

AF: 5% general increase



I 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

Editorial

Dear readers,

Last week, the third edition of the "États de l'Air" took place.

Replays of the four conferences and three workshops are available on youtube (search for États de l'Air)

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Round table on the organization of the intermodality of the future

- . Round table on innovations towards the future ATM system*
- . Round table on the evolution of regulations to support the ecological transition*
- . Round table on the reduction of air transport debt*

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Workshop on the creation of an SAF industry in Europe

- . Workshop on the piloting and safety of new aircraft*
- . Workshop on the Remote Tower*

Note the presence of Christian Daniau, President of the Chamber of Agriculture of Charente and biofuel expert during the workshop on the creation of an SAF sector in Europe.

To my knowledge, this is the first time that a representative of the agricultural world participated in an exchange on this subject.

These last weeks I have proposed a series of articles about climate change :

- . an interview with [Mr. JM Jancovici](#),*
- . an article on the [Drawdown project](#)*
- . the [commitment of Air France for a more responsible travel](#),*
- . the [climate presentation at the governmental re-entry seminar](#) made by Dr. Valérie Masson-Delmotte Director of Research at the CEA.*

This week, you will find the presentation of Science Based Targets initiative (SBTi), an independent organization

Enjoy your reading.

François

> **Air France: 5% general increase for all employees**

(source: Les Echos) September 14 - **After two years of a pay freeze**, the 38,000 or so employees of Air France are enjoying the simple joys of salary increases. Faced with galloping inflation and widespread social discontent, **Air France management has decided**, without much ado, to **grant a general increase of 5%, accompanied by a bonus of 1,000 euros**.

The 1,000-euro bonus, which is part of the new Macron bonus scheme, will be paid in October. As for the salary increase, it will take place in several stages, with a first increase of 2% in November, followed by a second increase of 2.5% in February 2023 and a commitment to increase it by at least 0.5% in the framework of the mandatory annual negotiations (NAO) to be held in May.

The annual cost of this wage increase would be around 180 million euros. This is enough to preserve the labor peace that has enabled Air France to benefit more than its main competitors from the rebound in traffic this summer, according to a staff representative, even if the demands already formulated by the various trade unions were between 8% and 10%. "

The employees have been told so often that there could be no general increase until they have repaid the state aid that most of them did not expect it.

In 2020, Air France had pledged not to raise wages until the state aid had been repaid. However, this is not yet the case, as the French company has only reimbursed 75% of the direct aid paid in 2020 and 2021. In addition, the next "round" of mandatory salary negotiations is not expected to start before next spring. It should be noted that the **Hop and Transavia France** subsidiaries **are not immediately**

affected by these measures, but should nevertheless obtain comparable increases, following separate negotiations.

Faced with rising demands and inflation, **management finally decided that it was urgent to ease up...** especially since results had already returned to the green in the second quarter. But **not without having first obtained a green light from the Ministry of the Economy**, which had been approached several times on this subject, according to a person familiar with the matter.

In the end, this general increase of 5% over one year (...) compares favorably (...) to the 4% obtained at KLM. In the case of long-haul pilots, this increase will be in addition to the tax benefit allowing them to reduce their taxable income according to the length of time they work abroad, which can represent the equivalent of up to one month's salary.

***My comment:** When the French government supported Air France with loans in 2020, it put conditions on them.*

One of them was salary moderation until the loans were repaid.

For many months, Air France management considered that wage moderation meant a freeze on salary increases.

The sharp rise in prices led all the staff representatives, trade unionists and administrators, to call on the management and the national representatives, with success.

> KLM cancels 56 flights this weekend: planes still leaving without passengers

(source Nhnieuws, translated with DeepL) September 17 - **KLM has cancelled flights again this weekend due to the chaos at Schiphol Airport.** 34 flights were cancelled today [Saturday] and 22 flights will be cancelled tomorrow [Sunday]. According to the airline, these are flights between 9:30 am and 5 pm. A salient detail: although passengers are not allowed to board, the planes still leave empty to pick up travelers abroad.

KLM says it is "upset" by the decision to cancel more flights. **There was already a capacity restriction in September and October, but due to the lack of security personnel at Schiphol, even more flights have to be cancelled with immediate effect.** This means that 9,250 fewer passengers per day can leave the airport.

KLM does not want to penalize foreign travelers who fly to Schiphol. The airline is therefore forced to let flights leave Schiphol empty, i.e. without passengers.

(...)

Other airlines will also be forced to cancel flights. According to Schiphol, flights must be cancelled to ensure the safety of passengers and staff in the terminals.

My comment: *The weeks go by and the situation is not getting any better at Schiphol, quite the contrary.*

The airport management is struggling to keep its security staff. In order to avoid resignations, an exceptional bonus had been granted to them in July and August.

The abolition of this bonus at the beginning of September has led many security employees to leave their posts after finding work elsewhere.

Faced with the impossibility of remedying the recurrent malfunctions, the CEO of Amsterdam Schiphol chose to resign from his position.

> **Emirates and United Airlines formalize strategic partnership**

(source Air & Cosmos) September 15 - **Emirates and United Airlines have announced a strategic partnership.** Beginning in November, Emirates customers traveling to Chicago, San Francisco and Houston will be able to easily connect with United flights to and from nearly 200 cities in the Americas on a single ticket (.. .) In

addition, beginning in March 2023, United will provide direct service to New York/Newark-Dubai. As an extension, customers will be able to travel to more than 100 cities through Emirates or its subsidiary flydubai. (...)

This agreement is also historic in that it closes a long period of open hostility since the open skies agreement between the United States and the United Arab Emirates, signed in 1999, allowed Gulf airlines to gain a strong foothold in the US market. **The big American companies** tried to convince first the Obama and then the Trump administration to go back on the open skies agreements. The latter **denounced unfair competition linked to the aid given to Emirates, Qatar Airways and Etihad Airways by their country of origin.**

In the meantime, the international air transport crisis linked to the Covid-19 pandemic has come and gone, and the American airlines have themselves been largely aided by the American federal government... In any case, the hatchet seems to have been buried.

> **Lufthansa: the German state exits the capital, the richest man in Germany strengthens his position**

(source Les Echos) September 14 - Lufthansa regains its independence. **The German government withdrew completely on Tuesday from the capital of the airline group**, two years after its rescue in the midst of a pandemic. **The stock**

market operation results in a profit of 760 million euros for the state coffers. It would also allow the German logistics magnate Klaus-Michel Kühne, who already owned 15% of Lufthansa, to become its reference shareholder, according to the German press.

With hundreds of planes grounded by the containment, Lufthansa had negotiated in June 2020 a rescue plan with the German government and the European Commission. 9 billion, divided between a credit line of 3 billion euros from the public development bank (KfW) and 6 billion from the National Economic Stabilization Fund (WFS). In return, the state took a 20 percent stake in the airline, although this did not come without some resistance from Lufthansa's management.

As a sign of its recovery since the resumption of flights, Lufthansa had already repaid the aid in November 2021 and cancelled the unused funds. The Stabilization Fund also began its exit by selling some of its shares. It has now put the remaining 9.9% on the market, for "1.07 billion euros, or a profit of 760 million euros, once deducted the amount of 306 million euros used for the acquisition of the stake," commented Jutta Dönges, CFO of the Stabilization Fund. Purchased at 2.56 euros in June 2020, the shares were finally resold by the state at a price of 6.11 euros. (...)

Its competitor Air France-KLM, for its part, has chosen a much more state-owned route, since the French state has doubled its share in the capital, bringing it to 28.6 per cent of the shares and 28.1 per cent of the voting rights at the end of the second capital increase carried out in June, and the Dutch state also retains a 9.3 per cent stake (and 13.8 per cent of voting rights).

Lufthansa's recovery is still fragile, however. The group, which also owns Austrian, Swiss, Eurowings and Brussels Airlines, has certainly returned to profit for the first time in two years. It has been buoyed by the success of its cargo business, at a time when **sea freight is suffering the effects of the war in Ukraine and the disruption of supply chains.** However, **Lufthansa still accumulated an operating loss of 1.18 billion euros in the last half of the year.**

This financial situation is weighing on the company as it prepares for new transformations and goes through the air holes created by the increase in the price of kerosene. Lufthansa's management recently managed to narrowly avoid a new strike by pilots and ground staff, without completely reassuring its intentions.

The creation of a new airline subsidiary (AOC) with lower tariffs than those established in the framework of collective agreements is worrying the staff. Investors are also concerned about the sale or partial IPO of its maintenance subsidiary, Lufthansa Technik.

The issue is expected to be discussed soon with entrepreneur **Klaus-Michel Kühne, who took over part of the state's shares this week, according to**

Handelsblatt. **The billionaire's company, the logistics company Kühne + Nagel, is one of Lufthansa Cargo's most important customers.**

My comment: According to Het Financieele Dagblad, Klaus-Michael Kuehne (the richest man in Germany) now owns 17.5% of the German airline.

Concerning Lufthansa Technik, Lufthansa is considering an operation likely to increase the value of this subsidiary specialized in aircraft maintenance.

Rather than an IPO, the German company is moving towards the sale of 20 to 30% to financial investors. It hopes for a valuation of between 6 and 8 billion euros, including debt.

Lufthansa's supervisory board hopes to obtain non-binding offers by the beginning of 2023.

Bonus Article

> Science Based Targets (SBT) (Initiative)

(source novethic) September 16 - **The Science Based Targets (SBT) initiative aims to drive "ambitious climate action"** in the corporate world, making its targets a way for companies to turn the transition to a low-carbon economy into a competitive advantage. **Its key idea is to align greenhouse gas reduction targets with climate science.** Setting a science-based goal here involves four steps for companies: sign the letter of commitment that confirms your company will work toward a science-based greenhouse gas reduction goal, develop an SBT within 24 months, submit your goal for validation, announce the goal. **Nearly 500 companies are participating, and more than 130 others have endorsed the process.**

The initiative highlights three types of SBT approaches:

- A sectoral approach: the global carbon budget is divided by sector and the emissions reduction required for the company is specific to a sector.
- A total approach: a percentage of the total emissions reductions is allocated to individual companies.
- An economic approach: the carbon budget is equated with global GDP and a company's share of emissions is determined by its gross profit, as the sum of the gross profits of all companies in the world is equal to global GDP.

The SBT initiative brings together partners from the public (**the UN Global Compact program**) and private sectors (**WWF, the World Resources Institute, and the charitable trust CDP** - formerly the Carbon Disclosure Project). It also collaborates with the We Mean Business coalition, which brings together more than

1,300 commitments from over 800 companies with a total market capitalization of almost \$17 trillion.

My comment: Science Based Targets initiative (SBTi) is an independent organization.

SBTi has done an extremely important, and necessary, job of breaking down global CO2 emission reduction targets (aligned with the Paris Agreement) by sector of activity.

The SBTi initiative thus aims to encourage companies to define emissions reduction targets based on what science defines as necessary to limit global warming to well below 2°C by the end of the century.

As a result, SBTi set a target emissions reduction trajectory for aviation in September 2021.

SBTi is currently examining Air France's decarbonization trajectory to see if it meets the targets set.

As a reminder, Air France is targeting a 30% reduction in CO2 emissions per passenger kilometer by 2030 compared to 2019. This target does not include so-called "offset" actions, so as to focus only on concrete reduction actions.

This 30% reduction corresponds to an effective reduction of 12% of total emissions between 2019 and 2030. By comparison, the reduction had reached 6% between 2005 and 2019.

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 employee shareholding funds, I invite you to consult [my website navigation, section Air France-KLM employee shareholding](#).*

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

Air France-KLM shares closed at 1.376 euros on Monday 19 September. It is down sharply this week by -10.30%.

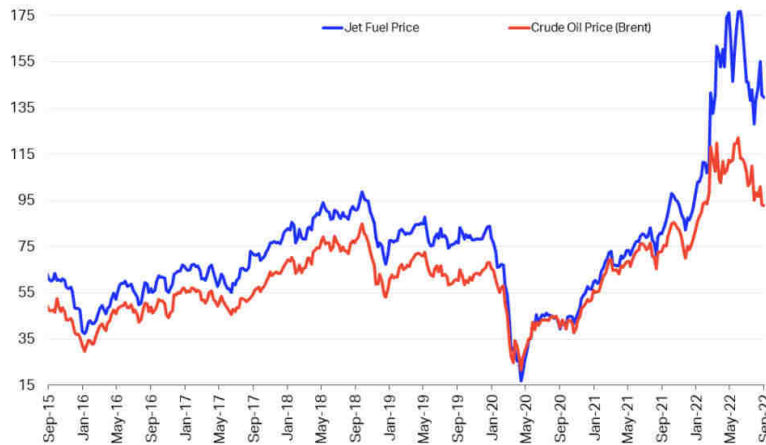
The analysts' average (consensus) for AF-KLM shares is 1.50 euros. The highest price target is 1.90 euros, the lowest 0.85 euros. I only take into account analysts' opinions after the May 2022 capital increase.

You can find the details of the analysts' consensus on my blog.

> **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 - August 2022.

Jet Fuel & Crude Oil Price (\$/barrel)



Source: S&P Global, Refinitiv Eikon

According to specialists, this increase was due to an increase in the fuel reserves of the armed forces, which consist 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.

I have no explanation for the sharp rise in fuel prices over the past month.

Jet fuel price per barrel by region (source IATA) as of August 29, 2022

Fuel Price Analysis

The jet fuel price ended last week up 8.1% at \$155.2/bbl:

| 26 August 2022 | Share in World Index | cts/gal | \$/bbl | \$/mt | Index Value 2000 = 100 | vs. 1 week ago | vs. 1 month ago | vs. 1 yr ago |
|-------------------------|----------------------|---------|--------|---------|------------------------|----------------|-----------------|--------------|
| Jet Fuel Price | 100% | 369.40 | 155.15 | 1225.17 | 424.12 | 8.1% | 8.5% | 95.9% |
| Asia & Oceania | 22% | 352.26 | 147.95 | 1168.78 | 422.73 | 10.7% | 9.1% | 93.4% |
| Europe & CIS | 28% | 378.68 | 159.05 | 1254.88 | 428.52 | 7.4% | 8.1% | 101.9% |
| Middle East & Africa | 7% | 355.70 | 149.39 | 1179.57 | 446.13 | 9.5% | 8.4% | 96.9% |
| North America | 39% | 373.58 | 156.90 | 1239.54 | 417.13 | 7.4% | 8.8% | 92.7% |
| Latin & Central America | 4% | 380.29 | 159.72 | 1261.79 | 442.45 | 5.6% | 4.7% | 96.2% |

The barrel of Jet Fuel in Europe is down this week by -\$5 to \$137. After peaking at \$182 in June 2022, it was down to \$132 in early August. It was at \$79 a little over a year ago.

Brent crude oil (North Sea) is down this week by -\$3 to \$91. Since mid-February, it had 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.

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](#)

If you like this press review, please pass it on.

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

Alternate Nicolas Foretz, PNC



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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