

Air France KLM: AGM in sight



## I Letter from the Director of Air France-KLM

### François Robardet

Representative of the employees and former employees shareholders PS and PNC

N°857, April 25, 2022

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## Monday's Press Review

### > Air France KLM: AGM in sight

(source Boursier) April 19 - **Air France-KLM shareholders are invited to attend the Combined General Meeting to be held on Tuesday May 24** at 2.30 pm at the Hilton Paris Charles de Gaulle Hotel in Tremblay-en-France.

In this respect, **information relating to the General Meeting is available on the website, under the heading Finance/ Shareholders/General Meeting, and is made available to shareholders in accordance with legal and regulatory requirements.** The notice of the meeting, including the agenda of the Meeting, the draft resolutions proposed to the shareholders by the Board of Directors, as well as a description of the procedures for participating and voting at the General Meeting, was published in the Bulletin des Annonces Légales Obligatoires (BALO) on April 18, 2022.

Shareholders are reminded that they may vote by mail prior to the General Meeting. To this end,

they are strongly encouraged to participate either by internet or by mail in order to vote or to give a proxy or to obtain an admission card

**The General Meeting will be broadcast live on the company's website.**

***My comment:*** For the first time since 2019, the General Meeting of the Air France-KLM Group will be held in person.

*I will come back to you with a special flash presenting the resolutions to be voted on. On this occasion, I will inform you of my voting intentions and I will propose to those of you who are shareholders of the Air France-KLM group to entrust me with your proxy.*

## > **The future of Lelystad's "ghost airport" is uncertain: a solution remains to keep it open.**

(source AD, translated with DeepL) April 20 - Jan Willem Erisman: "An uncertain path".

Professor of Environment and Sustainability, Leiden University

**If Lelystad airport wants to open quickly, the only way to do it is to buy up a lot of farmland. You could then get a nature permit with the freed up nitrogen space.** But that's a very uncertain path. External compensation, as it is called, is under considerable pressure. The judges have recently indicated that they are not in favor of it.

(...)

Buying up livestock operations just to keep the licensing process going is not the way to go, in my view. It **would be much better if the government would develop a long-term plan to solve the nitrogen problem in the Netherlands. Our country has to reduce its CO2 emissions by 50% by 2030. Measures must be taken to achieve this now.**

If the judges see that the government is doing everything possible to solve the nitrogen problem, there will automatically be more room to grant a nature permit to projects like Lelystad Airport."

Johan Vollenbroek: "An impossible exercise."

Nitrogen expert and chairman of the environmental club Mobilisation for the Environment (MOB)

(...)

**No, the nature permit for Lelystad airport is totally unrealistic. Let them take their losses. Maybe they can build a nice go-kart track for electric go-karts."**(...)

)

Valentijn Wösten: "I don't give them much of a chance".

Environmental lawyer and advocate for various environmental clubs

**Schiphol itself does not have a nature use permit and an enforcement action is pending against the airport. And before she has her own papers in order, she has the unprecedented audacity to apply for one for Lelystad airport.**

We are dealing with a party whose credibility has already disappeared behind the horizon.

(...)

**We have a crazy ecological problem in the Netherlands, which the government has reduced to a nitrogen calculation.** You would like the government to get serious about solving the nitrogen problem in this country. It is not happening now, and in this context I can't help but wonder what is going on behind the scenes to finally get Lelystad airport open. I don't give them much of a chance, but never say never.

**My comment:** *Why keep hoping for the opening of the new airport in Lelystad when the decision has been postponed many times?*

*Schiphol airport will be full by 2019. The airport has an annual capacity of 500,000 movements. It seems very difficult to increase this threshold without increasing the nuisance for local residents.*

*Lelystad airport, if it opens, will have a maximum capacity of 25,000 take-offs and landings per year: in the first year, the average number of flights would be six per day, after which it would increase steadily.*

### > **Complaints from the aviation sector about Schiphol fare increases are unfounded**

(source luchtvaartnieuws) April 21 - The ACM has declared the aviation sector's complaints about **Schiphol's** fare increases unfounded. The airport **raised prices for users in April to compensate for the loss of revenue in recent years.** The ACM received objections from **ten airlines** and three interest groups. They **say the 37 percent fare increase in three years is unreasonable** because the carriers have also had two financially difficult years and are still in the red

**According to the ACM, the rate increases are not unreasonable and Schiphol has set the rates in accordance with the law.** The first rate increase took effect April 1, 2022. "The allocation that Schiphol has used is in line with the cost orientation principle set out in the Aviation Act," the Consumer and Market Authority's opinion states

**The settlement of costs incurred by Schiphol with the airlines can work both ways, according to the CMA. Schiphol has to pay excess profits to the airlines if, for example, traffic and transport volumes are higher than expected,** but the reverse can also happen in case of setbacks. The CMA believes that this two-way settlement option should also be taken into account when determining the cost of capital that Schiphol is allowed to include in its charges.

"Schiphol must pass on windfalls in its charges, but this can also include setbacks. The real costs have been taken into account in the new tariffs, which also follows from the legal framework. Therefore,

the resulting fare increases are not unreasonable," says ACM board member Manon Leijten.

"The Covid19 losses were actually incurred, so if Schiphol were to bear these costs itself, they would ultimately be borne by the taxpayer because the Dutch state and the municipality of Amsterdam are Schiphol's major shareholders. The way Schiphol has now set its charges means that the inconvenience is passed on to the users of the airport," the judgment reads.

(...)

***My comment:*** *The Netherlands has been committed for several years to the fight against global warming.*

*In addition to being reluctant to open a new airport (read the previous article), the Dutch government has announced as early as the end of 2018 the implementation of an environmental tax, which should impact KLM to the tune of 140 million euros per year.*

*Note that while in France we often talk about CO2 emissions, the Dutch rather talk about NOx (NO2 and NO3), without this fundamentally changing the issue: to reduce CO2 or NOx emissions, we need to reduce fossil fuel consumption.*

### > **United Airlines soars, profit return in sight as demand booms**

(stock market source) April 21 - **United Airlines jumped more than 7% in after-hours trading on Wall Street last night, buoyed by unabashed optimism for the months ahead. The U.S. company expects to return to profit in the second quarter (and for the full year)** as it expects the boom in travel demand to generate the highest quarterly revenues in its history: "The demand environment is the strongest in my 30 years in the industry," said the carrier's CEO, Scott Kirby. For the three months ended June, management expects total revenue per available seat mile to be up 17% over the same period in 2019, resulting in an adjusted operating margin of 10%.

The company thus joins Delta in projecting a return to profitability even as the industry grapples with significantly higher fuel costs. **Strong consumer demand is nonetheless helping carriers cope with these soaring fuel prices**, which have risen 20% in the past month. United's first-quarter fuel bill was 20% higher than the previous quarter, and is expected to rise another 19% quarter-over-quarter in the three months ending June. Unlike their European counterparts, U.S. airlines do not hedge against volatile oil prices. They generally seek to offset fuel increases with higher fares and by aggressively controlling capacity. At United, these are still expected to be 13% below 2019 second quarter levels.

(...)

***My comment:*** *As soon as the United Airlines forecast was announced, the*

*shares of the major airlines rose by 5 to 10%, before gradually returning to their previous price.*

*This craze, even if temporary, highlights the current interest of investors in airlines.*

*At least for those which, like the Air France-KLM group, have made the effort to restructure to minimize the impact of the health crisis.*

## > **British Airways creates a base in Madrid to alleviate the staff crisis**

(source Daily Telegraph, translated with DeepL) April 25 - **British Airways is setting up its first overseas base for short-haul flights to combat the staffing shortage that has caused the worst wave of cancellations in a decade.**

Britain's national airline will open a cabin crew base in Madrid as bosses scramble to prevent the recent travel chaos from lasting all summer

.

Tens of thousands of travelers had their flights canceled over the Easter vacation as British Airways and other airlines grappled with severe staffing shortages.

(...)

According to flight data provider Cirium, **British Airways has cancelled 1,400 flights since the beginning of April.**

(...)

There are now fears that the travel chaos will continue throughout the crucial summer season.

(...)

British Airways has already resorted to offering a £1,000 "welcome bonus" to poach security-cleared cabin crew from its rivals

.

**The establishment of a base in Madrid underscores British Airways' critical staffing situation** and marks a significant escalation in the airline's struggle to avoid a summer of misery for its customers. **Cabin crew will be hired locally.**

(...)

**It appears that the Madrid base is only a short-term measure during the summer** as the airline ramps up operations. The company's short-haul cabin crew has been based in London for more than a decade.

(...)

Sean Doyle, British Airways

' chief executive, has sought to reinvigorate the airline after years of cost-cutting under his predecessor Alex Cruz. Mr. Doyle has tried to draw a line under years of turmoil, marked by falling customer service, repeated computer breakdowns, and labor unrest over "fire and brimstone" tactics.

(...)

**My comment:** *The "fire and rehire" consists in firing an employee ("fire") and rehiring him ("rehire") with lower working conditions.*

*This method is in full expansion across the UK.*

*However, it is not the only explanation for the shortage of personnel observed in Great Britain, not only at British Airways but also in other sectors such as road transport.*

*Since January 1, 2021 and the implementation of the Brexit, immigration rules in the United Kingdom have changed for European Union nationals.*

*The free movement of people is over and the British government has implemented a points-based immigration system that restricts hiring opportunities for companies based in Great Britain. Candidates to immigration must pay more than 1000€ to obtain a visa allowing them to work there.*

### > **Privatization of ITA Airways: Lufthansa + MSC in pole position?**

(source Air Journal) April 19 - There are no surprises **in the privatization of the company that has replaced the defunct Alitalia** as Italy's national airline since last October 15: by April 18, 2022, the deadline for expressions of interest, only **three candidates had presented themselves**. The Lufthansa group, allied to the Italian-Swiss cargo and cruise giant MSC, the Air France-KLM group allied to Virgin Atlantic and Delta Airlines (the four forming a transatlantic joint venture, even if Delta should not invest) and to the Certares fund, and the Indigo Partners fund, owner of the low-cost carriers Wizz Air, Frontier Airlines, Volaris and JetSmart.

According to Corriere della Sera, **these three candidates will have access to the "data room" of ITA Airways "in the next few days", with firm offers expressed by the beginning of May**, a memorandum of understanding signed with the winner in mid-June (with possible payment of a deposit of 400 million euros) and a finalization by December. And the daily's sources at the Ministry of the Economy say that **the German group is clearly the favorite**, especially for having put a figure on its offer (between 1.2 and 1.4 billion euros).

In particular, Corriere quotes Giovanni Fiori, ex-commissioner in charge of Alitalia, as saying that the German proposal is the best because "MSC would further develop its cargo portfolio, Lufthansa would remain leader in the business segment and would strengthen in the tourism segment to and from our country." His argument: Germany and Italy "are complementary", the former being a passenger-sending country while the latter is a passenger-receiving country - just like France: "that's why any Air France offer would be optimal neither for ITA nor

for Italy".

(...)

***My comment:*** No doubt that the Italian government will use competition to raise the price of ITA Airways.

## > Transavia, Ryanair, EasyJet, Vueling, Volotea: the low-cost carriers will hit the French market hard this summer

(source La Tribune) April 22 - **The return to the airplanes will be massive this summer.** The tremors in bookings have given way to a boiling point in the last few weeks with commitments for the entire summer period. And in this turmoil, **low-cost airlines seem to be the best positioned for the end of the crisis that is** emerging after two years of crisis in air transport. This is particularly the case in the French market, which, after showing resilience, is preparing for strong growth, sometimes beyond 2019 levels. Vueling, Transavia and Volotea have all started to make big moves. Not to mention EasyJet and Ryanair

.  
**For Nicolas Hénin, Transavia's deputy general manager in charge of sales and marketing, there is no doubt: "the summer will be very good".** Since last summer, the entire air and rail industry agrees that the desire to travel has returned among passengers and that traffic is taking off again as soon as health constraints ease (...) **with bookings made more and more in advance.**

(...)

**For Transavia, Nicolas Hénin says that he has not raised its fares** and is careful to maintain the balance between supply and demand, **but it seems clear to him that if the current craze continues, prices will continue to rise.** This will give the company the opportunity to maximize its profitability on high demand dates

.  
**This strong demand naturally leads low-cost airlines to continue to increase their capacity.** In the intra-European market, the **current offer is slightly higher than in 2019.** In France, the movement could be even stronger in view of the developments announced by most operators.

Driven by the reorganization of the Air France group, Transavia is changing dimension. Its fleet is expanding at an accelerated pace, going from about 50 aircraft last summer to 61 today.

(...)

Like Transavia, **Volotea is in a development phase throughout its network and France will be its main growth vector.** With 5.5 million seats offered in 2022, its offer will be twice as large as in 2019. In fact, **France will become its main market, accounting for almost half of its business.**

(...)

**Vueling** will not be outdone. The Spanish company has recovered 18 "slots" (i.e.



9 daily round trips) abandoned **at Orly** by Air France in return for State aid granted by France. It **will thus increase from 11 routes in the summer of 2019 to nearly 50 this summer, from 5 aircraft based to 9, and impose itself as the second company of the Parisian platform**, behind the Air France group but ahead of EasyJet. While Vueling's traffic stagnated at around 3 million passengers between 2015 and 2019, it is expected to increase significantly.  
(...)

For its part, **Ryanair has also multiplied its announcements on France since March**. The Irish low-cost carrier is boasting record schedules for Bordeaux, Toulouse and Marseille, with an additional aircraft based there, exceeding 2019 levels. In the city of Marseille, the low-cost carrier now has five based aircraft (including two 737 MAX) and adds 87 weekly flights to reach a total of 240. In Toulouse, it is increasing from 40 to 80 flights per week. **EasyJet is not the most spectacular player in**

this game. With its domestic network in France, which has acted as a buffer, as Bertrand Godinot, General Manager for France and the Netherlands, mentioned a few weeks ago, the orange company does not intend to offer all-out growth. **However, it is benefiting from the complete reopening of the British market**. And the potential is great, given the pre-crisis figures: with 12 million visitors each year, the British are the leading international tourists in France. For EasyJet, this represented no less than 5 million passengers. While the ski resorts have already benefited from the return of the British, this summer it should be much more massive.

(...)

Easyjet can hope to regain its 2019 level or almost this summer.

Faced with this avalanche of offers, the difference between the various companies could well be in the network. Overall, **most airlines will continue to focus on their strong markets, primarily the Mediterranean basin**.

Despite some original openings, Transavia and EasyJet will follow this pattern.  
(...) Another similarity between Transavia and EasyJet is that both airlines will continue to strengthen their domestic French network, which provides them with a certain stability, even if growth opportunities are limited.

(...)

Transavia should still distinguish itself by finally launching on Algeria thanks to the slots recovered following the bankruptcy of Aigle Azur in 2019. (...) Algeria should thus constitute a real growth relay

**The movement will be relatively similar at Ryanair and Volotea**, if not a stronger presence of Italy.

(...) In

contrast to this general trend, **Vueling is moving towards a splitting of its network**. To win the slots at Orly, it has proposed to the European Commission, which is in charge of allocation, the opening of a large number of new destinations



throughout Europe. Where its competitors are strengthening their position with frequencies, the IAG subsidiary is opening routes to the United Kingdom and Germany, but also to Denmark, Norway and Sweden.

(...)

If the summer picture already looks good, **one analyst nevertheless warns on one point**. Taking the recent flight cancellations as an example, **he notes that airlines may be tempted in the coming weeks to reduce their flight schedules due to pressure on available human resources**. The aim is to gain operational flexibility and avoid flight cancellations in the middle of summer. Even if this caution is warranted, traffic could still exceed 90% or even approach the 2019 level. This is particularly true in the French market, where teams have been better protected than in other countries thanks to measures such as long-term partial activity and collective performance agreements.

***My comment:** Low cost airlines have drastically reduced their staffing levels to survive the health crisis.*

*It will be difficult, if not impossible, for them to operate as many flights next summer as in 2019 without the same level of staff.*

*The challenge for these airlines will be to recruit qualified staff in the emergency.*

### > **Boeing's 777X launch could be delayed until 2025**

(Reuters source) April 22 - **Boeing is bracing for another delay to the 777X program that would push back the first deliveries of the new model by at least a year to early 2025**, a source close to the matter told Reuters on Friday. Aviation industry publication Air Current reported earlier that Boeing could push the certification target for the stretched version of the 777 to the fourth quarter of 2024, from the current end of 2023, with first deliveries expected in 2025. The U.S. company said in a statement Friday that it remains "focused on working transparently with regulators and (its) customers."

According to a source, **the U.S. Federal Aviation Administration (FAA) had warned the aerospace and defense giant in March that the certification schedules for the 777X and 737 MAX 10 were "outdated and no longer reflect program activities."**

***My comment:** The U.S. Federal Aviation Administration (FAA) is becoming increasingly demanding in its oversight of Boeing as a result of the criticism it has received.*

### > **Air France-KLM to leave its historic headquarters at Les Invalides**

(source Les Echos) April 20 - **The time to pack up is approaching for the**

twenty or so **Air France-KLM** employees who have until now been lucky enough to work at the historic Air France headquarters on the esplanade des Invalides.

**The next Air France-KLM General Meeting, on 24 May, is expected to vote on a resolution - No. 18 - to transfer the head office from 2, rue Robert Esnault-Pelterie to 7, rue du Cirque, in the 8th arrondissement of Paris, as of 1 July.**

This move has been planned for a long time. The decision to leave the Invalides premises had been announced in 2018, following the decision of the City of Paris, owner of the premises, to repossess it to turn it into an exhibition center dedicated to French arts and crafts, planned for 2027. **Nevertheless, this move will close an entire chapter in the history of Air France.** The French company has been the main tenant of the former Invalides station since its nationalization in 1946, even though most of the group's central services have been grouped together at the Roissy-CDG headquarters since 1996.

Until the 1960s, Air France passengers could check in at the Invalides terminal before flying from Le Bourget and Orly. For a long time, the building also housed the vaccination center. And until the Covid crisis and the closure of the last Air France agencies in town, it was still possible to buy a ticket there.

None of this will be possible **at the new headquarters at 7 rue du Cirque, which should accommodate around 60 people, including the Chairman of the Board of Directors, Anne-Marie Couderc, the Chief Executive Officer, Benjamin Smith, as well as representatives of the group's main departments:** general secretariat, strategy, transformation, finance, human resources and communication. The Air France-KLM group will thus be truly managed from the Rue du Cirque.

In addition to its proximity to the Elysée Palace, rue du Cirque has already played a key role in the history of the French aviation industry. René Fonck, the "ace of aces" of French aviators in the First World War, who was credited with 75 victories, lived on the 3rd floor of this street.



***My comment:*** This is a chapter in the history of Air France and Air France-KLM that will close on July 1st 2022.

*As indicated in the article, passengers were able to buy tickets, check in their luggage or get vaccinated there.*

*I found this article from Les Echos published on August 11, 2005:  
"The Air France international vaccination center in Paris, located on the esplanade des Invalides, is moving to 148, rue de l'Université as of Saturday. Last year it provided 85,000 vaccinations, including 33,000 against yellow fever, 15,000 against typhoid and 13,000 against hepatitis A."*

*Since June 12, 2001, the building has also been home to the "Air France Museum" Association, which works in collaboration with Air France's historical and cultural heritage department to preserve, develop and showcase the Company's heritage.*

*As indicated on its website, the move of the Air France Museum" will take place on 15 June 2022. It will involve the temporary closure of the documentation center and the Museum's physical store, which will become an online store only. The operating procedures of the documentation center, after the move to CDG, will be defined later. In the meantime, e-mail inquiries will still be handled.*

## **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.

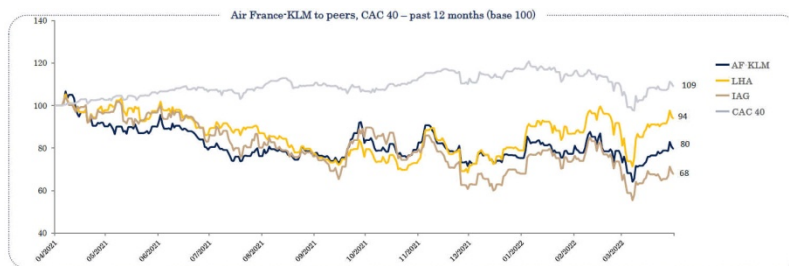
Keep all the documents related to your Air France-KLM shares in one place: all the letters you receive from the different managers, Natixis, Société Générale, your personal financial institution if you bought your shares through it.

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

**Air France-KLM shares** closed at **4.055 euros** on Monday 25 April. **It is down this week by -1.31%**.

**It had fallen to €3.295 in early March.**

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



*Comparative evolution of the Air France-KLM share price vs. IAG and LH over one year.*

**Since March 2021, Air France-KLM's share price has evolved in much the same way as that of its two main European competitors, the Lufthansa and IAG groups.**

However, there has been a divergence since the beginning of the year. Lufthansa's share price is performing better than Air France-KLM's, probably because the recapitalization of Air France-KLM is taking so long.

IAG's share price is down sharply. The high level of debt of the Anglo-Spanish group is highlighted by analysts.

**The analysts' average (consensus) for AF-KLM shares is 3.24 euros.** The highest price target is 5.50 euros, the lowest 1.30 euros.

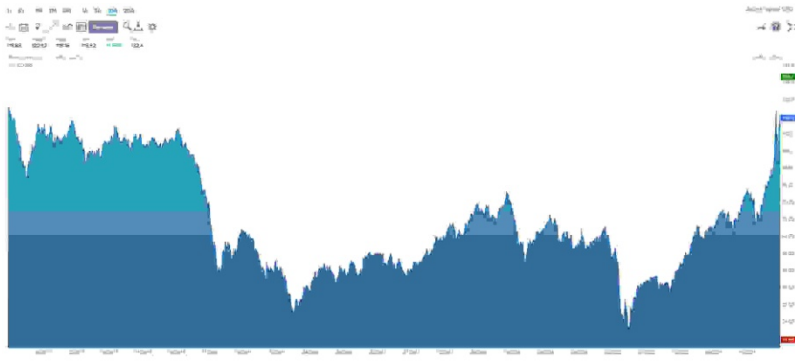
You can find the details of the analyst consensus on my blog. I do not take into account the opinions of analysts prior to the beginning of the health crisis.

**The barrel of Brent crude oil (North Sea) is down sharply this week from -\$10 to \$101.**

**It is back to its price of mid-February, at the outbreak of the war in Ukraine.**

At the beginning of March, Brent had reached \$132, close to its record of \$150 (in 2008).

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



*Evolution of oil prices over ten years. The sharp drop corresponds to the beginning of the Covid-19 epidemic.*

**This 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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New readers will be able to receive it by [giving me](#) the email address of their choice.

**| 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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To contact me: [message for François Robardet](#).

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