Crisis in the airline industry: the plane is having trouble getting back into the sky

# 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*

## *Last minute!*

### > Clément Beaune, a fine negotiator to revolutionize transportation

(source Libération) July 4 - The appointment of the young deputy of Paris, a great europhile, is in line with continuity, since he will have to apply in this ministry European measures in the field of environment on which he worked for a long time in his previous post.
Clément Beaune dreamed of the budget, but the position is now firmly held by a close friend of the head of state, Gabriel Attal. So it will be transport. It is nevertheless a very nice promotion for this loyal to Emmanuel Macron with whom he has worked since 2014, when he joined his cabinet at the Ministry of Economy.
Because this second five-year term will be the beginning of the transition to a low-carbon economy in which the transport sector, still in social turmoil, will experience an unprecedented upheaval in the very near future. Indeed, Clément Beaune will have to manage and accompany the implementation of the Green Pact (mysteriously named "fit for 55" by a European Commission fond of anglicism). Adopted last week by the 27 Member States, it provides for the end of the internal combustion engine in 2035 and the inclusion of transport in the European carbon market (in other words, to make them pay for the pollution they cause) in order to force them to reduce their emissions by 60% within eight years, in the middle of an inflationary period.
Listened to by the Head of StateAnd so
Clément Beaune, outgoing Minister Delegate for European Affairs, is not done with Europe, which is more than ever at the heart of public

action. This is not to the displeasure of this fine negotiator, 40 years old, always in an even mood and deeply Europhile. A graduate of the College of Europe in Bruges, he hesitated to become a European civil servant before finally taking the ENA exam. It is there that he discovered another passion: the budget. He will start his career in the budget department, before becoming the budget advisor of Jean-Marc Ayrault between 2012 and 2014. This is another important aspect of his commitments: Beaune was a socialist and still represents the left wing of Macronism. But it was for his European skills that Emmanuel Macron recruited Beaune early on and brought him to the Élysée Palace as a special adviser in charge of European issues (and then the G20).
Since Emmanuel Macron has made Europe the heart of his action, Beaune is not one of the frustrated advisors like his predecessors were under François Hollande. Clearly, he is listened to by the head of state, who admits that it is not necessary to bet everything on the Franco-German couple, but also to forge strong ties with countries traditionally neglected by French diplomacy, such as the Netherlands. (...) Beaune will have to eat his words until July 2020 to finally begin his ministerial career at European Affairs. He left the Élysée on a great success, the creation of the European recovery plan of 750 billion euros (as well as the adoption of the European budgetary programming law 2021-2027) which allows for the first time to mutualize part of the national debts.
The problem with this ministry is that it is not really in touch with the decision-making process (...). But if there is a bond of trust with the head of state, that is totally different. This was the case with Beaune, as in the 1990s between François Mitterrand and Elisabeth Guigou. Moreover, it was his direct subordinate at the Élysée, Alexandre Adam, who succeeded him, which allowed him to maintain strong ties with his home. Clément Beaune was thus able to continue to influence Macron's European policy, and the success of the French presidency of the European Council of Ministers in the first half of 2022 owes much to him. When he negotiates with his European interlocutors, they know that he has the ear of the president. Nevertheless, the period of the health crisis was painful for him, because he lost a lot of arbitration to Gérald Darmanin, the Minister of the Interior, who took advantage of it to put Schengen in brackets by re-establishing lunar controls at internal borders.
With the Ministry of Transport, which has a real administration, Clément Beaune will finally be able to show what he can do. Experienced in international negotiations, he will be able to influence Brussels to put the climate package to music, but also to discuss with the transport unions who are going on strike faster than their shadow: SNCF strike scheduled for Wednesday, July 6, strike of the staff of the Paris Airports group on Friday, July 8, strike of the subcontractors of Roissy-Charles-de-Gaulle on July 13... When one has succeeded in convincing the Dutch to pay for the Greeks, the task of appeasing social anger does not seem impossible.

## > Crisis in the airline industry: the airplane is having trouble getting back into the sky

(source Libération) June 30 - **This summer of 2022 will tell a lot about the future of air transport**. We thought air travel was back to its pre-Covid heyday, with load factors close to 2019 and holidaymakers, not only wealthy ones, preferring to fly rather than take the road or the train to scour France or go further afield. But the sky has darkened again for the sector. Prices are skyrocketing, airline and airport employees are demanding decent pay and working conditions, and the low-cost model is in the midst of an existential crisis... **The pandemic was thought to be the biggest shock the airline industry has ever experienced. But it may only have been the first warning shot in a broad restructuring of an activity that is essential to tourism and mobility, so many uncertainties remain.**

**Many workers have different life plans, want hours that are better suited to their personal lives, and want salaries that match the hardness of the tasks required. And the airline industry is one of the places most affected by this phenomenon. The result is a huge mess in the airports** and a significant volume of flights already cancelled for this summer: Amsterdam-Schiphol wants to reduce its capacity by 30% over the next three months, Lufthansa is going to cancel 3,000 flights in July and August, Air Canada has 154 fewer flights per day over the same period, with three destinations purely and simply suspended...

**In the companies, technical staff, pilots, stewards and stewardesses are especially lacking**. These are job markets where there is a lot of demand for work," says Paul Chiambaretto, professor and director of the Pegasus Chair, dedicated to the economics and management of air transport, at the Montpellier Business School. The difficulty is the time it takes to integrate" newly recruited staff. For most of them, it will take the summer to get trained.

But **it is especially on the ground that the difficulties are becoming structural. Most of the activities are subcontracted there and the companies that used to handle them have been hit hard by the closure of the airports**. "A trilingual duty free salesman or someone working in security could very well have found a similar position in the center of the cities or closer to home, with much more convenient working hours," explains Paul Chiambaretto. Especially since these sectors are looking for staff throughout France.

The summer of 2022 in the European sky will therefore be particularly tense, with a return to almost normal traffic. The sector players were counting on a recovery in 2023 or 2024," says Paul Chiambaretto. **The summer of 2022 is much more dynamic than expected**." **How to reconcile 95% of the activity with positions that are lacking on all floors?**

Unions and employers agree on one point: in a labor dispute, it is all a question of balance of power. However, throughout Europe, the balance of power has been clearly in favor of the workers since the beginning of the year. The head of Aéroports de Paris (ADP), Augustin de Romanet, has put the number of jobs to be filled at Orly and Roissy at 4,000. And alone, ADP, which had separated more than 1100 people in 2021, is now looking to recruit 600 people to fill the departures. "**During the health crisis, when the airlines and players in the airline industry cut jobs to increase their profits, we warned them that these cuts would cause chaos in the sector**, recalled earlier this month the general secretary of the British union Unite, Sharon Graham. The consequences of the mass layoffs are now chronic labour shortages in all trades. This is a crisis they have created."

With unemployment down across Europe, the threat of layoffs is becoming less

effective in quelling labor disputes. Ryanair is in conflict throughout Europe, firefighters and subcontractors in the Paris region are on strike on Thursday and Friday after a first day of mobilization in early June, and British Airways ground staff at Heathrow have voted to go on strike this summer... **Unions are demanding that purchasing power be restored after two socially very complicated years and galloping inflation**. And before this summer period, when the turnover is more important for the airports and the companies, the balance of power is even more favorable to those who demand.
Within the airline industry, **low-cost airlines are going through a particularly acute social crisis**. Their unions have long been warning of deplorable working conditions and low wages. These are the conditions on which the business model of Ryanair and EasyJet was largely built. And labor shortages put them in particular in jeopardy: for how to charge flights at 39.40 euros on average, as Ryanair did in 2017-2018, while paying their staff properly and not making them do a higher number of flights than elsewhere? **The equation, already complicated at traditional airlines, seems insoluble for low-cost carriers.** In the long run, ticket prices will go up, it's inevitable," predicts Arnaud Feist, the managing director of Brussels Airport. I think it's healthy that all workers in the sector have decent wages and working conditions."
The low-cost airlines are not doing so badly, however. They have even weathered the economic crisis more easily. **I remain convinced that low-cost airlines have a bright future ahead of them," says Chiambaretto**. On the eve of the crisis, low-cost airlines were in better financial health, and they managed better afterwards because they had more independent flight crews, and therefore fewer salaries to pay during layovers. They are still suffering but much less. **The gap between low-cost and traditional airlines has even widened.**"
The losses caused by the Covid crisis have also been passed on to customers in several ways. EasyJet and others have changed the conditions for checking in luggage, for example. Until three years ago, a student could fly to many European cities for less than 60 euros with a cabin bag. Now, the cabin size is closer to the backpack, making the price of the ticket go up or even double for those who discover the rule when arriving at the airport or want to take more than two T-shirts. The ticket prices are then often close to those of the traditional companies. **The years to come will show whether the survival of the low-cost model was only due to the poor social treatment of its employees**

.

**Prices are** traditionally **higher** during the summer vacations. But they are even higher **for the 2022 edition**. Firstly, because of a demand driven up by what Americans have been theorizing since last year as "revenge travel", which can be summarized as the desire of some to make up for vacations prevented by Covid

.

**Rising costs** also **explain it**. On average, 30% of an airline's expenses are attributed to fuel, a proportion that is even higher in low-cost airlines, even if some, like Ryanair, had secured a lower fuel price before the war in Ukraine. However, because of their low margins, **some companies have started to pass on the increases observed since the turn of the year 2022 to ticket prices. A rise that is not over**: the legal constraints to reduce $CO_2$ and the integration of biofuels,

currently five to six times more expensive than kerosene, in the EU will also push up prices in the near future.
And if 1% of the world's population caused half of the CO2 emissions from airplanes in 2018 according to a study published in the journal Global Environmental Change, this mode of transport is not reserved only for the very rich. The wealthy categories in France are certainly twice as numerous as the working classes to take the plane several times a year according to a study by Ifop and the Jean-Jaurès Institute published in mid-June. But nearly 30% of workers and employees take the plane at least once a year
.
**Will flying this summer, but especially in the years to come, once again be reserved for the wealthy classes, as was the case several decades ago?** The risk is that all the constraints linked to the airline industry, which are pushing up prices, will contribute to excluding part of the population from this mode of transport," worries Paul Chiambaretto, of the Montpellier Business School. But **it's a question that we also find in France about high-speed rail transport.**" Or how the National 7, sung by Charles Trenet on the road to vacation, could regain its glory days. On condition that the soaring price of gasoline takes a break...

***My comment: First of all,*** *a clarification: this article deals with the problems encountered by European airlines this summer and in the coming years.*

*Not all airlines are in the same situation. For example, Air France does not have a shortage of flight crews. The cabin crew is even slightly overstaffed throughout the year, except perhaps during the summer period.*

*The increase in fares observed for the summer is the result of two independent phenomena.*

*On the one hand, customers are more numerous than expected. At the end of last year, the airlines expected traffic in 2022 to be 79% of pre-crisis levels. During the summer months, it will be close to 93%, barring last-minute cancellations.*

*This influx of demand, which sometimes exceeds supply, has prompted airlines to raise their prices. The only downside is that some airlines and airport subcontractors have not been able to adjust their staffing levels.*

*On the other hand, the price of kerosene has soared.*

*Unlike before the war in Ukraine, there is no longer any correlation between the price of a barrel of Brent crude oil and the price of a barrel of jet fuel.*

*Since March, the price of a barrel of Brent crude oil has fluctuated between $100 and $120.*
*The price of kerosene, which is usually barely higher than Brent, has soared to over*

*$180 per barrel. It is now at $163.*

*The airlines most exposed to this rise in fuel costs are the low-cost airlines. For them, the cost of fuel is proportionally higher than for the major airlines.*
*To remain competitive, low-cost airlines may have to put pressure on the airports they serve by demanding (again) lower charges.*

## > KLM has finished paying back the Dutch state

(source Boursier) June 30 - **KLM has repaid the final €277 million tranche of the €942 million in loans obtained from the Dutch government and local banks in 2020**.

Air France KLM's Dutch subsidiary paid 311 million euros to the banks on May 3 and a further 354 million euros on June 3, thus repaying all the bank loans obtained. With the repayment of the 277 million euros in loans granted by the Dutch government, **KLM has now settled its debt to the State**.

KLM is extremely grateful to the Dutch government and the banks for their support during the pandemic. "
By repaying its loans as quickly as possible, KLM shows that it takes its responsibilities seriously and keeps its promises to its financial stakeholders, the state and society," KLM adds.

***My comment:*** *KLM has finished paying back the loans (bank and state) that the company had asked for in order to survive during the health crisis.*

*However, as the future is still uncertain, KLM still has the possibility to borrow again via the Dutch government's emergency aid plan.*

*As a result, the constraints imposed by the Dutch state remain, as does the mission of the state agent responsible for monitoring compliance with the constraints.*

## > Shortage of staff and money: Marjan Rintel, CEO of KLM, is facing difficult times.

(source RTL Nieuws) July 1 - **Marjan Rintel officially started today at his new employer, the airline company KLM. Her task will not be easy,** as the company barely survived the Covid-19 pandemic. Which, by the way, is not over yet. And those aren't the only problems she has on her plate
.
**Let's start with the most pressing problem: the staffing shortage**. This affects the entire economy, of course, but even more so aviation. Many baggage handlers and security guards were laid off when aviation came to a halt during the coronapandemic
.
**These workers, often temporary, have meanwhile found work elsewhere**, not

least because airport baggage handling is so poorly paid. And the people who left are **not expected to return, despite the large salary increase Schiphol is giving its staff**.
Also, fewer passengers than expected will be able to go on vacation via Schiphol. **At the urgent request of the slot coordinator** - who determines which airline is allowed to operate a flight at what time - **KLM cancelled 7,000 seats a day in July**.
The long queues and cancelled flights caused many passengers to become frustrated. **This has led to a cooling of relations between the airport and its most important customer**
.
**A first confrontation had already taken place last year**, when **Schiphol decided to considerably increase its landing and take-off fees**. Protests from the airlines, led by KLM, were to no avail: **in April, the regulator ACM decided that the airport was allowed to implement the 37% increase in charges**.
(...)
The company's situation in June was so good that it was able to repay all the emergency aid granted by the government.
(...)
But because the company continues to rely on the state, **it is not yet free from the critical eye of the so-called state agent, Jeroen Kremers**. He is checking whether KLM complies with the conditions that have been set for state aid. And he is not at all satisfied. For example, after two years, KLM has still not stopped the tax evasion of some employees, writes the state official. Many KLM pilots live abroad, often because they can pay less tax there. The company helps them by flying them for free.
In addition, **KLM does not yet have a long-term plan to reduce costs by at least 15%.** In order to do this, the staff must also make sacrifices. This happened last year, but for this year, the company will have to take steps to achieve this, according to the state official.
And it won't be without a struggle, on the contrary, because of the wage increase the company has already promised its pilots. This new collective bargaining agreement - which has yet to be signed - implies that the promise to forgo wages in exchange for state aid will not be kept.
(...)
Fortunately, Ms. Rintel knows the company well: she worked there for some 15 years, including as marketing director
.
**Once Rintel has solved all these problems, perhaps her biggest challenge will be to change Dutch policy.**
For years, there have been no obstacles in the way of Dutch aviation, but that is changing. The years seem to be over when aviation was allowed to develop and grow to the dismay of local residents and nature conservation organizations
.
**From the end of next year, a maximum of 440,000 flights a year will leave the airport**, Minister Mark Harbers (Infrastructure and Water Management, VVD) announced last week.

(...)

***My comment:*** *If Mr Pieter Elbers was able to end his mandate on a good note, with the reimbursement of the aid granted by the Dutch State, the task looks difficult for Mrs Marjan Rintel, who succeeded him on July 1st.*

*Between the overzealous state agent (in charge of monitoring compliance with the Covid aid constraints), the Dutch government's sudden decision to reduce Schiphol's activity by 12% as of 2023, and this summer's announced slump at Schiphol, there will be no shortage of hot topics.*

## > Air Austral: the Reunion region commits to a restructuring project

(source Les Echos) June 29 - **On June 28, the plenary assembly of the Regional Council of La Réunion unanimously voted in favor of the principle of contributing 10 to 15 million euros to restructure the capital of Air Austral**, in which the local authority is the majority shareholder via a semi-public company, Sematra. Two other shareholders of Sematra, the Departmental Council and the Chamber of Commerce and Industry of La Réunion, have been asked to contribute 5 million euros each. This commitment is in support of an offer to acquire a stake presented in May by a group of private investors from Reunion, led by Michel Deleflie (Clinifutur health group). The latter are ready to put 30 million euros on the table, in capital and current account

.

**The restructuring plan must be notified to the European Commission by 18 July**, a condition set by the Commission on 18 January 2022 for the authorization of a 20 million euro rescue loan granted to Air Austral by the French government. The debt of the Reunionese company is currently estimated at more than 300 million euros, including long-term bank debts but also 90 million euros of State Guaranteed Loans.

(...)

The State holds the fate of Air Austral in its hands more than ever. **Private investors in Reunion Island will only confirm their commitment if they obtain a deferment of the repayment of the company**'s **social and fiscal debts** (probably several tens of millions of euros) **and a substantial "gift" on the repayment of the State Guaranteed Loans.**

***My comment:*** *The demands of private investors are very important.*

*If the French State agrees to write off part of the guaranteed loans, it is likely that the European Commission will have new restructuring requirements for Air Austral.*

## > Airbus wins three giant orders in China

(source Journal de l'Aviation) July 1 - China's three major airlines are once again looking at fleet evolution. After long negotiations during the health crisis, **Air China, China Eastern Airlines and China Southern Airlines have all signed agreements**

**with Airbus on** July 1 **to acquire nearly three hundred A320neo Family aircraft by 2027.**

Air China announced that it has placed an order with the European aircraft manufacturer for 64 A320neo Family aircraft for itself and 32 for its subsidiary Shenzhen Airlines (...) Those destined for Air China will be delivered between 2023 and 2027, while deliveries of those for Shenzhen Airlines are planned for 2024-2026. In theory, the introduction of these aircraft could increase the group's capacity by 10.4%, but some of them will be used to replace older
aircraft.
China Eastern has decided to acquire about 100 single-aisle aircraft (...) They should be delivered between 2024 and 2027. (...) Here too, part of the order will be used to replace aircraft that are leaving.
Finally, China Southern, also a Boeing 737 MAX customer, has committed to 96 A320neo Family aircraft (...)
.
**These agreements come at a time when the major Chinese airlines have not placed major orders for this type of aircraft for several years**. With the health crisis, domestic traffic is experiencing ups and downs depending on the strict containment policies decreed when the rate of contamination is on the rise, while international traffic is sluggish. Despite the immediate difficult and uncertain environment, **airlines remain confident and believe that growth opportunities remain very important: according to them, China's economic development will remain strong and the middle class will continue to grow, increasing demand for travel**.

Airbus said that 2,070 of its aircraft were in service in China at the end of May.

***My comment:*** *Chinese airlines' orders reflect the recovery of activity in their domestic market.*

*Compared to 2019, Chinese domestic activity is fluctuating sharply from 74% to 104% since the beginning of the year.*

*On the other hand, internationally, Chinese airline business has plateaued at 6% since the start of the crisis. The Chinese government's zero Covid strategy is severely limiting travel to and from China.*

## > Energy savings: the possibility of an overhaul of air traffic control

(source Les Echos) June 30 - One cannot talk about energy waste without devoting a chapter to the deficiencies of air traffic control. **France has the advantage of being Europe's leading airspace, but also the less glorious distinction of being the main producer of air delays, and therefore of excess fuel consumption and air pollution.**

**In 2021, malfunctions in French air navigation services were the cause of more**

**than half of the delays in the European sky**. A situation that is not new. In 2018, a Senate report already pointed the finger at French air traffic control, responsible for 33% of air navigation delays alone. In addition to these delays, flight paths or altitudes are rarely optimal, due to the persistent fragmentation of European airspace, but also to the delay of French air traffic control in this area.
In total, **these malfunctions would represent an additional cost of about 350 million euros per year for airlines and several thousand tons of wasted kerosene**. Precise data is lacking, but on a European scale, it is estimated that medium-haul flights are unnecessarily lengthened by 42 km on average. That is about 70 kg of fuel wasted per flight.
The causes of this French under-performance are diverse, but are the responsibility of the State. **French air traffic control suffers from a considerable delay in the modernization of its equipment, poor organization of air traffic controllers' work**, as well as a lack of personnel in certain centers... And also from repeated strikes, which often mobilize only a handful of controllers, but which generate 25% of the delays. From 2004 to 2016, 67% of air traffic control strike days in Europe occurred in France, the Senate report says.
In addition, **successive French governments are largely responsible for the delay in the Single European Sky project, which was launched in 1999 and has still not been completed. This was done to preserve the public status of air traffic control, which has been largely privatized elsewhere in Europe.**

According to several studies, the creation of a Single European Sky would reduce $CO_2$ emissions from air transport by 10%. But despite its environmental commitments and an attempt by the European Commission to revive the issue, the recent French presidency of the European Union has not produced any progress on this issue.

***My comment:*** *23 years. 23 years that the Single European Sky project (the Sesar program) has been launched without being completed in France. The causes of this delay, multiple, are well described in this article.*

*Note that the equivalent project in the United States, the Next Generation Air Transportation System (NextGen) is also spread over a long period, from 2012 to 2025.*

# *Bonus Article*

## > Airbus and Boeing really at odds over hydrogen? Not so simple...

(source Usine Nouvelle) June 29 - **On the front side, Airbus is getting excited about hydrogen and Boeing is staying put. On the flip side, it's a different story...**

**This duel may not happen**. In 2020, Airbus announced its goal of putting a hydrogen-powered aircraft into service by 2035, while Boeing later announced its commitment to sustainable aviation fuels (SAF). The two aeronautics giants were facing off against each other in a clear-cut technological confrontation, against the backdrop of the decarbonization of air transport. Today, however, the two groups' strategies are not as divergent as one might think.

If Boeing seems more reserved about hydrogen, it's because the group knows a lot about the issue. Its know-how in the civil sector goes back some 15 years, as the American group reminded us in early June when it launched the latest version of its flying laboratory, the ecoDemonstrator. The company has multiplied its hydrogen projects: the Dimona glider, the ecoDemonstrator in 2012, the Phantom Eye drone and, in 2015, an unmanned solar aircraft... Not to mention space activities: Boeing has worked with NASA to develop a cryogenic hydrogen tank, one of the most critical parts for future aircraft.

"You'll see us being more aggressive in hydrogen when we're certain of its ability to reduce the carbon footprint of airplanes," Chris Raymond, Boeing's director of sustainable development, told L'Usine Nouvelle as an aside to the event. Production, storage, safety, distribution... **Boeing has already grappled with the challenges of using hydrogen**. That doesn't mean it's impossible, but it will take time," Raymond said. **We don't think that hydrogen will be a real lever for decarbonization before 2050**.

Hydrogen and long-haul aircraft don't mix

For its part, **Airbus, through** its CEO Guillaume Faury, **has toned down its hydrogen ambitions in recent months**. When it launched its zero-emission aircraft in September 2020, the European aircraft manufacturer wanted to pledge to the French government that its aircraft would be greener, while seeking to be at the forefront of innovation in the midst of a crisis in the sector. The announcement came as a surprise to the entire aeronautics industry, as the aircraft manufacturer had not previously shown the slightest interest in the subject in its civil activities.

Since then, **Airbus has made it clear that the hydrogen-powered aircraft will probably be of modest size, and that it will be used for regional flights**, because of the space required on board the new fuel. **Its contribution to the carbon neutrality targeted by the airline industry in 2050 promises to be modest**.

Hydrogen is the technology of the second half of the 21st century," said Guillaume Faury in early June at the Paris Air Forum, organized by La Tribune. For long-haul flights, we don't see how to use it. Yet these aircraft, which connect continents, account for 80% of air transport's CO2 emissions. Airbus is therefore banking on SAF to reduce the carbon footprint of its aircraft in the short and medium term.

While Airbus differs from Boeing in that it has set up a hydrogen-powered aircraft program, the two manufacturers' strategies for decarbonization are ultimately quite similar. **Boeing is** pragmatic and in a difficult financial situation, and **prefers to focus on SAF. Synthetic fuels could bring airframers into line: unlike biomass-based SAF, this other family of sustainable fuels requires carbon... and hydrogen**. The aeronautics industry is a long-term sector: the game is far from over.

***My comment:*** *This confirms the information that has been trickling out over the last two years: there will be no hydrogen-powered aircraft by 2050.*

*We will have to find other solutions to decarbonize aviation.*

*At last month's OMNES conference, Anne Rigail, CEO of Air France, was also clear: to reduce CO2 emissions, sustainable fuels will be the main contributor, but not the only one. All avenues for CO2 savings will have to be explored.*

*If this is not enough to reach the goal of 0% CO2 emissions in 2050, it will be necessary to compensate for the remaining CO2 emissions.*

*To better understand the efforts already made by Air France and its commitments in the face of the ecological emergency, I invite you to visit the website https://airfranceacts.airfrance.com/fr. You will discover all the actions taken by Air France for a more responsible travel.*

# *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.

## > Management of employee investment funds. Good to know

When you invest money in one of the Air France FCPE funds, you get shares in these funds. You do not hold shares directly.

It is the supervisory boards, which you elected in July 2021 for a five-year term, that manage the funds and make the decisions.

The Aeroactions, Majoractions and Concorde
funds only hold Air France shares.

The Horizon Épargne Actions (HEA), Horizon Épargne Mixte (HEM) and Horizon

Épargne Taux (HET) funds manage portfolios of various stocks.

***My comment:** If you would like more information on the management of the various Air France FCPEs, please consult my website Navigaction, section Air France-KLM employee shareholding.*

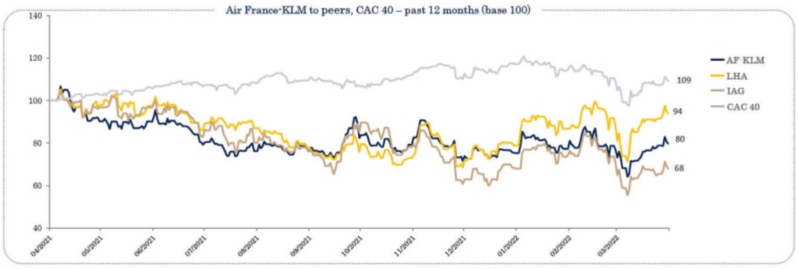
## > My comments on the Air France-KLM share price trend

Air France-KLM shares closed at 1.135 euros on Monday 4 July. It is down this week by -4.82%.

Since the beginning of the capital increase operation, it has lost nearly 40%.

Several reasons explain this decline. The first is specific to Air France-KLM: it is the mechanical consequence of the capital increase.

The other two reasons are valid for all airlines: on the one hand, the acceleration of inflation, and on the other hand, the numerous flight cancellations planned during the summer throughout Europe.




*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.

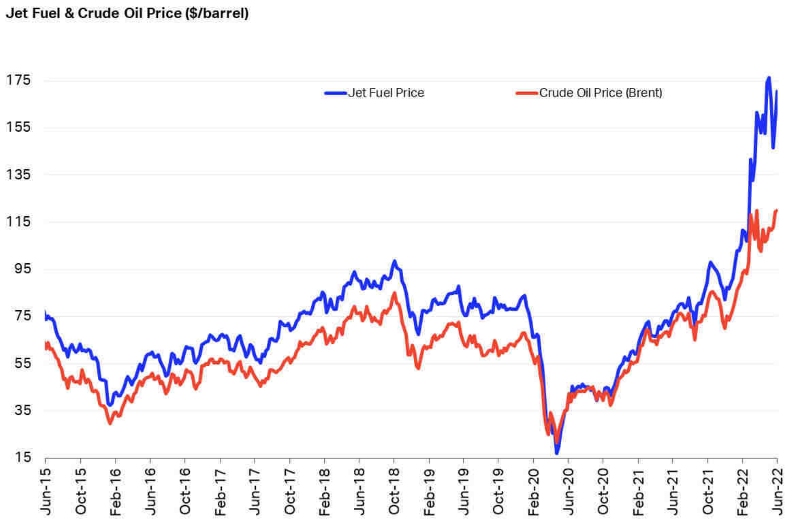
However, there has been a divergence since the beginning of the year. Lufthansa's share price is performing better than Air France-KLM's, probably because the recapitalization of Air France-KLM is taking so long.

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

**The average (consensus) analyst price for AF-KLM shares was 2.79 euros before the capital increase was announced**. The highest price target is 5.50 euros, the lowest 1.30 euros.
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.

## > My comment on the evolution of fuel prices

**Since the beginning of the war in Ukraine, there is no longer any correlation between the price of a barrel of Brent oil and the price of a barrel of Jet Fuel.** This is very clear on the graph below, which covers the period June 2015 - June 2022**.**



Source: S&P Global, Refinitiv Eikon

According to specialists, this increase is due to an increase in the fuel reserves of the armed forces, which are composed solely of Jet Fuel.

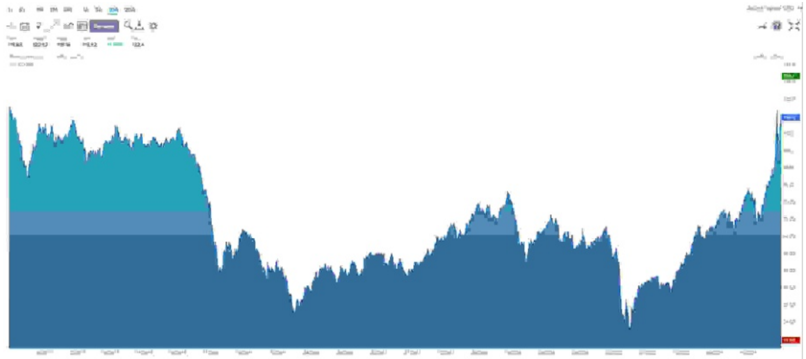
Indeed, for several years, to ensure the strength of the infrastructure, the French Army has favored a single fuel policy aimed at powering all equipment, land vehicles and generators with jet fuel for air use.

**Jet fuel in Europe is down sharply this week from $15 to $163 per barrel.**

**Brent crude oil** (North Sea) is **down this week by $1 to $114 per barrel**.
Since mid-February, it has been yo-yoing between $100 and $120.

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 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.

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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 UNPNCChis press review deals with subjects related to the Air France-KLM shareholding.




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