

Air France and SNCF reach agreement

I Letter from François Robardet

At the forefront of more responsible European aviation, we bring people together to build the world of tomorrow

(Air France-KLM Group raison d'être).



former Director Air France-KLM

Representative of current and former employee shareholders PS and PNC

N°940, November 27, 2023

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Editorial

Dear readers,

The subscription phase for the Air France-KLM Group's operation to open up its capital to current and former employees came to an end on Friday November 24.

You will find more information at the end of this newsletter, in the Good to know section.

Enjoy your reading.

François

Monday's Press Review

> Air France and SNCF agree to offer more train services to Paris-Charles de Gaulle and Orly airports

(source La Tribune) November 24 - At a **time when domestic flights are forbidden between two cities, when a train line connects them in less than 2h30, it is obviously in the interest of Air France and SNCF to boost the "Train + Air" service.** This is all the more relevant given that the travel policies of some major companies, seeking to green their travel, go even further than the law by forbidding their employees to fly when there is a train alternative in less than four hours. Last May, Clément Beaune, the French Minister for Transport, raised the possibility of tightening the rule by extending it to 3-hour alternatives "if rail services improve".

The "Train + Air" offer, which was launched 30 years ago, is being extended this Friday to include 8 additional routes: Aix-en-Provence, Arras, Laval and Lille Flandres to Paris-Charles de Gaulle and Paris-Orly airports, and Perpignan to Paris-Charles de Gaulle airport.

(...)

In practice, with the "Train + Air" offer, customers benefit from a single reservation for their entire journey and a guaranteed seat on the next available flight or train, free of charge, in the event of train or plane delays. **Since 2022, their journey has been fully digitized: passengers can now check in online on the Air France website before departure, for their entire trip, including the train journey.**

These digital tickets make it possible to combine intermodal TGV and air travel directly, via Paris-Orly and Paris-Charles-de-Gaulle airports with, in addition to Air France, eleven other airlines: Air Austral, Air Caraïbes, Air Tahiti Nui, Air Transat, Corsair, Emirates, Etihad, French Bee, Qatar Airways, Royal Jordanian and Vietnam Airlines. Please note: Air France La Première or Business customers traveling in first class on SNCF Voyageurs trains.

At the end of 2022, some 3 million passengers a year take the train to reach the two Paris airports, according to SNCF, which was aiming to sell 600,000 "Train + Air" intermodal tickets within five years. However, according to a study by BearingPoint, published at the end of 2021, "Air et fer, et si vous preniez les deux?" (Air and rail, what if you took both?), there are **still many obstacles, such as the load break between the connecting station and the airport, with the baggage issue as a backdrop.**

(...)

My comment: There's no way around it: Air France and SNCF must work together to develop an attractive train (domestic) + plane (long-haul) package.

Since the publication of the "Plan sobriété énergétique" on October 3, 2022, companies and individuals have largely changed their travel habits.

The most noticeable impact concerns short business trips (day trips). I mentioned this subject in [my newsletter n°903](#) last March:

Among the recent measures that have had an impact on airlines in the French domestic market, I'd like to highlight one in particular: the recommendation made by the government on October 3 [2022] in the Energy Sobriety Plan.

It was worded as follows: "

Transfer from air to rail for outbound journeys of less than 4 hours by rail (or less than six hours round trip if the journey is made on the same day)".

Although not mandatory, this recommendation was immediately taken up by companies and individuals alike, proving that travellers are increasingly concerned about the impact of their journeys.

> **Schiphol appoints Pieter van Oord as new CEO from June 1**

(source Reuters) November 26 - **Amsterdam's Schiphol airport announced on Sunday that it had appointed Pieter van Oord as its new managing director for a four-year period from June 1, 2024.** Mr.

van Oord, who has headed the international shipping company Royal Van Oord since 2008, will succeed Ruud Sondag, who has been acting CEO since November 1, 2022 and will remain in the post until March 1, 2024, Schiphol said.

CFO Robert Carsouw will act as interim CFO from March 1 to June 1.

My comment: *Schiphol's current CEO will remain in post until March 1, 2024.*

For the time being, the workforce has been adjusted in line with the Dutch government's decision to reduce activity at Schiphol.

Since this decision has been overturned by Brussels, he will be responsible for adjusting the workforce to ensure optimum operation of Schiphol during the busy summer period.

> **SAS retires the last B737 from its fleet**

(source Business travel) November 21 - **SAS no longer has any Boeing aircraft in its fleet, following the withdrawal of its last 737s.** Air France will soon be acquiring a stake in the company.

SAS's last B737 flew from Stockholm to Oslo, taking the time to "draw" 700 in the air with its flight path in a nod to the -700 variant of the aircraft.

Over the years, SAS has operated just over 100 Boeing 737s, in -400, -500, -600, -700 and -800 variants.

But **the A320 and A320 neo are now the backbone of the carrier's short-haul fleet**, with deliveries of the neo (re-engined A320) continuing until 2025.

The airline has also received three A321LRs in recent years, enabling it to operate long-haul services with these single-aisle aircraft.

(...)

My comment: *A final hurdle to the takeover of SAS by the consortium that includes Air France-KLM has been cleared.*

SAS announced on Tuesday that it had received approval from the U.S. Bankruptcy Court for a SEK13.2 billion (\$1.3 billion) investment agreement with the consortium comprising Castlake, Air France-KLM, Lind Invest and the Danish state.

The company also received final approval for its new debtor-in-possession financing credit agreement with US-based Castlake for a total of around \$500 million, boosting the carrier's efforts to complete its restructuring and replace the Apollo Global financing. (source : Reuters)

> **Wide-body aircraft: Thai Airways' future purchases much more ambitious than expected**

(source Journal de l'Aviation) November 24 - The **crisis is over. Thai Airways is said to be preparing to place a more ambitious order for wide-body jets than initially planned** for the long-term renewal of its fleet, with up to 80 potential aircraft, according to the Bloomberg news agency, citing people close to the matter. The Thai flag carrier is also considering leasing a dozen additional single-aisle aircraft, while its Thai Smile division is in the process of being absorbed by its parent company in a bid to simplify its operations.

A recent dispute between Thai Airways and Rolls-Royce was made public in early November in connection with these future orders, with the airline criticizing the British engine-maker for not offering preferential rates on its engines, and threatening to go elsewhere.

The potential 80 new wide-body jets would be ordered as a mix of firm orders, options and purchase rights.

Thai Airways and its regional subsidiary currently have a combined fleet of just 68 aircraft (22 Boeing 777-200ER and -300ER, 7 787-8/9, 16 Airbus A350-900, 3 A330-300 and 20 A320), **a fleet that has been drastically reduced and simplified since the launch of its restructuring process in May 2020.**

Thai Airways had 103 active aircraft on March 23, 2020 (date of Thailand's closure

to tourism). It withdrew its 6 A380s, its last 10 747-400s and all its first-generation 777s (777-200s and -300s) as soon as the pandemic broke out.

The Thai Airways restructuring process is based on a fleet of 86 aircraft by 2025 (the date scheduled for completion of the carrier's turnaround).

***My comment:** Thai Airways is still under a court-supervised debt rehabilitation plan, having filed for bankruptcy in 2020.*

It hopes to emerge from this program next year. More than 50% of its staff have been made redundant as part of the restructuring.

> **Nearly half of all airline aircraft are leased**

(source Les Echos) November 21 - Betting on a rapid surge in air traffic well beyond its pre-Covid pandemic levels, **Japanese aircraft leasing company SMBC Aviation Capital has just ordered 60 new A320neo aircraft from Airbus.**

(...)

Owned by the Sumitomo Mitsui Finance and Leasing Company consortium and Sumitomo Mitsui Banking Corporation, **SMBC Aviation Capital has** established itself in recent years as **one of the world's leading leasing companies, with a total fleet of nearly 900 aircraft placed with some 100 airlines around the globe.** It rivals the **world leader in aircraft leasing, AerCap, which has just over 2,000 aircraft on its books.** "Airlines are increasingly turning to the leasing system. They follow two models. Either they pay rent to the lessor over a number of years to use the aircraft. Or they buy aircraft themselves, then sell them to a lessor before leasing them back. The idea is always to lighten their balance sheet," explains an industry executive.

Currently, 47% of the world's aircraft in operation are owned by leasing companies, but this ratio, which was less than 5% in the 1980s, is rising steadily. According to projections by Fortune Business Insights, the leasing market will leap from \$167 billion in 2022 to \$317 billion in 2030. While SMBC AC does not disclose its rates, **analysts estimate that the group charges between \$280,000 and \$380,000 for the monthly lease of an A320neo.**

Although it can be penalizing in times of exceptional crisis, such as the Covid pandemic - when airlines continue to pay rent without flying - this leasing model is considered financially advantageous by a large number of managements, and in particular by low-cost flight operators. "It also gives airlines rapid access to new-generation aircraft that consume 25% less fuel than older models, at a time when the availability of new aircraft is declining", insists the expert.

(...) Given

the large number of orders already placed with Airbus by all airlines, SMBC Aviation Capital will receive its new A320neo aircraft between 2028 and 2031, at a time

when air traffic is expected to have returned to strong growth.

(...)

In its latest projections, Airports Council International (ACI) estimates that airlines will carry 9.4 billion passengers in 2024, which would mark a 2% increase on the 9.2 billion journeys recorded in 2019.

In its latest statistics, **the Japan Aircraft Development Corporation predicts that passenger numbers will double over the next twenty years, reaching 18 billion annual passengers in 2042.**

***My comment:** Forecasts of traffic growth over the coming decades should be approached with caution.*

To date, there is no technological solution for 100% decarbonization of air transport, apart from a compensation system.

> Paris 2024 Olympic Games: Roissy and Orly airports will be closed during the opening ceremony

(source Le Parisien) November 26 - Those hoping to see the athletes' boats sail along the Seine from the sky while they take to the skies will have to reconsider their plans. It won't be possible to take off or land from Roissy, Orly, Le Bourget, Beauvais or any other airfield in the Paris region.

On Friday July 26, from 7 p.m. to midnight, during the opening ceremony of the Olympic Games, there will be a ban on flying over the capital within a 150 km diameter, including the airports of Roissy, Orly, Le Bourget and Beauvais.

***My comment:** Little by little, we are discovering the inconveniences associated with staging the 2024 Olympics in Paris.*

The Minister of Transport has acknowledged that road traffic will be "complicated" in Paris during the 2024 Olympic Games.

According to him, traffic plans should be presented by early December at the latest.

"They will be 'hardcore'," he warned.

From July 1 to September 15, 2024, 185 kilometers of lanes in the Paris region (including the left lane of the ring road) could be reserved for accredited persons, including athletes, emergency services, officials and journalists.

As for the airports, athletes' arrivals and departures will be unevenly distributed.

Arrivals will be staggered according to the event.

Departures, however, will be concentrated over three days, August 11, 12 and 13. What's more, many athletes will be carrying bulky luggage (e.g. bicycles), requiring extra staff to board them.

Stock market press review

> IAG shares plummet despite promise to resume dividend payments

(source Bloomberg, translated with DeepL) November 21 - **British Airways owner IAG held out the prospect of resuming dividend payments for the first time after the Covid-19 pandemic, with** increased travel demand helping to repair its balance sheet. But this was not enough for shareholders.

Shares in the airline group slumped (-3.7%) as the announcement lacked precision on when payments would resume, with IAG saying it would reinstate dividends once its balance sheet and investment plans were secured, according to a stock exchange filing.

***My comment:** IAG plans to invest 4 billion euros this year, then 4.5 billion euros a year. 65% will be devoted to fleet replacement and expansion.*

This is a necessity for the Spanish-British group, whose fleet is one of the oldest in Europe.

Air France-KLM also has no plans to pay a dividend in the short term. The last dividend payment was made in 2008.

End of press review

> Air France-KLM share price trend

Air France-KLM shares closed at 11.482 euros on Monday November 27. It is **down sharply** this week by **-7.42%**.

In four weeks, the Air France-KLM share price has risen by 5%.

It stood at 12.53 euros on January 2, 2023, and 17.77 euros on June 19, 2023.

The analysts' 12-month average (consensus) for AF-KLM shares is 18.16 euros (it was 15.0 euros at the beginning of January). The highest price target is

23.00 euros, the lowest 11.0 euros. I only take into account analysts' opinions subsequent to the May 2022 capital increase.

You can find details of the analyst consensus on my blog.

No comment

> **Fuel price trends this** week

The price of a barrel of Jet Fuel in Europe is up \$1 to \$117. It was \$94 at the end of June, and \$79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is down \$2 to \$79.

From mid-February 2022 to the end of July 2022, it was yo-yoing between \$100 and \$120. Since then, it has oscillated between \$75 and \$99.

***My new comment:** The spread between Jet Fuel in Europe and Brent crude oil was around \$15 before the conflict in Ukraine. In 2022, at the start of the Ukrainian conflict, the spread was close to \$50.*

This week, it has risen from \$35 to \$38.

From February to July this year, the spread had returned to reasonable levels (between \$12 and \$25). Since August, it has systematically exceeded \$30.

The build-up of fuel stocks in anticipation of winter may explain this rise.

Good to know

> **Advice for current and former employee shareholders**

You'll find [details of how to access the managers' websites](#) on my [navigation](#) site.

To avoid forgetting to change your contact details each time you change your postal address, **I advise you to enter a personal e-mail address.** This will be used for all correspondence with management bodies.

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

My comment: *If you have shares in one of the funds managed by Natixis Interépargne, remember to log in to your account manager once a year, to avoid it being considered inactive.*

Please note: After 5 years of inactivity, Natixis Interépargne will send a letter/email to those concerned asking them to log in to their account or to call Natixis Interépargne to reactivate their PEE account.

After 10 years of inactivity, your account is transferred to the Caisse des Dépôts et Consignations.

To unblock your PEE, click [here](#).

> FCPE management

When you invest in one of Air France's FCPE funds, you obtain 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 equities.

My comment: *If you'd like to find out more about the management of the various Air France employee shareholding funds, please visit the [Air France-KLM employee shareholding section of my website](#).*

> Air France-KLM, the employee shareholding operation comes to an end

Air France-KLM has launched 'Partners for the future', an employee shareholding operation offered to some 75,000 eligible employees in 20 countries, to strengthen the bond between the Group and its employees.

Some 95% of the airline's workforce were eligible to participate. The shares offered were issued as part of a capital increase, covering a maximum of 3% of Air France-KLM's share capital.

The subscription price was set at 8.06 euros. The subscription period ended on

Friday November 24, and the capital increase will take place on December 21, 2023.

My comment: *Employees of the Air France-KLM group in some twenty countries were eligible.*

In France, retirees and early retirees still holding PEE/PEG assets on the last day of the subscription period could subscribe, but without benefiting from the matching contribution.

Several of you have informed me that you have not received the code to participate in this capital increase.

There are several possible explanations.

The first is that your contact details (postal address or e-mail address) are not up to date.

The second is that Natixis no longer has you in its database. This means:
. you no longer have any shares, in which case you were unable to subscribe,
. or your account has been inactive for more than 10 years. In this case, you need to reactivate it.

The steps you need to take to check your contact details and/or reactivate your account are described above, in the [Advice for current and former employee shareholders](#) section.

Details

This information does not constitute a solicitation to buy or sell Air France-KLM shares.

Please feel free to react to this press review, or to send me any information or thoughts that will help me better carry out my role as a director of the Air France-KLM Group.

By return, you can ask me any questions you may have about the Air France-KLM group or employee share ownership...

See you soon.

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| François Robardet

former Director of Air France-KLM.

You can find me on my twitter account [@FrRobardet](#)

At the time of our election, Nicolas and I received the support of the CFDT and the UNPNC.

This press review deals with subjects linked to Air France-KLM shareholding.

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