

Jean-Baptiste Djebbari, Minister in charge of Transport



I Letter from the Director Air France-KLM

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

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Editorial

Dear readers,

A black year has just come to an end. The availability of a successful vaccine makes it possible to envisage a better year 2021. No doubt we will have to continue to wear a mask, to respect the rules of protection throughout the year.

I hope that the reluctance to vaccinate, observed especially in France, will quickly dissipate. This will be the condition for us all to be able to resume our professional, leisure and family activities.

I wish you and your loved ones happiness and good health for 2021.

Let us continue to apply the rules of protection.

François

Monday's Press Review

> Jean-Baptiste Djebbari, Minister Delegate to the Minister of Ecological Transition, in charge of

Transportation

(source BFM TV) January 3 - *You are the Minister of Transport. How does this transport work in practice? (...)*

Jean-Baptiste DJEBBARI

(...) Today the vaccine is produced mainly in Belgium, it must be transported and stored at minus 80 degrees. (...) **Air France will be called upon to transport the vaccines to the West Indies in the near future.** (...)

I remind you (...) that there are very strict protocols for transport, masks, gel, all vehicles disinfected several times a day, etc. (...) In addition, we wanted to protect territories that are fragile and for the return flights, particularly from overseas, Martinique and Guadeloupe, we have set up tests on arrival to ensure that we protect both the travelers themselves and metropolitan France.

(...)

And for many days now, for many months now, we have been setting up antigenic tests on departure to overseas France to protect overseas France this time. You know that, for example, for Corsica, we oblige, we have obliged PCR tests 72 hours before departure to protect the Corsican sanitary system.

(...)

BFM TV: There's another big issue (...) Air France ...recapitalization ... Just before that, the restructuring plan for the regional subsidiary Hop! has just been completed, it was just before the holidays, there are 1,700 departures out of 2,400 employees. So that's to say if it's still quite violent; will there be voluntary departures? This is the big question and concern of the unions!

Jean-Baptiste DJEBBARI

The Air France group's objective is to restructure its domestic network, which, as you know, was losing 200 million euros a year, and that's not new. So there was a need to restructure, to avoid as many forced departures as possible, and therefore to have recourse to internal mobility, obviously to transfer in the subsidiaries, notably to the parent company, when possible, to the Air France group, and then to give ourselves the capacity at group level to prepare for the future.

BFM TV: But on Hop! will there only be voluntary departures? That was my question!

(...)

Jean-Baptiste DJEBBARI

say it because it's important and it has an impact and the French need to understand that. **When you decide to favor the train, which I assume perfectly for lines of less than two and a half hours, it obviously has an impact on lines that have been operated by Hop! in particular, and which will see their network diminish**, so possibly the need for pilots and hostesses diminish. **So there is a restructuring plan for Hop!** that corresponds to all these objective elements, a very strong decrease in traffic and then a promotion of rail traffic on certain domestic lines. First element and second element: I, what I can't say today, I can't say if domestic traffic is going to be very strong tomorrow, if business traffic is going to come back very strong tomorrow or within six months or within two years. **So I want to remain here, both voluntarist on the fact of avoiding the maximum number of forced departures but realistic on the fact that we do not have today, as I speak, all the keys to conclude definitively.**

BFM TV: So the State has already planned massive new support for Air France, 4 billion after the 7 billion that had already been paid out. Can you tell us a little bit more about the details of this plan?

Jean-Baptiste DJEBBARI

(...) This group is listed, you will understand why I don't confirm these figures, but the philosophy of State support is twofold. First of all, **during the first very acute phase, we supported the Air France-KLM group in cash, it was the survival of the company, the survival of the group** to be able to pay the salaries, to be able to pay the maintenance costs, so that the company continues to operate and the company moreover, especially Air France but not that allowed to participate very largely in what was called the air bridge in the logistic effort and will participate, again, I was saying earlier in the effort of transporting vaccines.

This second subject of recapitalization will serve to restore the group's capacity, to face the post-crisis period and therefore it is important, but it is done under at least two conditions. The first is to be in agreement with the other major shareholder, which is the Dutch government. This requires ongoing discussions, which will continue in the coming weeks, and **secondly, it requires agreement on the group's strategy. In France, we want a more integrated strategy.**

BFM TV: And for the moment, you disagree.

Jean-Baptiste DJEBBARINWe

want to have a very clear vision of what the group can do in a post-Covid world, which is going to be complicated with certainly consolidation, where, for the Air France-KLM group, there will also be many opportunities. So we have to be able to address them, and under these two conditions, the ones I mentioned, there will be recapitalization. The State, of course, will not betray its word ...

(...) A group such as Air France-KLM is a strategic asset obviously of French interest, of European interest, of worldwide interest and therefore the State will support this group, the Air France-KLM group, according to conditions that will have to be defined

...

BFM TV: Precisely, one more small question of importance on this subject. Is the State going to double its stake in Air France, we're talking about doubling it to more than 30%?

(...)

Jean-Baptiste DJEBBARIMoi

, you know, I was very clear on the subject. I'm not answering you quite on the side but a little bit anyway, but I'm answering you on the subject of the balance of the contract and it's very important that with our friends and nevertheless Dutch partners, we have respective interests that are respected. **I say it very directly: the Air France-KLM group has benefited the Dutch more than the French over the last ten years and the French State is obviously interested in the balance of the interests of the parties and therefore the French State is obviously promoting French interests in this large European group that will continue to be able to radiate internationally.**

(...)

My comment: *Almost two years ago, the Dutch State spent 730 million euros to acquire 14% of the capital of the Air France-KLM group on the market.*

By doing so, it was able to conceal its intentions until the last moment.

If the Dutch State had proceeded by way of a capital increase, the 730 million euros would have gone into the group's coffers, not those of minority shareholders.

Following this operation, a working group, composed of representatives of the French and Dutch States, was set up (see my letter <http://navigaction.com/Lettre/693.htm>).

The fifth of the seven topics it was to examine echoed the concerns of the French Minister of Transport:

They (the States) were to share "their respective visions on the long-term strategy of the Air France-KLM group as implemented by the management of the Air France-KLM group".

Will the health crisis be an opportunity to bring this work to a close?

> **Nog geen piloot, stewardess of purser gedwongen eruit bij KLM (No pilot, hostess or steward has yet been forced to leave KLM)**

(source RTLnieuws, translated with Dooepl) December 31 - Few companies have been hit as hard as KLM by the Covid-19 crisis this year. The airline not only called on NOW's wage subsidy of 890 million, but also received 3.4 billion euros in loans (and loan guarantees) from the government.

KLM itself has taken steps to reduce the level of costs. For example, it eliminated 1,500 temporary full-time jobs and introduced a voluntary departure scheme, which was taken up by more than 2,000 ground, cabin and cockpit staff. Agreements were also reached on a reduction in working conditions. (...)

)At

the end of July, (...) it became clear that "alternative solutions" had to be found for 300 cabin and 300 cockpit crew members, among other things because, due to the Covid-19 crisis, "KLM will need even fewer staff in the coming years".

No one has been forced to leave these two "sectors" this year, RTL Z reports.

The pilots used their vacation rights to avoid forced layoffs. (...) The over-staffing of 300 pilots was avoided. **For the 300 cabin crew, the alternative was a second voluntary departure scheme.** In addition, stewards and hostesses were seconded to KLM Cityhopper. This is a separate entity from KLM, which operates a large part of the airline's European network.

(...)

Because of the second lockdown and the stoppage of air traffic, **a new round of savings at KLM is only a matter of time**, say two representatives of the eight unions involved in KLM.

This new cycle was already feared by the unions, and KLM CEO Pieter Elbers had already taken it into account. The unions fear that forced layoffs are inevitable in the new round. And the number of jobs affected

could be higher than was thought in November.

KLM itself does not want to anticipate this. On February 18, the company will publish its annual figures. If there is something to report earlier, KLM will do so, if asked.

***My comment:** In order to preserve jobs, KLM uses similar measures to those implemented by Air France.*

In addition, KLM has been able to rely on its subsidiaries, notably by transferring cabin crew to them.

> **Brexit blurs the European sky**

(source La Croix) December 30 - In order not to lose its license to operate in the European Union, the Irish airline Ryanair announced on Tuesday, December 29 that it was depriving its British shareholders of voting rights at its next general meetings.

The European legislation on air transport indeed provides that, to obtain a license to operate flights between two EU destinations, an airline must be more than 50% owned "and effectively controlled" by nationals of Member States "directly or indirectly", which will no longer be the case for the British as of January 1.

Hence Ryanair's decision to prevent its non-European shareholders "from attending, expressing themselves or voting at a group general meeting" until the board of directors verifies that "the capital structure and control of the group no longer represent a risk for the licenses".

Last July, the Irish company indicated that it was just above the limit, with 53.1% of its capital held by EU nationals. But with 20% of the shares in British hands, the board of directors had already decided in March to limit their voting rights in the event of a "hard brexit" (...).

In European skies, Ryanair is not the only one to be affected by the Brexit. Thus, **the low-cost airline WizzAir, Hungarian but also listed in London, would be 80% owned by non-Europeans. It has therefore also announced the withdrawal of their voting rights.**

For its part

, **EasyJet, a British** company, has placed its intra-European flights in a subsidiary based in Vienna (Austria) and 45% owned by Europeans, a figure that it hopes to increase rapidly.

Finally, **concerned about Iberia and its low-cost subsidiary Vueling, both owned by British Airways (IAG), Spain fought to protect its national airline.** In the 20 or so pages devoted to air transport by the Brexit agreement, **Pedro Sánchez's government obtained the**

creation of a "special air transport committee" that has one year to modify the rules of ownership and control of air carriers.

In the

meantime, IAG has placed all of its voting rights in Iberia in the hands of the Spanish retail chain El Corte Inglés, traditionally close to Iberia, which would allow the Iberian carrier to keep its license to operate in the EU until the rules are relaxed. **However,**

Reuters said **France and Germany would oppose any liberalization.**

Paris and Berlin would want to avoid a relaxation of the rules that would allow, in particular, Gulf companies to take control of European carriers.

In the

event of an agreement with Great Britain on the subject, the **French and Germans fear that non-European companies would use British companies as "Trojan horses" in the European skies,** at the risk of weakening their own companies, which have already been badly affected by the Covid crisis.

According to the Spanish business media Vozpopuli, **major European groups such as Air France, Lufthansa and even Ryanair are fighting in Brussels against IAG in order to force the British group - 25% owned by Qatar Airways - to sell off Iberia and Vueling.**

***My comment:** European legislation on the control of airlines wishing to operate intra-European Union flights concerns both the distribution of capital and the composition of control bodies (board of directors and/or supervisory board).*

Most British airlines (as well as Wizz Air) had anticipated the impact of Brexit.

> A £2 billion liquidity facility for British Airways

(source AFP) December 31 - The airline **British Airways, a subsidiary of the British group IAG, announced Thursday that it has received commitments for a liquidity facility of up to 2 billion pounds over five years,** while it is going through a historic sector crisis triggered by the pandemic.

The £2 billion loan was issued by a consortium of banks and is partially guaranteed by UK Export Finance, the British export loan guarantee agency, according to a press release.

The funds will be "used to improve the company's liquidity" and give it "strategic and operational flexibility to take advantage of the partial recovery in demand for air travel anticipated in 2021 thanks to the vaccines that will be administered worldwide," he said.

IAG had a cash position of 8 billion euros as of November 30, excluding the new liquidity facility, and says it is "exploring other debt opportunities to further improve its liquidity. (...)

The group, which had already warned that it would be in the red this quarter and that the end of the year would be difficult, now totals 5.6 billion euros in losses since the beginning of the year.

At the same time, IAG announced post-Brexit measures to "ensure that its companies licensed to operate in the European Union remain in compliance with EU control and membership rules as a result of Brexit". **These preparations include the establishment of a national ownership structure for the Irish subsidiary Aer Lingus, while the composition of IAG's board of directors has been changed so that a majority of the independent non-executive directors are from the European Union.**

***My comment:** The IAG Group's majority shareholder is Qatar Airways, which holds 25.1% of the capital.*

In order to meet the requirements of the European Union, the IAG Group had to change the composition of its Board of Directors on 31 December 2020. According to my sources, out of the 12 members of the board, 6 are now Spanish, 4 are British, 1 is Swedish and 1 is Irish.

Subsidiaries of the IAG Group operate intra-European routes: Iberia, Vueling and Aer Lingus. They too will have to adapt their organizations (see previous article: Brexit blurs the European sky).

> Airbus Said to Deliver About 560 Planes Last Year With Late Push

(source Bloomberg translated with DeepL) January 2 - **Airbus SE was on track to deliver 560 aircraft to its customers by December 31, 2020, approaching the highest internal target in a year** marked by the collapse in air travel due to the pandemic, according to people familiar with the subject.

The European manufacturer delivered nearly 550 aircraft as of December 29," said Bloomberg, "and continued its delivery campaign in the last days of the month. The final tally is due to be released next week, respondents said, who asked not to be identified when discussing private information.

Airbus declined to comment before the audited figures are released. Auditors consider factors such as the timing of the final bank transfer to

determine when an aircraft can be considered delivered.

The 2020 total is well below the record 863 aircraft that Airbus delivered to its customers in 2019, but would still be considered a success given the widespread grounding of fleets as the Covid-19 wiped out the demand for travel.

The deliveries enabled the Toulouse-based manufacturer to comfortably outpace its American competitor Boeing Co., which delivered 118 aircraft by the end of November.

***My comment:** If Airbus is keeping its U.S. rival at bay in 2020, it owes much of the distance to the difficulties encountered by Boeing with its flagship model, the B737 Max.*

> **Roissy-Charles de Gaulle Airport: the fear of a "social catastrophe".**

(source Le Journal de l'Aviation with AFP) December 31 - Hotels, restaurants, cleaning: with traffic moribund due to the pandemic, **the usual swarming at Charles-de-Gaulle airport has slowed significantly, weakening some 90,000 direct jobs and a basin essentially turned towards the activity of Europe's leading airport.** "Today we don't work, it's been nine months, because the air activity is in +stand by +. As soon as **you drop activity, it automatically has an impact on subcontractors,**" says Manuel Goncalves, delegate of **Servair, France's leading airline catering company, a subsidiary of Air France-KLM and Gategroup.**

A collective performance agreement, which notably cuts back on employee leave and benefits, was signed at the end of November to ensure the "survival" of the company, which has seen a "sudden drop of more than 80%" in its activity due to the health crisis, according to a document consulted by AFP.

(...)

The manager **ADP (Aéroports de Paris) will cut 11% of its workforce and Air France**, another pillar of the platform, **announced in July its intention to cut its workforce and those of its subsidiary Hop! by 7,580 positions by the end of 2022.**

By ricochet, all related companies find themselves caught in this maelstrom. "They all suffer, at different levels," says Pascal Doll, president (DVD) of the Roissy Pays de France conurbation community. **"For us, it's a bit of a social catastrophe.** There, it's a bit of a thread because short-time working makes the "lag effect" pass between the drop in activity and the consequences on employment," grumbles Mr. Goncalves, who deplores the lack of "compensation" from Air France, to

which the State has granted 7 billion euros in aid.

(...)

A job cut at Air France leads to "the loss of three to five jobs in subcontracting," he estimates.

(...)

At Onet, a subcontractor specializing in airport assistance including baggage management, only about 10% of the 400 employees are working, while Dutyfly Solutions, which sells tax-free products in flight, has launched a social plan for its 50 or so employees, according to this note. (...)

***My comment:** The employees of Air France's subcontracting companies are in a more delicate situation than those of Air France.*

If Air France's subcontracting companies are not sufficiently supported, some of them risk disappearing, compromising Air France's ability to recover from the crisis.

> **Stock market press review**

> **European Stock Exchanges fold at the end of an incredible year**

(source AFP) December 31 - European stock exchanges ended in the red on Thursday.

(...)

After a year 2019 of great form for all European indices, marked by double-digit gains, the violent winds blew from all sides.

Paris dropped 7.14%, London 14.34%, the biggest drop since 2008, Milan 5.42%, and Madrid 15.45%. Only Frankfurt is in the green, having gained 3.55%.

These figures hide strong variations during the year. First of all, there was the descent into hell in the first part of the year linked to the Covid pandemic and the dramatic consequences of the confinements and reconfinements on company results. Between February and March, the Parisian index, for example, fell by more than 20%.

It recovered strongly in the second half of the year, as did the other European markets, at the time of the announcement of effective vaccines against the Covid-19 virus, which has already killed more than 1.7 million people worldwide. The Paris index rose by 20% in November, its best month in 32 years. **"The big question now is: what next?"** says Michael Hewson, senior analyst for CMC Markets UK.

"It's a difficult question in the middle of the second pandemic wave," he concedes, at a time when vaccination is still in its infancy. As many political leaders will have experienced this year, forecasting is even more difficult this year than normal. (...)

"**Covid-19 has been a nightmare for the travel industry** this year," says Michael Hewson of CMC Markets UK.

Airbus fell by 31% over the year, Air France-KLM by 48.4%, and Aéroports de Paris by 39.8% against a backdrop of repeated confinements and grounded aircraft.

In the United Kingdom, **IAG, the parent company of British Airways, plunged nearly 63%**, as did the cruise liner Carnival. **EasyJet lost 42%**.

(...)

End of the press review

> Advice for employee and former employee shareholders

In January, you will receive statements from Natixis and/or Société Générale. By default, these statements are sent by post.

You will find on my website

<http://navigaction.com/Vous/Vendre%20acheter.htm> how to access the managers' websites.

To avoid forgetting to change your contact details each time your postal address changes, **I advise you to enter a personal e-mail address**. It will be used for all correspondence with the management bodies.

Keep all the documents relating to your Air France-KLM shares in one place: all your correspondence received from the various managers, Natixis, Société Générale, your personal financial institution if you purchased your shares through it.

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

The **Air France-KLM share** closed at **4.87 euros** on Monday, January 4. It is down -2.91% over one week.

Before the coronavirus epidemic, the Air France-KLM share was at 9.93

euros.

The average (the consensus) of analysts for AF-KLM shares is 3.10 euros. The highest target price is 5 euros, the lowest is 1 euro. You can find on my blog the details of the analysts' consensus. I no longer take into account the opinions of analysts prior to the beginning of the health crisis.

The barrel of Brent oil (North Sea) is stable at \$51. Since the announcement of a potential vaccine, the price has increased by \$12 (+30%).

At the beginning of the coronavirus epidemic, it was at \$69.

This indicative information in no way constitutes an incitement to sell or a solicitation to buy Air France-KLM shares.

You can react to this press review or provide me with any information or thoughts that will help me better carry out my duties as a director of the Air France-KLM group.

You can ask me, by return, any question related to the Air France-KLM group or to employee shareholding...

See you soon.

To find the latest press reviews of Monday, it is [here](#)

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| François Robardet

Director Air France-KLM representing employees and former employee shareholders PNC and PS.

You can find me on my twitter account @FrRobardet

When I was elected, I received the support of the CFDT and the UNPNCCThis press review deals with subjects related to Air France-KLM shareholding. If

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