



| Letter from the Director Air France-KLM

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

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The Press Review on Monday...

> Candidates for the takeover of Aigle Azur have 48 hours to improve their offer

(source Libération) September 16 - **Aigle Azur, the oldest of the private French airlines, has lived.** The Commercial Court of Evry (Essonne) pronounced, on Monday, the judicial liquidation of the company. Which means it no longer exists. The company leaves behind an estimated liability of 148 million euros and especially 1,150 employees. Certainly, **some buyers have expressed their interest** in part of the company's business and teams. For the time being, however, the **Commercial Court** considers that their proposals are not up to the task. It therefore **gives them 48 hours**, i.e. until Wednesday 18 September at midnight, **to improve offers that were "unsatisfactory" as it stands**, according to statements by Sonia Arrouas, the president of the court.

The message is mainly addressed to Air France and the Dubreuil family group, owner of Air Caraïbes. Both have been favourites for several days now, taking over the lines and employees of Aigle Azur. Not to mention Orly's precious take-off and landing slots. A congested airport for which no additional flight movements are allowed. However, the number of employees and how they will be taken over are still the subject of debate. It was in an attempt to resolve these issues that additional time was granted. Raphaël Caccia, the **general secretary of the CFDT's air transport branch, intends to use it to negotiate non-stop with the buyers.** "Our objective is to reach an economic performance agreement in which the number and conditions of reclassification of employees will be determined." He hopes to achieve the takeover

of 600 ex-Aigle Azur out of the 800 located in France (350 jobs are based in Algeria). The improved takeover offers will then be examined by a works council scheduled for Friday, September 20, which will formulate an opinion, merely advisory. Finally, the Commercial Court of Evry will meet again on Monday 23 September to examine the revised and corrected proposals of the buyers and to hear their representatives. The **court is expected to issue its decision**, according to its president, Sonia Arrouas, on **Friday, September 27**. This date is not a coincidence. Aigle Azur no longer has any cash flow and September's salaries have to be paid.

In addition to this decision, the high amount of liabilities, 148 million euros, raises a number of questions and a criminal complaint could be filed quickly against the management of the last CEO in office, Frantz Yvelin.

The collapse of Aigle Azur also caused serious difficulties for one of its subcontractors, responsible for passenger and baggage management in Orly and Marseille. The **SFSO and OPS companies, which employ nearly 200 people**, are out of work and their future is threatened. **A works council is scheduled this Tuesday to discuss the delicate situation of these two companies.**

***My comment:** The situation of Aigle Azur is more serious than what had been leaked in the press. The President of the Court reported a liability of 148 million euros, while stressing that this was a minimum because the accounts could not be certified.*

Who will pay for the damage? The stranded passengers, the employees... and maybe the company WFS. Two of its subsidiaries (OFS and OPS) assist several companies in Orly: Aigle Azur as well as Transavia and Norwegian. Steps must be taken quickly to ensure that neither Transavia nor Norwegian is affected by a possible bankruptcy of the two WFS subsidiaries.

Of the fourteen takeover bids submitted for Aigle Azur, only three remain, offering serious guarantees, although insufficient for the Commercial Court: those of Air France, the Dubreuil Group and Lu Azur.

Two unions have mobilized to propose a negotiated solution that will protect the interests of Aigle Azur employees as much as possible. Potential buyers have 48 hours to position themselves.

Special KLM: four articles

> KLM does not like the idea of an airport at sea (KLM n'aime pas l'idée d'un aéroport en mer).

(source De Telegraaf translated with Deepl) September 13 - (...) In **recent weeks**,

the employers' organization VNO-NCW has advocated the construction of an airport at sea, when it became known that the government wanted to announce a €50 billion investment fund. On Wednesday, at the insistence of the Lower House of Parliament, Minister Van Nieuwenhuizen said she would seriously study Schiphol at sea. In recent decades, various initiatives have been taken in favour of an airport at sea.

"I don't see how the move of Schiphol Airport from Amsterdam will make a difference. With one or two tracks, it will be difficult to maintain our connection network," explains Mr. Elbers.

Without KLM, this ambitious project does not seem to be possible, as Schiphol's biggest user has to finance part of the investments... (...)

"Schiphol has a fantastic infrastructure with five tracks and is easily accessible by road and rail. If the country wants to invest, let's improve the current Schiphol. Expand terminals and railways and extend the North/South metro line. I believe in practical solutions."

The KLM leader fears a long-term vision, while a short-term solution is now needed. Elbers advocates a better use of the five existing airports, plus Lelystad Airport. The latter is already finished, but cannot be opened now due to the nitrogen problem. "A concept of the sea, in addition to operational problems such as salt water, wind, birds and windmills, still faces many practical challenges. It's good that we're looking at them seriously, but right now, I see a lot of practical objections."

Elbers believes that moving to the sea does not immediately solve the problem of nuisance, as some of the flights will still take place over land. (...)

Elbers understands that the municipalities around Schiphol want to build houses. But he points out that there is also a major logistical challenge for an airport at sea. "In addition, thousands of people would have to be moved to work. It is easy to dream of something that will be there in twenty years at the earliest. The airport at sea is not the solution to all our problems."



My comment: *The construction of an airport on the sea, to replace Schiphol, is a sea snake in the Netherlands. The above plan has been published several times in recent years.*

Beyond the reservations expressed by the CEO of KLM about the short-term interest of this project, I wonder: is the construction of such a structure compatible with the objectives of reducing greenhouse gas emissions?

I have the same question for the development of Charles de Gaulle airport. Does Air France need a new terminal (on 4) or could the French airline be satisfied with upgrading Terminal 2?

> KLM offers its customers the opportunity to take the train between Amsterdam and Brussels

(source Le Figaro) 15 September - From March 2020, **KLM will replace one of its five daily connections between Amsterdam and Brussels with train seats.** The Dutch airline has teamed up with NS Dutch Railways and the Franco-Belgian operator Thalys to offer this alternative to passengers. The Brussels-Amsterdam flight is mainly used by Brussels residents who fly to Amsterdam Schiphol to take a long haul. In 2018, more than 275,000 passengers used this route, a figure up 8.4% year-on-year according to BRUtrends.

Less than 200 km separating the two cities: the Thalys journey takes about 1 hour and a half, compared to just under half an hour for the plane. At the time of the flyskam, in Swedish the shame of flying, **the ecological argument was of course a factor in KLM's choice.** The link is regularly criticized for its environmental

impact. The company thus inscribes this deletion in its commitment "to create a sustainable future for air transport", by working on "intermodal transport by rail and air". **This choice also allows it to free up slots for more profitable long-haul destinations, while Schiphol airport is close to saturation.** (...)

> Matthijs ten Brink stopt als CEO Transavia (the CEO of Transavia NL leaves the company)

(source Insideflyer translated with Deepl) September 10 - **CEO Matthijs ten Brink will leave Transavia to join the Sunweb group at the end of September**, announced parent company KLM. Ten Brink was CEO of the low-cost subsidiary for six years and "transformed it into a financially sound company with a strong brand". (...)

Pieter Elbers, CEO of KLM: "We find it particularly regrettable that Mattijs is leaving the KLM group. Under Mattijs' leadership, Transavia has grown strongly in recent years to become a financially sound company, with an important role within the KLM group and more intensive cooperation with it. Of course, we respect his choice and wish Mattijs every success." (...)

No successor has yet been appointed; the **other members of the Board of Directors will take over the tasks and, in the meantime, a successor will be sought in cooperation with KLM.**

> KLM'ers pleiten voor referendum cao-bod (KLM staff pleads in favour of a referendum)

(source De Telegraaf, translated with Deepl) September 15 - Internally, **the lack of a collective agreement and the new threat of action by the FNV union are causing growing unease.** On Sunday, internal forums referred to an earlier petition this year about the retention of CEO Pieter Elbers. "We can then vote by a simple yes or no on the collective bargaining proposals that have been made this week," it says.

On Saturday evening, five unions accepted KLM's 7% wage offer, but both FNV and VNC unions rejected it. They are now looking forward to taking action. VNC is the largest union in KLM. It considers that the structural increase in wages is too low. (...)

Insiders tell De Telegraaf that **the unions are moving very fast**, because this is probably their last chance to get something substantial. **They note that profits will be lower in the coming years, as productivity will decline due to higher wages and KLM will not be able to continue its growth at Schiphol.** This is in addition to other uncertainties such as the price of oil, the economy and, for example, the tax on air passengers. (...)

My comment: The conduct of KLM's salary negotiations is similar to what happened

at Air France last year.

However, the context is different: Air France's growth prospects in 2018 were much better than those of KLM in 2019.

> **Corsair** and **Frenchbee** fly to New York

(source Business travel) September 12 - **Corsair and Frenchbee will launch two new routes to New York almost simultaneously (...) in June 2020.** (...)

With this new route Frenchbee (and the Dubreuil group, owner of Frenchbee and Air Caraïbes) is moving away from its historical activity of operating lines to the French overseas departments, territories and the Caribbean. (...)

Corsair also bets on New York but unlike Frenchbee it will not operate an A350 on this route but an A330-900 neo. (...) Corsair was also already present in the United States with its new route to Miami launched on June 10, 2019.

New York is by far the leading long-haul destination for French tourists and there are therefore market shares to be taken.

Competition will be fierce for Corsair and Frenchbee, while many airlines already offer flights between Paris and New York, including Air France, American Airlines, La Compagnie, Delta, LEVEL, Norwegian United, XL Airways, etc.

In June 2020, the French will thus have the choice between an average of 16 flights per day between the two cities!

***My comment:** Nine airlines will offer flights between New York and Paris next year. It would be surprising if this multiplicity of offers were to last for a very long time.*

> **Norwegian's Bol d'Air: Two major deferred bond repayments**

(source La Tribune) September 16 - Good news for **Norwegian. In the midst of restructuring to try to overcome its financial difficulties**, the airline **announced on Monday that it has reached an agreement to defer repayment of two bonds worth a total of nearly 350 million euros for nearly two years.**

The first bond, worth €250 million, was due to be fully repaid in December, while the second, worth €89.5 million, was due to expire in August 2020. In return, Norwegian offered to provide its take-off and landing slots at London Gatwick Airport as collateral, whereas the obligations concerned had not previously been secured.

On Monday, following meetings with creditors, Norwegian reported that it had received the approval of more than two-thirds of the holders of each bond. **A breath of fresh air for the company whose difficulties have recently been aggravated by problems with its Rolls-Royce engines and by the immobilization of the Boeing 737 MAX.** (...)

***My comment:** Norwegian saves time, but the Norwegian low-cost airline has still not*

returned to profitability.

The increase in the number of competitors in the North Atlantic does not work in its favour.

> British Airways in deep conflict with its pilots

(source AFP) September 13 - British Airways is struggling to recover from two days of massive strike action by its pilots who threaten to increase their movement in the absence of a wage agreement, which could damage the airline's accounts and reputation. (...)

Negotiations have been stalled since British Airways refused a hand extended by Balpa a week ago to settle this wage dispute. **The pilots refuse a salary increase of 11.5% over three years proposed by BA, which would bring the pay of some captains to 200,000 pounds per year (224,000 euros).** This offer was considered insufficient by Balpa, which calls for a better sharing of the company's profits, highlighting the sacrifices made when the carrier was going through a difficult period a few years ago.

BA has not yet indicated how it intends to get out of this social conflict, which costs it around £40 million per strike day, according to a figure provided by Balpa.

This movement comes at a bad time for IAG, the parent company of BA but also of Iberia, Vueling or Aer Lingus. Due to a **difficult environment due to the economic slowdown in Europe and strong competition from low-cost airlines**, the first half results were mixed with an increase in activity but a 42% decrease in earnings. (...)

My comment: *British Airways has the same problem as KLM.*

The growth prospects for the coming years are too low to allow it to grant its staff the salary increases they are demanding.

> Thomas Cook would need "urgently" one billion euros

(source Agence Belga) September 15 - Tour operator **Thomas Cook (Neckermann) is in serious financial difficulties. It absolutely needs more than a billion euros to survive the weaker winter tourist season**, according to the Dutch newspaper De Telegraaf on Sunday.

A rescue of the company by the Chinese shareholder Fosun Tourism Group via a capital injection jointly with banks and a takeover of Thomas Cook is becoming increasingly uncertain every day, according to sources close to the case cited by the newspaper. The tour operator's turnover in Europe is around €10

billion. The group employs about 20,000 people. More than 20 million tourists go on holiday each year with Thomas Cook, the oldest travel agency in the world, founded in the United Kingdom around 1845. The loss-making tourism group, which includes tour operators, travel agencies, hotels and planes, is struggling with a debt of about \$2 billion.

My comment: *The difficulties of the oldest travel agency in the world are old. Last April, the daily newspaper Le Monde wrote:*

"For twenty years, the firm has been torn between shareholders whose strategy is as unclear as that of the British Conservative Party. At a time of disintermediation of travel under pressure from the Internet, the company has vertically integrated with its hotels, physical agencies, airline, tour operator, foreign exchange activities."

The prospect of Brexit and the weakness of the pound sterling did not improve Thomas Cook's situation. Many British people have postponed their trips abroad.

> **Designated best European airport, Lyon becomes a showcase for Vinci**

(source Les Échos) September 10 - For the **first time in ten years, the International Airports Council (ICA) has awarded a French airport, Lyon Saint-Exupéry, the prize for the best European airport of the year among those with 10 to 25 million passengers per year.** More than a tricolour victory for regional pre-eminence against Geneva, it is a **godsend for Vinci, who** has managed Lyon Saint-Exupéry under concession since 2016 and **is seeking to give credibility to its bid to take over ADP**, which is currently being privatised. "In the three years we have been managing Lyon Saint-Exupéry, passenger traffic has increased by 8% per year compared to +2% to +3% before our arrival and +2% to +2.5% per year for Geneva between 2016 and today," stresses Nicolas Notebaert, CEO of Vinci Airports. The airport, which has grown from 90 to 130 destinations, has become a laboratory for Vinci. (...)

In July, Vinci crossed the 250 million passenger mark at its 46 airports over a 12-month period, thanks in particular to the growth of Asian tourism, particularly Chinese, at its airports in Japan and Cambodia. The mayor of Lyon, Gérard Collomb, also wants growth. "We are targeting the 15 million passengers in Lyon and we want a line with the United States, as well as one with China," he recalled on Monday at the ICA award ceremony. "Nice is one step ahead, with already a direct line to China and soon a second!" he says, "he gets angry.

Lyon does not manage to have any, and the mayor blames it on the desire to concentrate Chinese routes at Roissy... avoiding competition. Gérard Collomb therefore takes a negative view of Vinci's desire to covet ADP, fearing, if he wins, arbitrations of air links to the detriment of Lyon. But the issue is not topical. **"We are not working on the subject of ADP at the moment, neither we nor our interlocutors, and it should not resurface until autumn 2020,"** said the group's

CEO, Xavier Huillard.

Stock market press review

> **Air France KLM: several adjustments by analysts**

(source Boursier com) September 10 - (...) Several analysts have reworked their accounts on the file after the publication of the August activity of the Franco-Dutch company.

Credit Suisse, which highlights the low level of late bookings in the middle of the summer season, has reduced its estimate of 2019 Ebit from 12% (139 ME) to 1.043 billion euros. It expects a 1% decrease in unit revenue in the 3rd and 4th quarters. Neutral' on the share, the CS **now targets 9.37 euros against 10 euros so far**.

When 'buying' on value, **Oddo BHF also adjusted its target from 12 to 11.8 euros** while Alphavalue, on the contrary, raised its recommendation to 'reduce' to 'accumulate' by targeting 9.83 euros.

> **Airbus goes public, the WTO would have ruled in favour of the United States on subsidies**

(source Capital) September 16 - Airbus is struggling on the Paris Stock Exchange (...), while the **World Trade Organization (WTO) reportedly sided with the United States over illegal subsidies granted by Europe to Airbus**. This was reported by the American website Politico on Saturday, based on several European sources. The media expects Donald Trump, the US President, to respond quickly with new tariffs on products imported from the EU.

According to Politico, the **United States is entitled to recover between \$5 billion and \$10 billion**. This is less than what Washington has claimed in the past, which referred to an annual damage of \$11 billion related to the disputed Airbus subsidies. In any case, the list of European products likely to suffer from its threats is already ready. (...) Airbus wide-body aircraft and helicopters are in first place. They are followed by cheeses, wines, salmon and Irish whiskies, among others.

However, the **EU may have lost only one battle in this dispute between Boeing and Airbus. Indeed, it itself filed a complaint concerning alleged illegal subsidies received by Boeing**. According to Politico, the WTO could issue its decision in spring 2020. **To be continued.**

> **Outbreak of black gold and diplomatic tensions after the attack on Saudi oil**

(source AFP) September 16 - **Oil prices soared on Monday after the attack on Saudi oil installations**, which drastically reduced the world's supply of black gold

and raised fears of a military escalation between the United States and Iran. "This is the largest one-off oil supply disruption in history," says Ipek Ozkardeskaya, analyst for London Capital Group. (...) At the opening, prices jumped by 20% in London, the strongest movement during the session since 1991 and the Gulf War. "The **attack cancelled about half of Saudi production, or about 5% of global production,**" notes Craig Erlam of the Oanda brokerage firm. (...) According to experts, Ryad will be able to quickly restore a third of its production. The kingdom has also already promised to mobilize its vast reserves to cushion the shock, and US President Donald Trump has said he is ready to do the same, to cushion the oil shock. (...)

While the world is not immediately threatened by a shortage of black gold, the markets are also showing Monday by their bloodshed the fear of a military escalation between Washington and Tehran.

End of the press review

> Follow-up to the referendum on the privatisation of Aéroports de Paris

The consultation mechanism on the privatisation of the ADP group is open from 13 June to March 2020. To lead to a shared initiative referendum (RIP), it requires the signature of 4.7 million voters.

On the Internet, the consultation is signed on the website referendum.interieur.gouv.fr

As of September 9, the consultation had collected 724,000 signatures, or 15.35% of the required signatures.

My comment: The number of signatures is now published only twice a month. Next publication on 23 September.

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

The Air France-KLM share price was €9.174 at the end of Monday 16 September. It is up by 2.85%.

The average (consensus) of analysts for the AF-KLM share is 10.79 euros.

The barrel of Brent oil (North Sea) is up from \$5 to \$68. It increased by 12.5% on Monday following attacks on oil installations in Saudi Arabia.

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.

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| François Robardet

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

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