



I Letter from the Director Air France-KLM

François Robardet Representative of employees and former employee shareholders PS and PNC

No. 703, May 13, 2019

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

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 yesterday](#) 

> Air France-KLM General Shareholders' Meeting on 28 May 2019

The Air France-KLM general shareholders' meeting will be held on Tuesday 28 May at 2.30 pm at the Espace Grande Arche de la Défense.

If you are a shareholder or unitholder (Majoractions, Aéropélican and/or Concorde FCPE at Natixis), and you wish to appoint me as proxy and entrust me with your powers, it is not too late. Go to the voting site **airfranceklm.voteassemblee** and then mention my name, first name and address **François Robardet, 6 Résidence de l'Enclos, 31320, PECHBUSQUE**

For more details, find my [Flash80](#).

The Press Review on Monday...

> Air France-KLM: Passenger numbers up 9.2% in April

(source Reuters) May 10 - **Air France-KLM announced on Friday a 9.2% increase in the number of passengers carried in April on a group-wide basis, to nine million people.**

The airline said capacity last month increased by 1.2%, removing the impact of the eight days of social movements it had faced a year earlier, in April 2018.

In passenger business, the load factor increased by 0.6 points to 88.7%, while in cargo business, traffic increased by 3.3% and the load factor decreased by 1.8 points to 59.3%. (...)

> Fors meer passenger sailboats Air France-KLM (More passengers for Air France-KLM)

(source AFN/IEX) May 10 - Air France-KLM carried significantly more passengers in April than in the previous year. (...) This represents an increase (...) of almost 9%. (...) **Air France saw its passenger flows increase by more than 14%, while KLM recorded growth of 1.8%. Transavia grew by nearly 11%.**

(...) The increase in capacity is almost entirely attributable to Air France, mainly due to the measures taken a year earlier (...). Excluding the impact of strikes, capacity growth was 1.2%, excluding Transavia. **At KLM, they are particularly pleased that after the contraction in the first quarter, growth has resumed. Pieter Elbers, KLM's boss, expected more.** At KLM, the growth in passenger numbers was mainly concentrated in Asia.

***My comment:** Air France's growth in April was relatively low (1.2% excluding the 2018 strike effect).*

To improve its punctuality and regularity, Air France has decided to add 2 to 3 spare aircraft per day on the long-haul network. This has reduced the number of aircraft in operation, limiting supply growth.

> Air France is once again cutting into its domestic network

(source Les Échos) May 13 - For the fifth time in ten years, **Air France officially presented** this Monday morning to employee representatives **a draft voluntary redundancy plan, "which may concern up to 465 positions"**. Designed to accompany a further reduction in the short-haul network of Air France and its heavily loss-making subsidiary Hop!, **this plan concerns exclusively the approximately 3,400 ground staff in charge of passenger processing at the 13 provincial airports as well as Paris-Orly**, which had already paid a heavy price for the reduction in staff in previous plans. Flight crews, pilots and cabin crew, for whom Air France continues to recruit, are not concerned. The conditions proposed by management have not been disclosed at this stage. (...) The company's management justifies this new attrition by the need to

reduce losses on short-haul lines, which rose from 96 to 189 million euros in 2018. But also by the need to adapt the network to the **ever-increasing competition from the TGV**, which has still cost Air France "more than 40% of its traffic" on Paris-Bordeaux since 2017 and which continues to gain market share throughout western France. In total, Air France plans to close around "fifteen routes" by next year, out of a total of 172 short-haul routes from Orly, as well as the inter-regional route. (...) In

addition to these line closures, smaller devices will be used at certain times and on certain lines. In total, **Air France plans to reduce its short-haul offer by 15% by 2021, with the objective of bringing this network back "to balance, in the long term"**. The slots freed up in Orly will be taken over by Transavia, the group's low-cost subsidiary, for which Air France-KLM CEO Benjamin Smith seems to have high ambitions.

But despite successive attrition plans, **Air France claims to want to maintain a strong regional foothold, unlike British Airways**, which had almost abandoned its regional routes in the 1990s, **and Lufthansa**, which has entrusted most of them to its subsidiary Eurowings. Despite the TGV and low-cost rail services, Air France thus maintains a 65% market share on domestic routes, compared with 45% for Lufthansa in Germany and 20% for British Airways in the United Kingdom. "The **domestic network** represents only 6% of Air France's offer in terms of seat-kilometres, but 12% of total revenue and 20% of revenue from business customers," it is explained internally. It is a **key market, which also allows us to maintain the link with business customers, which is also that of long-haul flights**.

***My comment:** On its domestic network, Air France faces two types of competition:*

- . the TGV, now present in western France,*
- . the low-cost airlines easyJet, Volotea, and Ryanair, which in 2019 will have 40 aircraft based in France, such as Transavia.*

Air France's ambition for its domestic network is to make it a balanced business by 2021. The reduction of supply by 15% in three years and consequently the reduction of staff at ports of call is only part of the answer.

It will probably be necessary to wait until the presentation of the group's strategic orientations in November 2019 to find out more.

> SNPL lifts its notice of national strike

(source La Tribune) May 9 - (...) According to our information, the National Airline Pilots Union (SNPL) has lifted its strike notice for the period from May 14 to 19 in order to maintain the specific representativeness of pilots within an air transport branch, which the pilots' union feared would appear in the Mobility Guidance Act (LOM). (...) **The file is postponed. The government maintains its desire to set up a collective agreement in air transport** which, it is explained to the Ministry of Transport, would make it possible "both to fight social dumping and to deal with subjects concerning all employees such as employment or vocational training". " (...) The work continues. **We hope that discussions will continue between the social partners and employers to achieve the implementation of this future collective agreement**", it is added.

The SNPL was also concerned about the risk to the sustainability of the flight crew pension fund (CRPN) as part of the upcoming pension reform. But with a postponement of the timetable, **this fight is also postponed.**

***My comment:** The second reason for the strike notice was not just for pilots. All pilots and cabin crew based in France, pilots and cabin crew (cabin crew), are members of the flight crew pension fund (CRPN).*

Air France's cabin crew unions have also mobilized to make their views heard. If the pension reform project is successful, cabin crew could be required to work for an additional three years in order to benefit from a full supplementary pension.

> IAG remains profitable in a difficult environment

(source Reuters) May 10 - **International Airlines Group (IAG)**, the parent company of British Airways and Iberia, among others, **reassured investors by publishing on Friday a quarterly profit in line with their expectations despite a difficult market environment that some of its competitors could not resist** (...) citing rising fuel costs and excess capacity in the European airline sector. (...)

"For many airlines, the first quarter was very difficult. Most European companies reported losses in the quarter. **In my opinion, this is what sets us apart from our competitors,**" **Willie Walsh, CEO of IAG, told reporters.** (...)

RBC analysts highlighted the quality of IAG's results, noting that they were achieved despite uncertainties about the timing of Britain's exit from the European Union. (...)

Operating income for the first three months of the year was 135 million, compared with an average of 136 million anticipated by financial analysts. **Taxable profit before extraordinary items declined** by 62.6% over the period **to 70 million**. (...)

***My comment:** IAG's net income for the first quarter of 2019 (+€70 million) is better than that of the Lufthansa group (-€342 million) and Air France-KLM (-€320 million).*

Despite this, the IAG group, like its two European competitors, forecasts a 2019 result that is at best identical to that of 2018.

> **Lufthansa wants Condor back - and more?**

(source Air Journal) May 8 - **The Lufthansa group has submitted a non-binding offer to acquire Thomas Cook's German subsidiary Condor**, with an option on the British tour operator's other airlines. The investment fund Indigo Partners (Wizz Air, Volaris, Frontier Airlines, JetSmart) would also be on board.

Based like the German national airline at Frankfurt

Airport, Condor was owned by Lufthansa until the 2000s, when the Thomas Cook group gradually took control of it. CEO Carsten Spohr (...) believes that Lufthansa is "the best placed" to save Condor, but the manager has acknowledged that he will not get all the subsidiaries of the British tour operator due to the likely opposition of the competition authorities.

Heavily indebted, the Thomas Cook group, born nearly 200 years ago, announced in February that it was considering the total or partial sale of its aviation business (...). **This aviation activity is nevertheless profitable, with a fleet of 103 aircraft and 20 million passengers transported in 2018 (operating profit at 129 million pounds, +37% compared to 2017).** (...)

***My comment:** The sale of the Thomas Cook Group's airlines is an important step in the process of consolidating air transport in Europe.*

The group's four airlines (Thomas Cook Airlines, Condor, Thomas Cook Airlines Belgium and Thomas Cook Airlines Scandinavia) are profitable and have a fleet of around 100 aircraft, almost as many as Alitalia.

Will the financial health of these companies allow Thomas Cook to sell them at a high price?

> **Emirates' profit plummets**

(source Les Échos) May 9 - Air hole for **Emirates**, the Dubai company. Despite record sales of \$29.8 billion, the Emirates carrier **posted net income of \$237 million at the end of its fiscal year ended March, down 69% from \$765 million in the previous year.** (...)

Despite a 4% increase in capacity, the company recorded the lowest growth in at least 15 years, carrying 58.6 million passengers (+0.2%). The **seat occupancy rate fell from 77.5% to 76.8%**, reflecting a slowdown in demand. The same applies to freight, which increased by only 1.4% to 2.7 million tonnes.

The first cause of this underperformance is the **fluctuations of the black gold** (...). The fuel bill increased by 25% to \$8.4 billion. Kerosene accounted for 32% of operating costs last year, compared with 28% in 2017-2018. "This is the largest invoice ever recorded," said Emirates.

Second cause: an unfavorable currency effect due to the strengthening of the dollar against the currencies of many of Emirates' key markets. The company had a negative impact of \$156 million on net income, compared to a positive contribution of \$180 million in the previous year.

In this difficult context, the Persian Gulf air giant nevertheless continued its investments. It committed \$3.9 billion (compared to \$2.5 billion a year earlier) to modernize its facilities, external growth, personnel costs and fleet expansion. (...)

***My comment:** Emirates' 2018 results are down, as are those of its neighbours Qatar Airways and Etihad Airways.*

Unlike European companies, Emirates does not have oil hedges to mitigate price fluctuations. This explains the 25% increase in its fuel bill in 2018.

Emirates remains profitable, however, despite a much lower aircraft load factor (76.8%) than Air France-KLM (87.4% in 2018).

> Kenya Airways: sharing with Delta and reduced losses

(source Air Journal) May 9 - **Kenya Airways has extended its code-share agreement with Delta Airlines**, allowing it to add eleven cities in the United States and four in Canada to its network. The increase in its revenues and passenger traffic has allowed it to reduce its pre-tax debt, even if it remains in the red.

(...) **The company in which Air France-KLM has a 7.8% stake** also reported improved financial results for 2018: it posted revenue of USD 1.13 billion, compared with USD 1.05 billion in 2017, and **reduced its pre-tax loss from USD 93 to USD 75 million.** It also saw the average

number of daily passengers increase from 12,484 in 2017 to 13,258 last year, with a load factor increasing from 74% to 76% over the period. Sebastian Mikosz also stressed during the presentation of the results that "Africa has the highest growth rate in the world, which is important for our market and our activities". (...)

My comment: *The slight recovery of Kenya Airways is good news for Air France-KLM. Kenya Airways is the preferred partner of the Franco-Dutch group in East Africa, as is Air Cote d'Ivoire in West Africa.*

> **Icelandair plans to acquire Airbus A321neo**

(source Le Journal de l'Aviation) May 7 - **Icelandair is thinking of a radical change in its fleet policy.** When presenting its quarterly results, the group indicated that it had initiated a discussion on this subject. (...) **Until now, Icelandair had planned to introduce 26 Boeing 737 MAX 8 and 9 by 2025**, in parallel with the withdrawal of four 757-200s. The 737s must therefore both increase capacity (the fleet from 36 to 50 aircraft) and gradually replace the 757-200s. One of the avenues now being considered by **the group** is to integrate both these 737 MAX and A321neo to accelerate the withdrawal of the 757-200. He **goes** even further, until he **imagines himself with an all-Airbus fleet.**

These declarations come at a time when the world fleet of 737 MAX remains grounded (since March 12) and Icelandair is a victim of this immobilization since it had already received six copies of the aircraft (five MAX 8 and one MAX 9). (...)

My comment: *Another piece of bad news for Boeing. While the end of the immobilization of the B737 Max is still unknown, Icelandair has officially announced that it plans to sell its B737 Max and replace them with Airbus aircraft.*

This announcement comes at a time when Barclays analysts note that 44% of 1,756 people surveyed want to wait at least a year to board a MAX. More than half of the respondents stated that all other things being equal, they would choose to take another flight.

> **Airports: grounded privatisations**

(source Le Journal du Dimanche) May 12 - Nothing is simple in airport privatizations. **Five years after[the privatization of the airport] in Toulouse, the procedure that allowed a Chinese shareholder to disembark at Blagnac was cancelled by the courts** and appeals

continue to rain. Trade unions and local associations were initially concerned about irregularities in the sale process conducted by the State to sell its stake in the Toulouse platform. Casil of China had submitted a bid in tandem with a Canadian partner with recognized airport expertise. But the Chinese won the case alone. This "disappearance" of the Canadian, and therefore the failure to comply with the sale procedure, was confirmed by the administrative court and then by the Paris Court of Appeal, which ruled in favour of a cancellation. This week, the State Participation Agency, which is responsible for privatisations, lodged an appeal with the Council of State.

The cancellation of the procedure does not imply a cancellation of the sale. But it is precisely the subject of a second procedure that will soon be launched. **A group of trade unions and local associations are expected to bring an action before the Paris Commercial Court in early June for the cancellation of the sale.** (...) This new procedure will not help Casil's business, who already wants to put Toulouse airport back on sale.

In Nice, the new private shareholders also have to deal with the courts. **The Conseil d'État has just confirmed that the airport will not be able to apply the planned fare increases to airlines.**

Finally, **for ADP, the privatisation project is still behind schedule (some say a year)** this week. On 9 May, the Constitutional Council gave the green light to the proposal for a shared initiative referendum (RIP) launched by 248 parliamentarians opposed to the privatisation of ADP. The public consultation is expected to collect 4.7 million signatures.

Stock market press review

> Tenth consecutive decline in Air France-KLM share price

(source Les Échos) May 13 - Is the state of grace over for Benjamin Smith? **Since its peak of €12.73 on 26 February**, after six consecutive sessions of increase and a positive recommendation from Kepler Cheuvreux, the **Air France-KLM share price has dropped by a third and is now trading at only €8.33 on Monday 13 May**, its tenth consecutive decline. On the sequence, the action unscrewed by 20%! The downward series began shortly before the publication of the first quarter 2019 accounts. Disappointing, the latter, which had been given a frosty stock market reception (the share price fell by 5.47% that day),

showed a net loss of 320 million euros at the end of March, up 19% compared to the first quarter of 2018, which had nevertheless been affected by a strike at Air France. The **carrier, like many of its counterparts, has been affected by the increase in the fuel bill but also by an increase in its payroll**. These are the two factors that are now driving Bernstein's analyst to reduce his recommendation on the stock: he is moving from "online performance" to "underperformance" and reducing his target price from 10 to 7 euros, representing a potential downside of 16% compared to the current price. The intermediary has revised its earnings forecasts for 2019 and 2020, arguing that **"investors will have to wait longer for the much-awaited strategy update and we still see several long-term structural difficulties that the group must resolve. »**

Only one element has been filtered out concerning the group's new strategy, namely that a voluntary departure plan is being prepared at Air France. (...)

***My comment:** When presenting its quarterly results on May 3, the Air France-KLM group indicated that the group's strategic orientations would finally be presented in November 2019. This announcement disappointed stock analysts, who were expecting a presentation this summer.*

End of the press review

> My comment on the evolution of the Air France-KLM share price

The Air France-KLM share price was €8.228 at the end of Monday, May 6. It is down sharply by 12.34%, after a 7% decrease the previous week. The stock has recorded 14 days of decline over the last 15 days.

The average (consensus) of analysts for the AF-KLM share is 10.77 euros. It decreased following the announcement of the first quarter results and the announcement of a new voluntary departure plan for part of call staff.

The barrel of Brent oil (North Sea) is down from \$1 to \$71. Oil prices continue to be driven by Opec's production declines and geopolitical tensions in Venezuela and Iran.

This indicative information does not in any way constitute an

incentive to sell or solicit the purchase of Air France-KLM shares.

You may react to this press review or provide me with any information or thoughts that may help me to better manage my role as a director of the Air France-KLM group.

You can ask me, by return, any questions about the Air France-KLM group or employee share ownership....

See you soon.

To find the latest press reviews on Monday, it's [here](#)

If you enjoy this press review, circulate it.

New readers will be able to receive it by [providing me with](#) the email address of their choice.

| François Robardet

**Director Air France-KLM representing PS and PNCV
employee shareholders You
can find me on my twitter
account @FrRobardet**

This press review deals with topics related to Air France-KLM shareholding.

If you no longer wish to receive this letter/press review, [unsubscribe](#) and specify your request.

If you prefer to receive the press review at another address, please let me know.

To contact me: [message for François Robardet](#). 10070 people receive this press review live