I Letter from the Director Air France-KLM

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

No. 705, May 27, 2019

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The Press Review on Monday...

> Air France: green light from SNPL pilots for Transavia's expansion

(source Le Figaro with AFP) May 27 - (...) The **SNPL announces the launch this week of a "negotiation round on the expansion of Transavia France**" to review the low-cost subsidiary's aircraft quota, established in a 2014 agreement to limit the transfer of activity from Air France-KLM and to be reached with 38 aircraft on rotation by this summer.
(...) "**We have set ourselves the objective of reaching an agreement by July**", tells AFP its Vice-President, (...) considering that "Transavia is a means of attacking low-cost airlines that are pursuing an offensive strategy in France".
The choice of the new boss Benjamin Smith to play the card of the low-cost airline, which is growing rapidly with 15.8 million passengers carried in 2018 - an increase of 7.1% compared to 2017 - is causing concern among the other unions. **In a letter dated Friday, 12 organizations asked the Canadian General Manager of the Air France-KLM group to "meet with them as soon as possible to inform all staff about the industrial project you are considering".**

My comment: The *SNPL agrees to renegotiate an agreement that limits the number of aircraft Transavia France can operate to 40.*

This *agreement de facto protects the employment of all categories of Air France employees, from pilots to flight attendants, stewards and ground staff.*

If a new agreement were to be concluded with the SNPL to eliminate the 40 aircraft quota at Transavia France, all Air France Group employees would be affected.

This is what prompted the 12 other Air France trade union organisations to ask to be involved in the discussions.

> Air France: ninth 787 (...)

(source Air Journal) May 21 - **Air France has taken possession of its ninth Boeing 787-9 Dreamliner**, the aircraft being deployed to 14 destinations this summer. (...)

"After a few days in the hands of the professionals of the Air France Industrial General Management", this new aircraft configured to accommodate 30 passengers in Business Class, 21 in Premium and 225 in Economy will make its first commercial flights. (...)
This ninth Dreamliner "marks the desire to continue the modernisation of the Air France fleet" according to its press release, a modernisation that will involve the arrival of the first Airbus A350-900s at the end of the summer. (...)

It should be recalled that **Air France did not confirm the rumour about the distribution of new aircraft in the group's fleet:** all 28 A350-900s would be deployed in the French colours, including the seven still appearing in KLM's name in Airbus' listings (the Dutch airline had postponed their delivery to 2021 last August), while the 787 Dreamliner still on order would all join the Amsterdam-based airline's fleet. (...)

My comment: *Decisions on the fleet of Group companies will be taken by the Air France-KLM Board of Directors, after taking into account the wishes of all Group companies.*

> Virgin Atlantic takes advantage of the void left by Jet Airways (India)

(source Tourmag) May 23rd - Nature hates emptiness, so does the air. From 27 October 2019, **Virgin Atlantic will deploy a Boeing 787-9,** three classes (Economy, Premium Economy or Upper-Class), **between London Heathrow and Bombay Airport.**

The British airline is taking advantage of the "Jet Airways flight interruption" according to Juha Jarvinen, Virgin Atlantic's Executive Vice President of Sales and Marketing, to serve the abandoned route. (...)
"This opening towards the Indian market also allows us, in collaboration with Delta, to make London Heathrow a hub between the United States and India, with maximum optimised connection times."

My comment: *Following the discontinuation of Jet Airways flights, Air France and KLM took steps to assist customers who had booked flights on the Indian airline, in particular by adding capacity.*

Virgin Atlantic announces that it intends to do the same next October, counting on a definitive halt to Jet Airways' operations.

> Air Europa opens a subsidiary in Brazil

(source riotimesonline, translated with deepl com) May 19 - The Spanish airline **Air Europa has requested permission to operate domestic flights in Brazil**. The decision (...) was welcomed by government officials. (...)
With Avianca Brasil in receivership, the entry of new airlines has been defended by the government as fundamental to rebalance the supply of flights and reduce ticket prices.

Avianca was one of the four largest airlines in the country. Today, it has returned most of its aircraft to its creditors and laid off most of its employees, including pilots and cabin crews. Today, the **Spanish airline Air Europa is trying to fill the gap in the domestic market**. (...)

My comment: *Air Europa's strategy in Brazil is similar to that of Norwegian in Argentina. The Norwegian company has decided to launch a local subsidiary for its domestic operations there, while opening a long-haul line between Buenos Aires and London.*

But Norwegian's results in Argentina are mixed, to the point that it is considering closing its subsidiary.

Will Air Europa, Air France-KLM's partner in the South Atlantic transatlantic joint venture, be able to achieve better results than Norwegian?

> 32 million passengers for Vueling in 2018

(source Déplacements Pros) May 20 - The airline celebrates its 15th anniversary in 2019 and reaches 32 million passengers transported in 2018. The IAG group's subsidiary now transports 1 in 3 passengers on its domestic flights.
Vueling has grown from 400,000 passengers carried in 2004 to more than 32 million in 2018. The low-cost airline is consolidating its leading position in Spain on domestic flights and flows between Spain and France. It is also the second largest for connections with Italy. In 2019, **it had 118 aircraft, compared with 2 in its first year in 2004**.

Its objective now is to continue to develop in Europe, particularly in France, and to improve the passenger experience. To do this, in 2018, the company launched its Vueling For You program, which aims to make Vueling the number one customer experience company. It has therefore begun a gradual renewal of its fleet, in particular with the arrival of 17 A320neo aircraft.

> 29% increase in Volotea's turnover in 2018

((source Air et Cosmos) May 23rd - Discreetly but surely, **the Spanish low-cost airline Volotea continues to grow**. The company has just announced that in 2018 it achieved a turnover of €396.1 million, up 29% compared to 2017. **It should be noted that, alone, Volotea's ancillary revenues (ancillary fees) amounted to €137.7 million**, representing a 31% increase compared to the previous year. **They represent 35% of the total turnover**. At €13.6 million, Volotea's operating income was up 63% compared to 2017.
(...) Volotea operated (...) with a record filling rate of 93.1%, 7.7% higher than the previous year.

In 2019, Volotea operates a fleet of 36 aircraft, including Boeing 717s and Airbus A319s. (...)

My comment: *Volotea is a low-cost Spanish company well established in France. It carries out almost 50% of its activity there.*

For Transavia France, it is a competitor in the same way as Ryanair, easyJet and Vueling.

> Wow Air bankruptcy could push Iceland into recession

((source Les Échos) May 23 - In the **wake of the bankruptcy of Wow Air**, a victim of low-cost competition and rising fuel prices, **the**

Icelandic central bank has drastically revised its growth forecasts for 2019 downwards.
The institution now expects GDP growth of 0.4% - up from 1.8% - and raises the spectre of the recession into which the country was plunged during the 2008 financial crisis.
(...) **Tourism has become the main driver of the local economy since the 2008 financial crisis**, during which the government, on the verge of bankruptcy, had to nationalize debt-ridden banks. Paradoxically, the episode put the country in the spotlight, as did the eruption of the Eyjafjallajökull in 2010 (...). Since then, the explosion in tourist arrivals - from 450,000 in 2010 to more than 2 million in 2018 - has taken the country out of the rut but has made it dependent: tourism now accounts for 23% of GDP.
So it is this whole area of the economy that could be blamed for the bankruptcy of Wow Air. (...)

> 737 MAX: Boeing is overwhelmed by claims for compensation

(source Capital) May 23rd - For a little over two months now, no Boeing 737 MAX has surveyed the sky. The entire fleet is grounded after the Ethiopian Airlines and Lion Air crashes, which killed 157 and 189 respectively. (...)
Three of China's largest airlines, **Air China, China Eastern Airlines and China Southern Airlines**, **claimed compensation from Boeing this week for** financial losses generated by the fleet's immobilization and postponements of deliveries of the 737 MAX, report Les Échos. (...)
Before the three Chinese companies, the European **Norwegian Air Shuttle and Ryanair** have already announced that they want to obtain repairs. (...)
Same complaint from **Turkish Airlines**, (...) **Emirates (...**). On the experts' side, the need for Boeing to make compensation is confirmed. And the bill will be high, depending on the economic title: the bill could reach billions of dollars.

My comment: *The return to service of the B737 Max is an important issue for Boeing: the B737 represents 80% of its order book.*

> 737 MAX: no official return date for Boeing

(source Les Échos) May 24 - **The 737 MAX**, whose MCAS stall protection system was singled out in the Ethiopian Airlines accident on March 10 (157 fatalities) and the Lion Air accident on October 29 in Indonesia (189 fatalities), failed to **obtain a return to service date**

after more than eight hours of discussions by the world civil aviation authorities, meeting Thursday in Texas.
At a press conference, Dan Elwell, acting head of the FAA (the U.S. Federal Aviation Agency) said that "the only timetable is to ensure that the plane is safe before flying". The **mistrust would come mainly from regulators in other countries towards the FAA regarding its certification system**. Thus, foreign authorities in the United States would have asked "many questions", seeking "clarifications" on the procedures.
On Wednesday, **Dan Elwell indicated that Boeing had not submitted for evaluation the MCAS stall protection system update, due to additional questions**. However, last week, the aircraft manufacturer stated that the patch was ready for certification. (...)
Even as the U.S. authorities lifted its flight ban, on Wednesday, Canada and Europe indicated that they would set their own date for the resumption of 737 MAX flights. The wait is far from over and this uncertainty should be quickly perceptible on the stock market, for the American airline giant.

My comment: *For the return to service of the B737 Max, there are points of divergence on pilot training.*

The United States believes that computer-based training is sufficient for experienced pilots, while other countries want to require pilots to switch to flight simulators.

This would significantly extend the time to return the aircraft to service, as there are only two simulators in the world to date: one in the United States and one in Canada.

> The Airbus A220 family has just gained an extra hour of autonomy

(source Le Journal de l'Aviation) May 21 - Christian Scherer, **Airbus' sales manager, has** (...) **announced a very significant increase in the range of the two A220 family members** (ex-CSeries).
The range of Airbus Canada aircraft has been increased by 450 nautical miles (830 km) thanks to a future increase in the maximum take-off weight (MTOW) of about 2.3 tonnes. This option, which will be available from the second half of 2020, will enable the A220-100 to reach 3400 nautical miles (6300 km) and the A220-300 to reach 3350 nautical miles (6205 km).
The extension of the A220 family's radius will open up new markets for it, as will additional direct lines between Western Europe

and the Middle East or between South-East Asia and Australia. There is also no doubt that new routes will also be possible between North and Central America. (...)
Airbus Canada's A220 family order book totals 530 aircraft.

My comment: *Airlines are increasingly seeking to serve medium-sized cities directly without using hubs. They also want to offer more frequencies in order to attract professional travellers.*

To meet airlines' expectations, aircraft manufacturers are increasing the range of single-aisle aircraft, while striving to ensure that their consumption per passenger carried remains lower than that of dual-aisle aircraft.

> Is a single pilot in the cockpit of Airbus and Boeing aircraft inevitable?

(source La Tribune) May 23rd - **Airbus is working on the transition to a pilot in the cockpit (in the cruise phase) of** commercial aircraft around 2023. (...)
However, a possible commissioning in 2023 means that, in view of the time required for the certification of such a project, it is at an advanced stage (...). Airbus intends to use the automation developed for autonomous flying objects to develop the concept of "Single Pilot Operations (SPO)". (...)

Supporters of the transition to a pilot in the cockpit believe that the **presence of two pilots in the cockpit occurs during the cruise phase "where the systems are essentially monitored"** and, by reducing the crew's workload tomorrow by transferring part of them to the "engine", this presence of two pilots is no longer necessary. This is only in the cruise phases. (...) In
addition, they argue, the reduction in the number of pilots on board allows each pilot to do more take-offs and landings and thus to address a competency problem observed on pilots of flights with a heavy crew. (...)

"We are under-activity on a cruise, that's obvious. However, it is necessary to be able to respond to the immediacy of a deteriorated situation. That's why the pilots are here. Humans have a reaction capacity and a level of finesse that the machine doesn't have, but they make mistakes," explains **one captain**, who **wonders how a single pilot can handle a sudden degraded situation in a stressful situation while the captain returns from his bunk** (...).

Pilots' concerns take other forms that have little to do with flight safety. In particular, the financing, in France, of the retirement pensions of seafarers. If there are fewer pilots, there are de facto "fewer contributors to the CRPN (pension fund for seafarers)", explains one pilot.
The transition to a pilot in the cockpit will potentially be the last step before the autonomous aircraft. A subject that irritates pilots, including those who are less reluctant to "SPO". Obviously, even if the use of technology has made air transport very safe, the **issue of passenger acceptance will obviously arise as early as SPO** (Single Pilot Operations). **That is why experts are seeing the first commissioning of cargo aircraft.**

My comment: *Despite the unfortunate counter-example of the B737 Max, it must be acknowledged that technology has made air travel safer.*

Other factors have improved safety. Among them is system redundancy.

For me, the simultaneous presence of two pilots in the cockpit is a form of redundancy. I have a hard time accepting the idea of doing without it.

> MEPs vote for an air contribution for failing to tax kerosene

(source AFP) May 23 - **MEPs voted overnight in committee for a contribution from air transport to the financing of other modes of transport**, without going as far as a taxation of kerosene, a subject that must be settled "at European level" according to the government.
This contribution of around €30 million will be a reallocation of the surplus revenue from the solidarity tax on airline tickets, known as the "**Chirac tax**", to the Agence de financement des infrastructures de transport de France (Afitf). (...)
"**France will push for a Europe-wide taxation of air transport, but this must be done on a European scale,**" Mrs Borne told the Committee on Sustainable Development. But it can "already send a sign of its mobilization on the subject" through this contribution, she stressed. (...)

My comment: *The Chirac tax is intended to finance UNITAID, "an international organization that invests in finding ways to prevent,* *diagnose and treat HIV/AIDS, tuberculosis and malaria more quickly, effectively and at a lower cost".*

The French government has decided to allocate part of this tax "to the financing of cleaner transport, in particular rail transport" (sic).

> Safran is making its way into the uncertain race for the electric aircraft

(source La Tribune) May 27 - While social pressure is increasing on air transport for this sector to step up its efforts to reduce its CO2 emissions, which represent 2.5% of global emissions, **the Safran aerospace group has embarked strongly on electric propulsion, with the** firm intention of "racing ahead", according to Stéphane Cueille, Safran's Director of Innovation and R&T. (...)
For very small flying machines, (...) intended for very short distance flights, such as flying taxis, cargo logistics drones, or even **passenger transport** aircraft **with a dozen seats** (...), Safran is more present than ever by working on several demonstrators. In 2019, the group already plans to deliver 200 engines, all built at its Villaroche site in the Île-de-France region. (...)
Another target market is that of "chip jumps" in aircraft with less than 20 seats, (...) integrating a share of electricity into the propulsion system, which will make it possible to carry out, depending on the distance, 100% electric or hybrid flights. Such devices could emerge after 2025. Safran is therefore on all fronts. (...)
Beyond these small vehicles, **it is difficult to envisage today larger electric aircraft** capable of fulfilling the missions of the A320 or B737 one day. As a reminder, the latter carry nearly 80 tonnes at full load over 3,000 nautical miles.
"Battery specialists tell us that they don't have what we need in the boxes (...). **Even if we multiply by 5[the power of the batteries] (...), it would take (...) an aircraft the size of an A380 to carry 200 passengers between Paris and Toulouse!** (...)
In view of today's technology, it is difficult even to imagine an all-electric aircraft for the N+2 generation of medium-haul aircraft in the 2060s. As for long-haul flights, no one thinks about them. Also, all eyes are on biofuels, which are struggling to take off in aviation. Fifteen years after the flight of a Virgin B747 with an engine powered by a mixture of biofuel and kerosene, these alternative fuels represent only a drop in the airlines' total consumption.

***My comment: It** cannot be said more clearly: medium-haul aircraft leaving factories in 2060 will not be powered by electric motors.*

To reduce CO2 emissions, other means will therefore have to be considered.

End of the press review

> Air France-KLM General Shareholders' Meeting on 28 May 2019

The Air France-KLM general shareholders' meeting is being held this Tuesday, May 28 at 2:30 pm at the Espace Grande Arche de la Défense.

I would like to thank all of you who, holding Air France-KLM shares or shares (FCPE Majoractions, Aéropélican and/or Concorde at Natixis), have entrusted me with their powers.
For more details, find my Flash80.

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

The Air France-KLM share price was €7.828 at the end of Monday 27 May. It is down by 3.86%, after decreases of 1.05%, 12.34% and 7% in the previous weeks. It is necessary to go back to July 2018 to find trace of such a low price

The average (consensus) of analysts for the AF-KLM share is 10.77 euros. It decreased following the announcement of the first quarter's results and the announcement of a new voluntary departure plan for port of call staff.

The barrel of Brent oil (North Sea) **is down from $2 to $70.** 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

Director Air France-KLM representing PS and PNCV employee shareholders You
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