



## 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...*

#### > **Air France - KLM: +1.6% passenger traffic in October despite Transavia's decline**

(source actu-aero) November 14 - With 9.2 million passengers carried in **October 2019, the Air France-KLM group recorded a very slight drop (0.1%) in the number of passengers**, corresponding to a 1.6% increase in traffic (m of PKT) compared to October 2018. The **overall load factor for the** companies of the Franco-Dutch group increased by 0.5% to **88%** last month.

After several months of upward pressure, the **growth of Transavia, the group's low-cost subsidiary, collapsed in October with 1.5 million passengers (-3.4%)**, which mainly corresponds to the decline in offered capacity of -1.2% over the month, for a load factor of 92% (-0.3 points). In total since the beginning of 2019, Transavia's total number of passengers now stands at 14.84 million passengers carried (+5.6% vs. the same period in 2018). (...) In

total, the number of passengers carried since the beginning of 2019 by Air France, KLM and HOP! amounts to 73.9 million passengers, an increase of 2.5%.

**The group's cargo business fell sharply in October (-7.2%)**

compared with October 2018, with 735 tonne-kilometres carried, for a load factor of 58.5%. Since the beginning of 2019, the cargo business

has totalled 6994 tonne-kilometres carried (-1.9%).

**My comment:** *To claim that Transavia's growth is collapsing is very exaggerated.*

*The low-cost airline of the Air France-KLM group has 79 aircraft. A 1.2% decrease in capacity represents only one less aircraft in operation.*

### > **Pieter Elbers, CEO of KLM: Equal opportunities are crucial**

(source Telegraaf translated with Deepl com) November 13 - **Pieter Elbers**, CEO of KLM, **told the** Elsevier Weekblad economic conference on Tuesday evening that European and global laws and regulations are necessary for the company's future. **"We will lose our competitive position very quickly if the rules of the game are not level.** The benefits of aviation are low. Aviation pays a lot of taxes and pays for its own infrastructure," said Mr. Elbers.

Last week, it was announced that Secretary of State for Finance Snel (Finance) received support from nine countries for the introduction of the flight tax. If this plan does not materialise, the Netherlands will introduce its own flight tax in 2021, which will cost the aviation sector a few thousand jobs. (...)

**Mr Elbers called for more action at European and global level.** "We waste a lot of fuel making detours. If we used European airspace more efficiently, it would make a big difference in terms of time and money. We should also collaborate on research and development."

According to the CEO of KLM, stopping air traffic is not a realistic scenario and certainly not economically realistic. "It's about finding sustainable solutions together, on a global scale," says Elbers. "We cannot rely on mineral resources. Our economy is based on trade, and aviation is part of this logic."

**The CEO of KLM sees the added value of working with Air France,** he said last night. Over the past year, there have been regular tensions between KLM and Ben Smith, CEO of the Paris holding company, over, among other things, the renewal of Elbers' mandate. **"If we want to participate in the aviation game, we have to be a certain size. We have to organize things well internally."**

**My comment:** *The three CEOs of Air France-KLM, KLM and Air France share the same vision: to reduce the ecological impact of aviation, decisions must be taken on a global scale.*

*Two main avenues should be explored:*

- . offsetting CO2 emissions with actions that have an immediate effect,*
- . research and development of a clean fuel.*

## > **Transavia Netherlands: a flexible response to market developments**

(source Luchtvaartnieuws Magazine translated with DeepL com)

November 13 - Transavia is one of Air France-KLM's three strong brands. The airline has a strong reputation in the Netherlands and France, and wishes to continue its growth in the coming years. "In recent years, our company has evolved into a flexible organization that is able to react quickly to market changes," explains Petra de Ruiter, Chief Operating Officer. (...)

While the French sister company **Transavia France will be able to expand in the coming years**, thanks to an agreement between Air France and the pilots' union SNPL, **Transavia does not have this luxury in the Netherlands**. "The situation between the two Transavia is very different," says De Ruiter. In France, Air France-KLM uses Transavia to provide a national response to easyJet and Ryanair, while Transavia has been the holiday and budget company in the Netherlands for many years. "We have achieved incredible results in recent years. This is rather good, given the **limited availability of slots at airports such as Schiphol, Rotterdam and Eindhoven**. »

**Unbridled growth is therefore not part of the strategy in the Netherlands**. (...) In recent years, Transavia has become less and less dependent on tour operators to fill its aircraft, so that scheduled flights have replaced old charter flights and Transavia has been able to develop its own routes. (...)

"Sometimes it takes courage and entrepreneurial spirit to exploit striking destinations such as Amman or Beirut. We are always looking for interesting opportunities in the market, and this translates into unique routes in this case." Iceland was also a great addition to the network. "When WOW Air disappeared, we changed very quickly and added Reykjavik to the flight schedule. A good example of the flexibility offered by **our organization**, which **allows us to react quickly to market conditions**. " . (...)

In the context of sustainable development, **Transavia also wishes to invest in new aircraft**. It seems to be only a matter of time before an order for the Boeing 737 MAX is placed. "However, we will not sign until

the type's security is proven. According to De Ruiter, once the type has been declared safe again by the US and European aviation authorities, it makes sense to buy the MAX 10, which can accommodate about 200 passengers, much more than the Boeing 737-800. For Transavia, this means that more passengers can be accommodated per flight, allowing optimal use of the few slots in Schiphol, Eindhoven and Rotterdam. (...)

The oldest Boeing 737 in the current fleet is more than twenty years old and can last for years, but the new 737 MAX offers considerable advantages. Not only can it carry more passengers, but it is also much more economical and quiet. "Good for us and good for the environment."

**By using quieter aircraft, Transavia hopes to be able to fly cheaper, as Schiphol offers the quietest category of aircraft a discount on airport charges.** "Unfortunately, we are not yet in a position to take advantage of it."

***My comment:** The two Transavia (France and the Netherlands) have the same problem as Ryanair: their development will depend on the possible return to service of the B737 Max.*

### > **The benefits of easyJet are undermined by the chaos of Brexit**

(source The Sunday Times translated with DeepL com) November 14 - **Johan Lundgren, the boss of easyJet, warns investors that slower capacity growth is to be expected** when he reports a challenging year this week. **It should also relaunch its holiday business to capitalise on the collapse of Thomas Cook and Monarch**, as well as on declining profits.

Brexit's uncertainty affected the demand of the second largest airline in Europe, affecting its "unit revenue", a measure of the filling level of its aircraft and revenue per seat. The

carrier, founded in 1995 by Sir Stelios Haji-Ioannou, is expected to announce that its load factor has fallen by 1.4 percentage points to 91.5% at the end of September, while revenue per seat has fallen by 2.7%. **The annual results, expected on Tuesday, are expected to show a pre-tax profit down by around 26% to £430m.**

Airlines are facing Brexit's uncertainty and consumer caution. Thomas Cook's failure at the end of September followed the disappearance of Air Berlin and Monarch two years earlier. (...)

**Faced with weaker demand**, airlines are reducing their growth after

years of rapid expansion. British Airways' owner, IAG, recently stated that it would halve its expected growth over the next three years.

**EasyJet also stated that it would increase its capacity at a slower pace. (...)**

Investors will be eager to know the trend in bookings for next year, which Lundgren, the former deputy commander of tour operator Tui, wants to boost with the expansion of its holiday activities. Although easyJet has been selling holidays for a long time, they tend to have a lower priority than flights and persuade passengers to spend more on tickets. **The expansion of the holiday should result in a strong advertising push, a new website and significant use of customer data, with easyJet trying to sell customized packages to customers as well as flights. (...)**

***My comment:** To develop a "holiday" activity easyJet has several advantages.*

*It is part of a group (easyGroup) with a small expertise in the hotel sector (easyHotel) and in road transport (easyBus).*

*Will this be enough to provide a service comparable to Thomas Cook's?*

## **> Alitalia's future is still dependent on Delta or Lufthansa as industrial partner**

(source Les Échos) November 13 - Alitalia's recovery is becoming more and more like Brexit. **The Italian government has already postponed the deadline for submitting a firm takeover bid seven times. The next one is on November 21 and an eighth postponement is not excluded.** The rescue of the national airline continues to falter. Two and a half years after being placed under extraordinary administration and benefiting from a €1.3 billion bridge loan from the State, **the future of the public group remains uncertain.**

**It is suspended on behalf of the airline group likely to acquire a stake in the new Alitalia,** Ferrovie dello Stato (FS), the public railway company and Atlantia. (...) It should be Delta Airlines, which would hold 10% of the shares. (...)

But nine days before the new deadline, the American airline group has reaffirmed to Ansa that its investment will be limited to 100 million euros, while it is being urged to increase its participation. (...)

For his part, the Minister of Economy, Roberto Gualtieri, is keeping up the pressure by reaffirming that the future of the Italian company depends on a "credible industrial plan that will finally enable Alitalia to

relaunch itself with a new consortium". He added that Italy "is a strategic country from the point of view of tourism and trade, and it is important to have a major global player in the structure of society".

If Delta does not, **it could be the German Lufthansa, ready to invest between 150 and 200 million euros to acquire a stake in the new Alitalia**. He expressed his interest not only in a commercial partnership, but also in taking a stake in his Italian rival. But not under any conditions: in addition to its say on governance, it will be **at the cost of a fleet reduced to 75 aircraft and a reduction in crew costs with between 5,000 and 6,000 job losses**. A "preventive" agreement with the unions should be concluded before any signature in order to avoid unpleasant surprises.

The FS plan with potentially **Delta provides for a fleet reduced to 103 aircraft, and "only" 2,500 redundancies**. A basis for negotiations close to that desired by Atlantia with its proposal of 97 aircraft and a reduction of 2,800 jobs. "The **game is not easy,**" agreed **FS boss Gianfranco Battisti**, "we know Delta's plans, we've been working on them for a year. We will see Lufthansa's offer, and **we will choose the best solution. We hope to conclude in March 2020.** »

Pending the implementation of this restructuring to ensure a hypothetical return to profitability, Alitalia's cash position as at 31 October stood at 315 million. The company is losing nearly 1 million euros a day.

***My comment:** Alitalia's fate is still not settled. What will remain of this company in March 2020, the new deadline for the choice of buyers?*

### **> 50 A350 for Emirates, a trompe-l'oeil order for Airbus**

(source Challenges) November 18 - At first glance, this is the first big blow of the Dubai Air Show, which opened its doors on November 17 for five days. As soon as the second day of the show opened, the **Emirates giant hit a major blow by announcing the order from Airbus for 50 long-haul A350-900s**, which will be delivered from May 2023. (...)

For Airbus, this order is obviously good news. (...) It marks an increase in the order announced **last February**. At the time, **Emirates had cancelled an order for 39 A380s**, precipitating the end of the giant aircraft program. **But the Dubai giant had undertaken, in compensation, to order 30 A350-900s and 40 A330-900s**, the largest version of the new A330neo. The final order for A350s therefore increases from 30 to 50 units, bringing Airbus' total long-haul orders to

963 units in 53 airlines.

But there is a problem, and of importance: if the A350 **control** has been muscular, the **A330neo control** has been put out of business. (...)

Emirates dropped the aircraft, **probably partly due to the difficulties of British engine manufacturer Rolls-Royce over the performance and production of the Trent 7000 engine**. With Emirates, it is the aircraft's second largest customer, after AirAsiaX (66 units), but ahead of the American Delta (35 units), which is running away. This is a major blow for Airbus, which is struggling to make this reengineered version of the long-haul A330 the commercial success it dreams of. Five years after its launch at the Farnborough 2014 Motor Show, the A330neo has reached a maximum of 272 orders, including only 10 for the smaller A330-800 version. (...) It

would be (...) wrong to bury **the Gulf Big Three** too quickly. Although they are outnumbered by young Asian wolves such as Indigo or Air Asia (see graph), they **still represent an essential part of Airbus and Boeing's long-haul orders**, the most profitable segment for aircraft manufacturers. They account for **two-thirds of the 326 orders for Boeing's new 777X long-haul aircraft, and more than half of those for the A350-1000, the largest version of the Airbus A350**. (...)

***My comment:** More than half of Airbus and Boeing's long-haul orders are for the three Gulf airlines, Emirates Airlines, Qatar Airways and Etihad Airways.*

*This context explains the difficulties faced by Europe and the United States in forcing the Gulf countries to comply with competition rules.*

### > **The F.A.A. resists pressure to restart the 737 Max**

(source The New York Times International translated with DeepL com)  
November 18 - As **Boeing's** 737 Max grounding enters its eighth month, the company has lobbied the U.S. Federal Aviation Administration (F.A.A.) to expedite approval of a patch required to return the aircraft to service. Before the Max is allowed to fly again, the FAA must test new software with pilots in flight simulators. Boeing has publicly indicated that the aircraft could obtain approval as early as December and **has urged the FAA to begin these tests, even though the agency has not fully approved the software**.

**FAA engineers resisted this pressure, arguing that it makes no sense to judge pilots' reactions to a system that may change later.**  
(...)

Tensions about the approval process appeared on Friday when

Stephen Dickson, the **head of the FAA**, released a video in which he **urged agency employees to deliberate carefully while reviewing the Max.** (...)

"I support what you are doing to examine aircraft very carefully, and I will support the time you need to conduct a thorough and deliberate process of safe return to service," said Mr. Dickson in the video. "This is called a just culture, which values employee judgment and the freedom to make tough safety decisions."

**My comment:** *In November 2018, a few days after the first fatal accident of the B737 Max, Boeing launched the MCAS correction program.*

*One year later, the tests of the new device are still not completed.*

*This gives an idea of the extent of the work that Boeing had to undertake to secure the B737 Max.*

## > **Climate: to save money, airlines overload aircraft with fuel**

(source Boursier com) November 11 - Profits at the expense of the climate... The **British channel 'BBC'**, which received documents from a former British Airways employee, **revealed a practice still little known to airlines** but which would have serious environmental consequences. **It consists in filling the tanks with excess kerosene in order to avoid paying higher prices for refuelling at destination airports.**

For example, one of the documents consulted by the channel revealed that "a British Airways flight in Italy had carried almost three tonnes of additional fuel" to save £40 (about €46). But this "trick" would have released more than 600 kg of additional CO<sub>2</sub> into the atmosphere. (...)

Moreover, British Airways would not be the only company to use this practice to save money. According to a report by the European Organisation for the Safety of Air Navigation, **airlines worldwide are saving €265 million a year thanks to this technique in Europe, while releasing more than 901,000 tonnes of additional CO<sub>2</sub> into the atmosphere.**

In response to these accusations, **Willie Walsh, CEO of the British company's parent company, IAG** (International Airlines Group), **announced that the group would conduct a practice review.** He also acknowledged that this method was "perhaps not the right thing to do" from an environmental point of view, despite the financial benefits it



offers.

Asked by the BBC about this, the Greenpeace president said the revelations were "a classic example of a company that puts profit before the planet". "We need to tighten regulations to limit aircraft emissions, because as long as there is money at stake, they will pollute as much as possible," he added.

**My comment:** *The practice of double kerosene carrying described in the article is a direct consequence of the lack of harmonisation of the rules applying to airlines.*

*The air transport sector is global, the rules must be the same for all actors. The effectiveness of the fight against global warming depends on it.*

### > **Compensation for air delays: European justice has ruled**

(source L'Écho touristique) 29 October - **Since a European regulation in 2004, European airlines have been obliged to refund passengers in the event of a delay of more than three hours, depending on the distance travelled.** The text thus provides for 250 euros in compensation for flights of less than 1 500 km, 400 euros for flights of 1 500 to 3 500 km and 600 euros for flights of more than 3 500 km.

However, what proves that a passenger claiming compensation tried to get on a plane? It is possible that he never showed up for check-in. In a judgment dated Thursday, the European Court of Justice ruled in favour of an easyJet passenger. The latter claimed compensation from the low-cost airline for a delay of more than 3 hours on a Paris-Venice flight on 8 February 2014.

**For easyJet, this request is conditional on the customer being able to provide her boarding pass,** "as proof of her (his) presence at check-in". The company relied in particular on a decision of the Court of Cassation of 14 February 2018, which stipulated that a refund in the event of a long delay or cancellation of a flight was conditional on the ability to provide this document. (...)

**On 24 October last, the European Court of Justice ruled on the** question by order, considering that the answer to the question raised left no room for reasonable doubt. But the decision of the European Court of Justice is clear. **Passengers do not have to prove their presence at check-in to obtain the compensation provided for in EC Regulation No. 261 / 2004.** (...)

**My comment:** *This decision of the European Court of Justice was*

eagerly awaited by customers claiming compensation.

Last July, the site RetardVol.fr, a specialist in air compensation, ranked the airlines that most respect the right to compensation.

The top-ranked airlines were Tui Fly (8.8/10), French Bee (8.3/10), Air Caraïbes (7.3/10), Corsair (7.3/10) and EWA Air (7/10), ahead of Air France (6.8/10).

With a score of 4/10, easyJet was one of the bad companies in this field.

For its part, Ryanair obtained 0.5/10, among the worst companies in this ranking.

At the bottom of the ranking: Iberia, Aigle Azur, Air Algérie and Air Antilles. All these companies got 0/10!



**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](http://referendum.interieur.gouv.fr)

As of November 18, when half of the signature deadline has passed, the consultation had collected 963,000 signatures, or 20.41% of the required signatures.

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

**The Air France-KLM share price was €10.545 at the end of Monday 18 November. It is up by +2.70%.** After falling by 4.37% following the announcements of quarterly (average) results and the strategic plan, the share has started to rise again.

**The average (consensus) of analysts for the AF-KLM share is 11.10 euros, up following the announcement of the 3rd quarter and first nine months of the year results**

**The barrel of Brent oil (North Sea) is stable at \$62.**

**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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