Air France in the top 10 of the world's most punctual major airlines

I Letter from the Air France-KLM Director

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

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The Press Review of the first Monday of the year 2020 ...

I send you my best wishes at the beginning of the year 2020.

I hope that the Air France-KLM group can transform itself in peace and quiet.

> Air France in the top 10 of the world's most punctual airlines

(source Capital) 5 January - **The average punctuality of Air France flights improved between 2018 and 2019.** This is what emerges from the "Punctuality League 2020" of the Official Aviation Guide (OAG), which covers the world's most punctual airlines and airports. In this ranking, relayed by Air Journal, **Air France comes in 7th position among the major airlines** (more than 30 million passengers carried per year), whereas it was only 13th last year.
The airlines' **punctuality level** (OTP) is based on flights that arrive or depart within 15 minutes of their scheduled departure or arrival time. Cancellations are also included in the calculation model. **Air France's** OTP **has thus improved significantly in one year, rising to 79.92% from 74.11% a** year ago. However, Chilean airline LATAM, which flies throughout South America and elsewhere, is the best performer in this

game.
It occupies first place in the ranking (86.41% of OTPs), as it did last year for the major airlines. The podium is completed by the Russian airline Aeroflot (86.30%) and the Japanese All Nippon Airways (85.92%). It should be noted that **Air France is the second European airline in this ranking,** behind Aeroflot. (...)

"**The world market is almost at its best in terms of punctuality**. The increase in performance is led by major airlines such as Aeroflot, Delta Airlines and Air France, which are simultaneously increasing the number of flights operated and maintaining a high PTO. (...)

My comment: *At the beginning of 2019 it was decided to increase the number of aircraft in reserve (those that make up for last minute contingencies) at Charles-de-Gaulle.*

This decision was one of the main factors in the improvement of Air France's punctuality.

> Delta finalizes its entry into the LATAM group

(source: Air Journal) December 31 - **Delta Airlines successfully completed its takeover bid and acquired a 20% stake in LATAM Airlines Group S.A.** for approximately $1.9 billion.
(...) This investment announced last September "continues Delta's strategy of investing in equities with key airline partners around the world," says a statement from the US company. In addition to this investment, **the strategic partnership between Delta and LATAM Airlines includes a commercial joint venture**. (...)

Delta will be represented on the LATAM Group's Board of Directors, and will also invest US$350 million "to support the establishment of the strategic alliance contemplated in the framework agreement"; **it will acquire four Airbus** A350s **from the South American group,** and has agreed to assume LATAM's commitment to purchase ten additional A350s for delivery between 2020 and 2025. (...)

Enhanced cooperation and code-sharing agreements are subject to government and regulatory approvals. (...)

My comment: *The entry of Delta Airlines into the capital of the LATAM Group allows our partner to strengthen its offer between Brazil and the United States.*

This operation had no impact on the partnership between Air France-KLM and Gol between Europe and Brazil.

> United Airlines is committed to traffic growth.

(source: L'Echo) January 2 - **With solid operating income of $3.4 billion in** the first three quarters of the year (+32.6 percent), **United Airlines sees a sunny outlook,** despite Boeing 737 MAX delays. Growth is the order of the day, both in new ports of call, new aircraft and new personnel. (...)

In 2018, it carried 158 million passengers on more than 1.7 million flights. (...) Its fleet consists of 779 aircraft, plus the 569 aircraft of its regional subsidiary United Express. (...)

The company organized a vast communication campaign that lasted six months (including two days in Chicago) called 'backstage', **where 15,000 employees were informed** by the main general managers ("vice-presidents", there) who came to explain their intentions and answer questions. (...)

Now all we're talking about is growth. No less than **34,000 people will be hired between now and 2022,** 40% of whom will **be employed** to accompany the increase in supply and natural departures, among other things, confirmed Kate Gebo, the company's HR director, to Chicago. **UAL will therefore increase from 90,000 to 103,000 employees and 4,000 pilots (+15%) in three years.**

The only snag is that the growth targets are obliterated today by the grounding of the Boeing 737 MAX since March 10. Fourteen United aircraft are on the ground and about 15 others could not be delivered. (...)

Growth goes hand in hand with service innovations: **the new Polaris (Business) class** with any seat with access to the aisle is slowly being introduced on long-haul routes; 360° cabin display systems allow a better choice of seat reservations. (...)

My comment: *The profits of US airlines are higher than those of European airlines.*

One of the main reasons is that airline concentration in the United States is more advanced than in Europe.

> Ryanair set to dethrone Lufthansa in terms of passenger numbers in Europe

(source Belga) 3 January - **Ryanair has carried 152.4 million people in 2019,** 9% more than the previous year, the low-cost Irish airline

announced on Friday in a press release. A result that should enable it to claim the title of number 1 in the sector in Europe in terms of passengers. The occupancy rate reached 96%. (...)
Ryanair is expected to finish the 2019 financial year as number 1 in terms of passengers, thus dethroning the Lufthansa group. (...) The latter recorded only 2.5% growth in travellers between January and November, which does not seem sufficient to maintain its leading position. The German group's annual figures will be released at the end of next weekend.
The year ahead promises to be more complicated **for Ryanair. The results will suffer from problems with the Boeing 737 MAX**, a model that the company has ordered several dozen copies of. Passenger forecasts have already been revised downwards several times. **A total of 156 million passengers is now expected for the fiscal year ending March 2021.**

> Boeing 737 MAX - Turkish Airlines gets compensation from Boeing

(source Belga) December 31 - **Turkish Airlines and aircraft manufacturer Boeing have reached an agreement to compensate for the losses incurred by the company due to the flight ban on 737 MAX aircraft,** Turkish Airlines announced Tuesday. The amount of the compensation is not specified, but according to the Turkish newspaper Hurriyet, it **would be 225 million dollars** (about 200 million euros). (...)
Turkish Airlines had a dozen aircraft in service and was awaiting delivery of 12 more.
According to Hurriyet, the compensation would cover losses related to 2019. (...)

My comment: *Airlines are negotiating with Boeing for compensation for the grounding of their B737 Max aircraft. American Airlines and Turkish Airlines have reached an agreement. Southwest is close.*

These agreements only cover the year 2019. If the B737 Maxs remain stationary for a longer period of time, further negotiations are to be expected.

Experts estimate that Boeing has lost more than $9 billion since the beginning of the 737 Max crisis. Note that the US regulator (FAA) has still not certified the MCAS anti-stall software update.

> Airbus A320neo: Spirit Airlines has completed its new

order for 100 aircraft

(source: Le Journal de l'Aviation) January 6 - **US low-cost carrier Spirit Airlines finalized its order with Airbus for 100 new A320neo family aircraft** on January 6. (...)
New single-aisle aircraft are expected by 2027. Note that the American company still holds options for about 50 additional copies.
Spirit Airlines now lines up an all-Airbus fleet of 146 aircraft: 30 A319s, 64 A320s, 22 A320neo (photo) and 30 A321s. The Fort Lauderdale, Florida-based airline is scheduled to receive 48 A320neo aircraft in 2020 and 2021. (...) As a reminder, **Spirit is the fastest growing company in the United States today**.
According to Airbus, the A320neo Family backlog now exceeds 7,300 firm aircraft for more than 110 customers.

My comment: *With this order, Airbus has overtaken Boeing in the single-aisle market.*

In 2019, the European aircraft manufacturer delivered 863 aircraft, including more than 600 of the A320neo family. Boeing has not yet published its final figures, but it is not expected to reach 400 deliveries.

Spirit Airlines is a low-cost airline serving primarily the United States, Central America and northern South America.

> Latécoère to Acquire Bombardier Aviation's Cabling Business

(source AFP) December 31 - The aircraft equipment manufacturer *Boeing* **announced** Tuesday that **it has reached an agreement with Bombardier Aviation to buy its electrical wiring business, which is** estimated to generate sales of around $80 million.
Latécoère and Bombardier have "entered into a definitive agreement whereby Latécoère will acquire Bombardier's Electrical Wiring and Interconnection Systems (EWIS) business in Querétaro, Mexico", the two groups said in a joint statement. (...)
Under this agreement, Latécoère will pay Bombardier $50 million. (...)
Around 700 qualified employees are dedicated to the production of EWIS systems at the site concerned. In addition, Bombardier will continue to produce major structures for its aircraft there.
Supplier to the world's major aircraft manufacturers, **Latécoère operates in all segments of the aeronautics industry** (commercial, regional, business and military aircraft), **in the fields of Aerostructures**

(58% of sales, fuselage sections and doors) **and Interconnection Systems** (cabling, EWIS and space harnesses, avionics furniture and on-board equipment).
The company, which came under the control of the American investment fund Searchlight at the beginning of December, **generated a turnover of €659.2 million last year.**

My comment: *The Toulouse-based company Latécoère has chosen to strengthen itself by getting closer to its customers.*

Latécoère is notably No. 1 worldwide for avionics furniture, No. 1 in Europe for satellite cabling, No. 1 independent worldwide for aircraft doors and No. 2 worldwide for electrical harnesses.

End of the press review

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

The consultation procedure on the privatisation of the ADP group has been open since 13 June and will run until March 2020. It requires the signatures of 4.7 million voters to lead to a referendum on a shared initiative (RIP).

On the Internet, the consultation can be signed on the site referendum.interieur.gouv en

By 6 January, when two thirds of the signature deadline had passed, the consultation had collected 1,042,000 signatures, or 22.09% of the required signatures.

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

The Air France-KLM share is at 9.35 euros at the close of trading on Monday 6 January. It is down -5.86%.

The average (the consensus) of analysts for the AF-KLM share is 11.19 euros.

Brent crude oil (North Sea) **is up $1 to $69 per barrel.**

Rising tension between Washington and Teheran is at the root of the sharp drop in the Air France-KLM share price and the rise in the price of oil.

This indicative information in no way constitutes an invitation to sell or a solicitation to buy Air France-KLM shares.

You can react to this press review or provide me with any information or thoughts that will help me better carry out my duties as a director of the Air France-KLM Group.

You can ask me, by return, any question relating to the Air France-KLM group or employee shareholding...

I'll see you soon.

To find the latest press reviews of Monday, it's here.

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| François Robardet

Air France-KLM director representing employee shareholders PS and PNCYou can find me on my twitter account @FrRobardet