

Air France new lounge at CDG



I Letter from the Director of Air France-KLM

François Robardet

Representative of employees and former employees who are PS and PNC shareholders

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Monday's Press Review

> **Air France: new lounge for short/medium-haul customers in terminal 2F at Roissy airport**

(source BusinessTravel) August 19 - **The new Air France lounge was designed by the Jouin Manku agency founded by Canadian architect Sanjit Manku and French designer Patrick Jouin.**

The lounge **is accessed via a footbridge and extends over 3,000 sq.m. on two levels.** "Terrazzo, lava stone, wood, choice of leather and fabrics, all the materials used have been rigorously selected to last over time. The furniture is solid and functional, with a design that provides comfort. **The Air France signature colours** - shades of blue, a strong presence of white, touches of red - are also **present, as well as the accent, the Air France brand symbol, and the winged seahorse, the airline's historic symbol**, reminding us of its rich history", says Air France.

On the catering side, **gourmet kiosks are located on each level.**

Tinted with coppery champagne notes, they convey the refinement and conviviality of French cuisine.

The culinary offer evolves throughout the day. For a quick bite to eat in a bakery spirit, mini sandwiches, salads, hot quiches, are available at all hours. Activities are also offered around a dedicated counter: pancakes in the morning, dishes of the day made by a chef at lunchtime, aperitif service. Cheeses and desserts complete the bistro-style menu.

The cellar, selected by Paolo Basso, the world's best sommelier in

2013, offers a rich selection of wines and champagnes.

Finally, a vast "detox"

area combines a Zen atmosphere with an herbal tea room.

Free wifi access is available throughout the lounge and there are numerous sockets for recharging electrical appliances.

On the first floor, a dedicated area has large comfortable sofas and subdued lighting for lying down in a cosy atmosphere.

Numerous armchairs also allow guests to enjoy the unique view of the slopes in complete tranquillity. A Clarins treatment area offers guests the opportunity to discover the new Traveller Spa concept. Whether it's an express beauty treatment or a glow-in-the-dark treatment, 20-minute customized facials are offered to help guests prepare for their trip.

Finally, a wellness area with ten showers and a changing room is also available.

(...)



***My comment:** When a business passenger has the choice between Air France and SNCF for a trip, the quality of the reception in the lounges can make the difference.*

For example, the catering offer in the SNCF's Grand Voyageur lounges is limited to hot drinks and a water fountain (source SNCF website).

> **Corsair and Air Austral join forces on Reunion Island**

(source Les Echos) August 17 - This is a new effect of the Covid crisis in air transport. **Faced with the decline in traffic on flights between the mainland and the island of Reunion, Corsair and Air Austral have decided to form an alliance.** In a press release issued on Tuesday, the two companies announced that they had begun "discussions to conclude a commercial cooperation agreement on

routes between mainland France and the Indian Ocean". Previously, the project had been unveiled to the representatives of the staff of each company.

This project, which still has to be validated by the French competition authorities, would consist in jointly marketing their respective offers on flights between Paris and Saint-Denis, but also on their other destinations: West Indies, Canada, Africa for Corsair, Mauritius, Madagascar Seychelles and Comoros for Air Austral.

However, this is not a **pure and simple merger project**, since it preserves "the identity and independence of both companies", says the joint statement. The terms of this agreement are not specified, but **it could be a joint venture agreement, allowing the sharing, under variable terms, of costs and revenues of routes jointly marketed under dual flight numbers.**

This type of business alliance is not new. In 2012, Corsair had already entered into a similar commercial agreement with Air Caraïbes, its competitor on the West Indies, until it broke up in 2019. In general, it is a question of facing a more powerful competitor, by proposing a broader offer without having to invest.

But **in this case, it would be above all "to improve profitability"**, knowing that Corsair and Air Austral have both benefited from rescue plans partially financed by public money, and that they still remain very loss-making. Moreover, while Corsair is a private company, Air Austral is controlled by the region of Reunion which holds 74% of the capital. **For passengers, this would make it possible to use the flights of either company** on the same terms and conditions and thus benefit from a wider choice of schedules. But only if this agreement does not result in a reduction in supply and a price agreement. This seems difficult for a destination as competitive as Reunion, which is served by a total of four airlines, including Air France and French Bee, the low-cost airline of the Dubreuil group.

As for **the competition**, it **could possibly benefit from a regrouping that would reduce overcapacity and avoid a new price war, as soon as the high season is over.** With traffic halved by the pandemic and the health situation still uncertain, Reunion is no longer the "millionaire" route it once was, able to accommodate four French companies.

My comment: *The merger between Air Austral and Corsair is surprising.*

On the one hand, Corsair is a private company, which restructured itself during the health crisis. Its main shareholders are now West Indians. On the

other hand, Air Austral's main shareholder is a semi-public company, Sematra, which brings together the Regional Council of Reunion, the General Council of Reunion and the Chamber of Commerce and Industry of Reunion.

Although the financial situation of the Réunionese company was precarious even before the health crisis, it did not launch a restructuring process.

The elected representatives of Reunion have already expressed their fears of seeing their company disappear: "It thus appears that the economic difficulties facing Air Austral (...) are being exploited to force it into a marriage with Corsair. (...) Such an approach is unacceptable and would mean the disappearance of Air Austral as a Réunionese airline", declared the President of the Réunion Region.

German state to sell 5% of Lufthansa

(source Les Echos) August 16 - The German state and Lufthansa are wasting no time. As the airline group is just starting to recover, **Berlin has announced its intention to sell a portion of Lufthansa's capital**, purchased last year as part of the rescue plan. **The economic stabilisation fund, which owns 20% of the company, plans to sell up to 5% of the capital** "in the coming weeks".

This initial withdrawal may come as a surprise, given the fragility of the group's recovery, which still posted an operating loss of 1.18 billion euros in the second quarter. However, it **is in line with the commitments made by Berlin and Lufthansa to the European Commission** to reimburse the aid and reduce the state's share to its pre-crisis level within two years. This implies starting as soon as the first signs of recovery appear and market conditions allow.

In the present case, the sale of 5% of the capital should coincide with the group's return to balance, announced for the third quarter. After stopping the haemorrhage of cash and halving its losses in the second quarter, Lufthansa is counting on the rebound in demand during the summer to produce its first balanced result for this period, for the first time since the beginning of the epidemic.

(...)

My comment: *In May 2020, the German state acquired 20% of Lufthansa's capital for 300 million euros.*

If it manages to sell 5% of the capital at the current price, it would get back 250 million euros.

If this appears to be a good financial deal, it should not be forgotten that the German state had also injected 5.7 billion euros of non-voting funds, of which one billion could be converted into shares.

Air transport is slowly recovering

(source Le Figaro) August 21 - The signs of hope are there. A year and a half after the start of the Covid pandemic, which emptied planes and airports of their passengers in various waves, the recovery is taking shape for airlines. In mid-August, Eurocontrol, the European organisation that manages air traffic, published encouraging data on airline activity. They have not returned to their 2019 level. But the gap is closing.

Overall the number of flights in Europe reached mid-August 70% of its level in 2019, the reference year. The organization, which had built three more or less optimistic scenarios for the whole of 2021, stresses that this summer, the most ambitious scenario is the one that has been verified on the ground. The reality has even slightly exceeded the projections. Thus, while in May, all airlines had only flown 39% of their 2019 flights in Europe, this volume has gradually climbed to 70% in August. If this scenario were to continue over the next few months, it could bring us a little closer to the pre-Covid situation, with 79% of 2019 traffic by December. This is the forecast of the International Air Transport Association (IATA) for the world as a whole.

However, this enthusiastic picture conceals a rather contrasting reality depending on the regions of the world and the types of companies. **In Europe, the "historic" airlines continue to suffer.** In mid-August, their level of activity was 41% lower than in 2019, while low-cost airlines were down by only 32%. This summer, Air France has increased its capacity on popular leisure destinations: Greece, Spain, Portugal and Italy. Capacity to Greece has been increased by 80%.

Overall, at the end of July, Air France-KLM planned to deploy between 60 and 70% of its seat capacity in the third quarter, to take full advantage of the rebound concentrated on medium-haul routes in Europe and overseas - until **the health situation worsens in the West Indies**. Ben Smith, the CEO of Air France-KLM, was even planning to further improve the offer next year, going up to 79% of that of 2019, provided that transatlantic traffic picks up again.

The **same summer rebound for Lufthansa**. In June, the German group - which also includes Swiss, Austrian and Brussels Airlines - doubled its bookings compared to the beginning of the quarter. This increase enabled the group to generate positive cash flow in the second quarter, for the first time since the start of the pandemic.

Europe's third-largest airline, IAG (British Airways, Iberia, Vueling, Aer Lingus), **has also seen an upturn this summer. But it is more dependent than its competitors on the flow of passengers between London and New York.** And while American passengers are allowed to travel to Europe, the reciprocal effect has yet to be felt.

(...)

For European airlines, this imbalance between the outward and return legs of transatlantic flights does not allow them to make a profit on long-haul flights, which are usually the most profitable. Deprived of their Asian and American flows, they are doing nothing but continuing to cut costs.

(...)

It is true that **the business clientele is no longer there.** They have learned to cope with online meetings. The managers of the major airlines have come to their senses and expect that their share will not return to its pre-crisis level. In this respect, **Air France-KLM is doing a little better. Ben Smith often reminds us that unlike British Airways and Lufthansa, half of the passengers in business and first class travel for leisure. Thanks to the "luxury dimension" of Paris. But these wealthy travellers have not returned either.**

Low-cost carriers are the winners of this roller-coaster pandemic.

More agile, focused on leisure customers, they have maintained a good level of activity this summer. Thus according to the "photograph" of flights taken by Eurocontrol on August 11, Ryanair showed a decline of only 15% compared to 2019. For the Hungarian WizzAir, the decline was only 7%. EasyJet on the other hand suffered from its dependence on the health policy implemented in the UK. This has led the British company to concentrate on intra-European flights. The company was showing a 46% drop in August compared to its 2019 traffic.

Although resilient, however, low-cost carriers have not been able to escape the effects of confinements, quarantines and travel restrictions. In its 2020- 2021 financial year, Ryanair recorded a loss of €1 billion, a first in its history. But the gap with the "historical" remains spectacular. Air France- KLM ended 2020 with losses of €7 billion and Lufthansa €6.7 billion.

My comment: *One should be careful when reading this article. The figures mentioned refer to the number of flights offered by the airlines.*

As aircraft loadings are much lower than in 2019, the volume of passengers carried is still far from its pre-crisis level.

The article below is more explicit about the situation of airlines in France.

Paris airports traffic at its highest since the beginning of the pandemic

(source Le Journal de l'Aviation) August 17 - This is good news for French air transport in general. **Paris airports welcomed a total of 5.1 million passengers in July, an increase of 2.6 million passengers compared to the same period last year.** Even better, traffic at Paris' two main airports is at its highest since the start of the pandemic, **accounting for 48.0% of Paris Airport's July 2019 traffic.**

Obviously, this increase could have been even more substantial with the long-awaited lifting of travel restrictions for Europeans to the United States, a measure that has now been postponed indefinitely with the increase in the Delta variant on both sides of the Atlantic. Nevertheless, ADP Group notes that all traffic flows were up in July.

International traffic (excluding Europe, including French Overseas Departments and Territories) was up by more than 1.2 million passengers over the period, with growth in all its components: Africa (+ 464,253 passengers), at 57.5% of the July 2019 level, North America (+ 300,226 passengers), at 28.3% of the July 2019 level, the Middle East (+ 133,160 passengers), at 37.0% of the July 2019 level, Latin America (+ 69,131 passengers), at 30.0% of the July 2019 level, and Asia Pacific (+ 33,332 passengers), at 10.4% of the July 2019 level.

DOM-TOM traffic, for its part, showed an increase of 209,145 passengers, i.e. at a level equivalent to 94.2% of that of July 2019, a real performance which will unfortunately be tarnished in August with the new health restrictions that have appeared in Martinique and Guadeloupe.

Europe (excluding France) traffic is also logically up sharply (+ 1.1 million passengers), **at 47.9% of the July 2019 level.** Domestic flights are up by 335,213 passengers, or 67.0% of the July 2019 level.

Finally, **the number of connecting passengers is also increasing** with 508,563 passengers, up by 279,507 passengers, **at 45.3% of the July 2019 level.** The connecting rate stands at 18.1%, up 0.7 points.

The Paris airports manager also reminds that almost all of these terminals are now open, with the exception of terminals 1 and 2G at Roissy CDG as well as boarding gate B at Orly 1 (formerly Orly West).

Roissy airport welcomed 3.1 million passengers (+ 1.3 million passengers), or 41.1% of July 2019 traffic. Orly welcomed 2.0 million passengers (+ 1.3 million passengers), i.e. 64.6% of July

2019 traffic.

My comment: July is traditionally one of the most profitable months of the year. To measure the impact of the health crisis on French airlines, just look at the last paragraph of the article: Roissy airport received (in terms of passengers) 41.1% of July 2019 traffic, Orly 64.6%.

This is too little to be optimistic, especially since August saw a sharp drop in traffic to the French overseas departments and territories.

End of the press review

> Advice for employees and former employees who are shareholders

You will find on my [navigaction](#) site the modalities of access to the sites of the managers.

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 the letters you receive from the various managers, Natixis, Société Générale, and your personal financial institution if you bought your shares through it.

> My comments on the Air France-KLM share price trend

Air France-KLM shares closed at **3.926 euros** on Monday 23 August. It is down this week by -0.61%.

Before the coronavirus outbreak, Air France-KLM shares were at 9.93 euros.

The average (consensus) analyst price for AF-KLM shares is 3.24 euros. The highest price target is 5.5 euros, the lowest 1 euro. You can find the details of the analysts' consensus on my blog. I do not take into account the opinions of analysts prior to the beginning of the health crisis.

Brent crude oil (North Sea) is **down slightly by \$1 to \$69.**

Since a low point at the end of October 2020 (\$37), it has risen steadily, until it reached \$69 at the beginning of March 2021. Since then, it has fluctuated between \$69 and \$77.

As air traffic recovers, this high price is bad news for airlines.

This indicative information does not constitute an invitation to sell or a solicitation to buy Air France-KLM shares.

You can react to this press review or send me 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 relating to the Air France-KLM group or to employee share ownership...

See you soon.

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

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| François Robardet

Director of Air France-KLM representing employees and former employees who are PNC and PS shareholders.

You can find me on my twitter account @FrRobardet

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

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