



## I Letter from the Director Air France-KLM

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

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### *The Press Review on Monday...*

#### > The French State does not plan to increase its shareholding in Air France-KLM

(source Agefi-Dow Jones) August 30 - **An increase in the French State's stake in the capital of the Air France-KLM air transport group is "not on the agenda",** said Friday[August 29] the Commissioner for State Investments, Martin Vial, on Radio Classique.

"Our objective is not to increase our shareholdings in commercial companies" and consequently "the increase of our shareholding in Air France-KLM is not on the agenda", said the senior official.

The French State holds 14.3% of Air France-KLM, compared with 14% for the Dutch State, which suddenly acquired a stake in the airline group at the end of February, to everyone's surprise.

Following this capital increase in The Hague, the **French Minister of Economy, Bruno Le Maire, and the Dutch Minister of Finance, Wopke Hoekstra, set up a joint working group to strengthen Air France-KLM.** "These discussions aim to reach agreement on converging views on how to develop the group, on governance and on the organisational structure of the Air France-KLM group," explained Martin Vial.

**The results of the work of this working group, initially expected by the end of June, are still not known.**

**My comment:** *The joint working group created by the French and Dutch ministers is*

*led by Martin Vial, head of the EPA (Agence des Participations de l'État français).*

*His appointment as an Air France-KLM director last June is likely to facilitate the work of the members of this group.*

### > Transavia: why "historical" pilots do not believe in the company's growth

(source Air Journal) August 30 - From September 1, 2019, until October 15, **a small number of Transavia pilots, who** could be described as the company's "historical" **pilots, gave notice of a strike via the airline pilots' union, the SPL.**

While the low-cost carrier of the Air France-KLM group has recorded good commercial results in recent years and is developing at a steady pace, these pilots feel that they are being left behind.

For them, the powerful Air France national airline pilots' union (SNPL) has total control over the company's management and its future.

"Since its creation, the airline has been blocked by the SNPL Air France: 4 aircraft, 11, 14 and then 40.

Benjamin Smith certainly wants to develop Transavia, but in exchange the SNPL wants to take full control of the company," says Cyril Froment, a pilot since the creation of Transavia in 2007 and union delegate of the SPL (Syndicat des Pilotes de Ligne). (...)

For the latter, the **draft agreement is thus "far from being signed".**

**"Management has difficulty making it legal because an outside union has negotiated for a company that is not its own. (...)**

**More generally, the SPL calls into question the company's announced growth in the coming years.**

"More than 40 aircraft agree, but this is not possible under the current conditions: we do not have enough trainers, we already have to charter aircraft because of a lack of staff... It is impossible for us to welcome new aircraft before 2021," says the SPL representative.

He adds: "we want to be a normal company that can develop and recruit on its own, free of all these external constraints". (...)

**My comment:** *It is more than a problem of form (the non-legality of the draft agreement) that Transavia France's SPL raises.*

*The SPL pilots' union considers that the agreement negotiated by Air France's SNPL and Air France's management will not allow Transavia France to develop.*

### > Air Europa will connect Madrid to Fortaleza

(source Air Journal) August 30 - From December 20, 2019, the Spanish private

airline will offer two flights per week between its base in Madrid-Barajas Adolfo Suarez and Fortaleza-Pinto Martins airport (...).

**Air Europa will be without competition on this route, its fourth to the Latin American country** after those to Recife, Sao Paulo and Salvador de Bahia (...).

**The SkyTeam alliance airline now offers 24 transatlantic routes** (...). It also offers 13 destinations in Europe and North Africa, and 20 in Spain.

***My comment:** The Spanish airline Air Europa is continuing its development.*

*It should be recalled that Air Europa and Air France-KLM have recently created a joint venture which, once approved by the regulatory authorities, will cover all flows between Europe and Central and South America.*

*This joint venture will then have a 29% market share, just behind the IAG-LATAM joint venture, which already has a 31% market share.*

### **> Aigle Azur files for bankruptcy: Air France on the spot**

(source La Tribune) September 2 - **Aigle Azur has declared itself in suspension of payment and has been placed in receivership.** The flights continue. Air France is working on an offer and is one of the potential candidates for the takeover of all or part of Aigle Azur.

The axe has fallen for the 1,150 employees of Aigle Azur (...).

With around 20 million euros in the cash registers, **Aigle Azur has enough cash at its disposal to last until mid-October or even the end of October**, according to a member of the Works Council. The flights are maintained. But **since the media coverage of the company's difficulties at the beginning of August, reservations for the coming months, synonymous with cash inflow, have collapsed.** The announcement of the filing for bankruptcy can only amplify this phenomenon. The timetable is therefore very tight (...).

According to several sources, Maître Bourbouloux (provisional director of Aigle Azur) informed the Works Council that she had received an expression of interest from Air France (...) without specifying whether the idea was to take over all or part of Aigle Azur. When asked, the company did not make any comments (...).

As indicated in our columns last Friday, Lionel Guérin and Philippe Micouleau, respectively former Deputy Managing Director of Air France and former CEO of HOP, are also working on a project to acquire Aigle Azur (...). These two leading figures in French air transport are in discussion with investment funds specialising in company turnarounds, which are well known to the interministerial committee for industrial restructuring (Ciri).

At the origin of a fantastic week, Richard Houa, president of the Lu Azur company, a

19% shareholder of Aigle Azur, should also be a candidate for the takeover. As for Vueling, which was prepared to pay around €20 million to recover flights to Portugal, it remains to be seen whether it will confirm its interest (...).

**My comment:** After last week's ugly episode, which saw the main shareholders of Aigle Azur torn apart, a provisional administrator was appointed.

*It will have the difficult task of finding a buyer likely to turn Aigle Azur around and preserve the jobs of its employees.*

### > Ryanair basic project in Beauvais: elected representatives vote for derogations from the curfew

(source Le Parisien) August 30 - "The day before, some mayors told me they were going to vote against it, and today they did the opposite," says **Dominique Lazarski, president of the Beauvais-Tillé airport residents' association**. This Friday, she participated in the **Consultative Commission on the Environment in the presence of eight representatives of local residents, eight elected officials, including Mayor Caroline Cayeux (DVD), and an aeronautics college on the project for a Ryanair base in winter 2019**. A case that provides for "exceptional" derogations from the curfew established since 2002. Currently, according to the latter, a fine (up to €40,000) is provided for if an aircraft takes off or lands between midnight and 5 a.m.

A unanimous vote

Of the 24 participants, 16 voted in favour and 8 against, namely... the local residents' associations. **"I am very disappointed with the position of the elected representatives**. We were only proposed a "sentence" to be added to the order: "that the other provisions of 2002 remain unchanged". Therefore, **all of them validated the "derogations" envisaged**. We'll have planes at night," she annoys herself. This, she said, would encourage the Minister of Transport, Elisabeth Borne, to launch the validation process of the database. "The opposite would have made him think. We feel we've been wronged. "» (...).

The next step: the file will be evaluated by the Airport Noise and Air Quality Control Authority (ACNUSAT) next Wednesday, with a further advisory opinion. Before being then launched for consultation on the Ministry's website for 21 days.

**My comment:** The approach of the Beauvais elected representatives is understandable. They are looking to maintain a job-creating activity in their region.

*But at what cost?*

*If Ryanair continues to develop there, residents will see an increase in nuisances.*

*In addition, elected officials will probably have to increase the aid they pay to*

*Ryanair. This approach was recently deemed illegal by the European Commission in Montpellier, Pau, Nîmes and Angoulême.*

### > Low-cost Norwegian seeks the help of its creditors

(source awp/afp) 2 September - The low-cost airline **Norwegian Air Shuttle announced on Monday that it has requested a rescheduling of its bond repayments, for a total amount of nearly 350 million euros, which would give it a boost in financial terms.**

To convince its creditors, Norwegian proposes to provide its slots (take-off and landing slots) at London Gatwick Airport as collateral, while the obligations concerned are currently not secured.

The third European low-cost airline is expected to repay €250 million in December and SEK964 million (97.3 million Swiss francs) in August 2020, which it hopes will be extended to November 2021 and February 2022 respectively (....).

**Norwegian (...) a pioneer in low-cost long haul, is burdened with considerable debt and has been accumulating losses since 2017.** These difficulties were aggravated by problems with its Rolls-Royce engines and the immobilization of the Boeing 737 MAX, of which it operates 18 aircraft (...).

To get out of the rut, Norwegian announced last month the sale of its banking assets (...).

The company also closed bases and air links, and delayed the delivery of a number of new Airbus and Boeing aircraft. It is also negotiating the sale of part of its fleet to a joint venture that could be set up with a financial partner (...).

***My comment:*** *For the past two years and the launch of its long-haul, low-cost business, Norwegian has been accumulating losses.*

*The Norwegian company is trying by all means to pursue its strategy. If it were to fail, it would prove the European majors, which are sceptical about the relevance of this model, right.*

### > AirAsia X's second quarter results: reduced capacity and increased operating loss

(source AirAsia X) August 30 - In the **second quarter of 2019**, the wide-body operator **AirAsia X posted an operating loss of €23 million** (operating margin of -10.9%), a deterioration of €3 million (-1.8 pt operating margin) compared to the same period in 2018 (...).

It reduced its capacity by -6% but still **faced a 1 pt drop in the filling rate (from 81% to 80%)**.

Its revenue decreased by 4% to €216 million, as AirAsia X welcomed fewer passengers.

Unit revenue at Headquarters Offered Kilometre (RSKO) improved by 2% to 2.56 cents, but the Unit Cost at Headquarters Offered Kilometre (CSKO) increased more (4%) and is higher (2.87 cents).

**My comment:** *Despite a unit cost per seat kilometre, one of the lowest in the world (2.87 cents), much lower than that of the Air France-KLM Group for example (7 cents), Air Asia X is unable to balance its accounts.*

*One figure concerns me: its very low load factor for a low-cost airline; it is 80%, while major airlines such as the Lufthansa group (81%) and the Air France-KLM group (90%) are doing better.*

*Whether in Europe or Asia, the low-cost long-haul model is struggling to ensure its sustainability.*

### > **The reconstruction of runway 3 in Orly, a gigantic 120 million euro project**

(source Le Figaro With AFP) August 27 - The **ADP group has begun reconstruction work on runway 3 of Orly airport, more than seventy years old**, a gigantic project that will last four months until December 2 for a total investment of 120 million euros (...).

Runway 3 at Orly, the southern Paris airport managed by Aéroports de Paris (ADP), was built in 1947 and extended in 1959 to a length of 3,320 m (...).

**The two-thirds West of the track must be completely deconstructed and rebuilt and the East third is reloaded with asphalt.**

The closure of runway 3 for the duration of the works, which began on 28 July, and of runway 2 until early September - limiting operations on the platform during the first phase to a single runway - required programme adjustments by the airlines. A total of 4,600 flights out of a total of 55 to 60,000 were cancelled, 3,000 rescheduled and a limited number carried over to Paris-Charles de Gaulle airport, according to ADP (...).

**My comment:** *The year 2019 will be the year of renewal in Orly.*

*After the opening of the link between the two former Orly-Ouest and Orly-Sud airports in the spring, the Paris airport will have a brand new runway by the end of the autumn.*

### > **737 MAX: Experts need more time**

(source Reuters) August 30 - **The U.S. Federal Civil Aviation Authority, the FAA, announced on Friday that the international expert committee handling the Boeing 737 MAX case would need a few more weeks to complete its report on**



**the certification of the aircraft that has been immobilized for nearly six months.**

The

team of experts needs time to document its work, explains the Federal Aviation Administration, which says it is waiting for its recommendations in the coming weeks. Before this announcement, Boeing had stated that it hoped to be able to carry out a certification flight in September, with a view to resuming commercial operations of the 737 MAX at the beginning of the fourth quarter (...).

**My comment:** *The situation is not improving for Boeing. It is currently impossible to say when the 393 Boeing 737 Max aircraft blocked around the world will once again be able to operate commercially.*

*This uncertainty has led United Airlines to cancel all its planned flights on MAX 737s until December 19, 2019.*

*In addition, several American airlines have decided to park their 737 Max throughout the winter in the Californian desert or Arizona...*

### **> Rio-Paris crash: the report that targets Airbus**

(source Le Parisien) August 31 - **Ten years after the crash of flight Rio-Paris AF447**, which killed 228 people on June 1, 2009, the **investigating judges of the collective accident division of the Paris court are soon to issue their decision. We will then know the judicial fate of Air France and Airbus**, indicted for manslaughter since 2011 in this case. The airline and the manufacturer of the A330, or both, could be referred to the criminal court or dismissed. **In mid-July, to the great displeasure of the victims' families, the Paris public prosecutor's office had requested Air France's sole dismissal and a dismissal for Airbus**, considering that "no criminal fault related to the accident can be attributed to the manufacturer" (...).

Created in the wake of the tragedy, as a civil party to the case, **Entraide et solidarité AF447** does not resign itself to the idea that only the pilots or the Air France company, if the latter were ultimately referred to the criminal court, would be designated as responsible for the tragedy. Before the decision of the investigating judges was taken, it **therefore took out of its drawers a document which proves, according to it, that Airbus was "fully aware" of the failures of these probes manufactured by the equipment manufacturer Thalès**. "This is our last cartridge," explains its president, Danièle Lamy. "We kept this card for the trial," explains his son Laurent Lamy, a computer scientist, who is very involved in the informal committee of experts that has formed around the association.

Dated November 2004, entitled "Expertise of a Pitot probe", this document prepared for Thales was transmitted to them by an anonymous source two years ago. It details in 36 pages the results of the comparative study of the ageing of two probes with

"about 10 000 flight hours". One, very degraded, is an AA Pitot (Thalès) with strong corrosion; the other is a Goodrich

Pitot (manufactured by Aérospatiale), slightly degraded. **"This report, of which Airbus was probably aware, shows that Thales knew that its probe was almost out of order after 10,000 hours of flight,"** says Laurent Lamy. Corrosion of the tubes made the heating system inefficient. **However, the AF447's probes had a total flight time of nearly 19,000 hours!** That's almost double..." (...).

For families, the lack of information to crews about the icing of upper air probes that contributed to the pilots' surprise effect, sufficient in the eyes of the public prosecutor to justify Air France's dismissal, should also be so for Airbus. **"A judicial debate without Airbus would be a truncated debate," insists the association (...).**

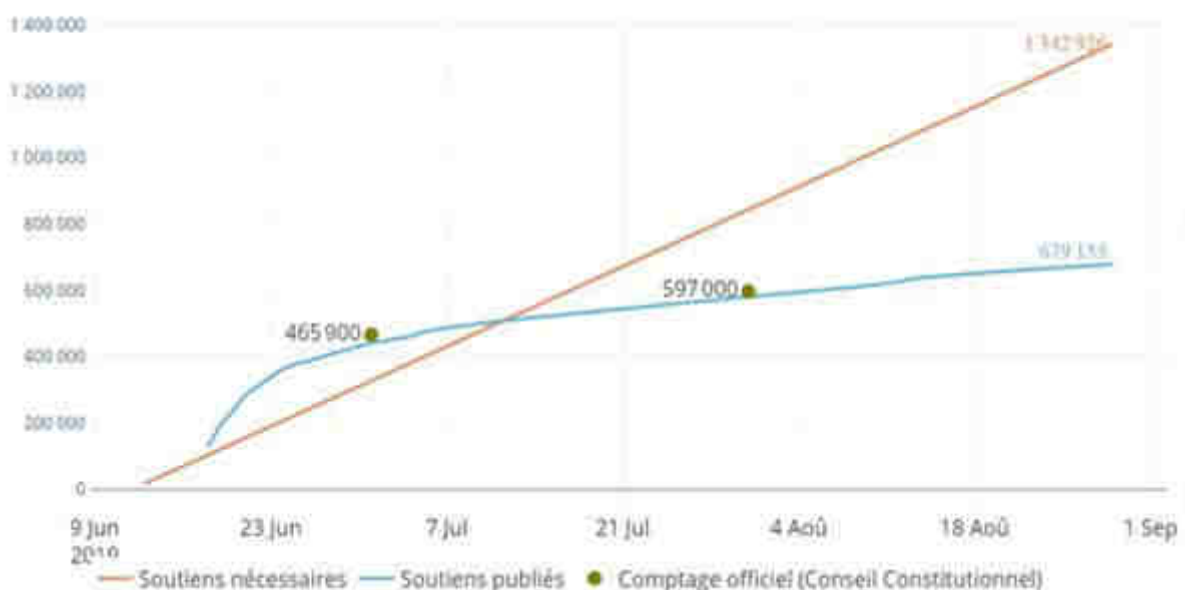
***My comment:*** The decision of the Paris Public Prosecutor's Office to request a dismissal of Airbus surprised most observers.

*The new information provided by the association Entraide et solidarité AF447 could lead the investigating judges to take a different decision.*

### > ADP referendum: the petition in support of the RIP is increasingly compromised

(source Huffington Post) August 29 - **To reach the number of supports needed to organize a RIP would require more than 20,000 new signatures per day, but the average is less than 4,000.**

Evolution des soutiens au 29 août 2019 + 2196





ADP - That's still a long way from it. The Constitutional Council has registered as of Thursday 29 August 713,000 supporters of the Shared Initiative Referendum (RIP) on the privatisation of Aéroports de Paris, representing 15% of the signatures required by mid-March 2020.

This figure, published on the adprip.fr website, confirms a significant drop in mobilization during the two months of the summer holidays, after a good start in the spring. As of July 1, at the time of the first score, 480,300 supporters had been registered (10%) and there were 615,000 (13%) as of July 30.

To be validated, the proposed referendum law must be approved by one-tenth of the registered voters, or about 4.7 million people. To reach this figure, it would now require more than 20,000 signatures per day. (...)

According to a recent YouGov survey for Le HuffPost, **75% of French respondents are "ready to sign a petition calling for a referendum on the privatisation of Paris Airports". They obviously had trouble getting from words to deeds.**

***My comment:** While 75% of the French people are in favour of a referendum on the privatization of Paris Airports, only 1.5% of the voters have signed the petition.*

## ***End of the press review***

### **> Follow-up to the referendum on the privatisation of Aéroports de Paris**

The consultation mechanism on the privatisation of the ADP group is open from 13 June to March 2020. To lead to a shared initiative referendum (RIP), it requires the signature of 4.7 million voters.

On the Internet, the consultation is signed on the website referendum.interieur.gouv.fr

As of 29 August, the consultation had collected 713,000 signatures, or 15.11% of the required signatures.

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

**The Air France-KLM share price was €10.235 at the end of Monday, September 2. It is down by 0.53%.**

**The average (consensus) of analysts for the AF-KLM share is 10.79 euros.**

**The barrel of Brent oil (North Sea) is down from \$1 to \$58.**

**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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