

AF-KLM is banking on the vaccine for a resumption in April.



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,

I learned of the death of one of our oldest cabin crew, Albert Leblanc, at the age of 95. He was a faithful reader, he shared with me his remarks which showed a deep attachment to our company.

I wanted to pay tribute to him by using the cover of the book he had just written.

*"Welcome aboard",
book written by Albert Leblanc*

When war broke out on September 3, 1939, Albert Leblanc was forced to give up any ambition to become a pilot, while he was accepted at the Breguet school. However, he did not give up his dream of flying and after learning that Air France was recruiting its first stewards, he tried his luck with success. He will not be a flight captain...but "bar captain" according to his own formula!

Albert thus became the first steward hired after the war, on May 20, 1946: he was just 21 years old. 74 years later, he tells us with tasty details, his extraordinary career on board of 19 types of aircraft put on line by Air France between 1946 and 1980, from the Bloch 220 to the Concorde.

He flew across all continents, landed in more than 130 cities and accumulated 22,525 flight hours. It accurately recounts the improvement in on-board service and working conditions of the flight crew, as well as the gradual reduction in flight times and amplitudes.

Albert, known to all as Alberto, is the latest pioneer in the great Air France adventure. He is the custodian of elegance, savoir vivre and French-style service. He took a little piece of France with him everywhere and is so proud to have been its ambassador throughout his career.

Good last flight, Alberto

François

Monday's Press Review

> After a dismal year, Air France-KLM is banking on the vaccine to resume production in April.

(source La Tribune) February 18 - **Unsurprisingly, Air France-KLM's 2020 financial results are catastrophic. The operating loss reached 4.5 billion euros;** the net loss even climbed to 7.1 billion euros due to provisions; revenues fell by 59% to 11.1 billion euros; and net debt increased by nearly 5 billion euros to reach a peak of 11 billion euros. The figures are frightening. The only **good news is that the group has 9.8 billion euros in cash and credit lines**, thanks to 10.4 billion euros in state aid in the form of loans guaranteed by the French and Dutch governments and direct loans from the latter, both of which are 14.3% shareholders in France and 14% in the Netherlands. In detail, the Air France group posted an operating loss of nearly 3.4 billion euros, three times higher than KLM's loss of 1.1 billion euros. Discussions on a major recapitalization by the French and Dutch states are still under discussion in Brussels.

And yet, while borders are now closed, **Air France-KLM "expects a recovery in the second and third quarter thanks to the deployment of the vaccine"**. Expecting to provide 40 percent of its supply in the first quarter, Air France-KLM "will gradually increase its capacity until the summer of 2021. However, the group deplors "visibility on the recovery in demand, which is still limited.

"In the coming months, we will continue to strengthen the Group's fundamentals, by improving its economic and environmental performance, so that Air France-KLM is in a position to fully seize the opportunities of the recovery. We start 2021 with the hope that this year will see a resumption of traffic as soon as the vaccination is widely deployed and borders are opened again," said Group Chief Executive Officer Ben Smith in a statement.

Transavia France's development plan is confirmed. With the arrival of 8 additional Boeing 737-800s, the low-cost airline will have 48 aircraft and will open some 20 routes in France this summer.

For 2022, Air France-KLM expects the number of aircraft to be 7% lower than in 2019 and intends to maintain the level of seat-kilometre capacity observed in 2019 **by 2024**. At that time, **Air France-KLM expects unit costs to fall by 8 to 10%**, thanks in particular to "a reduction in FTE (full time equivalent) positions. After reducing them by 8,700 in 2020 (10%, 5,000 at KLM, 3,600 at Air France), Air France-KLM is betting on a reduction of about 6,000 positions "in the coming years".

"Plans are underway to support about 900 departures at KLM and about 4,900 at Air France," said Frédéric Gagey to AFP.

Today Air France-KLM has 76,500 FTE positions. The group has therefore made a provision for restructuring costs of 822 million euros. This is in addition to two other provisions: one for fuel hedges in the amount of 595 million euros, and the other of 672 million euros for the depreciation of the value of the fleet, mainly due to the shutdown of the A380s (553 million euros).

***My comment:** Air France-KLM is the first European airline to publish its annual results.*

They are of course negative, but they should prove to be "better" than those of IAG or Lufthansa.

There are several reasons for this. The Air France-KLM group has a well-distributed activity between the North Atlantic, the South Atlantic, Asia, Africa and the French Overseas Departments and Territories. It has suffered less than its European competitors from the collapse of flights on the North Atlantic, a sector where high-contribution passengers are the most numerous.

The Franco-Dutch group also benefited from its all-cargo fleet. From the start of the pandemic, KLM and then Air France strengthened their cargo offer. To such an extent that over the year 2020, revenues from this activity increased by 54% compared to 2019.

What will happen in 2021? The Air France-KLM group has sufficient cash until the end of the year. After that, everything will depend on the evolution of the epidemic, the vaccination and the constraints that may or may not be lifted.

> Airline health crisis: Air France-KLM, Airbus and ADP cut thousands of jobs

(source Le Parisien) February 18 - An airline sector devastated by the Covid-19 epidemic and stunned by its financial impact presented its annual results this Thursday morning. They are "horrible" at Air France-KLM, to quote Frédéric Gagey,

its Chief Financial Officer. At ADP, it is Churchill's formula "blood, tears and sweat" that CEO Augustin de Romanet used. As for Airbus Executive Chairman Guillaume Faury, he evokes a market that is at least "difficult".

Caught up in the turbulence of this unprecedented crisis, with no prospect of emerging from it in the short term, the **three tricolor companies have implemented considerable cost-cutting plans. With thousands of job cuts.**

At Air France-KLM, (...) whereas they were 83,000 at the end of 2019, the workforce of the Franco-Dutch airline has been reduced by 10% in one year. KLM thus lost 5,000 jobs. At Air France, they are 3600 less, including 368 pilots and 1103 stewards and flight attendants via a collective bargaining break.

But it's not over yet. By the end of 2022, the plans already launched still foresee 4900 departures at Air France (and 900 at KLM). The total target of 8,500 positions to be eliminated should be reached.

(...)

Given the catastrophic results announced this Thursday, **will the company cut more jobs? "We are working on other initiatives** but it is too early to talk about them.

We are already going to carry out this plan, which is of significant magnitude," kicked off Anne Rigail, interviewed by Le Parisien this Thursday morning. The Managing Director was later reiterated on the issue, and then specified that **"these complementary initiatives do not only concern employment, but also office costs, by moving the Roissy headquarters to flex office, IT costs and purchasing in partnership with KLM..."**.

At Airbus, the figures are less alarming, but the real losses: -1.1 billion euros in 2020. Although it is doing much better than its American competitor Boeing (-11.9 billion dollars), the European aircraft manufacturer still lost 29% of its revenues in 2020.

It too launched a redundancy plan in June 2020. Initially set at 4,952 in France, job cuts have been revised downwards. "The introduction of long-term short-time working and the research efforts of the recovery plan have enabled us to save jobs in engineering, particularly in the development of hydrogen energy," a spokesman points out.

New negotiated figure: 4248 job cuts. The plan should be implemented in the coming months "only with voluntary departures and retirements, without layoffs," the same source said. But these are the jobs at the top of the iceberg," notes Michel Molesin, CGT coordinator for the Airbus group. Behind these large contractors, there are even more subcontractor jobs that are disappearing. »

ADP had to come down from its little cloud. While it was breaking records just a year ago, the group **has seen 60% of passengers disappear from the 20 or so airports it manages around the world.** The result: a loss of 1.17 billion euros and a drastic cost-cutting plan. In addition to the closure of terminals and cost savings across the board, **ADP will be departing in 2021 "1500 people, 700 of whom will not be replaced," explains the group. In exchange for this collective bargaining termination agreement signed unanimously by the unions, management has**

committed not to make any forced departures until 2022.

My comment: *There should be no forced departures between now and 2022 in the three main French aviation groups, Airbus, Aéroports de Paris and Air France.*

Nevertheless, there is some uncertainty for HOP! employees (see below the article on POS/PES).

> Air France: HOP's redundancy plan is not approved as it stands.

(source La Tribune) February 16 - Thunderbolt at HOP and Air France. **The redundancy plan of the regional subsidiary of Air France has not been approved as it stands by the labor administration. The CEO of HOP, Pierre-Olivier Bandet, announced this Tuesday to employees in a letter that La Tribune has obtained.**

"We received today a letter of observation from the Administration in charge of the approval of the PDV-PSE project (voluntary departure plan-employment protection plan, editor's note) of HOP! This letter asks us to review certain measures provided for in the Plan and applicable to flight personnel within the framework of the VSP-VSP. While **we do not share all of the Administration's observations, we must nevertheless take into account its requests in order to ensure the rapid implementation of the Plan.** We regret this new delay, which causes additional concern, but our objective remains to make the Departure Plan more reliable in order to secure the future of our company," wrote Pierre-Olivier Bandet.

"An extraordinary CSE will be convened very quickly in order to discuss the situation with staff representatives. **We will also meet with the representative union organizations to identify the changes required by the Administration that will require rethinking the terms and conditions of reclassification within the group for seagoing personnel.** In the unprecedented crisis we are going through, I would like to make it clear that the HOP! industrial plan has not been called into question.

Everything is said in this letter. The Direccte des Pays de la Loire (regional directorate of companies, competition, consumption, work and employment), **the administration officially in charge of this file has pointed out the contentious problem of this plan** which concerns 1,007 people out of 2,400: **that of the reclassification of flight personnel, pilots, hostesses and stewards. In fact, the file sent to the Direccte does not include the principle of maintaining an equivalent position, nor the principle of resuming seniority, contrary to what the labor code provides.**

The reason was simple: no one in Air France's management wanted to get into trouble with the company's flight crew unions, which are very sensitive to this issue,

especially the pilots. **Maintaining seniority and positions would be contrary to the hiring rules set out in the company agreements for Air France flight crews.**

These are clear, especially for pilots: whoever they are, wherever they come from, all new recruits must have passed Air France's selection process (except in the event of a merger) and will start their career with the company at the bottom of the scale, i.e. co-pilot on medium-haul aircraft.

The consequence for Air France pilots is that an HOP captain with 20 years of seniority reclassified at Air France must start his career at the parent company as a co-pilot on A320s or B737s of the Transavia subsidiary (since at the latter the pilots are all Air France pilots), with a sharp drop in pay, even with the compensatory bonus offered by the Air France group (one month's salary multiplied by the number of years of seniority capped at 12 years). While this is acceptable for young co-pilots, it is not acceptable for captains. They see it as an injustice, even though some of them have been with the Air France group for some twenty years. An injustice which has, in their eyes, even less meaning today with the cessation of all HOP's own commercial activities, since in September 2019 HOP became a charter company for Air France.

Long before the announcement of a job reduction plan in July 2020, HOP's national airline pilots' union (SNPL) had tried to convince the Air France SNPL to relax its rules. To no avail. For the latter, compliance with the hiring rules in force at Air France is a red line that should not be crossed. **In every airline in the world, the seniority list of pilots is crucial. Known as the professional ranking list (LCP), it defines the career path of the company's pilots (for example, from co-pilot to captain), and therefore their remuneration.**

Taking over HOP pilots with their seniority would in fact mean putting them ahead of Air France pilots on the seniority list. The most senior flight captains could even enter directly as long-haul captains, thus taking the place of Air France pilots.

What's next? A new negotiation on the same scheme seems difficult. Some are pushing to maintain the plan for ground staff only and to settle the overstaffing of pilots by a collective bargaining break (RCC), as was the case this fall at Air France, as requested by the Air France SNPL. With the risk that this RCC may not be sufficient to absorb the excess number of pilots. "

Faced with a crisis whose impact is considerable on its activity, **HOP! must imperatively continue its transformation and restructure. Despite today's imposed deadline, it is more necessary than ever to implement the Departure Plan as soon as possible in order to secure the future of the company",** Air France reacted.

My comment: *The difficulties encountered by Air France and HOP are legitimate. The situation is all the more complex because the labor code seems, according to the*

Directe, to contradict the practice at Air France, which requires that pilots hired are positioned at the end of the professional ranking list (LCP).

Under normal circumstances, compliance with the LCP for flight crews does not pose any particular difficulties. With few exceptions, new recruits (even experienced ones) are placed at the bottom of the list.

The situation is more delicate in the event of a crisis or when two airlines wish to merge. The pilots' unions must then find an agreement to mix the LCPs of the two companies.

In the United States, for example, in the absence of an agreement between the pilots' unions, US Airways was unable to merge with United Airlines in 2010. Conversely, an agreement having been reached, US Airways and American Airlines were able to merge in 2013.

> **Covid-19: Air France to test a digital health certificate to the Caribbean**

(source Le Figaro) 22 February - Since the beginning of the Covid-19 crisis a year ago, the formalities related to the trip are evolving day by day. The presentation of a negative test is now mandatory for most international trips, but the verification of these tests, often presented in paper format, takes time.

The ICC AOKpass mobile application, developed in March 2020 by the International Chamber of Commerce (ICC) in partnership with SGS and International SOS, a service company offering preventive medical services, is trying to establish itself on the market. (...) **Air France today announced the launch of a ICC AOKpass test program. This mobile application, available on smartphones, will enable passengers to securely record the results of their Covid test carried out in a partner laboratory of the airline.**

Once at the airport, passengers present their smartphone instead of a paper test. The "ICC AOKpass" then verifies that the test presented is valid and complies with the regulations of the destination country via a secure network.

The four-week test, carried out with the support of Paris Aéroport, will begin on March 11, 2021 on all Air France flights departing from Paris-CDG to Pointe-à-Pitre (Guadeloupe) and Fort-de-France (Martinique). It will be carried out on a voluntary basis only, in order to test the application's operation in real conditions and to gather the opinions of test customers. Air France will share this feedback with the other airlines in the Skyteam alliance, which are currently testing different solutions for digitizing health documents.

(...)

And the French airline is not the only one to implement this system in the West Indies. As early as February 17, the two airlines of the Dubreuil Group, Air Caraïbes

and the long-haul low-cost French bee, announced that they would be testing the "ICC AOKpass" application as of March between Orly and the French Overseas Territories.

A vaccination passport, the future "pass" for tourism? (...) This "all-in-one" digital passport, the Travel Pass, will be ready by the end of March, announces the International Air Transport Association (IATA). **Presented in the form of a mobile application, it is intended to be a solution for digitizing all travel formalities, from the most traditional to the certified Covid test, including proof of double dose of vaccine .**

(...)

***My comment:** It is almost taken for granted that for some time it will be necessary to be vaccinated against Covid-19 when travelling abroad. The application tested by Air France should save time at check-in.*

Other solutions exist to reduce passenger queues. In Ireland, for example, it is possible to complete all the necessary formalities for entry into the United States before boarding the plane. As a result, it takes 20 minutes to complete the formalities in Dublin instead of four hours upon arrival in New York.

> **Air France: 2021, the year of domestic low-cost flights**

(source Les Echos) February 19 - While **2021** will not a priori be the year when Air France-KLM will emerge from the crisis, it **will certainly be the year when the low-cost model will really take off at Air France.** With, for the first time this summer, the arrival of Transavia France on domestic routes. Anne Rigail, Air France's Chief Executive Officer, confirmed it again on Thursday during the presentation of the annual results: the group's low-cost subsidiary will operate 20 domestic routes this summer, departing from Paris-Orly, but also between regional cities such as Rennes-Montpellier, Brest-Toulon, Nantes-Toulon and Montpellier-Ajaccio.

This growth spurt will be accompanied by the arrival in April of eight new 189-seat Boeing 737-800s - bringing Transavia's fleet to 48 aircraft (all Boeing 737-800s) by next summer and around 50 by winter 2021-2022.

Between Transavia's new routes and the refocusing of the regional subsidiary Hop! on services to Paris-CDG and Lyon, the **low-cost offer should** account for 9% of the Air France group's domestic offer, excluding feeder flights to the Paris-CDG hub, from the first half of 2021. The objective is to **reach 26% by mid-2022**, in order to save a domestic network that has been plagued for years by recurring losses, **thanks to a seat cost that is 40% lower on average than that of an Air France A320 and 52% lower than that of a Hop! regional jet.** As a further sign of this conversion to low-cost, which will only save on feeder flights to the Paris-CDG and Lyon hubs and the Shuttle service departing from Orly, Air France has discreetly suspended its "business" service launched a year ago on domestic flights, with the exception of those to Paris-CDG and Amsterdam.

This major strategic shift was made possible by the agreement reached in August 2020 between Air France management and the main pilots' union, SNPL AF, lifting Transavia's ban on serving domestic routes. This agreement is now Air France's main growth driver, ahead of Ryanair, EasyJet and Volotea. The group's CEO, Ben Smith, never misses an opportunity to underline its virtues. Transavia France's cost structure is similar to that of EasyJet, with the added strength of the group's Flying Blue loyalty program," he said. This gives us a tool that IAG and Lufthansa do not have.

Transavia's growth will not be limited to domestic routes alone. Once the borders reopen, the apple-green company will also be responsible for regaining lost ground on regional European routes. Air France had in fact ended up completely disappearing from provincial-European routes, to the delight of the other low-cost carriers.

***My comment:** It seems certain that domestic and intra-European traffic will be the first to resume. Transavia France will then have the fleet to invest in this market.*

Lufthansa: "Maybe five years to get back to normal" > Lufthansa: "Maybe five years to get back to normal".

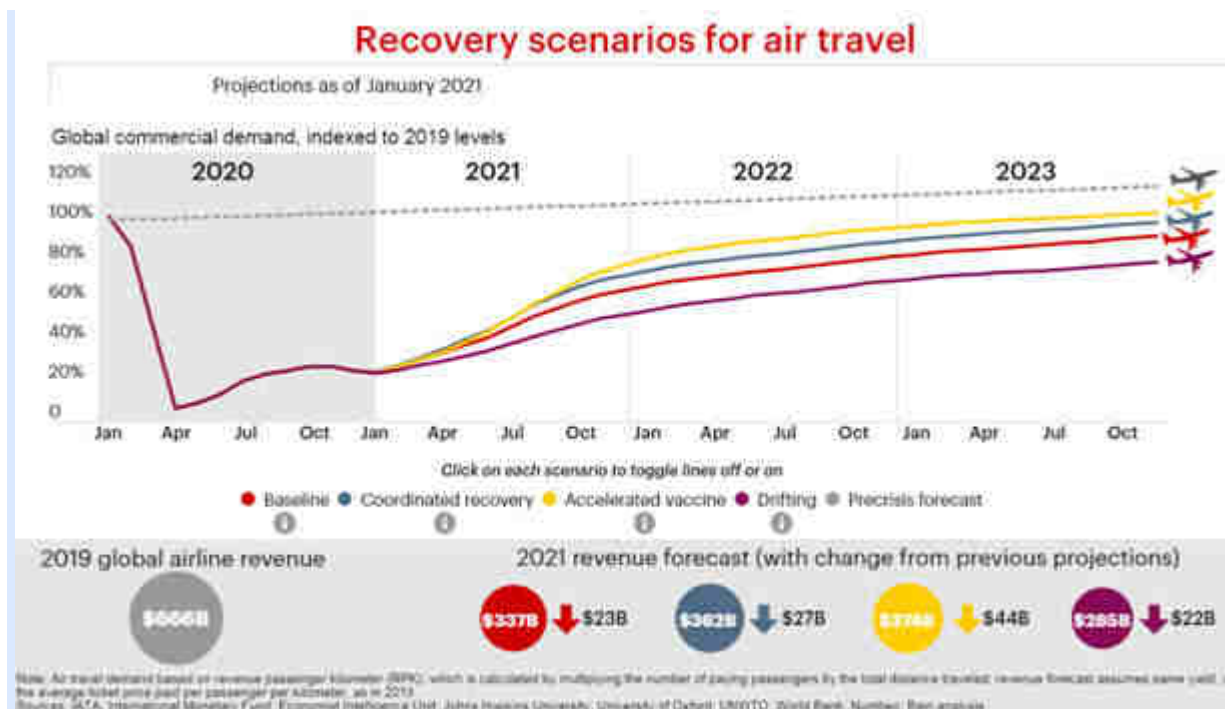
(source Trends) February 15 - Air travel will not return to normal soon because of the coronavirus pandemic, Lufthansa boss Carsten Spohr said Monday in an online discussion with the London School of Economics. So far, there has been no relaxation of the rules for air transport, on the contrary, additional measures have been added, he said.

Low passenger numbers are still expected in the coming weeks. **For the summer peak, the boss of Lufthansa estimates a passenger capacity on board between 40 and 60% of normal.**

He also estimates that sooner or later passenger testing or vaccination will become global standards before boarding a plane.

According to the boss of Lufthansa, the parent company of Brussels Airlines, it may take five years to reach the 2019 level in Europe and the United States.

***My comment:** The recovery scenarios on which the airlines are based were developed by IATA. The expected level of activity is between 55% and 80% by the end of 2021, and between 70% and 95% by the end of 2022. Here is an overview:*



> Alitalia: Italy could accept a rescue by Lufthansa

(source L'écho touristique with AFP) February 19 - "Alitalia is moving towards the sale of assets first to the State and then to Lufthansa," summarizes the daily La Repubblica. The commissioner at the head of Alitalia for the past 14 months, Giuseppe Leogrande, "has asked for an additional 150 million euros and announced that he would not be able to pay February's salaries without the contribution of the anti-Covid funds, on which Brussels has to pronounce itself," the newspaper La Stampa reminds for its part.

The operation envisaged by the new government led by Mario Draghi would take place in three stages: **Alitalia would come under the control of Cityliner, its low-cost subsidiary, then the Ministry of Economy, which has transferred 1.3 billion euros to Alitalia since 2017, would take control of Cityliner** (70 aircraft and 5,500 employees), in **whose capital Lufthansa would enter through a capital increase.**

Thanks to this plan, the loans granted by the Italian State to the national company will be returned through Cityliner, which should satisfy Brussels. The new Alitalia could thus take off in a few months with a fleet of 55 to 70 aircraft. **Completion of this plan would also mean Alitalia's exit from the Skyteam alliance, which includes Air France-KLM and Delta Airlines, which are in serious financial difficulties.**

My comment: In recent weeks there was talk of a "new news" Alitalia, which was to be called ITA.

No one could have imagined what was coming: that Alitalia would become a

subsidiary of its own low-cost company.

> **Ryanair files a lawsuit in the European Court against State aid**

(source Businessstravel) February 19 - **Ryanair will appeal the decision of the European Union Court of First Instance in favor of State aid schemes in France and Sweden.**

Ryanair claims that the Swedish loan guarantees and the French airport tax deferral system are reserved only for airlines registered in these countries, "while excluding all other EU airlines, which have also suffered from Covid-19, despite their contribution to the air network, employment and traffic growth and the wider economy in France and Sweden".

The carrier had already appealed against the approval of these systems in May 2020 and assured that it would now take the case to the EU Court of Justice. (...)

"Ryanair is a truly European airline. We don't have a rich and powerful "home country" to subsidize us in case of difficulties. Nor do **we want discriminatory aid.** Our instinct in times of crisis is to look for efficiency gains and cost savings, to offer more routes at lower fares - while remaining the greenest airline in Europe. During the Covid-19 pandemic, more than €30 billion in discriminatory state subsidies were offered to EU national carriers and, if allowed, will distort the level playing field in EU aviation for decades to come, giving chronically inefficient national airlines a way to get the upper hand over their competitive low-cost competitors (...)," said a Ryanair spokesperson.

For its part, **the EU said that "the deferral of tax payments introduced by France to support French licensed airlines during the Covid-19 pandemic is in line with European law".**

"This aid scheme is appropriate to repair the economic damage caused by the Covid-19 pandemic and does not constitute discrimination," the EU added.

(...)

My comment: *Ryanair has a great deal of power to criticize subsidized airlines in times of crisis.*

In an interview with France Inter, the president of the European Parliament's transport committee spoke about the subsidies received by the low-cost Irish airline in normal times.

France Inter, Magazine Interception of 14/02/21, verbatim :

Michael O'Leary, RyanAir's privateer captain, is careful not to point out in passing that his model of private success does not scorn public subsidies either. This is the point made by the green Euro MP Karima Delli, president of the European

Parliament's transport committee.

"There is a tendency to present Ryanair as a model of private success while the company, and I say this, benefits from excessive public subsidies. This can be territorial subsidies, European aid for launching routes in peripheral airports, etc.

Ryanair sometimes receives up to 800 million euros or even 1.1 billion euros of funding per year.

These public infusions are all the more absurd since Ryanair has goldsmiths in offshore finance who know how to build the best financial vehicles and practice tax optimization brilliantly.

This is also something that Europe must absolutely work on".

> The Boeing 737 MAX returns to European skies

(source Capital) February 17 - It was only a matter of time after the authorization of the European regulator. **This Wednesday, February 17, for the first time, a Boeing 737 MAX commercial flight flew in Europe.** (...) "The first flight with the 737 MAX is being made today from Brussels to Alicante and Malaga" in Spain, said the Belgian company TUI Fly, which was flying the route.

(...)

Two months after the American FAA, the European Aviation Safety Agency (EASA) gave its authorization for the return flight of the aircraft on January 27.

The aircraft was grounded in March 2019 after two accidents that killed 346 people, Lion Air in Indonesia in October 2018 (189 dead) and Ethiopian Airlines in March 2019 in Ethiopia (157 dead). The aircraft had to undergo a modification to the flight control software, which had been involved in the accidents, some cables had to be repositioned and the pilots had to undergo new training.

(...)

Commercial flights of 737 MAX resumed on December 9 with the Brazilian company Gol and since then in the United States and Canada. Since its entry into service, 67 units of the aircraft have been delivered to European customers, including 19 to Norwegian Air Shuttle and 12 to Turkish Airlines. A total of 723 aircraft have been ordered by 14 European customers, none of them French, of which 210 remain to be delivered to Ryanair, 92 to Norwegian Air Shuttle and 63 to Turkish Airlines.

My comment: *TUI Fly had informed passengers in advance that they would be travelling on a 737 MAX.*

"No one cancelled after this message, and we even received additional reservations," the Belgian company said. "This shows that consumers have confidence in the

plane."

> Boeing 777s grounded after engine failure in Colorado

(source: Les Échos) February 22 - **Another hard blow for Boeing. The U.S. aircraft manufacturer recommended this weekend to suspend the use of some of its 777s after an engine failure in Colorado, U.S.A., while the U.S. regulator performs inspections.**

On Saturday, a United Airlines Boeing 777-220 that had just taken off from Denver for Hawaii had to turn around in an emergency after its right engine caught fire. A video shot by a passenger shows the burning engine and the damaged engine fairing is completely gone.

(...)

United Airlines immediately announced that it was suspending the use of its 24 Boeing 777-200s equipped with Pratt & Whitney 4000 engines, like the damaged aircraft. In the wake of this, the U.S. Federal Aviation Administration (FAA) announced tighter controls on these aircraft.

"This will likely mean that some aircraft will be taken out of service," said FAA regulator Steve Dickson in a Twitter statement. **According to Boeing, the suspension would affect a total of 69 PW4000-powered B777-200s in service worldwide and 59 others that had already been temporarily placed in inventory due to the crisis.**

The **Boeing 777-200s are relatively old wide-bodied long-haul aircraft, the first of which entered service with United Airlines in 1995** and were gradually superseded by a newer model, the 777-300ER. From a safety standpoint, the 777s have a favorable safety record, with no crashes due to technical failure to date. **Air France still operates about 20 Boeing 777-200s, powered not by PW4000 engines, but by GE 90-94B engines, which are a priori not concerned by the FAA directive.**

(...)

Stock market press review

> **Air France-KLM: analysts say shares could fall to one euro**

(source Bloomberg) February 16 - Air France-KLM is the most vulnerable of the major European incumbent airlines to a prolonged drop in passenger traffic and its share price could fall to one euro, according to Bernstein analysts.

The Franco-Dutch airline needs a new bailout of several billion euros and "probably does not have enough cash to continue in 2022," wrote analysts, including Daniel Roeska, in a study published Tuesday. "The size of the hole in AF-KLM's balance sheet is large, and the additional debt capacity is so small that substantial dilution seems very likely," they said.

While **British Airways owner IAG SA and Deutsche Lufthansa AG may also have to raise equity if travel does not rebound during the summer months**, Air France-KLM faces the most imminent crisis. A capital increase could push the stock down to a fraction of current levels, analysts said, and **the stock fell 2.4% to 4.8 euros in Paris before erasing losses**.

The French and Dutch governments have been in talks for months about a new rescue plan for the airline, in which they jointly hold 28% of the shares. French Finance Minister Bruno Le Maire said on Monday that "intense" discussions are also underway with the European Commission, which is demanding "corrective measures" that would increase competition in exchange for additional state aid.

Air France-KLM was already in trouble before the airline industry was hit by travel restrictions aimed at slowing the spread of Covid-19. Last year, the carrier received a total of €10.4 billion (\$12.6 billion) in loans and state guarantees.

IAG "remains the only existing airline that can be invested" for Bernstein, who said advances in **immunization in the United Kingdom and the United States could allow transatlantic travel to reopen faster than other intercontinental routes**.

***My comment:** The stock market had anticipated the announcement of the Air France-KLM group's poor financial results for 2020. During the two days following the announcement of the results, the share price rose by more than 4%.*

The analysts' consensus today stands at 3.20 euros. Barclays is the only analyst to forecast a share price of 5.10 euros, which is higher than the current price of 5.004 euros.

You can find the details of the analysts' consensus on my blog.

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

Bonus Article

> The aeronautics industry is defining its roadmap to achieve carbon neutrality by 2050.

(source Euractiv) February 15 - **The European aviation industry has set out a plan to achieve carbon neutrality by 2050 ; a roadmap that should align this carbon-intensive sector with the EU's climate goals.**

The plan, unveiled Thursday (February 11), is expected to set out a path to reduce CO2 emissions from all domestic and outbound flights in the EU by 45% by 2030, with the aim of achieving carbon neutrality by 2050.

Flights will not be zero-emission, but the CO2 emitted will be absorbed from the atmosphere through carbon sinks such as forests or other capture and storage

technology created for this purpose, it says.

Entitled " Destination 2050 - A Route to Net Zero European Aviation ". (Destination 2050 - Towards Zero Net Emissions in European Aviation), the document has been endorsed by most European aviation associations, including ACI EUROPE, A4E, ASD EUROPE, CANSO and ERA.

Tanja Grotobek, Director of European Affairs for CANSO Air Traffic Controller, said the industry groups had joined together to " présenter a solution to a common challenge: to reduce CO2 emissions while remaining economically advantageous and social ".

" Notre industry wants to be an integral part of an environmentally conscious recovery while providing fundamental connectivity services for the citizens of bloc ," added Montserrat Barriga, CEO of regional airline group ERA.

In addition, " Destination 2050 " is accompanied by a scientific report, written by the Royal Netherlands Aerospace Center and the SEO Institute Amsterdam Economics, outlining four solutions to decarbonize the industry: modernize aircraft and engines, use green fuels, take economic measures, improve air traffic management. Cleaner technology, using electricity or hydrogen, could reduce current emissions by a third, according to the study.

However, the first hydrogen-powered airplanes are not expected until 2035.

Moreover, as it stands today, electric aircraft are expected to carry fewer passengers than today's commercial aircraft.

Moreover, in order to ensure the certification of hydrogen-powered aircraft by then, investment in innovation must be increased, the industry admits.

As a result, European aviation representatives are calling on governments to reduce the risks of investing in low-carbon aviation technologies through financial support and positive regulatory frameworks.

" Un strong regulatory framework is essential to achieve an environmentally sustainable future and a resilient and competitive industry financier ", added Thomas Reynaert, A4E's Managing Director.

More details on costs and hydrogen

The environmental NGO Transport & Environment (T&E) welcomed the program, but said it was overly reliant on hopes that green technology would be deployed on time.

" It is a good thing, but before governments sign a blank cheque to build hydrogen-powered aircraft for the long term, the industry needs to clarify the costs involved. In addition, the date when this technology will be ready remains uncertain. As a result, there is a risk that huge investments will be made gâchés ," warned Jo Dardenne, manager at T&E.

In the organization's view, government authorities and industry should focus on financing and using synthetic kerosene (e-kerosene), which can be blended with current fuels without having to modernize aircraft engines. E-kerosene is obtained by combining hydrogen with carbon dioxide - a green fuel source as long as the hydrogen is derived from renewable sources and the CO2 is captured from the atmosphere.

According to the report " Destination 2050 ", sustainable fuels in aviation could reduce emissions by up to 34%. In addition, the dossier supports the need to put a price on CO2 emissions to accelerate the use of synthetic fuels with low or zero carbon content.

There are growing calls for greater use of sustainable fuels in European aviation. On February 8, ministers from eight member states urged the European Commission to introduce a " obligation from mélange ", forcing airlines to switch to environmentally friendly fuels.

T&E also voiced several criticisms of the plan's shortcomings, which does not address other non-carbon emissions from flights, including nitrogen oxide emissions. According to experts, these other pollutants make up two-thirds of the sector's climate footprint.

The industry paper was presented shortly before the publication of the European executive's initiative on Sustainable Aviation Fuels (RefuelEU), which aims to ensure that CO2 emissions within the sector are reduced in line with the Green Pact for Europe.

This green transition comes at a time when the aviation industry is feeling the fallout from the Covid-19 pandemic. The year 2020 saw approximately 1.7 billion fewer passengers than in 2019.

My comment: *The aerospace industry has defined its roadmap for achieving carbon neutrality by 2050.*

For it to be credible in the eyes of all, it will be crucial that NGOs validate the options taken.

End of the press review

> Advice for employee and former employee shareholders

Annual statements from Natixis and/or Société Générale are currently being sent out. By default, these statements are sent by post.

You will find on my [navigaction](#) website the access modalities to the managers' websites.

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.** 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 is at 5.004 euros** at the close of trading on Monday 22 February. It is up 1.56% over one week. The announcement of the 2020 results, in line with forecasts, led to a 4.6% rise in the share price in two days. Since the end of November 2020, the share price has remained around 5 euros.

Before the coronavirus epidemic, the Air France-KLM share price was 9.93 euros.

The average (the consensus) of analysts for AF-KLM shares is 3.31 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 do not take into account the opinions of analysts prior to the beginning of the health crisis.

The barrel of Brent oil (North Sea) is up \$2 to \$65. It has been rising steadily since the end of October 2020.

It is close to its pre-pandemic level of \$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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