

AF-KLM capital increase



Letter from the Director of Air France-KLM

François Robardet

Representative of employees and former employees PS and PNC shareholders

N°861, May 23, 2022

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Editorial

Dear readers,

For the third time in a week, after the announcement of agreements with CMA CGM and Apollo (see my [Flash 96](#) and [Flash 97](#)), I have the opportunity to inform you of good news: the Air France-KLM group is launching a recapitalization operation via a capital increase with preferential subscription rights for an amount of 2.2 billion euros.

The details of this operation can be consulted on the group's institutional website or on the home page of my website [navigaction](#).

All the main shareholders will participate in this operation in various ways.

Concerning the employee shareholders, the supervisory boards of the funds holding Air France shares (Aeroactions, Concorde and Majoractions) have decided to subscribe to the operation without having to disburse cash.

Without going into technical details, part of the DPS will be sold. The funds raised will be used to buy shares with the remaining DPS.

Delta Air Lines and China Eastern will proceed in the same way.

For their part, the French and Dutch governments have planned to participate in the capital increase in order to maintain their current level of participation. However, the Dutch government still needs to obtain the necessary authorizations.

Finally, it is in the framework of this operation that CMA-CGM will take up to 9% of the capital of Air France-KLM.

To date, the intentions of the above-mentioned stakeholders to participate in the transaction amount to approximately €1 billion.

If you would like more information on the various employee savings schemes within Air France, please visit my website at the page [Employee Share Ownership Summary](#)

François

Monday's Press Review

> Transport, logistics, CMA-CGM, Air France-KLM : ships and their wings

(source Les Echos) May 18 - Better than in children's songs, the pandemic has given not only legs but also wings to shipowners. Is it really a surprise to see **CMA-GMA, the world's number 3 container ship**, get a business class seat at Air France-KLM? If the Marseille-based Saint Bernard, after having pulled Brittany Ferries out of the water and put the car carrier Gefco back on track, is coming to **the rescue of the Franco-Dutch company, it is in its own interest.**

At sea, on land (CEVA, CLS) and even in the mailboxes (Colis Privé), the war between logistics companies is also being fought in the air since the health crisis. **By concluding a capital alliance with Air France-KLM, the group headed by Rodolphe Saadé is beating its competitor and world leader, MSC, which is hovering over the bridge of ITA Airways, the former Italian carrier.**

The Phocaeen shipowner, which would have been the second largest net earner in the CAC 40 (more than 16 billion euros in 2021) if it had been part of it, will be far from exhausting its investment budget (13 billion). **The 9% of the capital of Air France-KLM that he should take weighs** 240 million after the rebound of the share (+4.9% Wednesday), but much more **symbolically for its pilot, Ben Smith. With this leverage, he will have to be Archimedes to raise the 4 billion euros needed to restore the balance sheet.** Eureka?

My comment: *The three operations underway :*

- . the capital alliance between CMA CGM and Air France-KLM to form a global cargo champion, which will be the entry point for CMA-CGM,*
- . the 500 million investment by Apollo in an Air France operating subsidiary, which owns a fleet of Air France spare engines dedicated to its engineering and maintenance business,*
- . the capital increase of more than two billion euros*

are contributing to the recovery of Air France-KLM.

It should be remembered that at the end of these operations, even if a large part of the aid granted by the French State should be reimbursed (around 75%), the recovery of the Franco-Dutch group will not be complete.

> After KLM, Pieter Elbers takes over the Indian low-cost airline IndiGo

(source AFP) May 18 - Former KLM boss **Pieter Elbers is to take over as chief executive of Indian low-cost airline IndiGo**, the latter announced Wednesday. Elbers, 52, had not been reappointed for a third term at the helm of the Dutch airline, where he had been chief executive since 2014. Replaced by Marjan Rintel, he was due to leave his post on July 1. IndiGo expects his arrival on October 1, after the green light from shareholders and regulatory bodies.

Strategic differences had opposed the CEO of Air France KLM Benjamin Smith and Mr. Elbers. The latter defended the autonomy of KLM, the national flagship, while Benjamin Smith wanted more integration with the French company. He had overseen multiple restructuring efforts within the Dutch division of Air France-KLM and managed the consequences of the COVID-19 pandemic

For low-cost carrier IndiGo, the appointment of a foreign director is a first. With a fleet of 275 aircraft, IndiGo says it operates 1,600 daily flights to 75 destinations in India and 25 internationally. Its shares rose 0.80 percent Tuesday on the Bombay Stock Exchange, which closed before the recruitment announcement. The low-cost carrier controlled 54.8 percent of India's domestic flights in March, carrying 5.86 million passengers, according to India's aviation regulator, although

rival Air India carries more passengers overall, thanks to international flights.

(...)

With 1.4 billion people, **India was the fastest-growing country for air travel before the Covid-19 pandemic and is expected to become its third-largest market in the world by 2024**

Pieter Elbers, who praised IndiGo's "remarkable success" since its founding 16 years ago in a statement, will succeed Ronojoy Dutta, 71, who is retiring this year. "India promises to be the last bastion of gigantic growth on a global scale" and IndiGo "will play a central role in this growth opportunity," said billionaire owner Rahul Bhatia.

My comment: *The main objective set for the current CEO of KLM is a big one: the international expansion of IndiGo, the Indian domestic market being close to saturation.*

His extensive experience in airline management should allow Pieter Elbers to meet this challenge.

> **China Eastern plane crash investigation focuses on crew**

(Reuters source) May 18 - The investigation **into the crash of a China Eastern Airlines Boeing is focusing on the actions of the crew in the plane's cockpit**, although **no evidence of a technical malfunction has been found so far**, two sources close to the case said.

On March 21, a Boeing 737-800 abruptly stalled from its cruising altitude and crashed in the mountains of southern China while flying between the cities of Kunming and Guangzhou, killing all 132 people on board, including nine crew members.

According to Chinese authorities, the pilots failed to respond to repeated calls from air traffic controllers and nearby aircraft during the stall

The Wall Street Journal reported on Tuesday, citing sources familiar with the initial investigation by U.S. authorities, that flight data from one of the black boxes indicated **that someone in the cockpit deliberately caused the plane to crash.**

A source told Reuters that **investigators were looking into whether the crash was a "deliberate" act involving crew members.**

It is not known if investigators were able to extract information from the cockpit voice recorder, which was damaged in the crash

My comment: *This information should be taken with caution, as the investigators have not officially communicated the causes of the accident.*

> **Marseille base: Ryanair condemned again**

(source Air Journal) May 20 - **The National Union of Airline Pilots (SNPL)**

welcomes the decision of the Paris Court of Appeal, confirming a first judgment that sentenced the low-cost airline Ryanair to 200,000 euros in fines and 7.5 million euros in damages for concealed work, illegal lending of labor, illegal employment of flight crews and for obstructing the exercise of union rights - in 2013, at its base in Marseille.

(...
)

Ryanair is declared "guilty of concealed work for 127 employees, loan of illegal labor, illegal employment of flight attendants by failure to join the CRPNPAC (Caisse de Retraite du Personnel Navigant Professionnel de l'Aéronautique Civile) and obstructing the exercise of trade union rights, the constitution and free appointment of members of the works council, the free appointment of staff delegates" over the period concerned, that is to say from 2007 to 2010. The low-cost airline employed 127 people under Irish contracts at Marseille-Provence airport, where four Boeing 737-800s were based until the opening of the judicial investigation.

The court also confirmed the sentences that had been pronounced against the low-cost

company, including a fine of €200,000, "as well as the posting of this sentence on the doors of terminal 2 of the Marseille Provence airport and its publication in several newspapers.

My comment: *Between trials, appeals, cassation, it is the third time that Ryanair is condemned for these facts.*

According to the SNPL, the Court of Appeal retained "the subjective intentional element constituted by the false declarations of residence of the employees, some of them having even been declared at the address of the company's head office, in contradiction with the address mentioned in their employment contract".

This decision is very important, because it "condemns the fraudulent actions of Ryanair while recognizing the heavy damage caused to the flight personnel and to the French organizations".

> **Corsair: end of the first phase of its fleet renewal**

(source Tourmag) May 20 - **And 5 for Corsair! The company has just received its new A330neo.** The company is working on the second phase, which should include four additional neos by 2024. **At that time, Corsair will have one of the youngest fleets on the market with an average age of 2 years.**

This is a small event, while **Corsair is still waiting for a response on the capital merger with Air Austral**

(...)

"For an airline, modernizing its fleet is the key tool for improving its environmental

performance. Corsair is firmly committed to this approach.

Thanks to these new aircraft, we will significantly improve the quality of the customer experience, and we can already look forward to very positive feedback from our customers on the new cabins," said Pascal de Izaguirre, CEO of Corsair.

> IAG confirms order for Boeing 737 MAX

(source Air & Cosmos) May 19 - **The IAG group**, which oversees British Airways, Iberia, Aer Lingus, Vueling,... **has just transformed into a firm contract its letter of intent announced during the 2019 edition of the Paris Air Show, and which then concerned 200 aircraft of the Boeing 737 MAX family.** The problems of the Boeing 737 MAX 8, then the pandemic of Covid-19 had "frozen" this letter of intent.

Nevertheless, IAG has revised its initial requirements downwards, as the order now only covers 150 aircraft. Of this total, 50 firm purchases and 100 options.

The group has chosen the 200-passenger version of the Boeing 737 MAX 8, also known as the 737-8-200.

(...)

IAG has also taken the 737 MAX 10, which can take up to 230 passengers in single class over a range of 3,300 nm. The aircraft can operate on routes operated by Boeing 757s, IAG points out. **An indirect reference to the A321LR and A321XLR.**

IAG's decision will logically have positive effects for the CFM Leap, which is the sole engine on the Boeing 737 MAX family. However, there is no indication at this time as to when the first aircraft will be delivered.

***My comment:** This order, revised downwards, of B737 MAX by the IAG group concerns the firm purchase of 25 units of B737-8-200 and 25 units of B737-10.*

The B737-10, presented as the competitor of the A321LR and A321XLR, is still not certified.

The A321LR has been in service for three years. The A321XLR is expected to make its first flight by this summer, with entry into service next year.

> ADP Group: traffic more than doubled in the first four months of 2022

(source Agefi) May 16 - Airport operator **Groupe ADP announced Monday that its traffic increased by 13.1 million passengers in April, compared to the same month in 2021, and that it had more than doubled since the beginning of the year.**

The airports managed by the group welcomed 20.6 million passengers last month, including 4.6 million at Paris-Charles de Gaulle and 2.3 million at Paris-Orly

In the first four months of the year, the traffic of the group's airports worldwide reached nearly 67.63 million passengers, an increase of 100.8% compared to the same period in 2021.

ADP noted, however, that year-to-date traffic was only slightly less than two-thirds of that for the same period in 2019, which was before the coronavirus pandemic.

(...)

End of the press review

> **Air France-KLM Annual General Meeting on Tuesday 24 May 2022**

The Annual General Meeting of Air France-KLM is being held today, Tuesday 24 May 2022, at the Hilton Hotel in Roissy. For the first time since 2019, it will be held in person. It will be broadcast live via webcast on the Group's website.

All the documents relating to the Annual General Meeting are available on the Air France-KLM Group website, on the Shareholders page, under the heading Annual General Meeting. This includes the resolutions that will be submitted to the vote of the shareholders.

As in previous years, **I suggest that those of you who are shareholders of the Air France-KLM Group give me your proxy.**

I have published [Flash n°95](#) on how to proceed.

> **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.

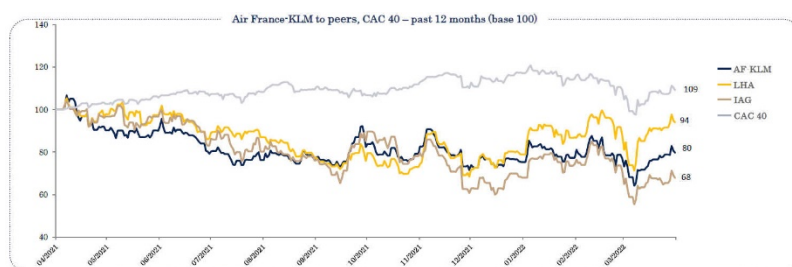
Keep all the documents related to your Air France-KLM shares in one place: all the letters you receive from the different managers, Natixis, Société Générale, your personal financial institution if you bought your shares through it.

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

Air France-KLM shares closed at **4.347 euros** on Monday 23 May. **It is up very strongly this week by +11.63%**. The partnership announcements with CMA-CGM and Apollo were well received.

It had fallen to €3.295 in early March.

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



Air France-KLM share price performance compared to 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 3.26 euros. The highest price target is 5.50 euros, the lowest 1.30 euros.

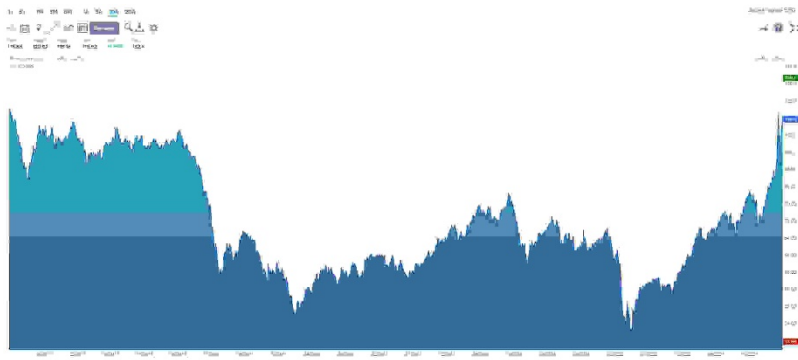
You can find the details of the analyst consensus on my blog. I do not take into account the opinions of analysts prior to the beginning of the health crisis.

The barrel of Brent crude oil (North Sea) is stable this week at \$113.

Since mid-February, it has been yo-yoing between \$100 and \$120.

In early March, Brent reached \$132, close to its record high 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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| 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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