

Air France-KLM successfully completes its first worldwide employee share ownership plan

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

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Editorial

Dear readers,



I wish you a very happy holiday season.

I would like to take this opportunity to thank all our colleagues who make it possible for our customers to travel over the holidays.

*Happy reading
François*

Monday's Press Review

> Air France-KLM successfully completes its first worldwide employee share ownership plan

(source Les Echos) December 21 - Air France-KLM's trendy end-of-year gift was a share in the company. **Nearly 17,000 group employees in 19 countries took part in Air France-KLM's capital increase**, which closed on Thursday. This represents a subscription rate of around 22%, for an average amount of 2,100 euros per subscriber, excluding employer's contribution, **bringing to 3.3% the share of Air France-KLM capital held by its employees**, for an amount of over 46 million

euros.

While these figures may seem modest, they nonetheless place Air France-KLM in the mid-range of CAC 40 companies, and constitute a first at Group level.

In the past, Air France and KLM had already launched employee shareholding plans on their own. But **this was the first time that Air France-KLM had launched a worldwide operation, open to all staff of entities with over 100 employees** (i.e. some 75,000 eligible employees) in the 19 countries where the group operates.

The terms and conditions on offer were quite attractive. With a subscription price set at 8.06 euros per share, the operation offered a 30% discount - the legal maximum - on the average AF-KLM share price between October 10 and November 6. In addition to this discount, the company offered a matching contribution of up to 750 euros gross (excluding CSG) for the first 1,000 euros of shares purchased.

Any Air France-KLM employee could thus obtain 1,000 euros' worth of shares against a salary deduction of just 80 euros. The most responsive were Air France-KLM employees in Germany, where the subscription rate was close to 40%, compared with 26.4% in France and 14% in the Netherlands. The difference between France and the Netherlands can be explained by the Dutch tax system, which is less favorable to employee share ownership than in France.

The main aim of the operation for Air France-KLM was not so much to raise additional funds - the 46 million euros raised are a small amount compared with the billions raised by Air France-KLM in its previous capital operations - but rather to restore employee shareholding, diluted by the last two capital increases.

From 3.7% on December 31, 2021, this participation had fallen to 1.2%, calling into question the presence of two employee shareholder representatives on the Board of Directors.

Thanks to this capital increase reserved for employees, employee representatives will retain two seats on the Board of Directors, one for pilots and the other for cabin crew and ground staff. They will therefore remain involved in strategic decision-making.

This employee shareholding is also intended to provide an additional incentive, over and above profit-sharing, for the company's success.

"By offering our employees the opportunity to become Air France-KLM shareholders, we want to involve them closely in our Group's collective performance and share in the creation of value over the long term," explains Air France-KLM CEO Benjamin Smith in a press release. The high level of employee participation testifies to their confidence and commitment, as well as their desire to contribute to

our future success."

The only drawback concerning the financial interest of the operation is that beneficiaries of the employee share ownership plan will not be able to resell their shares for five years. Hopefully, the share price will have taken off by then.

Over the last five years - which were admittedly particularly difficult - the Air France share price has tended to follow the opposite trajectory. **As for dividends, Air France-KLM has not distributed any to its valued shareholders for some ten years.** And although the group is once again generating record profits, no date has been set for the resumption of dividend payments, as the priority is to reduce debt.

***My comment:** Several of us on the Air France-KLM Board of Directors have worked hard to ensure that employees and certain former employees - those who had held shares in employee shareholding funds - could obtain shares in the Group at a preferential rate.*

The entry of employees from all over the Group into the capital of Air France-KLM is a welcome innovation.

It should be noted that crossing the 2% employee shareholding threshold secures the presence of your two directors representing employee shareholders.

> **Air France-KLM: European justice cancels the group's rescue plan in the face of the health crisis**

(source Le Monde) December 20 - On Wednesday, December 20, **the European Court of Justice announced that it had annulled the decisions approving France's massive aid to Air France and Air France-KLM during the health crisis caused by the Covid-19 pandemic, ruling that the European Commission had "erred" in giving its authorization.**

The case was referred to the Court of Justice of the European Union (CJEU) by the airlines Ryanair and Air Malta, which considered the aid measures "contrary to Union law", the Court announced in a press release.

The practical consequences of these rulings are uncertain. The billions of euros in state aid that enabled Air France-KLM and its airlines to overcome the health crisis that brought global air transport to a standstill in 2020 have since been repaid, with interest.

"Air France-KLM and Air France take note of the two rulings," the airline group said in a reaction sent to Agence France-Presse, adding that the two companies "will examine them carefully (...) to assess their implications".

"Air France-KLM and Air France will consider whether to lodge an annulment appeal with the Court of Justice of the European Union. At the same time, Air France-KLM and Air France will contribute to any exchanges between the French

State and the European Commission with a view to the adoption of any new approval decisions", according to the same source.

In addition, **the group "recalls that Air France-KLM and Air France have respected and applied on April 19, 2023 all the conditions for the exit from state aid granted under the European Union's temporary framework relating to Covid-19".**

Wednesday's decision echoes that of May 10, 2023, when the same court, again seized notably by Ryanair, annulled two vast airline recapitalization plans, that of Lufthansa by Germany and SAS by Denmark and Sweden.

***My comment:** According to the Court of Justice, it was the European Commission that failed to carry out sufficiently thorough checks.*

It is accused of not having sufficiently ensured that the aid granted to Air France did not benefit other entities in the Air France-KLM group.

Neither Air France nor KLM are directly implicated by the judgment.

> **Air France: a dozen A220s grounded due to pilot shortage**

(source Capital) December 19 - **Why are many Air France aircraft grounded?** Our franceinfo colleagues learned the reason this Tuesday, December 19: they reveal that more than a dozen of the French airline's aircraft, A220s to be precise, are unable to fly. The cause? **Mainly, a lack of trained pilots**, according to franceinfo. There are several reasons for this. Firstly, since the Covid-19 pandemic, the number of flights has risen sharply. By November, global airlines had even recovered 97.3% of their 2019 traffic, according to figures from the International Air Transport Association (IATA).

But the war in Ukraine has also played a major role in this pilot shortage. For **example, to get to Japan, you have to bypass Russian airspace, which takes much longer and requires four pilots instead of three.** Capital already mentioned this a few weeks ago, but the estimated need for airline pilots in the coming years is between 500,000 and 600,000 professionals.

(...)

Questioned by franceinfo, **Air France is keen to point out that "some aircraft are unavailable", but "for operational reasons such as weather, breakdowns or maintenance"**. The company asserts that "the pilot training system is operating at full capacity". In November, the Toulouse-based École Nationale de l'Aviation Civile (ENAC) pointed out that of the 1,200 applicants, only 23 were promoted each year, and that this was unlikely to change next year.

(...)

My comment: I've already mentioned this in recent weeks. There are several reasons for the lack of aircraft availability affecting most airlines.

As for the shortage of personnel, which affects pilots but also other categories of staff (in maintenance, in IT), there are several explanations.

In addition to those mentioned in the article, I recently learned that some potential new recruits are setting conditions linked to sustainable development.

They ask for guarantees concerning their future carbon footprint, by questioning the company about measures taken, such as the use of telecommuting or videoconferencing. Concessionary travel is becoming less and less of an argument for attracting talent.

On the subject of spare parts availability, I've had occasion to point out shortages of raw materials such as titanium, steel, copper, aluminum, etc.
(see [my letter n°943](#)).

Finally, I invite you to read the Bonus article at the end of this letter. You'll see how China's strategy is having an ever-greater impact on all sectors of activity.

> Schiphol airport can handle 483,000 flights by 2024, including 13,000 more in summer

(source Nlimes, translated with DeepL) December 21 - **Schiphol Airport announced on Thursday that it can handle** 293,000 flights for the 2024 summer season, 13,000 more than previously announced. **For the full year 2024**, Schiphol has the capacity to handle **483,000 flights**. This means that the previous reduction of 460,000 flights is no longer applicable.

The firm wanted Schiphol to reduce the maximum number of flight movements from 500,000 to 460,000 from April onwards. The aim of the measure was to reduce noise pollution around the airport, as Schiphol has been exceeding the limits of its environmental permits for years.

The aviation industry has expressed its dissatisfaction with the plan.

(...)

The outgoing Minister for Infrastructure, Mark Harbers, suspended the project in November after strong criticism from the airline industry, the United States and the European Union.

On Thursday, the airport announced that it could handle 483,000 flights by 2024 if airlines could ease the burden of peak hours. According to the airport, the past few weeks have shown that a limited reduction is needed at peak times to enable safe and stable operations.

(...)

According to the airport, **the airlines are committed to contributing to this effort.**

KLM said it was satisfied with the capacity plan. "This will enable KLM to continue its recovery from the severe coronavirus period," the airline said in a statement.

My comment: *The horizon is brightening for the Air France-KLM group at Schiphol.*

Nevertheless, we need to remain cautious, as the workforce will be under pressure next summer. The slightest hiccup could disrupt business.

> **Air France-KLM Group announces delivery of its first Airbus A321neo**

(source Aeroweb) December 19 - **The Air France-KLM group has announced the delivery of its first Airbus A321neo.** The aircraft, registered PH-YHZ, was delivered on December 19, 2023. It is **destined for** the Group's low-cost carrier, **Transavia Netherlands.** The aircraft's cabin is equipped with 232 seats in single-class configuration, and it will make its first commercial flight from Amsterdam Schiphol airport on January 5.

This first delivery follows Air France-KLM's 2021 order for 100 Airbus A320neo Family aircraft. Together with acquisition rights for a further 60 aircraft, this order is designed to renew the KLM and Transavia Netherlands fleets, and to renew and grow the Transavia France fleet.

The first deliveries of A320neo Family aircraft to Transavia France and KLM are scheduled for early January and mid-2024 respectively.

Benjamin Smith, Chief Executive Officer of the Air France-KLM Group, said: "**This is the start of a new chapter for Transavia and for the Group. By adding the Airbus A320neo family to our fleet, we are equipping ourselves with quieter, cleaner, more fuel-efficient aircraft that** can carry more passengers. This major long-term investment confirms our commitment to reducing our environmental footprint while enhancing our customers' experience."



My comment: The arrival of this first single-aisle Airbus in the fleets of Transavia Netherlands, then KLM and Transavia France marks an important milestone for the Franco-Dutch group.

The three airlines will gradually switch their medium-haul fleets from Boeing to Airbus.

> Lufthansa to reduce the growth of its flight schedule

(Reuters source) December 18 - **German airline Lufthansa won't be able to expand its flight schedule as much as expected as it struggles to increase capacity due to unplanned engine overhauls and delivery delays**, CEO Carsten Spohr told a German newspaper.

Around 20 of Lufthansa's 450 Airbus A320s will be grounded in 2024 due to engine overhauls, Spohr told Sueddeutsche Zeitung.

"We will slightly adjust the flight plan for 2024 and slightly reduce the growth originally planned," he said.

Lufthansa had said in early November that supply should reach 91% of pre-pandemic levels in the last quarter, and 95% next year.

Mr. Spohr said it would take several years for supply chains to function as they did before the coronavirus pandemic, and for Lufthansa to be able to use the aircraft ordered.

(...)

My comment: To make up for the shortage of long-haul aircraft, Lufthansa has been forced to put A380s back into service.

The extra cost is significant, since after two years of shutdown of this type of aircraft, Lufthansa has had to retrain pilots and captains.

> Corsair airline saved... by an African state

(source Capital) December 20 - **The airline Corsair could finally breathe a sigh of relief**, reports Le Figaro. Founded in 1981 and based at Orly, it mainly serves the French overseas departments. The company is not in financial difficulty, "is doing very well" and has "no cash flow difficulties", confirmed CEO Pascal de Izaguirre in December 2022. But like all other company CEOs, he demanded that its "financial debt" be "renegotiated". **A recapitalization of the 30 million euros needed to repay the loans taken out during the Covid-19 pandemic.**

Unlike other airlines, which returned to profit in 2022, Corsair did not generate any profits. In other words, without an injection of funds, **Corsair would risk bankruptcy.** But according to information from Le Monde and Le Figaro, investors have knocked on the door to avoid such an outcome, as experienced by XL Airways or Aigle Azur, for example, which failed to recover from the pandemic. **Two groups of investors have agreed to advance funds.** The first is **the pool of West Indian tourism players, and the OMRP holding company which took over Corsair in 2020.** This entity will put 15 million euros on the table.

"Today, we own 10% of the company. We will participate in this recapitalization. I don't know how much, but we believe in the carrier's business model," Laurent Abitbol, head of the Havas Voyage travel agency network, confirmed to Le Figaro.

But there is **another investor, and not the least, rather surprising: the Republic of Congo.** A player in the air tourism industry explains: "This country wants to do away with Air France's monopoly on the Paris-Brazzaville route, which offers few flights and is driving up ticket prices." He explains that a Paris-Brazzaville flight today costs twice as much (2,000 euros) as a Paris-Tokyo flight. Why is Congo ready to inject 15 million euros? **Because the state doesn't have a national airline any more, and re-launching one would cost a lot more.**

So there will be no "marriage" with Reunion's Air Austral, any more than with Air France. However, **while this breakthrough is reassuring, there are still a number of stumbling blocks. Corsair must first convince the French government to waive part of its tax and social security debts. Then, above all, it will have to convince Brussels.**

The problem, according to an air transport specialist, is that it is not normally possible to approach Europe twice in less than ten years "to obtain its approval for a plan involving state aid". Brussels will also have to judge whether the new state aid distorts competition, adds Le Figaro. The case is therefore moving forward, but Corsair is still far from being saved.

My comment: Corsair faces recurring financial difficulties in the autumn.

It's difficult to know exactly why, as Corsair, whose fiscal year ends in September, has published neither its 2022 nor its 2023 financial statements!

If it is confirmed that Corsair did not make a profit in 2023, the airline will be forced to question its cost structure.

A clarification on Corsair's demands. According to BFM Business, "the company has asked the French government, through the inter-ministerial industrial restructuring committee, to write off or at least restructure 147 million euros in tax and social security debts".

> IndiGo becomes the first Indian airline to handle 100 million passengers a year

(source Traveldailymedia) December 21 - **IndiGo, India's preferred carrier, has made history by becoming the first Indian airline to carry 100 million passengers in a single calendar year.** With this achievement, it has joined the select club of global carriers operating on such a scale. **This development reinforces IndiGo's position among the world's top 10 airlines in terms of passenger traffic.**

(...)

Pieter Elbers, CEO of IndiGo, said: "We are incredibly delighted to reach this historic milestone, welcoming 100 million passengers in one year. This historic figure is the result of the love and trust shown to us by our customers, as well as the hard work and passion of all IndiGo colleagues. This milestone is also a validation of our strategy, which has been so diligently implemented. At IndiGo, we are proud to have been giving wings to the nation, connecting people and aspirations for 17 years, making air travel accessible to hundreds of millions of Indians."

In 2022, IndiGo embarked on a growth strategy based on three strategic pillars - "Reassure, Develop and Create" - to support its growth plans, as it aims to double in size and scale by the end of the decade. To fuel these ambitions, the airline has placed a landmark order for 500 new aircraft with Airbus. This order is in addition to IndiGo's previous orders for over 450 aircraft.

(...)

My comment: *IndiGo's growth is in line with IATA forecasts, which predict a 7-fold increase in Indian traffic between 2015 and 2050. Read [my letter n°930](#) on this subject.*

> Airbus knocks out Boeing as 2023 draws to a close

(source Tourmag) December 19 - **If the duel between Airbus and Boeing were a boxing match, the referee wouldn't have waited until the end to announce the winner.** It's a real knockout victory in round 3.

Imagine that in the space of a week, from Turkish Airlines to easyJet, via Avolon, **the manufacturer has booked** orders for 521 new aircraft to be produced over the

next few years.

In 2013, its historic year, Airbus had booked 1,503 orders; the tally reaches **1,883 net orders over the year 2023, according to** the accounts of our confreres at La Dépêche.

To arrive at these Dantesque statistics, Airbus has recorded XXL orders in recent days from Turkish Airlines (220 aircraft, including 150 A321s, Airbus' best-seller, and 70 wide-body A350s), Avolon (100 A321neo aircraft), Azul Linhas Aéreas (four A330neos), easyJet (157 aircraft from the A320neo family) and finally Lufthansa, with an order for 40 Airbus A220s. All

in all, the workshops in Toulouse and all over Europe have a lot to look forward to, as **the teams will have 11 years of work ahead of them! The order book now stands at over 8,000 aircraft, compared with 6,000 for Boeing**, according to Les Echos.

These announcements are at odds with the emissions reduction targets required for tourism. While these aircraft are less polluting, the increase in the number of air journeys and planes in the sky is unlikely to reduce the sector's footprint, even though experts are calling for tourism to decouple its growth from that of air travel.

***My comment:** The challenge for both Airbus and Boeing in the years to come will be to deliver to their customers on time.*

Article Bonus

> Earthquake in world trade: China bans exports of strategic metals technologies

(source La Tribune) December 21 - The threat had been looming for several months. Having already made the export of two strategic metals (gallium and germanium) subject to central government approval, **China announced on Thursday that it would halt the export of a series of technologies linked to the extraction of rare earths. A turning point in the history of world trade.**

And for good reason: **these metals are essential to the development of numerous technologies (batteries, chips, smartphones, LCD screens, Internet, wind turbines, military equipment...).** As a reminder, rare earths are a group of 17 elements used in cutting-edge technological products. Their extraction is therefore crucial.

Clearly, against a backdrop of growing rivalry with the United States, the Middle Kingdom is going to deprive its trading partners of several materials in order to dominate the stakes of technological independence. From its first warning shot last

July, **China has now taken a further step**

with this stop. Overall, the world's second-largest economy, determined to take the lead, now controls around three-quarters of rare earth production.

In concrete terms, **it will henceforth ban the export of "rare earth mining, processing and smelting technologies"**, according to a lengthy document published on Thursday by the Ministry of Commerce. However, the new regulations have no impact on exports of rare earth products themselves. On the other hand, it could hinder efforts to develop this sector outside China.

Contrary to what their name suggests, this group of 17 metals essential to cutting-edge technologies is relatively abundant. But their highly sought-after electromagnetic properties make them "strategic metals".

In 2022, China extracted 58% of global production and refined 89% of rare earths. According to the International Energy Agency (IAEA), the need for low-carbon technologies, such as electric vehicle engines and offshore wind turbines, could increase global demand sevenfold by 2040, to almost 2 million tonnes a year, compared with 280,000 tonnes in 2022.

As a result, Western countries, notably the United States, but also the European Union (EU), are increasingly considering the supply of these metals as a matter of national security, especially as the global energy transition fuels fears of potential shortages in the future.

In addition to the permanent magnets used in wind turbines and electric cars, some rare metals are used in TV screens, drones and hard disks. In response, the EU is considering "action within the WTO framework". But "the WTO is an empty shell, as the United States and China have been making decisions outside this institution for several years now", Sylvain Bersinger of the research firm Astérès explained to La Tribune.

On the same day, the United States announced that it would launch a survey of its companies to determine how they source semiconductors from China.

This survey "will inform U.S. policy to strengthen the semiconductor supply chain, promote a level playing field for traditional chip production, and reduce national security risks posed by China," explained the Commerce Department in a press release.

The stated aim: to ensure that the United States maintains its "multi-year" lead over China in semiconductor design. **"Over the past few years, we have seen potential signs of worrisome practices on the part of China aimed at increasing semiconductor production by their companies and making it more difficult for American companies to compete,"** Commerce Secretary Gina Raimondo also explained in the press release, referring to a report issued on December 12 by a U.S. congressional committee calling for a "reset" of the economic relationship between the United States and China.

My comment: First, an important note: contrary to what their name might suggest, rare earths (17 metals) are not rare.

Secondly, in 2018, Japan announced that it had discovered at the bottom of its waters the equivalent of hundreds of years of the world's supply of rare earths: 780 years of yttrium, 620 years of europium, 730 years of dysprosium...

The techniques needed to exploit this deposit, located 2,200 kilometers southeast of Tokyo in Japanese territorial waters and at a depth of 5,500 meters, have yet to be developed.

In the meantime, companies will continue to be dependent on China's goodwill.

End of press review

> **Air** France-KLM **share price trend**

Air France-KLM shares closed at **13.684 euros** on Friday December 22. It is **up this week by +2.50%**.

Since the beginning of November, the Air France-KLM share price has risen by over 25%.

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 17.19 euros (it was 15.0 euros at the beginning of January). The highest price target is 23.00 euros, the lowest 9.50 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 +\$5 to \$112. It was \$94 at the end of June, and \$79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is up +\$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 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 \$30 to \$33.

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

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 in order 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's 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](#).*

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.

For the latest Monday press reviews, [click here](#).

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

New readers can receive it by [sending me](#) an email address of their choice.

| François Robardet

former Director of Air France-KLM.

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

During 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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