

Financing integrating sustainable development issues



| Letter from the Director of Air France-KLM

François Robardet

Representative of the employees and former employees shareholders PS and PNC

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Monday's Press Review

> Financing of an Air France Airbus A350-900 as part of a loan integrating sustainable development issues

(source Next-finance) January 17 - On December 3, 2021, Air France took delivery of its twelfth Airbus A350-900, a latest-generation aircraft offering outstanding environmental performance.

The financing of this Air France aircraft was set up by Société Générale in the **form of a bank loan integrating sustainable development issues**. This is the first term loan secured by an aircraft to be indexed to the environmental performance of the borrowing airline. **The financing conditions of this aircraft are linked to Air France's achievement of Performance Objectives on certain key indicators related to sustainable development**. The indicators selected for the transaction focus on the proportion of new generation, fuel-efficient aircraft in the Air France fleet as well as the future use of sustainable aviation fuel in Air France's daily operations.

The transaction is covered by a default insurance policy (Balthazar) provided by a consortium of leading private insurance companies through the insurance broker Marsh France.

By arranging this landmark aircraft financing transaction, Societe Generale is supporting Air France's fleet renewal efforts, which are central to the airline's sustainable development trajectory.

(...)

Air France-KLM's ambitious sustainability policy and environmental objectives have been recognized by S&P's recent ESG assessment, which ranks Air France-KLM as a leader in the aviation industry, supporting the Group's overall strategy.

My comment: *The fight against global warming is becoming more and more concrete.*

Banks (here the Société Générale) now grant loans whose costs depend on the efforts of companies in terms of sustainable development.

> **What does the departure of CEO Pieter Elbers mean for KLM?**

(NU source translated with DeepL) Jan. 14 -- **Pieter Elbers will step down as CEO of KLM next year**, the airline announced Thursday night. The decision came as a shock to staff and unions. What will become of KLM? Four questions about Elbers' sudden departure.

What's going on?

On Thursday, KLM unexpectedly sent out a brief press release informing the world that Pieter Elbers would be leaving the airline's cockpit after eight years. **The supervisory board had "in good consultation" with Elbers decided not to start a third term.**

Elbers will remain at the helm until May 1, 2023, and will continue to devote himself to the airline until that date, he **said**. "I am extremely proud of this company and its excellent employees. Especially in these turbulent and difficult times, they remain the strength of KLM. **My 30-year career with the KLM Blue Family is a journey of unimaginable beauty that I will always cherish,**" he responded Thursday.

What does this mean for KLM?

With Elbers, the airline loses an experienced CEO who has worked for KLM for decades and knows the company inside out. Among the staff, he is known as someone who has defended KLM's interests **and always worked to ensure that the airline could retain its autonomy within the Air France-KLM holding company.**

This has led to several disputes with Air France CEO Ben Smith.

(...)

The fear is that from then on, KLM will be mainly controlled from Paris and will hardly be able to make its own decisions on personnel policy or other strategic issues. The unions are concerned about the employment situation if this were to happen.

What are the reactions to Elbers' departure?

Everyone is reacting with astonishment and did not see this

announcement coming now.

(...)

On Friday, KLM staff launched a petition to keep Elbers. This petition now has about six thousand signatures. **The initiator** Marcel van Tiel (...) **thinks that the CEO finally left of his own accord**, but under slight pressure from Air France.

(...)

Mr. Van Tiel does not expect the petition to reverse the decision, but with this action he wants to show the importance of not letting KLM end up in the hands of the French.

(...)

Who will be the new CEO?

It is not yet clear. According to a spokesperson, the search for a new helmsman is underway and more information will follow later. According to De Telegraaf, a few names are circulating. Pieter Bootsma, the current Chief Revenue Officer, is said to be in the running to succeed him, but Transavia boss Marcel De Nooijer is also in the running. Rabobank CEO Wiebe Draijer is also said to be interested in the position.

My comment: *The conflicts between the head of the Air France-KLM Group and the head of KLM do not date from the arrival of Ben Smith.*

As soon as KLM was taken over by Air France, the sharing of responsibilities and decisions created tensions.

The core of the debate can be summed up simply: the Air France-KLM group was willing to grant KLM autonomy, while KLM wanted to remain independent.

> **The future of Schiphol Airport**

(source Luchtvaartnieuws translated with DeepL) January 15 - **Schiphol Airport is one of the issues that the new cabinet can immediately tackle.** Can the airport continue to grow, under conditions of "moderation and control", to 600,000 to 650,000 flight movements by 2035, including 25,000 to 45,000 via Lelystad? Or will the airport, which has been reduced to 267,000 flights by Corona, remain stuck at 350,000 or 400,000 and Lelystad will never open up to commercial (vacation) flights?

(...)

In a recent white paper, entitled "The importance of the Schiphol hub", **KLM clarifies its vision. "To maintain a healthy competitive position, we and Schiphol must be able to grow by at least 1.5% per year.** We are doing everything in our power to achieve this safely, sustainably and with less inconvenience. To this end, we are investing

in the most modern aircraft, which are quieter and more fuel-efficient, and we are using cleaner fuel wherever possible."

According to KLM, if Schiphol loses its role as a hub, other airports in Europe and the rest of the world will immediately take over that function.

"There is a serious risk of a capacity shortage at the Corona hub. **We must therefore continue to invest in major infrastructure projects. Adding a Pier A is not enough; an additional terminal is needed to handle 20 million passengers.** Departure halls 1 and 2 can then eventually be extended landside."

According to KLM and many experts, the growing demand for air travel is certain to continue in the coming decades, despite greening. (...) **If Schiphol wants to exceed 650,000 passengers in the long term with less nuisance, then the runway parallel to the Kaagbaan is a necessity**, according to the airport manager's vision.

Schiphol plans to return to the pre-Covid level of 500,000 flights by 2024-25. Previously, the airport had said it expected annual growth of 1.5 percent. This would represent about 600,000 flights in 2035.

KLM is also in favor of this. As a lower limit, of course.

Director Sijas Akkerman of the **North Holland Nature and Environment Federation is very clear**. "We ask the new government to put an end to the illegal situations at Schiphol. This means **not exceeding a maximum of 400,000 flight movements**, which is the space allowed by the nature permit for nitrogen emissions. The strange early application of noise standards must also be stopped immediately. In this case too, the **drop in traffic cannot be avoided**."



My comment: Schiphol is, like Orly, an airport where the number of annual slots (take-offs/landings) is limited by regulation.

Since Schiphol reached saturation, a few years before the health crisis, the airlines have been asking for its removal. But without success.

The appointment of the Dutch Green leader Sigrid Kaag as Minister of Finance is likely to postpone any expansion of the airport infrastructure to the Greek calendar.

It is even feared that, if the airlines fail to meet their decarbonization targets, the number of aircraft movements at Schiphol will be reduced.

If the Dutch press is to be believed, the Dutch and French finance ministers are expected to hold talks soon.

> Equair entrusts its aircraft to AFI KLM E&M

(source aeroweb) January 13 - Ecuador's new airline **Equair has announced that it has selected AFI KLM E&M to provide equipment support for its two Boeing 737 NG aircraft.** The multi-year contract includes maintenance, repairs, access to AFI KLM E&M's equipment pool, as well as the provision of a Main Base Kit at the customer's base at Mariscal Sucre International Airport (Quito, UIO).

Gabriela Sommerfeld, CEO of Equair, said: "It is important for us to start

our operations with the highest quality level. That is why **we have chosen a leading MRO solution, which guarantees the availability of parts and therefore the availability of our fleet for the benefit of our passengers.**"

(...)



***My comment:** This article highlights that as soon as a contract is signed between AFI KLM E&M and a new customer, the need for investment is significant.*

The purchase of spare parts takes place well before the first invoices.

Even in times of crisis, it is important not to reduce this type of investment, unless you lose contracts.

> Pau Airport: the deputies of Bearn denounce the arrival of Transavia

(source Sud-Ouest) January 12 - **The arrival of Transavia on the Pau-Orly route does not please the elected officials of Bearn.** (...) They are reacting to the announcement that this Air France low-cost subsidiary will take over the Paris route on March 27. Until then, the service is provided by Air France.

(...)

" Let's remember that the traffic between the airport platform of Pau and Paris is not mainly a tourist traffic, say the members. **It is business traffic that requires flights departing from Pau and Paris at 6am and returning to both Pau and Paris at 9pm. Transavia does not favor this type of time slot.** Our region, which is in full development with world-class companies, cannot afford discounted air links

A look at the Transavia website shows that, during the first week of service, the company offers three flights at 6:45 a.m. from Pau to Orly. In the other direction, it also offers three flights per week in the 8pm slot, for an arrival in Pau after 9pm.

(...)

They add that Transavia "has a fleet composed exclusively of Boeing, while everyone knows the density of our aeronautical industry linked to Airbus"

(...)

"The concern expressed is legitimate, considers for his part the mayor and president of the Agglomeration of Pau François Bayrou. A region like ours cannot develop without the assurance of solid air links adapted to our needs. This is probably the case for Roissy, but it is not the case for Orly. Our mobilization must be unfailing so that - as soon as the air transport situation improves - the frequency of flights will follow."
"

François Bayrou participated in the negotiations with Air France. The initial draft has been improved," admits the High Commissioner for Planning. But there is still a lot of progress to be made. We must be firm.

My comment: *The journalist gives the right answers to the politicians' questions.*

I can only add that in a few years, the argument that Transavia only operates Boeing will be obsolete. The low-cost airline should have its first Airbus A320 Neo in 2023 or 2024.

> **Delta Air Lines to be profitable in 2021**

(source Aviation Journal) January 14 - Despite a very difficult year, **Delta Air Lines managed to turn a profit** (under GAAP) **in 2021**. Indeed, it recorded revenues of \$29.9 billion for the year (down 36% from 2019) and a net profit of \$280 million (-94%).

The company was strongly supported by the U.S. government at the beginning of the crisis **but also recorded a good second half (profitable) and a very good fourth quarter**, returning to a revenue level equivalent to 80% of that of December 2019.

Over the year, its capacity was only 29% lower than in 2019 and its traffic 43%.

The beginning of 2022 will, however, be disrupted by the omicron variant, which Delta Air Lines believes will slow demand for two months. It has stabilized its supply and expects January and February to be another loss-making month, returning to profit in March. Thereafter, it

expects the remaining quarters of the year to be profitable.

My comment: For US airlines, the domestic market is the most profitable. It was the first to recover during the health crisis.

> Boeing recovers in 2021, with slightly more orders than Airbus

(source Les Echos) January 11 - **The year 2021 was nevertheless the year of takeoff for Boeing** and its commercial airplanes, even if the American aircraft manufacturer is far from having found its cruising altitude. After bottoming out in 2020, **Boeing managed to deliver 340 civilian aircraft last year**, compared with 157 the year before. And **while Airbus remains well ahead in this area, with 611 deliveries, the U.S. aircraft manufacturer nonetheless managed to win more orders than its European rival, with a total of 909 gross orders, making 535 net orders, once cancellations are subtracted (compared with 771 and 507 respectively for Airbus).**

However, **Boeing's main source of satisfaction is that it has succeeded in reviving the commercial career of the 737 Max, with 749 orders for the year as a whole, more than the Airbus A320 Family (661).**

Paradoxically, **the hundreds of aircraft stockpiled during the 737 Max's flight ban** have enabled Boeing to offer its customers more attractive delivery slots, and probably also prices, than Airbus, whose backlog is full for the next two years. That's why the U.S. low-cost carrier Allegiant, which previously operated Airbus aircraft, recently opted for 50 Maxes for delivery starting next year.

Boeing also continues to benefit from a wider range of long-haul aircraft than Airbus and its dominant position in the freighter market. The U.S. aircraft manufacturer has won 144 orders for long-haul wide-body aircraft, both cargo and passenger, compared with 46 for Airbus. The only downside is that its latest model, the 777X, won only one order last year, from Singapore Airlines, for 11 aircraft. Successive postponements of the first deliveries to Emirates are probably not to blame.

On the other hand, 2021 has clearly not lived up to its promises, due to the various defects detected on the 737 Max and 787. Boeing was only able to deliver 261 Maxes last year, while more than 400 aircraft were in stock in the United States. Most disappointing, however, was the halt in deliveries of 787s, of which only 14 could be delivered in 2021, compared with 53 in 2020.

My comment: Despite its many setbacks, Boeing has finally held up well in 2021.

I remember the resumption of deliveries and flights of the B737 Max. Following the two accidents which caused the death of 346 people, some specialists predicted a reluctance of the passengers to go back in this plane, it is not the case.

> International air transport: Chinese cold shower

(source Voyages d'Affaires) January 13 - **The Chinese civil aviation authority (CAAC)** published last week the new five-year development plan of air transport in the country. With an indication that sets the tone for the evolution of the aviation sector for the year 2022. Indeed, the air transport regulator **has indicated that China will focus on expanding domestic flights in 2022. The re-establishment of international airlines is only expected between 2023 and 2025.**

According to the transport plan reported by Reuters, over the period 2021-2022, China will thus focus its efforts on the control and prevention of Covid-19. It also promises many measures to support its airlines, so that the "development momentum" can continue in the future years. "The period from 2023 to 2025 is a period of growth," CAAC said. **"The focus is on expanding the domestic market,** restoring the international market, releasing the impact of reforms and improving the level of openness.

"

Such an announcement will therefore affect the entire airline industry, both foreign and Chinese airlines. However, the latter should suffer less from this strategy because of the enormous potential of the domestic market. According to OAG (Official Aviation Guide of the Airways) statistics, the number of seats offered by the three Chinese aviation giants, Air China, China Eastern and China Southern were down by -5.2%, -5.9% and -3.7% respectively in December 2021 compared to 2019.

(...)

A resurgence of the virus in some Chinese cities has however weighed negatively since the end of the year.

(...)

This drag on domestic airlines has been activated due to the strict "zero Covid" policy. This policy has even been reinforced by the authorities with the approach of the Beijing Winter Olympics in February. It means the suspension of many flights.

(...)

China's cut-off from the rest of the world will force the planet to live without this lucrative market. But as this will be the third year of global air travel without Chinese travelers, companies are getting used to it. Especially in Europe...

My comment: *In China as in the United States, the domestic air transport market is predominant, which is not the case in Europe.*

This explains why European airlines have more difficulties to overcome the current crisis.

> VINCI Airports: 7 more airports in Brazil, including Manaus

(source Air Journal) January 13 - French airport operator **VINCI announced** on January 12, 2022 **that it had taken over the operation of Manaus-Eduardo Gomes airport**, under a 30-year concession contract awarded by the Brazilian civil aviation authority last April.

(...)

Six other airports in the region - Porto Velho, Rio Branco, Boa Vista, Cruzeiro do Sul, Tabatinga and Tefé - **will join VINCI Airports' portfolio in February 2022**; together, these seven airports handled 7 million passengers in 2019. The seven are presented as "essential for opening up a region of 3.8 million km²".

(...)

"Building on the good environmental performance of Salvador de Bahia Airport, which has become the most sustainable airport in Brazil" since it took over operations in 2018, VINCI Airports will also deploy its environmental action plan in the Amazon. The aim is to reduce the airports' CO₂ emissions - thanks in particular to the construction of a solar farm - and improve their water and waste management. Finally, a forest carbon sink program will be implemented to sequester their residual CO₂ emissions, while helping to protect the Amazon forest and biodiversity.

Once the Manaus airport and the six other hubs in the region have been integrated, VINCI Airports will operate 53 airports in 12 countries, including eight in Brazil. It will thus become "the country's leading international airport concessionaire in terms of the number of airports managed", and will employ nearly 500 people.

(...)

My comment: *For Vinci Airports, the failure of the privatization of Aéroports de Paris is ancient history.*

The company has since turned resolutely towards the international arena, notably taking a 50.01% stake in London Gatwick Airport in 2018.

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 managers' sites.

To avoid forgetting to change your contact information 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 organizations.

Keep all the documents related to your Air France-KLM shares in one place: all the letters you receive from the different managers, Natixis, Société Générale, 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 **4.204 euros** on Monday 7 January. **It is down -2.00%**.

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



Evolution of the Air France-KLM share price over five years. The sharp drop corresponds to the beginning of the Covid-19 epidemic.

The average (consensus) analysts' rating for AF-KLM shares is 3.45 euros. The highest price target is 5.50 euros, the lowest 1.30 euros.

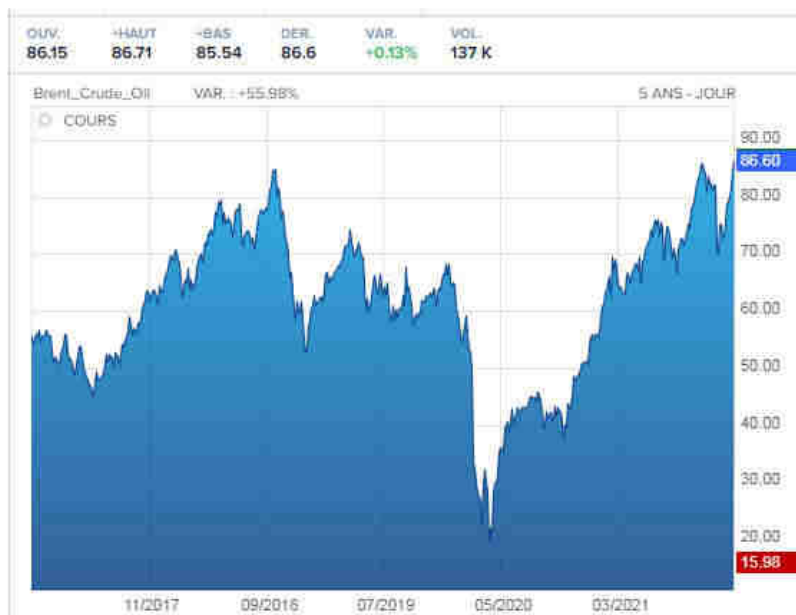
You can find the details of the analyst consensus on my blog. I do not take into account the opinions of analysts prior to the beginning of the

health crisis.

Brent (North Sea) oil is up sharply this week from \$6 to \$87 per barrel.

At the end of October 2020, it was at a low of \$37.

At \$86 on October 25, Brent had reached a level not seen since 2014, supported by supply disruptions and underlying demand. It is above that record level this week, with the crisis in Kazakhstan explaining the rise.



Evolution of the oil price over five years. The sharp drop corresponds to the beginning of the Covid-19 epidemic.

This information is not intended to be a solicitation to buy or sell 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 the employees
and former employees shareholders of 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 UNPNC. This
press review deals with subjects related to the Air France-KLM shareholding.

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