



I Letter from the Director Air France-KLM

François Robardet Representative of employees and former employee shareholders PS and PNC

N°695, March 18, 2019 If you do not see this page correctly, [follow this link](#)

The Press Review on Monday...

> Rio-Paris flight **crash**: end of judicial investigation, families hope for a trial

(source Le Parisien) March 15 - **Nearly 10 years after the Rio-Paris crash on June 1, 2009 in the Atlantic Ocean, the investigating judges have completed their investigations** and the families of the 228 victims hope that they will lead to the Air France and Airbus trials. However, they fear that the manufacturer will avoid prosecution thanks to a final favourable expertise.

"We have on file a first report, which clearly implicates Air France and Airbus, and a counter-expertise that shamelessly slams the pilots," said Sébastien Busy, lawyer for the civil party. "Such a discrepancy justifies a debate in court, one must imagine the absurdity of an Air France trial alone where we would spend our time talking about Airbus," he said.

The families "look forward with impatience and determination to a trial during which Airbus and Air France would be honoured to explain their respective responsibilities", reacted in a press release Entraide et solidarité AF447, the main association of the victims' relatives.

On February 18, the investigating judges of the collective accident unit of the Paris court had announced their wish to conclude the proceedings, in which the two companies have been indicted since 2011 for "involuntary homicides". This decision opens a three-month period during which the various parties may make observations or request new acts of investigation. It will then be up to the Paris Public Prosecutor's Office to take its requisitions, before the investigating judges order a

correctional referral or a dismissal. (...)

My comment: *If the judicial inquiry into the Rio-Paris crash is over, it is difficult to form an opinion since the file contains two contradictory expert opinions.*

> KLM boss calls for a quick decision on Schiphol's growth after 2020

(source Telegraaf translated with DeepLcom) March 15 - **Pieter Elbers, CEO of KLM, wants Schiphol's growth after 2020 to be quickly clarified.** The airline faces fierce competition and a loss-making sister company on many routes. In order to prevent "blue pride" from being overtaken on the world stage, growth is necessary. (...)

CEO Elbers hopes that decisions will be made soon. "For us as a company, **predictability is important when it comes to buying new aircraft.** The 2008 slot agreement allowed us to look to the future at 12 years. KLM would benefit from a perspective on the years 2025 to 2030."

KLM's development is currently at a standstill due to the halt in growth at Schiphol, which was reflected in February's traffic figures. The largest user of Schiphol needs space. (...) It seems difficult to get this message across during the election period. (...)

My comment: *Schiphol airport is saturated. The cause: a limitation of the number of authorized movements.*

As the Air France-KLM Group develops its strategy, it is important to know the intentions of the Dutch government. To allow KLM's future growth, will it allow more aircraft takeoffs / landings, at the risk of alienating part of its public opinion?

> Transavia celebrates 3 million passengers in Nantes

(source Air Journal) March 15 - The low-cost airline **Transavia France welcomed its three millionth passenger to Nantes on Thursday** (...). "Nantes is a very beautiful and successful adventure for Transavia! (...) Budapest, Copenhagen, Santorini, Palermo, Mykonos and Tunis: a total of 6 new lines have been opened for 2019," says Nicolas Hénin, Transavia France's Deputy General Manager for Sales and Marketing, in a statement. (...)

After doubling its offer over the past two years, Transavia is

therefore continuing its growth from Nantes: this summer it will offer 1 million seats on 25 destinations in 12 different countries. An increase in supply supported by the arrival of two aircraft on the base.

> **China Eastern strengthens ties with KLM**

(source Déplacements Pros) March 17 - **China Eastern is counting on its partner KLM to extend its European offer.** The Chinese company will place its codes on several intra-European routes operated by the Dutch carrier from Amsterdam Schiphol airport in March and April 2019. The extension of the codehare concerns, among other things, services to Bordeaux, Lyon, Nice, Toulouse, Mulhouse and Geneva.

***My comment:** Until 2016, Air France had a joint venture with China Southern and China Eastern while KLM worked only with China Southern.*

In 2017, China Eastern acquired a stake in Air France-KLM. Since then, China Southern has opted for a merger with American, a member of the Oneworld alliance. The conclusion of a partnership with China Eastern should enable KLM to compensate for China Southern's departure.

> **Lufthansa has had a good year, burdened by Eurowings**

(source Aviation Journal) March 14 - "**2018 was another year of financial success**", announced Carsten Spohr, the group's chairman, before adding: "**we achieved the second best result in the group's history**" (...), despite an 850 million euro increase in the oil bill and a 70% increase in the costs generated by delays and cancellations - mainly due to the malfunction of air traffic control in Germany during the summer. (...)

In terms of net income, it posted a profit of €2.6 billion (8%). Prudent, the Lufthansa group has decided to reduce its capacity growth for the summer of 2019 to 1.9%. In particular, he knows that the situation in European air traffic control will not improve compared to 2018 and expects another chaotic summer. (...) In addition, **fuel costs are expected to continue to increase** and could increase by €650 million. The control of other costs will therefore continue (Lufthansa has managed to reduce them for three consecutive years) and should partially compensate them. (...)

In 2018, the Lufthansa Group made significant investments, reaching €3.8 billion. They mainly consisted in the acquisition of new aircraft, which are more efficient in operational and environmental terms. Thirty-

five aircraft joined the group, bringing the fleet to 763 aircraft.

Lufthansa also announced on March 13 that it would acquire 20 additional A350-900s and 20 Boeing 787-9s. The aircraft will pursue this modernization goal and replace four-engine aircraft. **In particular, six A380s will leave the fleet in 2022 and 2023 - they have been sold to Airbus.**

***My comment:** In 2018, the Lufthansa Group posted the second best net result in its history (€2.6 billion). A result similar to that of IAG (€2.9 billion) but significantly higher than that of Air France-KLM (€409 million).*

> **Etihad reports a loss of \$1.28 billion**

(source Journal de l'Aviation) March 15 - **Etihad Airways remains in the red.** After launching its transformation plan in 2017, the **Gulf company** stabilized its results in 2018. It reported sales in line with 2017 at \$5.9 billion and **managed to slightly reduce its loss from \$1.52 billion to \$1.28 billion in net loss.** (...)

Once considered one of the major threats to European carriers alongside Emirates and Qatar Airways, **Etihad's flight has been hampered by its strategy of partnerships through investment in airlines.** This strategy made her lose a lot in Air Berlin, Alitalia and now Jet Airways, while she had to fight against her sisters in the Gulf. **Etihad is now** more economical. This is particularly evident in the management of its fleet. It **removes more devices than it integrates** (...). As a result, it expects to receive only six 777-9s in the coming years, instead of twenty-five. (...)

***My comment:** Etihad Airways is in loss for the third year in a row. For the Gulf company, its poor results would be due to investments at a loss. However, there is another reason: its turnover has decreased by 33% in four years, from \$9 billion in 2015 to \$5.9 billion in 2018.*

> **EasyJet announces withdrawal from discussions on the takeover of Alitalia**

(source Le Figaro with AFP) March 18 - **British airline EasyJet announced on Monday that it was withdrawing from discussions on the takeover of Alitalia,** which began in February with Delta Air Lines and the Italian railway company Ferrovie dello Stato (FS). "After discussions with FS and Delta Airlines to form a consortium to explore options about the future of Alitalia's business, EasyJet has decided to withdraw from the process," EasyJet abruptly announced in a very brief

statement. The company simply added that it remained "committed" to Italy, where it has significant activities.

***My comment:** In recent weeks, the press has reported the combined interest of Delta Airlines and easyJet in Alitalia. Does the withdrawal of the British airline augur well for a withdrawal of Delta Airlines?*

> Poland: Ryanair Sun will become Buzz in the autumn

(source Air Journal) March 15 - After Laudamotion in Austria, a new name has appeared within the Irish group specialising in cheap flights: **Buzz will be the brand used from autumn 2019 by its subsidiary based at Warsaw-Frédéric Chopin airport, Ryanair Sun.** "The group's autonomous unit" had obtained its Polish AOC (air operator certificate) at the beginning of 2018, and will keep it under its new identity, Ryanair's statement states. Since last summer, the Polish airline has been operating for the country's main tour operators, with an initial fleet of 5 and now 17 Boeing 737-800s with 189 seats. The Buzz fleet will increase to 25 aircraft in the summer of 2019 (...)

Buzz will therefore follow Ryanair DAC (Ireland), Ryanair UK and Laudamotion as the fourth airline of the Irish Ryanair Holdings group, which last month modified its structure to look a little more like IAG. (...)

> Privatization of ADP: the Assembly gives the green light

(source L'Écho touristique) March 15 - The **government intends to privatize ADP**, the group that manages Orly, Roissy Charles de Gaulle and Le Bourget. After hours of heated debate, **the article of the law was finally voted on Thursday in the Assembly.** (...)

PS, PCF and LFI **deputies have announced that they will refer the matter to the Constitutional Council, considering that this amounts to privatizing "a de facto monopoly", which is prohibited by the preamble to the 1946 Constitution.** The Minister of Economy Bruno Le Maire defended his concession project for 70 years as "the best way to guarantee the development of this jewel" that is ADP.

The proceeds of the operation are intended to help France reduce its debt and finance an innovation fund, which will benefit from "250 million euros of guaranteed income" per year, the minister said. ADP announced a 6.9% increase in its net profit in 2018 to €610 million, with revenues of nearly €4.5 billion. (...)

***My comment:** A new step in the privatization process of Aéroports de*

Paris has just been taken.

If the operation is to be completed, it will be crucial for the future of French airlines that an independent regulator monitor the development of airport charges, the level of investment and profitability.

> French air traffic passes the 200 million passenger mark in 2018

(source Air et Cosmos) March 14 - With a total of more than 206.4 million passengers, traffic at French airports crossed the symbolic 200 million passenger mark for the first time, an increase of 4.8% compared to the previous year (...). French growth is once again less strong than that of European air traffic, which grew by 5.4% (+7.7% in 2017). (...)

Low-cost traffic remains the main driver of growth at French airports. Low-cost airlines contributed 66.4% to French growth in 2018 (...). After the opening of bases in 2018 by several low-cost airlines (Volotea in Marseille, Easyjet in Bordeaux and Nice in particular), the **opening of new bases by Ryanair in Marseille, Bordeaux and Toulouse in 2019 should further increase the weight of low-cost carriers on traffic at French airports.**

The impact of low-cost carriers is also felt on aircraft movements. (...) Indeed, from 2008 to 2018, the number of commercial movements decreased by 4.75%, while passenger traffic increased by more than 30% over the same period.

My comment: *In 2018, two thirds of the growth in air transport in France came from low-cost airlines. Within the Air France-KLM Group, only Transavia can compete with Ryanair, easyJet, Vueling and Volotea.*

> Ethiopian Airlines: "clear similarities" with the Lion Air crash

(source Le Parisien with AFP) 17 March - (...) Since the crash, **many experts and officials have referred to "similarities" between the March and October crashes.** The aircraft model, a Boeing 737 MAX 8, which crashed on Sunday, March 10, is the same as the one that crashed off Indonesia on October 29, 2018. The accident on this flight by the Indonesian airline Lion Air killed 189 people.

As in the case of the Indonesian airline Lion Air, the fall of the Ethiopian Airlines Boeing took place shortly after take-off. Both aircraft experienced irregular ascents and descents immediately after take-off. The

plane's two black boxes, crucial to understanding the causes of a crash, were sent to France on Thursday by the Addis Ababa authorities, as Ethiopia did not have the necessary equipment to read them. (...)

The Lion Air accident investigation has so far implicated a malfunction on the flight stabilization system to prevent the aircraft from stalling, the MCAS (Manoeuvring Characteristics Augmentation System). (...)

***My comment:** According to the first analyses, the two crashes of the B737 MAX 8s were the result of a software malfunction.*

It seems to me that this is a first. Until now, aircraft accidents have occurred as a result of malfunctions (mechanical or human), or have been due to extreme weather conditions.

This software failure raises many questions. Has the software testing process been properly conducted? How far should automation go? Should we let the machine decide for the drivers?

> The termination of 737 MAX flights in the United States will cost Boeing a fortune

(source Les Échos) March 15 - Between delayed deliveries, aircraft downtime and modification costs and compensation for companies, the impact could reach several billion dollars.

(...) According to Donald Trump's statements, **the ban will last for as long as it takes Boeing to review the operation of the MCAS stall protection system**, which is suspected to have caused the Lion Air and Ethiopian Airlines crash. Boeing, which had started working on the subject in October 2018, after the Lion Air accident, made a commitment to the Federal Aviation Administration to provide a solution "by April at the latest". (...)

But as a former boss of the NTSB (the equivalent of the French BEA) points out, **software updates will not only have to be implemented on the 387 B737 Max aircraft in service worldwide - and will have to be considered sufficient by the aeronautical authorities of the various countries - but will also require additional pilot training.**

(...) With 52 Boeing 737s assembled each month, the aircraft manufacturer would therefore have to stock between 156 and 312 aircraft at the Renton

site near Seattle. This seems difficult to envisage (...) because the Renton site is not huge and Boeing will have to request a derogation from the American authorities for each 737 MAX that would be transported elsewhere.

In addition to these capital costs, there will also be the costs of modifications to existing aircraft, estimated at \$500 million by the research firm Canaccord Genuity, as well as the amounts of compensation due to airlines for the immobilization of their aircraft. For Norwegian alone, which operated 18 Boeing 737 MAX aircraft, Bernstein Research estimates the operating loss at €41,000 per day per aircraft.

(...) **Not enough to make Boeing waver, which posted a net profit of \$10.4 billion in 2018. But this is enough to make it miss its objectives, given that the Boeing 737 represents 48% of the turnover of Boeing's commercial aviation division**, which itself represents more than 60% of the group's orders. This is without mentioning the possible commercial impact on order intake

End of the press review

> **My comment on the evolution of the Air France-KLM share price**

The Air France-KLM share price was €10.69 at the end of Monday 18 March. She's stable.

The average (consensus) of analysts for the AF-KLM share is 11.17 euros.

The barrel of Brent oil (North Sea) is stable at \$67. Opep's deliberate efforts and the crisis in Venezuela have kept prices at the highest level recorded over the past three months.

This indicative information does not in any way constitute an incentive to sell or solicit the purchase of Air France-KLM shares.

You may react to this press review or provide me with any information or thoughts that may help me to better manage my role as a director of the Air France-KLM group.

You can ask me, by return, any questions about the Air France-KLM group or employee share ownership....

See you soon.

To find the latest press reviews on Monday, it's [here](#)

If you enjoy this press review, circulate it.

New readers will be able to receive it by [providing me with](#) the email address of their choice.

| François Robardet

**AA Air France-KLM director representing PS and PNCV
employee shareholders You
can find me on my twitter
account @FrRobardet**

This press review deals with topics related to Air France-KLM shareholding.

If you no longer wish to receive this letter/press review, [unsubscribe](#) and specify your request.

If you prefer to receive the press review at another address, please let me know.

To contact me: [message for François Robardet](#). 10008 people receive this press review live