



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...

> **Delta-Air France/KLM-Virgin agreement: the joint venture to attack the transatlantic**

(source: L'Echo Touristique) November 21 - **Air France, Delta Air Lines, KLM and Virgin Atlantic Airways have received the green light from the American authorities to extend their partnership.** On Thursday, the Department of Transportation approved the merger, according to the American press. This alliance will result in more flights, especially to partners' hubs.

The agreement will include easier mileage exchanges, more mutual benefits for frequent flyers, as well as better functionality on each airline's applications. **This new pact replaces two separate links that Delta had with its European partners.** One with Air France, Alitalia and KLM, for flights between the United States and the European Union. The other with Virgin Atlantic for flights to the United Kingdom.

This joint venture is one of three major groups operating in the transatlantic market. American Airlines has signed a similar partnership with British Airways, Iberia, Finnair and soon Aer Lingus. United Airlines is part of a joint venture that includes Air Canada, Austrian Airlines, Brussels Airlines, Lufthansa and Swiss International Air Lines (...)

Air France, Delta, KLM and Virgin Atlantic's combined capacity between Europe and the United States is expected to increase by nearly 4% in the first half of 2020.

However, **Alitalia's future role in the new partnership remains uncertain.** The Italian carrier, still dying, was part of the previous agreement between Delta, Air France and KLM. It was not included in the extended agreement with Virgin Atlantic, although the managers of several carriers stated that **Alitalia could later be added as an "associate" member.**

***My comment:** The decision of the US authorities will allow the four partner companies to develop in one of the most profitable markets.*

This decision is independent of the process by which Air France-KLM acquires a portion of Virgin Atlantic's share capital.

> Air France strengthens its multimodal offer in Lyon

(source Air Journal) November 22nd - **Air France flights between Paris-CDG and Lyon are now eligible in its multimodal offer in Saint-Exupéry, which by combining buses and planes connects five cities in the Auvergne-Rhône-Alpes region to its air network.**

The French national airline offers its customers a multimodal transport offer in **partnership with BlaBlaBus** at Lyon-Saint Exupéry airport, **linking its network to Aix-les-Bains, Chambéry, Grenoble, Saint-Chamond and Saint-Étienne.** (...) "With this combined offer, Air France is strengthening its network in the Auvergne-Rhône-Alpes region and simplifying access to its global network. This is another example of our intermodality approach, already illustrated in Lyon by the TGV Air offer," says Zoran Jelkic, General Manager France, Air France-KLM

Saint Exupéry Airport is one of the major hubs of the SkyTeam alliance group, with 16 domestic and 6 European routes. **The 5 daily flights between Lyon and CDG are now eligible for the combined bus+aircraft offer, in addition to flights to Paris-Orly and Amsterdam-Schiphol.** (...).

With this bus+airplane offer, Air France customers can book their travel from start to finish

and earn Flying Blue Miles, the loyalty programme of Air France and KLM among others. (...).

> China: AFI KLM E&M obtains CAAC approval for LEAP maintenance

(source Air Journal) November 23rd - At the Dubai Air Show, **AFI KLM E&M, an Air France-KLM Group MRO (Maintenance, Repair & Operations) subsidiary, announced that it has obtained approval from the Chinese Civil Aviation Administration (CAAC) for the maintenance and servicing of LEAP family engines (-1A / -1B) that power the A320neo and Boeing 737MAX single aisles.**

The approval issued by the Chinese authority authorizes AFI KLM E&M to carry out any type of maintenance operation (on-wing/on-site) on LEAP-1A/-1B, their parts and modules, for all Chinese customers (companies and MRO). After obtaining EASA[Europe] and FAA[United States] approvals in 2018, the MRO Group is expanding the scope of its LEAP support services, which now reach both sides of the globe. **The CAAC approval comes at a time when AFI KLM E&M has already acquired extensive expertise in these engine types,** which can be shared with its customers in the Chinese region, a dynamic and growing market (...)

***My comment:** Here is (again) very good news for the Air France-KLM Group's maintenance activity. These LEAP engines, developed by General Electric and Safran, are sold in more than 13,000 units worldwide.*

> Air France retires one of its A380s, only 9 years after service

(source Freedom fr) 24 November - **The Airbus A380 F-HPJB, 10 years and 5 months old,** leased and operated by Air France, arrived in Malta on Saturday 23 November. There, it **will be entirely repainted in white** by ACM (Aviation Cosmetics Malta), **then returned to its lessor, Dr. Peters Group.**

Dr. Peters Group has leased four other A380s from Air France, the F-HPJD which is 9 years and 8 months old, the F-HPJE which is 9 years and 5 months old, the F-HPJG which is 8 years and 2 months old and the more recent F-HPJJ more recent, 5 years and 9 months.

Delivered in February 2010, the F-HPJB is equipped with GP7270

engines and offers 8 seats in First, 80 in Business, 38 in Premium Economy and 389 in Economy.

By 2022, Air France will have retired its 10 A380s.

> **Chalair, a growing company**

(source Le Télégramme) November 22nd - This Monday, after three months of suspension of the airline, **Chalair will make its first rotations between Quimper and Orly**. Portrait of a young and growing company. (...)

Created in 1986 by a former Britair pilot, then bought in 2003 by Alain Battisti, **the airline has been growing steadily since Hop! Air France has decided to abandon small routes such as Quimper**. "It's a bit of a race," smiles Jérôme Latrasse. **The Normandy company had an ATR in its fleet in July 2018**. "There are now six of us," says the assistant general manager. In one year, Chalair has more than doubled the number of employees. And expects to double again over the next twelve months to 220 to 250 employees. The company has a turnover of around thirty million euros.

In addition to Quimper-Orly, Chalair was selected in four other public service obligation tenders: Agen and Limoges to Orly and Limoges and La Rochelle (via Poitiers) to Lyon. "We are useful where other means of transport are not efficient," summarized Alain Battisti a month ago. (...)

The company bases its development on a commercial agreement with Air France. In addition to miles, users will benefit from fare continuity for a connection in Paris. Cornish passengers will be able to enjoy the same conditions as Air France flights departing from Brest in the coming weeks. (...)

> **Alitalia: Atlantia throws in the towel, the future is still as blurry as ever**

(source Boursier com) November 21 - Alitalia's future is still as uncertain as ever. On the eve of a new deadline set by the Italian government, **Atlantia indicated last night that it had decided not to participate in the rescue of the carrier**. The group controlled by the Benetton family considered that the conditions were not met to join a consortium formed with Ferrovie dello Stato.

Rome, which would be prepared to grant 350 million euros in bridging loans to allow the airline to continue flying for several months while waiting for an agreement to be finalised, would not rule out temporarily nationalising Alitalia if no adequate offer is made, reported "La Repubblica" on Tuesday. **The company's directors could also allow Alitalia to go bankrupt and liquidate its assets to repay its debts.**

Threatened with liquidation, Alitalia has been under special administration since May 2017 after the failure of two previous rescue plans in 2009 and 2014. Despite its renunciation, Alitalia has indicated that it is ready to continue discussions aimed at finding an industrial partner and developing a common, solid and long-term business plan for Alitalia's recovery.

On the side of the players in the sector, **Delta Airlines and Lufthansa are perceived as the two most serious candidates to take part in the rescue of the transalpine firm.** But here again, however, **neither company has so far been able to find a compromise with the various parties involved in a complex matter.**

> Kenya Airways: "Our competitors with a public shareholder are doing better than us"

(source Jeune Afrique) 24 November - At the end of the year, Sébastien Mikosz, CEO of Kenya Airways (2018 revenue: €973 million), appointed in June 2017, will leave the company's management. (...) **The conditions for the nationalisation of Kenya Airways and its integration into a public holding company with Jomo Kenyatta International Airport in Nairobi are currently under consideration by Parliament, which** would like to conclude the transaction by the end of 2019. A plan submitted to the government, in a March 2018 white paper, by Sébastien Mikosz and his teams to get the company back on track, even as its rival Ethiopian Airlines is accumulating good results and the single market for the African sky is opening up. (...)

Is there not a risk that nationalizing the company will increase these political interferences?

A company is well managed or not. Kenya Airways has accumulated \$2 billion in debt while being private. It was the state that came to save her. KLM was at the shareholders' table. What did he do? **All our competitors in whose capital the State is present are doing better**

than we are. Now, it can also kill a company. But today, we're private and out of breath. We need to return to the State to face competition, lower our costs and increase our market share. The company continues to be in a difficult financial situation. (...)

While banks and landlords can be reassured about Kenya Airways' ability to service its air traffic, the **company does not have the means to restructure itself.** So investments in simulators, in maintenance, in digital, which would allow us to reduce our costs, are deferred. (...)

How to increase traffic on African lines? How can we compete with Ethiopian, which is heavily supported by the state?

Only those who are large and subsidized will survive. And the little lines will die. (...) The main problem in **Africa** is that **costs are 30% to 40% higher than in Europe. Fuel oil is overtaxed, so the price of tickets is automatically overtaxed.** Per capita GNP is lower than in Europe. There are fewer customers who have to pay more. Opening up the market will not change that. The problem is demand.

How would market opening reduce ticket prices?

Because someone is sponsoring. But **there is no guarantee that liberalization will have an impact on tariffs.** The larger ones will have the ability to compete with the smaller ones, who will exit the market. **Look at the transatlantic lines: the price of tickets only increases because the smallest ones have been taken out by very powerful people.**

***My comment:** The ills suffered by Kenya Airways are common to many airlines around the world: insufficient size, high taxes and competition from a neighbouring airline supported by its state, Ethiopian Airlines.*

> Boeing: first firm orders for the 737 MAX since its immobilization

(source La Tribune) November 19 - After months of airline mistrust of the 737 MAX, **Boeing has won its first firm orders for the 737 MAX at the Dubai Air Show.**

(...) Since the aircraft stopped in March following two deadly accidents, only the IAG group has shown its confidence by signing a letter of intent in June to purchase 200 copies (...)

After the firm order for 10 aircraft signed on Monday by Turkish SunExpress, a subsidiary of Turkish Airlines and Lufthansa, **Boeing announced on Tuesday another firm contract for 20 aircraft** with an operator who did not wish to be identified. In addition to these two orders, Air Astana has signed a letter of intent for 30 B737 MAX. (...)

For its part, **Airbus has once again won major orders** from the Dubai Airshow. **After 170 firm orders placed on Monday** (Emirates for 50 A350-900s, and Air Arabia for 120 A320 family aircraft), the **European aircraft manufacturer has increased its scorecard with four new contracts**: Easyjet for 12 additional A320 Neo, Air Sénégal for 8 A220 (purchase protocol), the Saudi low-cost Flynas (10 A321 XLR) and the leasing company GECAS for 12 A330 Neo and 20 A321 XLR (7 of which are conversions of a previous order of 321 Neo).

***My comment:** At the end of October, the A320 family (A318, A319, A320 and A321), launched in 1987, became the most ordered aircraft type, with 15,193 aircraft. It is ahead of the Boeing 737, launched in 1967, with 15,136 aircraft ordered.*

Waiting for changes to the MCAS system, which caused two fatal accidents on the B737 Max, has frozen order intake for this model.

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 November 25, when half of the signature deadline has passed, the consultation had collected 992,000 signatures, or 21.03% of the required signatures.

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

The Air France-KLM share price was €10.575 at the end of Monday 25 November. It is up +0.28%. 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 up from \$1 to \$63.

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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