



I Letter from the Director Air France-KLM

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

No. 701, April 29, 2019

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The Press Review on Monday...

> Air France best First Class in the world

(source Air Journal) April 25 - (...) After the ranking of the best business classes, from which the French national airline was absent, **the Travelers Club**, the French-speaking blog of Boarding Area, **awarded Air France the title of best first class in the world, with a score of 86/100**; Singapore Airlines follows with a score of 80/100, and the company based at Dubai Emirates Airlines airport completes the podium with 78/100.

Then come 4

- . Swiss with a score of 76/100 5
- . Lufthansa with a score of 75/100 6
- . Cathay Pacific with a score of 73/100 7
- . Qatar Airways with a score of 72/100 8
- . Garuda Indonesia with a score of 70/100 9
- . Etihad Airways with a score of 69/100 10
- . Japan Airlines with a score of 64/100

The ranking (...) is based on "**objective criteria rewarding the quality of the services provided on the ground and on board**" by the airlines evaluated. (...) **The 10** airlines are doing well. Whether Air France at the top of the ranking or Etihad Airways at the penultimate place on the list, all **offer passengers who choose them a quality of service superior to other travel classes.** (...)

The Travellers Club evaluated 25 leading airlines in order to establish this ranking... (...) Were taken into account: . the ground offer in its hub (transfer by VTC, personalized reception, ground escort, dedicated fast track, lounge,...)
)... the cabins (uniformity and coherence of the First product, privacy of the seat, cabin maintenance, space offered in the cabin,...)
) . On-board comfort (comfort accessories, mattress overlays, pyjamas, turn down service, etc.
) . On-board service (reception, presentation, catering, wine and champagne list, personalised service, etc.
) . Entertainment (screen and interface quality, system loading, accessories, on-board wifi, etc.).
(...)

My comment: *The Air France Première is a source of pride for the Air France-KLM group. It is a showcase that attracts passengers in business class.*

> Air France will put its Airbus A350 on Bamako and Abidjan

(source Journal de l'Aviation) April 23rd - Like the 787, the **Air France A350 will first be assigned to Africa**. The company has integrated the aircraft into its flight schedule and opened its sales, planning to put it into service on the Paris - Bamako - Abidjan route on **23 September**. It will operate on one-third of the seventeen weekly rotations that will be carried out during the summer season, alongside the Boeing 787-9, 777-200ER and 777-300ER, which already operate it (the A380 having been withdrawn at the beginning of the month).

Initially intended for Joon fire operations, the first aircraft has just left the Airbus final assembly line but does not yet have its engines or delivery. This one will finally be in Air France's colours.

However, when Joon's end was decided, it was too late to change the cabin configuration and bring it up to Air France standards. Passengers will therefore discover the one designed for the so-called hybrid airline: the aircraft will be able to accommodate 324 passengers, 34 in business class, 24 in Premium Economy class and 266 in economy class.

Air France has ordered 21 copies of the A350 (on firm order).....

My comment: *With the arrival of the A350 and the scheduled departure of the latest A340, Air France's long-haul fleet will offer the following capacities:*

*A330-200: 208 seats B787-9
: 276 seats B777-200
: 280 or 312 seats
A350-900: 324 seats B777-300
: 296, 381 or 468 seats A380
: 516 seats*

KLM's long-haul fleet is less diversified: A330-200 and -300, B777-200, B777-300, B787-9.

The question of the efficiency of a fleet as diversified as Air France's remains.

> Video interview with Hans SMITS

(source Dutch Press, translated with Deepl.com) April 15 - **He held the most difficult auxiliary position in the Netherlands: that of Chairman of the Supervisory Board of KLM. Hans Smits (69 years old) (...) last Thursday (...) said goodbye to KLM.** (...) In total, he was a member of the airline's supervisory board for fifteen years. Smits would like to highlight what KLM has accomplished in recent years. Earnings increased significantly, as did productivity and customer satisfaction. This does not detract from the fact that the last few months have been challenging, not always comfortable and, in a way, unpleasant.

The battle over the renewal of the mandate of KLM's CEO, Pieter Elbers, highlighted in particular the difficult relationship between the Dutch airline and the French parent company. The new CEO of Air France-KLM, Canadian Benjamin Smith, seemed determined to block the renewal of the Dutchman's mandate. **The KLM supervisory board, headed by Smits, had just appointed him.** A unanimous appointment, therefore including the five French members of KLM's supervisory board.

When did you learn that Elbers may not be reappointed?

"Around New Year's Eve, it suddenly became apparent that his reappointment was being reconsidered, whereas KLM's Supervisory Board had only unanimously appointed him in December. It's not like I got a phone call about the news. I have learned that in France, people are a little more indirect when it comes to expressing these things than in the Netherlands. It's kind of infiltrated." What was your reaction?

"We were extremely unpleasantly surprised. This was the renewal of the man's mandate that enabled KLM to achieve its current performance. You must cherish that. We have made it clear: it is simply

unacceptable, if you insist on this point, you will cause a serious crisis. We told Ben Smith and Anne-Marie Couderc (Chairman of the Supervisory Board of Air France-KLM, ed.). Together with the members of the Dutch supervisory board of Air France-KLM, the works council, the 25,000 KLM employees and the firm, we made it clear that this would not happen. This signal was understood in Paris. In **February, the renewal of Elbers' mandate was confirmed by Air France-KLM management.**"

Why is Air France-KLM always on the wrong track?

(...) Over the past five years (...) **KLM's management has not been really appreciated and respected.** KLM's good substantive arguments were structurally interpreted as anti-group, when in fact they were professional and responsible considerations."

Where does this lack of respect manifest itself?

"This is a general feeling that has developed in recent years, in **discussions on remuneration policy and investments.** The tone of the way I was treated. You can say something constructive, negative or even aggressively. (...) If I look in the mirror, I think our tone may have been a little too harsh, but it was never the main cause of our mentality of us against them."

(...) **Hans Smits does not speak French.** "I understand him," he says. **His proposal to speak English to the group's 19-member board of directors was rejected. In fact, it's a little exaggerated; the French just didn't pay attention.**

But Smits is now experiencing a turning point, partly due to the arrival of Delta Airlines and China Eastern, both of which have held an 8.3% stake in Air France-KLM since 2017. Since then, the French have begun to speak English during the meetings. For Smits, it is the symbol of a new professionalization that is essential to the survival of Air France-KLM.

(...) Was it fun, with all the conflicts?

"I've had moments of doubt, even in the last period: do I do it well? It's frustrating if you want to build a relationship with senior management, including on a personal level. Create a relationship of trust. I couldn't do it the way I wanted." (...)

How do you see the chances of survival of this marriage of convenience?

"**Well, 70-80%.** Of course, there's always a small chance that something could go wrong, but I think the chance of survival is quite high."

My comment: *On the form, Hans Smits' interview is surprising. Although he is now former Chairman of the Supervisory Board of KLM,*

he is still a member of the Board of Directors of Air France-KLM until the next General Assembly on 28 May. As such, it is subject to a duty of confidentiality.

In substance, his comments are not new. In recent months, the Dutch press, which is very well informed, has published articles on several occasions with the same ideas.

While I cannot comment on what is relevant to the Board's discussions, I can nevertheless correct two inaccuracies.

1. With regard to the process of appointing KLM's Chief Executive Officer, it is the responsibility of the Air France-KLM Board of Directors, not the KLM Supervisory Board. The Registration Document (page 70, available on the Air France-KLM corporate website) states that:
The Board of Directors[of Air France-KLM] approves the appointment of the Chairman and Chief Executive Officer or Chief Executive Officer of any Main Subsidiary, on the recommendation of the Nominating and Governance Committee

2. Regarding the possibility of speaking English at Board meetings, the internal regulations (Article 5, page 3, available on the Air France-KLM institutional website) clearly state this:

The working language of the Council is French. Each director whose mother tongue is not French is free to speak English. The working documents are written in French. An English translation of these documents is available to the directors. The minutes of the Council shall be drawn up in French and English. They are approved in both versions. However, only the French version of the minutes is authentic.

> Hop! in Morlaix. Elected officials received by Air France management

(source Ouest-France) April 26 - A **delegation of political and economic representatives met Anne Rigail**, Air France's Chief Executive Officer, **Pierre Olivier Bandet**, Deputy Chief Executive Officer, (...) **about the future of Hop ! in Morlaix** (Finistère).

Air France officials stressed the importance of the skills of Morlaix's professional technicians and the important role of the Tristan-Corbière high school and its aeronautics section. They are important assets for working on the future, says the delegation of political and economic representatives received this Thursday, April 25 in Paris by the Air France management.

In addition, officials claim that the workload plan for the years 2019 and

2020 is assured and that a study is under way to shed light on development prospects beyond 2020. The results will be communicated to us at the end of the work, and, in a second step, the **local authorities will be associated in order to work together on agreements that will ensure the sustainability and economic balance of the site, note the elected representatives of Morlaix** who say they have felt a real desire to maintain activity on the site of Morlaix and to work with elected officials and services on all development hypotheses.

My comment: *More than 130 HOP! employees in Morlaix perform maintenance (major maintenance) on Bombardier and ATR aircraft.*

Since the announcement last fall of the exit of the ATRs from the Hop! fleet, Morlaix's elected officials (and site staff) have been concerned about the future of HOP! aviation maintenance activities in their region.

> **Air France chosen to operate the Castres-Paris route until 2023**

(source La Dépêche) April 26 - **Air France has been selected (...)** by the Castres-Mazamet airport's mixed union **to operate the route between Castres and Orly for the next four years.**

(...) The company was in competition (...). The **members of the trade union committee voted unanimously** for Air France, which requested **a 4-year balancing subsidy of €12.8 million**, a sum less than that of Chalais Aviation (...).

To ensure perfect regularity of the route, **Air France has decided to charter the French airline Aéro 4M, a subsidiary of Regourd aviation**, to operate the Castres-Paris route. "It is a company that we know since it had already been chartered by Hop on our route last October and November and during this period, our passengers had enjoyed perfect regularity without any cancellation (...)".

The co-financiers of the Castres-Paris line are the Region, the Department, the agglomeration Castres-Mazamet and the State, which (...)[will] finance the line by 4 million for the next 4 years. The remainder of the balancing subsidy, which allows the company to balance the loss generated by the operation of the line, is shared almost equally between the other three financiers.

My comment: *Air France will delegate the Castres-Paris route to Aéro 4M, a subsidiary of Regourd aviation. The operation will be carried out with Embraer 145s.*

> **The nationalisation of Alitalia now seems inevitable**

(source L'opinion) April 24 - The decree issued Monday evening by the ruling populist coalition has set the State on the path of an increase in the company's capital, which is heavily in deficit, while Brussels had already opened proceedings on the case.

Italian governments are changing, but **Alitalia, the** country's main airline, **remains an intractable problem**. The company has been in crisis since 2008, and was placed under supervision in 2017 by the government of the time, which, to improve its financial situation, granted a bridge loan of 900 million euros (...).

(...) The Conte government has (...) decided to intervene very heavily in the management of the company. First, it authorised Ferrovie dello Stato (the Italian state-controlled SNCF) to make an offer to take control of Alitalia, making the purchase conditional on an entry into the capital of another investor....) But, as the state-owned company had not yet succeeded in finding a solid buyer, the **government decided to buy time: in the evening of Monday, it formalized by decree that it had eliminated the maturity of the bridge loan that Alitalia had to repay before the end of June 2019** and wanted to convert the interest on the loan into shares. The State can now therefore directly access the capital.

"The government's decision to make the bridge loan permanent is suicidal," a European Commission source told Il Sole 24 Ore newspaper. Brussels has already opened a procedure on the bridging loan, which has exceeded the temporary limits: more than two years instead of six months allowed. The loan granted by the Italian State will therefore probably be reclassified as State aid.

According to Andrea Giuricin[Professor of Transport Economics], the **full nationalisation of Alitalia is an option that is difficult to avoid** (...).

My comment: *The deadline for the selection of Alitalia's buyers should be extended once again. The court administrators propose to postpone it by two to three weeks (before the European elections).*

Delta Airlines and the Italian Treasury could each acquire 15% of the capital, the national airline, Ferrovie dello Stato (the Italian SNCF) 30%. It remains to find a buyer for the remaining 40%.

> Turkish Airlines: a huge airport with huge ambitions

(source Challenges) April 28 - **None of the world's airport megaprojects is as ambitious as Istanbul, which has been operational since April 6**. Pharaonic project (...) it (...) is (...) intended (...) to help Turkish Airlines to take first place from its Gulf competitors.

Many saw it as a sumptuous project. Everything, it's true, is disproportionate. In less than five years, a valley the size of Manhattan has been transformed into a gigantic air hub capable of handling 3,000 flights a day and 90 million passengers a year.

The bill was also phenomenal: 11 billion dollars, while the Turkish economy is in trouble. Compared to ongoing projects in the Gulf, this new airport appears to be much more viable. Turkish Airlines has seen a 30% annual increase in its activity, while that of Gulf airlines has stagnated or declined. As long as it was cramped at the old Atatürk airport, the danger it represented was limited. This is no longer the case. Over the past thirty years, the **three major Gulf companies** Emirates, Etihad and Qatar Airways, have redefined air transport. They have used the Gulf's "super-connector" airports as transit points for global passengers. They **risk being dethroned by Turkish Airlines**. The new Istanbul airport is designed to make the Turkish airline a super-connector.

Istanbul is favoured by its proximity to Europe. Turkish can use narrow-body aircraft for its flights to Europe that are less expensive than the wide-body aircraft of Gulf companies. The Turkish group will therefore be able to offer more daily flights to most destinations. But the Gulf companies responded. In February, Emirates cancelled most of its remaining orders for the A 380 in favour of smaller models. Sir Tim Clark, Emirates' President, hopes that his partnership with Flydubai, owner of a fleet of narrow-body aircraft, will enable him to maintain his market share. While imitation is the most sincere form of flattery, Gulf airlines are returning Turkish Airlines the tributes it had previously paid to them.

My comment: *Turkish Airlines now has an airport that allows it to compete with both Gulf airlines and European majors.*

Being considered as based in Europe, the Turkish company is subject to fewer constraints than Gulf companies to access the European market.

> Air crashes: Boeing's 737 MAX faults were known as early as 2018

(source Le Monde with AFP) April 29 - **American inspectors considered grounding some of the Boeing 737 MAX aircraft in 2018**, after learning that the aircraft manufacturer had disabled the warning signal that was supposed to warn of malfunctions in the MCAS stall protection system, a source close to the case told AFP on Sunday April 28.

(...) **After discussions, they had finally abandoned this lead, but the information had not been traced back to senior officials of the federal agency**, this source said again, confirming information from the Wall Street Journal.

(...) **Boeing had automatically disabled this signal in the 737 MAXes delivered to Southwest without informing the airline. Neither the company nor its pilots were aware of the changes when they began flying the aircraft in 2017**, a Southwest spokeswoman told AFP.

Like the regulators, they were only informed after the Lion Air tragedy. "Before the Lion Air accident, the signals (...) were presented by Boeing as operational, regardless of whether or not you selected the functionality," Southwest spokeswoman said by email. But "after the Lion Air accident, Boeing informed Southwest that the signals were inoperable if the option had not been taken," she added. That's when Southwest chose to take this option for all its devices, the spokesperson concluded.

Contacted by AFP, **Boeing assured that the alert signal would now become a basic and free feature for all customers**. "This change will be made on all MAXes whether they are in production or in the modification phase for those who were in service," said a spokesperson. The FAA did not wish to comment on the immobilization information, but a spokesperson said the signal was "an option for airlines.

MCAS was also involved in the Ethiopian Airlines 737 MAX 8 accident that crashed on 10 March 2019 southeast of Addis Ababa, killing 157 people.

This air disaster caused the 737 MAX fleet to be immobilized on the ground across the planet. **Boeing is working on changes to the MCAS to lift the flight ban, but the crisis, he announced on Wednesday, has already cost him \$1 billion. The bill is expected to rise as the** aircraft manufacturer will likely compensate airlines that cancelled thousands of flights until this summer and had to expand their customer service and booking teams. (...)

My comment: The Southwest spokesperson's comments were confirmed by the president of the Southwest Pilots' Union: "Southwest's own manuals were wrong about the availability of alerts. As Boeing had not communicated the change to the carrier, the manuals contained incorrect information.

For his part, Boeing's CEO considered that the tragedies were due to a "chain of events and not to a single factor" (the malfunctioning of the MCAS stall protection system). For him, "the design and certification procedures worked normally".

It will be up to the investigators to shed light on the causes of the two accidents of the B737 MAX.

> As "flying shame" seizes Sweden, SAS commits to the fight against climate change

(source Bloomberg) April 14 - In the country that gave global activist Greta Thunberg, the **shame of air travel that absorbs fossil fuels can now have a real impact on travel habits.**

(...) This phenomenon, known as "flying shame", puts pressure on airlines to redouble their efforts to reduce their greenhouse gas emissions.

(...) For Rickard Gustafson, CEO of SAS, the question is existential. Unless society - and airlines - address climate change, the world as we know it could cease to exist. But since airlines are an integral part of the globalized world in which we live, he does not believe that the solution is to stop flying. Instead, **airlines must take action to reduce pollution and become more sustainable until the day there are engines that no longer depend on fossil fuels.**

(...) According to a World Wildlife Fund survey, 23 per cent of Swedes have refrained from flying in the past year to reduce their climate impact (...). About 18 percent chose the train over the plane.

Another recent survey conducted by Swedish Radio showed that **climate is the most important political issue for young people today.** This development coincides with the Swedish teenage girl Greta Thunberg's movement, where thousands of students around the world regularly organize demonstrations in an attempt to force political leaders to take action for the environment.

According to Sweden, the climate debate is one of the reasons for the decline in passenger numbers (...). The impact is obvious, particularly on domestic travel, which fell by 3% last year. (..

.) "The road to a fossil-free footprint will be long, but I am a technology optimist," Gustafson

said. **"Someday, a scientist will find a way to replace the current jet engine, and I think these planes will be available to all of us in 20 years."**

My comment: *In recent weeks, the pressure on airlines has been mounting. If they do not want to be the scapegoat in the fight against global warming, they will have to be very active, both to reduce their*

CO2 emissions and to compensate them.

Epecially since today there is no "clean" way to do without kerosene in aircraft with more than 100 seats.

End of the press review

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

The Air France-KLM share is at €10.33 at the end of Monday 29 April. It is down by 7.10%.

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

The barrel of Brent oil (North Sea) is at \$72, down \$2. Oil prices continue to be driven by Opep's production declines and geopolitical tensions in Venezuela and Iran.

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.

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| François Robardet

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