will be well over 100 aircraft.
Air Lease Corporation (ALC), one of the world's largest aircraft leasing companies, had already signed agreements with Transavia for the leasing of seven A321neo aircraft. Two new aircraft will now be added. The first A321neo in service with Transavia, the PH-YHZ, is also owned by ALC.
(...)
The second leased aircraft and the first owned aircraft will be delivered in the near future. **Transavia plans to add a total of seven A321neo aircraft to its fleet this year, with 232 seats**. No smaller A320neo will come to the Netherlands in 2024.

The Dutch airline uses the more fuel-efficient and quieter Airbus to replace the Boeing 737-800. Ten of the latter aircraft are also leased to ALC.

My comment: *The Transavia Netherlands fleet is mainly made up of Boeing B737-800s (186 seats), but the company has decided to replace them with Airbus A321 Neos (232 seats).*

With this 25% increase in the number of passengers carried per aircraft, Transavia Netherlands will eventually limit the effects of the announced reduction in the number *of slots at Schiphol.*

For the time being, Transavia Netherlands is facing fleet availability problems, notably due to a shortage of spare parts.

This situation forced the airline to cancel flights last summer.

As this problem is likely to recur this summer, Transavia Netherlands has decided to cancel flights immediately.

> Will there be a direct Milan Linate-New York flight? The Air France-KLM CEO's proposal

(source Corriere della Sera, translated with Deepl) March 24, 2024 - **Air France-KLM wants the decree regulating Linate airport to be amended, removing the distance limit on authorized flights to allow** direct connections between the Milan city airport and New York. This is what Benjamin Smith, CEO of the Franco-Dutch group, told Corriere della Sera on the sidelines of a summit organized in Brussels by the Airlines for Europe association. Once this constraint is lifted, we'd like to operate the route with the Airbus A321neo", added the CEO, referring to the single-aisle aircraft.
Mr. Smith makes no secret of his interest in Linate, an airport located a few kilometers from the center of Milan and accessible by metro. **But his project comes up against regulations that limit not** only the number of hourly movements to 18 (between departures and arrivals), but also the **distance of connections: no more than 1,500 kilometers**, as stipulated in the latest amendment authorized by the European Commission. The previous decree only authorized flights to EU airports. But with the Brexit - the UK's exit from the EU - it became necessary to intervene to prevent the shutdown of connections between Linate and London.

The A321neo is already used by the French airline La Compagnie between Malpensa and Newark, New York's other reference airport (it has just 74 seats, all in business class, out of an average of 220). (
...)
Air France has not ordered any A321neo for the time being, while KLM has already secured 100 (between A320neo and A321neo), which will however be used to renew the fleet of low-cost group Transavia. The agreement includes an option for further A321neo aircraft, but this has not yet been taken up. **The only aircraft authorized at Linate - also because of the length of the runway - are single-aisle aircraft.** (..
.)
Italian and European institutional sources explain that there are - for the moment - no discussions on a possible modification of the Linate decree. One reason for this is to avoid harming Malpensa, the intercontinental hub in northern Italy. Moreover, **it's hard to see how Air France-KLM could operate the direct transatlantic route**

with a hub-and-spoke operating model based on transit flows between Europe and North America from its Paris and Amsterdam bases. Not to mention joint venture agreements with British Virgin Atlantic (London) and US Delta Airlines.

But Smith's comments echo La Compagnie's positions, and confirm the existence of behind-the-scenes thinking on the hypothesis of a direct flight between Milan city airport and New York. It is not known whether this hypothesis will be put on the table in the EU negotiations for the green light to the Ita Airways-Lufthansa marriage. Insiders point out that, technically, changes are possible, since the aim is to use the latest-generation aircraft, which are quieter than others and have a reduced impact on the environment.

My comment: *Lufthansa wants to take a stake in ITA Airways. But the European Commission has raised the issue of dominance. To compensate, the German airline may have to give up slots at Milan-Linate airport.*

Air France KLM and easyJet are trying to position themselves to recover these slots. The CEO of easyJet has confirmed discussions with the European Commission on the subject, while Ben Smith has publicly stated his interest in operating at the airport.

The Air France KLM group wants to compete with "La Compagnie" on the Linate - New York route, operating Airbus A321 Neo aircraft. This would represent a change in business model and flight product.

Note: the short runway length at Linate does not allow the operation of wide-body aircraft.

> Air Austral's future once again hangs on the presentation of a rescue plan

(source Les Echos) March 19, 2024 - A year after its last rescue plan, **Air Austral's future remains as uncertain as ever**. Despite the wiping out of around one hundred million euros in public aid at the end of 2022, the situation of the Reunion Island-based airline still looks as precarious as ever. So much so that an interministerial meeting was held this Tuesday morning in Paris, to pave the way for a new rescue plan.

At the end of the meeting, representatives of the various ministries concerned - Overseas, Transport and Economy - confirmed their support for Air Austral's continued operation, which represents a major issue for local employment, as well as the only air link with the island of Mayotte.

However, **this State support is now strictly limited by the impossibility of further direct aid without the agreement of the European Commission**. For the time being, therefore, it will be limited to the decision not to demand repayment from Air

Austral of some €65 million in debts falling due this year. In addition, the government's support is conditional on the presentation by Air Austral's shareholders - first and foremost the Reunion-based Deleflie Group, which controls the majority of the company's capital - of a three-year turnaround plan by the end of April, to be carried out by an "independent third party" and accompanied by a further injection of private funds. "**Rescuing the company will require the efforts of all parties", stresses a government source**.

At the beginning of the year, Air Austral's private shareholders had already begun to react, entrusting the Aérogestion consultancy, headed by former Air Caraïbes boss Marc Rochet, with a complete audit of the company. The details of this audit have not been revealed, but **the analysis of the situation would have clearly highlighted the impossibility for Air Austral to continue on its current trajectory, without a profound restructuring and a new recapitalization**. On pain of ending up in commercial court.

This initial assessment led to the presentation, in early March, of a recovery plan, accompanied by the promise of a 10 million euro injection from private shareholders. However, from the point of view of the public authorities, this first step is not enough to ensure the company's long-term survival, and to enable the French government to return to the European Commission for further state aid. Especially as **the French government must also convince Brussels to accept Corsair's debt write-off**.

"It's first up to Air Austral's shareholders to act," stresses a government source. It remains to be seen how. For the time being, Air Austral's cash requirements to finance this three-year plan have not yet been precisely quantified. Nor is the social cost of restructuring known. As for the possible arrival of new shareholders, this is still unknown. And the longer the uncertainty lasts, the less likely customers will be to book their next flights with Air Austral.

My comment: *Several factors have led to Air Austral's current situation:*

- the unsuccessful alliance with Air Madagascar,

- recent aircraft (from Boeing B787s to Airbus A220s) too often grounded,

- geographical instabilities in Africa, requiring longer than usual flight routes,

- fierce competition on its flagship route between Paris and La Réunion, with little brand positioning.

Air Austral already underwent a restructuring in 2022, during which a merger with Corsair was studied but rejected.

> Qatar Airways plans to introduce a first class and may order a hundred wide-body jets

(source Journal de l'Aviation) March 18, 2024 - Badr Mohammed Al Meer has kept a low profile since taking up his post last November. However, Akbar Al-Baker's successor at the helm of **Qatar Airways** has given an interview to the American channel CNBC, in which he **unveils** his vision for the airline's future. This includes **the preparation of a "major" order for wide-body aircraft and a small revolution in the Qatar Airways product**, with the introduction of first class on certain routes. For years, Qatar Airways had been saying that it didn't need to develop a first-class product, believing that the quality and luxury deployed in its business class lifted the QSuite far above the standards of other airlines, making it a product akin to first class. This vision seems to have come to an end. "**In certain sectors, we see a strong demand for first class,** so we decided to introduce a new first-class cabin unique to Qatar Airways," said the airline's CEO, explaining that he wanted to combine the experience of a commercial flight with that of a private jet flight to create a new experience.
(...) At the
same time, **an overhaul of the QSuite is underway**. The result should be revealed during the next Farnborough Airshow (which takes place in July).

Badr Mohammed Al Meer also announced that he had invited bids from Airbus and Boeing for **a "major" order of wide-body jets - between 100 and 150,** according to Bloomberg. However, a quick decision is out of the question: "with an order of this size, we have to take our time". However, he confirms his total confidence in the quality of the aircraft produced by Airbus and Boeing, and in the ability of the two aircraft manufacturers to overcome their difficulties.
The aircraft will be used to renew the fleet and increase capacity, in particular to further develop routes to China, India, Australia, Japan and South Korea. In the meantime, Qatar Airways will receive its first Boeing 777Xs, expected from the end of 2025.
The airline has 74 aircraft on order, as well as 25 737 MAXs and thirteen 787-9s from Boeing, and 50 A321neo (including LRs) and 24 A350-1000s from Airbus. While passenger demand remains very high, and the supply chain continues to slow production rate increases, *Badr Mohammed Al Meer has also put an end to his predecessor's plan to rapidly withdraw the A380 fleet from service*.

My comment: *the Skytrax ranking of the world's best airlines has placed Qatar Airways in second position for 2023, after 7 years in first place.*

The introduction of a first-class flight product could give the major European airlines a run for their money.

It is not certain that this new product will be profitable: the aim is probably more to enhance the company's brand image than to make additional profits.

> Airbus: two multi-billion-dollar contracts a hit in Asia

(source Les Echos) March 21, 2024 - Airbus has pulled off a double coup in Asia. **The European aircraft manufacturer announced two major contracts this Wednesday, one with Japan Airlines and the other with Korean Air, for a total of 65 aircraft**, with an estimated total value of over ten billion dollars at true market prices. These **two commercial victories with two of Boeing's traditional customers** far outstrip all the orders signed by Airbus since the beginning of the year.

The Japanese airline opened the ball with a firm order for 21 long-haul Airbus A350-900s and 11 medium-haul A321s, **giving Airbus its biggest commercial victory in Japan** since JAL signed its historic first order with the European aircraft manufacturer in 2013. Boeing had to settle for a consolation prize of 10 additional long-haul B787-9s.

"It's a sign of confidence in Airbus aircraft," says a person close to the negotiations. "The Japanese airline is buying A350s again, but will also be integrating A321s, which have established themselves as the best in their class, into its fleet for the first time," notes the expert.

(...)

But the most important announcement of the day came from Korean Air, with an order for 35 long-haul A350s, including 27 of the largest model, the A350-1000. This is the first time that Korean Air has chosen the A350. With the exception of a few A380s, Korean Air had always remained loyal to Boeing for its long-haul aircraft. The American manufacturer was therefore confident that it could sell its new flagship, the 777X, to renew its fleet. But the A350 won out.

Unlike its American competitor, which has not yet been certified, the Airbus wide-body jet has the advantage of being immediately available, and is already in the fleet of Asiana Airlines, the other airline about to be taken over and absorbed by Korean Air.

While Airbus and Boeing have not commented on the background to these contracts, **analysts note that the American manufacturer's recent setbacks may have worried some of their traditional customers in Asia**. "It is likely that the multiplication of recent deals has not played in their favor in companies that finely balance their risk-taking", explains the expert.

(...) What's more,

unlike the A320 and A321 single-aisle airliners, whose order books are full until the end of the decade, **Airbus still has delivery slots available for its A350s. But also more capacity for commercial negotiation.**

Unlike in the single-aisle market, where Airbus has overtaken Boeing, still struggling with the problems of the 737 MAX, the European aircraft manufacturer is still lagging behind its American rival in the long-haul market. It therefore has a greater interest in negotiating if it wants to close the gap.

Boeing, on the other hand, has no interest in selling off its 787s, its sole source of profit from commercial aircraft. All these factors explain Airbus' double victory in Japan and Korea.

My comment: *Reading this article sheds new light on the aircraft pricing debate.*

For several years now, both Airbus and Boeing have stopped communicating catalog prices. As an anecdote, an Airbus sales manager pointed out that he had only sold one aircraft at list price.

That didn't stop journalists from talking about list prices.

Not so in this article. The journalist speaks of "real market prices".

According to him, the long-haul aircraft involved in the two orders were negotiated at a price of $200 million per aircraft.

Another journalist (source: Zonebourse) reports a list price of $300 million.

On the substance of the article, Airbus is taking advantage of Boeing's setbacks with its B777X and the long range of its A350s; the A350s enable Asian airlines to bypass Russian airspace.

End of press review

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

Air France-KLM shares closed at **9.753 euros on** Friday March 22. It is **up slightly this week by +1.30%.**

Since the beginning of the year, following the announcement of mixed results for the fourth quarter of 2023, the Air France-KLM share price has lost 30%.

It was 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 16.15 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.

My comment: *Air France-KLM's share price fell again this week.*

For most investors, the announcement of weaker-than-expected fourth-quarter 2023 results overshadowed the good full-year results.

> Fuel price trends this week

The price of a barrel of Jet Fuel in Europe is down $2 to $108. It was $94 at the end of June, and $79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is **up $1 to $86.**

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, this differential was close to $50.*

The Jet Fuel spread in Europe and Brent crude are down this week, to $22 a barrel. This is the fourth week in a row that the spread has fallen to $25 or less.

From February to July 2023, the spread had returned to reasonable levels (between $12 and $25). From August 2023 to February 2024, the spread between Jet Fuel in Europe and a barrel of Brent crude oil 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 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.

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

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.

If you no longer wish to receive this press review, [unsubscribe]

If you wish to change the address at which you receive this press review, please send me your new email address

. To contact me: message for François Robardet.

11,534 people receive this live press review