I Letter from the Director Air France-KLM

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

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> Explanations on Flash n°81: KLM is 100 years old, in English

***My comment:** Yesterday's Flash was published in English. To celebrate KLM's 100th anniversary, it was composed solely of articles published in the Dutch press.*

Many of you have told me that you are surprised not to find a French version. It did exist, but I failed to report it. You can still consult it on my website via the link above, under the heading "If you do not see this page correctly".

With all my apologies for the inconvenience caused.
François Robardet

The Press Review on Monday...

> Pollution: Air France will offset 100% of the CO2 emissions of its domestic flights

(source Le Parisien) September 30 - The *flygskam movement, launched in Sweden, which can be translated as the shame of flying because it pollutes, is spreading. How to limit the impact of the aircraft on the environment?*

We already have many actions in place to limit our CO2

emissions. First, the renewal of 50% of our fleet with new generation aircraft that consume between 20% and 25% less fuel. There is **also eco-piloting**, the management of aircraft ground movements with the use of electric machines. **We also have CO2 emission offsets** on European flights under the ETS (Emissions Trading Scheme) and on international flights under the Corsia programme (Carbon Offset and Reduction for International Aviation). Between 2011 and 2018, we have already reduced our CO2 emissions by 20%. But we want to go further.

What do you mean?
We want to further reduce our carbon footprint. **From 1 January 2020, we will offset 100% of the CO2 emissions from our domestic flights. This represents 500 flights per day. Air France does so voluntarily without being forced to do so**. This is an investment of several million euros.

In what way?
Well, **we will finance projects for tree planting, forest protection, energy transition and biodiversity conservation**. This could correspond, for example, to planting the equivalent of 70 million trees. We have also decided to eliminate all single-use plastics on board next January. And from October, we will start sorting and recycling waste as we do at home.

Has your traffic decreased because of the flygskam?
The Swedes say they have seen a decrease in the number of people flying on their domestic flights. At Air France, we don't have enough hindsight to know that. However, our customers talk to us. I have two teenagers at home and I can tell you that the discussions at the table are quite intense on the commitments that our generation must make to ensure that our children and grandchildren can also travel by providing sustainable air transportation in the long term. We must build an airline industry that we are proud of and that does not go against the planet.

The government wants to introduce an ecotax as early as 2020, ranging from €1.50 in coach class to €18 in business class on flights departing from France. What will it weigh for Air France?
It will represent 60 million euros per year in addition to all previous taxes. It will finance road transport, which accounts for 15% of CO2 emissions worldwide, compared with 2% to 3% for air transport and rail transport, which are already heavily subsidised. This tax is nonsense. **We are not against the ecotax, but against its use. It would be virtuous if it made it possible to finance research on aircraft or to**

create a biofuels sector.

Does this mean that the price of tickets will increase?
We will not be able to pass on the ecotax because our customers would not accept to pay more. On a Paris-Nice at 93 euros, you already have 53% tax. The customer looks at the final price. He does not think I will do a citizen act by paying this tax. (...)

Are you going to continue to cut into your home network that is experiencing difficulties?
That is not our wish. The Air France brand must remain very active in France, where we have a 65% share of the air market. However, last year the domestic network lost 190 million euros. Between 2018 and 2021, we will have reduced our capacity by 15%, mainly on the cross-lines because that is where we lost the most money.

Isn't the future to transfer these lines to your low-cost subsidiary Transavia?
That is not our priority. **Our aim is to develop Transavia from our bases in Paris, Nantes and Lyon to European leisure destinations**. That is why we have negotiated an agreement with the pilots that caps the number of aircraft operated by Transavia. (...)

My comment: By being the *first airline to offset the CO2 emissions of its domestic flights as early as 2020, Air France is showing great ambition.*

To ensure the effectiveness of the actions carried out, the controls will be carried out by independent organisations. In particular, they will ensure that:
. the projects selected produce the expected results quickly,
. that their effectiveness is sustainable,
. that they do not harm the environment,
. if necessary, that they contribute to the development of the countries where they are implemented.

This programme is in line with the measures taken by Air France for many years to reduce its CO2 emissions. It should be noted that between 2005 and 2018, the company has already reduced its net emissions by 7%.

> For France, the Netherlands cannot be a shareholder of Air France-KLM and KLM

(source La Tribune) 4 October - **Negotiations between France and the Netherlands to define a new group organisation based on consensus** were launched in March after the Dutch State's sudden takeover of Air France-KLM's shareholding in the French State (14%). As a reminder, the working group chaired by Martin Vial, the Director of the State Participation Agency, was initially scheduled to issue its conclusions at the end of June.

Many points of difference remain unresolved, in particular the weight of the Dutch State within the group, which is now greater than that of the French State. Indeed, until now, the French State has been present in the capital of Air France-KLM but not in the capital of Air France, whereas the Dutch State was not present in the capital of Air France-KLM but in the capital of KLM. With two Batavian foundations, the Dutch State even owns a majority of KLM's capital. Since its coup de force, the Dutch State has therefore been a shareholder of both the group and its Dutch subsidiary, while France is only a shareholder of Air France-KLM.

"The discussion with the Dutch State concerns the clarification of KLM's position in the group. We want a normalisation of the capital structure", Martin Vial, the State's Commissioner for Investments, explained this Friday to some journalists, reminding them that "**the Dutch State is both a shareholder of Air France-KLM and KLM", while the French State is no longer in Air France's capital.**

"When you have a shareholder who is both at the top (parent company shareholder, NDLR) and at the bottom (in a subsidiary, NDLR), it means that you cannot manage your subsidiary completely autonomously since your shareholder in top governance has a say in how the bottom works. This distorts the normal management of a group," he explained.

For him, the Dutch State must choose: to own Air France-KLM or KLM. (...)

> KLM grants substantial salary increases to its employees

(source Les Échos) October 2 - Social peace is back at KLM. After three strikes by its ground staff, which resulted in the cancellation of nearly 100 flights, **the Dutch airline**, a subsidiary of the Air France-KLM group, **has just signed a multi-year social agreement** putting an end to the turbulence of recent weeks.

This
multifaceted **collective agreement, which required five months of negotiations with eight unions, includes mainly wage increases for all employees**. "The negotiations have resulted in steps forward by both sides. The result is substantial salary increases while creating a calm and clear environment with measures that benefit employees," KLM said in a statement.

In detail, pilots and cabin crew are being granted a 7% salary increase over the next two years, without any review of their profit-sharing. The approximately 14,000 employees employed on the ground will benefit from an 8.5% wage increase over the coming period, but their profit-sharing will be reduced.

In addition, the collective agreement includes new measures on working conditions, including more flexible work schedules. In response to the overload of work reported by ground staff, KLM plans to create 80 new posts, including baggage handlers. In response to the trade unions' concern about the spread of precarious employment within the company, most of them will have a five-year employment contract. (...)

My comment: *Negotiations for the renewal of the collective agreement at KLM have been exceptionally long.*

They began shortly after the Dutch company's trade union organisations supported the renewal of their CEO at the head of their company. They ended a few days before the celebration of KLM's centenary.

Negotiations for the renewal of the collective collection at KLM are subject to a process similar to the mandatory annual negotiations (NAO) in France. As a reminder, in France, these annual negotiations are grouped into three main themes:
. remuneration, working time and the sharing of added value;
. professional equality and quality of life at work;
. job and career management.

> Nathalie Stubler (Transavia): "we want to write volume 3 of our history"

(source TourMaG) October 1 - After welcoming 15.8 million passengers in 2018 (+7.1%), **Transavia will once again show encouraging growth this year**.

"It's been a **great summer," says Nathalie Stubler**, CEO of Air France-KLM's low-cost subsidiary, from the IFTM Top Résa stand, which opened on Tuesday, October 1 in Paris.

Over the period from January to August 2019, Transavia posted an overall growth of 10%, with an increase in the number of passengers carried and a higher load factor. Only punctuality should sag. (...)

Would a disruption of the development program in the provinces be expected?
"Not at all," replied the management. "**Nantes remains a priority, and** traffic has increased by 50% over the past year, with filling rates remaining steady and price pressure tending to stabilise. It is still an extremely interesting market for us," says **Nathalie Stubler, adding that Transavia wanted to establish itself "over the long term".**

40 aircraft in 2020, then no more limits Especially since, after their colleagues at Air France, the members of the SNPL Transavia have just voted 90% in favour of the **development agreement for the low-cost subsidiary of the Air France-KLM group**.
The
agreement **has now been definitively signed and the company will be able to expand without limit after a partitioning to 14 and then 40 aircraft.**

"This is an extremely important step in the history of our company," says Nicolas Hénin. After having focused on clearly explaining its projects to its unions, management now feels it has the green light to write "volume 3 of our history," says Nathalie Stubler, speaking of a very "exciting" moment.

The objective of reaching 40 aircraft by 2020 can therefore be achieved. (...)

My comment: *Transavia France, often described as the nugget of the Air France group, will now be able to look forward to a more peaceful future.*

The only drawback is the uncertainty about the return to service of the Boeing 737 Max. As long as it remains grounded, there will be few opportunities to acquire standard B737s.

> Medical teleconsultations for Air France passengers

(source Air Journal) October 4 - **Air France will offer a teleconsultation service with a French-speaking healthcare professional 24 hours a day, 7 days a week, to passengers travelling abroad who have subscribed to** Allianz Travel Multi-risk or Assistance **insurance.** (...)

This teleconsultation service "accompanies travellers to reassure them in the event of health problems abroad. They have quick access to a reliable response regarding a health problem, treatment or referral to appropriate and recognised local healthcare facilities," Air France points out in its press release. In accordance with the requirements of health data protection and security, exchanges will be carried out "in complete confidentiality". **This is the first time in France that teleconsultation, accessible from anywhere in the world (except North Korea), is offered in a travel insurance policy. It responds to "cases of mild symptoms and is complementary to medical assistance, usually offered as part of travel assistance"**. (...)

"This new service offered to our customers is a real added value because it reassures travellers who sometimes travel to the other side of the world. Indeed, **thanks to teleconsultation, they can travel more easily** by having access to the expertise of a French doctor 24/7 **and benefit quickly from a prescription if necessary,**" said Patrick Alexandre, Deputy Managing Director of Air France KLM, Sales, Sales & Alliances. (...)

My comment: *This is the second agreement signed in a few months between Air France and Allianz Travel.*

The first agreement allows Air France customers who have signed a contract with Allianz Travel to be compensated from 2 hours late (in addition to the regulatory compensation). The compensation amounts to 50 euros and is paid to customers within 5 days.

> XL Airways, Aigle Azur: why bankruptcy did not save them

(source La Tribune) October 6 - **One week after Aigle Azur, XL Airways was also placed in liquidation**. Its 570 employees will be laid off within three weeks. **In total, the two French airlines leave more than 1,700 employees on the payroll.** They also leave thousands of passengers injured when they bought their tickets directly and hundreds of travel agencies and tour operators vulnerable.

Why, these two companies didn't survive the bankruptcies? Why, once placed in receivership, could these two companies not be taken over?
Widely covered by the media because it justifies the termination of Air France's non-receipt, in particular, the incompatibility of the rules on receivership and judicial liquidation with the reality of air transport is one of the reasons. The obligation to take over staff with their employment contract (and therefore with their remuneration and seniority) prevents any plan to take over by another airline from succeeding. (...)

But these "social reasons" do not explain everything. (...) **In both cases, the timing of the proceedings was decisive in these bankruptcies. Too tight, it did not allow the creation of serious and financed offers**. Between the placement in receivership and the deadline for submitting takeover bids, the candidates for the takeover of Aigle Azur had only one week to present their industrial plan and put together a solid round table. XL Airways had only five days. "It's not very serious," explain several candidates for the takeover of Aigle Azur

The reason is simple. The cash level of these two companies did not allow for a broader schedule. (...) If the cash registers were almost empty, it is because the declaration of cessation of payment was obviously too late. (...)

The bankruptcy was delayed because the companies first tried to find a solution before reaching this final phase. This is done under the confidential regime of judicial conciliation, which makes it possible to negotiate with creditors without frightening customers. The State was involved in these two cases since the two companies had been assisted for months by the Ciri (the inter-ministerial committee for industrial restructuring), which depends on Bercy: agreements with aircraft rental companies, freezing of social and employer's charges, ADP airport charges, etc., all these measures made it possible to push back the sand pile in the hope of finding a solution for two companies that had been in "virtual bankruptcy" for months. For a multitude of reasons, these measures have failed. (...)

If these measures made it possible to spend the summer and avoid a major mess in the middle of the summer period (Bercy's obsession), it also hurt all customers who continued to buy airline tickets during the summer for trips planned several months later and who will therefore not be insured. (...)

Travel agencies and tour operators are enraged. As in every bankruptcy, they ask for the creation of a guarantee fund so that the money from the plane tickets can be held until the theft is carried out.

My comment: *The difficulties encountered by the "small" French airlines are old.*

In the past, these companies have tried several times to get closer. All attempts to form a second French air group have failed.

> Turkish Airlines: the company that flies to the Middle East

(source BusinessTravel) October 2 - New airport, network under development, fleet transformation...At Harun basturk, the vice president of sales on the move in Paris tells BusinessTravel France more about the company's projects...

The new Istanbul airport is an extremely important asset for Turkish Airlines. The old airport was saturated. This new airport really meets all expectations. (...)

Unlike some Gulf airlines, which are experiencing a slowdown in their business such as Qatar Airways or an austerity plan such as Etihad, Turkish Airlines is continuing to grow calmly.

It must be said that **the company, unlike its rivals in the Gulf, has an extremely important asset: an internal market of about 82 million inhabitants**. (...)

But unlike others, such as American airlines that invest in Asian partners, Turkish Airlines does not have such projects. "**Our strategy is to have organic growth and we do not plan to take stakes in airlines**," he says. (...)

Nor does Turkish Airlines provide for short-term joint venture agreements, as many airlines do on transatlantic or trans-Pacific routes.

Turkish Airlines also sees differently in terms of on-board services. Contrary to market trends, it has eliminated the premium economy class from its new aircraft, the B787 and A350, configured in two-class configurations.

"We had tested the premium economy class on our B777s but it was complicated. It attracts Business travellers and this removes seats from our Business cabin. And then I no longer believe in eco-premium for point-to-point links. Excluding Turkish Airlines is a network company," he asserts. (...)

In France, the company continues to grow with a very strong regional presence. This year, it has just launched a new route to Strasbourg, its 7th destination in France. "Our hub is well positioned to serve small French cities and the idea is to bring more connectivity to people in the regions through our hub. Strasbourg is particularly important for business customers.

In France and around the world Turkish Airlines is developing serenely, far from the upheavals that are affecting some Gulf airlines.

***My comment: In** addition to its important domestic market, where competition is non-existent, Turkish Airlines has many advantages.*

Turkey is ideally located between Europe, Asia and Africa. A position that allows Turkish Airlines to supply its hub with short-haul flights from Europe, then to serve a vast international network mainly with single-aisle aircraft (70% of its destinations are accessible with this type of aircraft).

Turkish Airlines is also supported by his government. It has just made available a brand new airport with an initial capacity of 90 million passengers. This capacity is expected to increase to 120 million passengers by 2025. This will allow Turkish Airlines to consider doubling its fleet in six years.

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 7 October, the consultation had collected 819,000 signatures, or 17.36% of the required signatures.

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

The Air France-KLM share price is at €10.05 at the end of Monday 7 October. It is up (for the fourth consecutive week) **by 4.67%.**

The average (consensus) of analysts for the AF-KLM share is 10.74 euros.

The barrel of Brent oil (North Sea) **is down from $3 to $58.** Apart from two short periods, it recorded its lowest price since the beginning of the year.

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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