

Hard blow for Air France



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

### François Robardet

Representative of the employees and former employees shareholders PS and PNC

N°887, November 21, 2022

If you do not see this page correctly, or if you want to read the English or Dutch versions

If you do not see this page correctly, or if you want to read the English or Dutch versions,

Als u deze pagina niet goed ziet, of als u de Engelse of Nederlandse versie wilt lezen,

[follow this link](#)  [, it is here.](#)  [vindt u deze hier](#) 

## Monday's Press Review

### > Hard blow for Air France: flight attendants file a strike notice for the end-of-year holidays, the share price collapses on the stock exchange

(source La Tribune) November 18 - **Will the Christmas vacations - from December 22 to January 2 - be spoiled by a strike by Air France flight crews?** A strike notice for this period has been filed by the UNAC and SNGAF unions, which are denouncing the absence of a contract extending the collective agreement beyond its period of validity to allow time for social negotiations, and which are criticizing a "pure and simple forcing" by a "management note".

(...)

**The two unions consider it "unacceptable" to "find ourselves at the mercy of a management that, with a stroke of the pen, can modify at will everything that affects our profession".** They are asking for a "temporary contractual solution to replace the collective agreement" for flight crews "while negotiations take place" and "no unilateral measures", in a letter to management dated November 14 and published on the unions' website.

Following in the footsteps of other major groups, Air France decided in mid-September to implement a range of measures to protect its employees from galloping inflation. An exceptional purchasing power bonus of 1,000 euros was to be paid. A first increase of 2% is to take place in November. For

this purpose, low salaries will receive a minimum

increase of 130 euros gross per month (for full-time employees). The second increase

of 2.5% is scheduled for February 2023. Finally, Air France management has undertaken to validate an increase of at least 0.5% at the NAO scheduled for May 2023.

**In addition, the Air France-KLM group's share price fell by more than 10% on Wednesday on the Paris stock exchange after the announcement of a 300 million euro bond issue convertible into shares. The funds will be "fully" allocated to the repayment of debt securities acquired by the French government in April 2021, according to a group statement. If the bonds were eventually converted into shares, they would mechanically reduce the share of current shareholders who would not have participated in the debt issue, as in a capital increase, an operation that generally weighs on the share price. The group's two public shareholders, including the French state, which leads the way with 28.6% of the capital, will not participate in the fundraising.** These are "very specific instruments" that are "mainly placed with specialized investors rather than shareholders," the French Ministry of the Economy told AFP.

***My comment on the bond issue:*** The Air France-KLM group had announced on November 7 that it had proceeded with the early repayment of €1 billion of the €3.5 billion outstanding loan guaranteed by the French State (PGE). The total outstanding amount of the PGE was thus reduced to 2.5 billion euros.

*Last Wednesday's bond issue was reserved for specialized investors. Among the group's main shareholders, only CMA-CGM expressed its intention to participate in the placement in proportion to its current shareholding.*

***My comment on the strike notice:*** Within Air France, a fixed-term collective agreement governs for the cabin crew as well as the conditions of career, remuneration, social coverage and rules of use.

*This Collective Agreement had been implemented on September 1, 2017 for a duration of more than 5 years, until October 31, 2022.*

*Since the beginning of 2022, negotiations have been held to develop a new agreement.*

*No compromise has been reached. The proximity of the professional elections (scheduled for March 2023) no doubt explains this relative failure.*

*Air France management is now entitled to unilaterally impose new conditions on the scope of the agreement.*

*However, Air France stressed in a press release that a new stage of negotiations had begun at the end of September and that it should continue beyond January 2023.*

*"Air France management has already committed itself, throughout the negotiation phase, to ensuring that all provisions governing the lives of cabin crew remain unchanged," the company said.*

*The various cabin crew unions have different positions.*

*The unions calling for a strike have justified their action by "the refusal of management to propose an amendment simply to extend the Collective Agreement during the negotiation period".*

*Other unions indicated that "we felt that the conditions were right to get back to work in order to reach an agreement quickly" because management "committed itself in two stages to maintaining all the provisions of the agreement and then not to unilaterally apply the composition of the crew on January 1, 2023.*

*It's up to everyone to make up their own minds.*

## > **LX Pantos and Air France-KLM sign an agreement for the use of ecological fuels**

(source Yonhap News Agency South Korea) Nov. 15 - Logistics company **LX Pantos**, a subsidiary of the country's LG Group, and **Air France-KLM Martinair Cargo**, a Franco-Dutch alliance, **signed a cooperation agreement on Tuesday to develop sustainable aviation fuels (SAF) for air cargo.**

SAF is a non-petroleum-based aviation fuel produced by recycling sustainable feedstocks or using carbon extracted from plants. It can reduce carbon dioxide emissions by up to 85% compared to conventional aviation fuel.

This is the first time a local company has participated in an SAF air cargo program. **Under the agreement, LX Pantos will support the purchase of SAF to be used for Air France-KLM's cargo transportation, and the airline will report the results of the emission reduction with the use of SAF to the South Korean company.**

(...)

**My comment:** *Securing the supply of sustainable aviation fuel will be a major challenge for airlines.*

*This agreement demonstrates the importance that the Air France-KLM group attaches to the development of sustainable fuels.*

## > **Rome opens access to confidential ITA data to Lufthansa**

(Dow Jones source) Nov. 18 -- Germany's **Lufthansa has gained access to a set of**

**confidential data from Italy's state-owned ITA**, as the Italian government seeks to speed up the sale of a majority stake in the company, Corriere della Sera reported Friday.

**Shipowner MSC Mediterranean Shipping, which had applied for the takeover alongside Lufthansa, is not among the companies authorized to consult the database**, the newspaper said.

**The fund Certares Management, allied to Air France-KLM and Delta Airlines, does not seem to have been invited to this consultation either**, according to Corriere della Sera, which cites government sources close to the case.

Certares was until recently in pole position to take a majority stake in the Italian state-owned company. The group has been in exclusive discussions with Mario Draghi's government. However, at the end of October, the new government led by Giorgia Meloni put an end to this exclusivity, while indicating that discussions were continuing with a view to taking over the company.

**"Air France-KLM reiterates its interest in strengthening ties with ITA, as part of the Certares-led consortium and with its joint-venture partner Delta Airlines,"** the Franco-Dutch carrier said in a statement sent to Agefi-Dow Jones.

***My comment:** In a brief statement quoted by AFP, MSC said it had "informed the competent authorities that it was no longer interested in participating in the privatization of ITA Airways", believing that the "current procedure" did not meet the "conditions" necessary for such a takeover.*

*Wait and see.*

## > **Strong recovery at Turkish Airlines in 2022**

(source Business Travel) November 15 - **The recovery is strong in Turkey in terms of travel, particularly thanks to the arrival of many Russian and American tourists in recent months.** Turkish Airlines carried 60.5 million passengers from November to October 2022.

**The company has also recorded its 5th consecutive quarter of profit**, quite a performance after the Covid epidemic. It reported a net profit of \$1.5 billion for the July-September quarter with revenues of \$6.1 billion up 52% from the pre-pandemic Q3 2019. The company's Q3 capacity exceeded 2019 capacity by 19%. Passenger load factor reached 91.4% for domestic flights and 85.3% for international flights.

(...)

**Turkey has also been favored by Russian tourists, especially Antalya and Istanbul at the expense of the EU following the war in Ukraine.**

**Cargo revenues, which represent 14% of the total, reached 880 million dollars,**

up 110%. It should be noted that **the company has quadrupled its cargo market share in 10 years**, taking the 4th position worldwide according to IATA data of August 2022. Turkish Airlines built a new cargo center at Istanbul airport in February 2022.  
(...)

***My comment:** The Turkish company takes advantage of its geographical position between Europe, Asia and Africa as well as its political position regarding the war in Ukraine.*

## > Air transport facing soaring ticket prices

(source Les Echos) November 20 - How high **can airfares continue to rise before they jeopardize the recovery of air traffic?** The question is more topical than ever for French airlines, whose fares, but also their costs, have not stopped rising since the spring. While demand remains "very dynamic", according to Pascal de Izaguirre, the new president of the national aviation federation (FNAM) and head of Corsair, with flights expected to be "extremely full" during the Christmas vacations, the general rise in costs and prices shows no signs of abating either.

**Up 21.6% cumulatively since the beginning of the year, according to the barometer of the Civil Aviation Authority**, air ticket prices were still up 19.5% in September, compared to September 2021. On routes between metropolitan France and the overseas departments, the increase even reached 25.9% on Martinique, 29.7% on Guadeloupe and up to 42.3% for Reunion! Some voices are already being raised to protest the increase in air travel

(...)

**These spectacular increases would only reflect the general inflation of production costs**, say the leaders of French companies. Starting with the fuel bill, which has doubled in one year. The rise in jet fuel is not abating," says Pascal de Izaguirre. **There is a lack of correlation between oil prices and jet fuel prices, driven by demand.** This increase is exacerbated by the fall of the euro against the dollar (by about 15%, editor's note), even though 40% of airline spending is in dollars.

Added to this are wage increases following labor unrest and recruitment pressures, as well as those of all service providers. The increase in salary costs is in the order of 4% to 5%," says Marc Rochet, head of Air Caraïbes and French Bee. "

The costs of maintenance, ground handling, catering, everything is increasing," said the head of Corsair.

According to the airline bosses, **this cost inflation would not be fully compensated by the increase in fares.** If we were to pass on all of these increases to our fares, we would risk breaking demand," explains Pascal de Izaguirre. For the moment we prefer to take advantage of this recovery," he continues, even if according to his colleague from Air Caraïbes, "we must expect further increases in ticket prices.

**In this context, the year 2023 remains very uncertain for French air transport. In**

addition, there will be the obligation to start repaying the state-guaranteed loans (PGE), as well as the deferral of charges and fees. It's going to be a bit complicated," says the FNAM president. **We need a constructive approach from the government.** We do not expect a general measure to spread the Covid debt, but **specific support for each company according to its situation.**

***My comment:** Have prices reached record levels?*

*According to Laurent Timsit, general delegate of the FNAM, "it is a return to the price levels known in 2017, the years just before the crisis already constituting low points before the collapse of 2020".*

*Given the unprecedented financial deadlines (linked to the health crisis) for airlines, ticket prices are not expected to fall soon.*

*All the more so as the fuel bill is set to rise steadily, as biofuels become more expensive than kerosene.*

## **Oil press review**

### **> IEA further reduces oil demand forecast**

(source AFP) November 15 - **The International Energy Agency (IEA) on Tuesday further reduced its forecast for oil demand growth in the** face of "a myriad of economic headwinds" around the world.

**"Continued weakness in the Chinese economy, the energy crisis in Europe, a strong dollar, all weigh heavily on consumption,"** its monthly oil report said.

(...)

In particular, the

IEA sees less demand in European industry, and on the other hand, a continued recovery in kerosene, as air traffic approaches its 2019 level, pre-Covid.

"Sluggish" in the first quarter of 2023, global demand should recover from the second, the report estimates.

(...)

**The IEA highlights in particular the tensions on the diesel market, where prices are reaching record highs. The embargo on oil from Russia, which supplies a large share of diesel, should add to the pressure.**

**Demand is particularly strong as diesel replaces gas for certain uses, which has become unaffordable.** It is expected to grow again at the end of the year, before declining "slightly" due to high prices and slowing economies.

"Competition for non-Russian diesel barrels will be fierce, with European countries

having to bid for shipments from the United States, the Middle East or India, far from their usual suppliers", stresses the Agency, for which new refining capacity should ultimately help to ease tensions.

**My comment:** *Kerosene and diesel have similar manufacturing processes. These two fuels are therefore in competition.*

*The opinion of the International Energy Agency (IEA) on the reasons for the increase in the use of diesel fuel (and consequently its price) helps to understand why kerosene is so expensive.*

## **End of the press review**

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

**Air France-KLM shares closed at 1.263 euros on Monday 21 November. It is down sharply this week by -9.66%.**

It is penalized by the issuance of convertible bonds and by the suspension of a strike notice by cabin crew unions for the Christmas period.

**The average (consensus) analyst rating for AF-KLM shares is 1.53 euros.** The highest price target is 2.00 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**

**The gap between the price of oil and jet fuel is still very wide.** The increased need for diesel fuel to compensate for the reduced availability of gas is driving up the price of jet fuel, as both fuels are produced in similar ways.

**Jet fuel in Europe is down this week by -\$6 to \$134 per barrel. It is close to its lowest level since the beginning of the health crisis.** 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 -\$6 to \$87** From mid-February to the end of July, it was yo-yoing between \$100 and \$120. Since then, it has oscillated between \$85 and \$99.

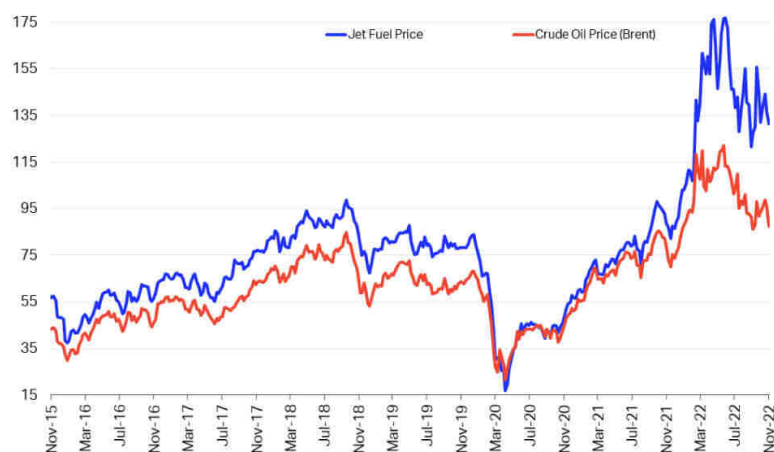
At the beginning of March, Brent reached \$132, close to its record of \$150 (in 2008). Fears that the economy will be in recession by the end of 2022 have caused fuel

prices to fall.

**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 - November 2022.

Jet fuel price developments - longer term perspective

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



Source: S&P Global, Refinitiv Eikon

*Jet fuel price per barrel by region (source IATA) as of November 18, 2022*

### Fuel Price Analysis

The jet fuel price for week of down 3.9% at \$131.3/bbl:

18 November 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
<b>Jet Fuel Price</b>	100%	312.55	131.27	1036.61	358.84	-3.9%	-0.5%	48.0%
Asia & Oceania	22%	286.74	120.43	951.39	344.10	-6.6%	0.1%	34.4%
Europe & CIS	28%	319.27	134.09	1058.00	361.29	-4.0%	4.1%	55.0%
Middle East & Africa	7%	292.39	122.80	969.62	366.73	-5.9%	0.7%	41.0%
North America	39%	324.81	136.42	1077.72	362.67	-2.4%	-3.6%	51.7%
Latin & Central America	4%	322.19	135.32	1069.03	374.86	-1.3%	-4.6%	49.8%

## Good to know

> **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**

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 navigation, section Air France-KLM employee shareholding](#).*

## **Details**

**This information is not intended to be a solicitation 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](#)

**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.

If you no longer wish to receive this press review, [unsubscribe](#)

. If you wish to change the reception address of this press review, please [send](#) me [your new email address](#)

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

11.350 people receive this press review live