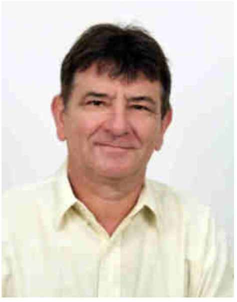

Letter from the Director of Air France-KLM

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

N°811, June 7, 2021

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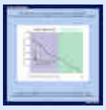
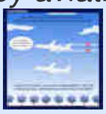
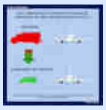
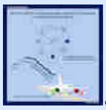
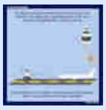
Editorial

Dear readers,

I am publishing at the end of this letter the sixth infographic on the climate impact of aviation. It provides new answers to the questions raised by aviation detractors.

    ........ 

Let's continue to respect the barrier measures.

Enjoy your reading
François

Monday's Press Review

> Air France: load factor limited to 40% on Paris-Tianjin

((source Air Journal) June 5 - **The Civil Aviation Administration of China** (CAAC) **will limit Air France's Paris-Tianjin flights to 40% load factor for four weeks** starting June 7, it announced yesterday, after Covid-19 infections were discovered among passengers.

Last January, the CAAC had already suspended Air France flights between Paris-CDG and Tianjin-Binhai airport for two weeks, following the discovery of five cases of Covid-19 upon arrival of a flight from the French capital. As for the Paris-Shanghai route, suspended twice due to passengers testing positive for Covid-19, it will resume on June 9, but also with a capacity limited to 40% for four weeks.
According to the rules established by the Chinese authorities at the opening of the country's air borders, positive tests on passengers upon arrival in Chinese territory automatically lead to flight suspensions or a limitation of the number of passengers. Only flights carrying passengers are affected by this measure, airlines will still be able to operate all-cargo flights.

My comment: *This decision by China should have a small impact on the activity of Air France-KLM.*

The appearance of an Indian variant (known as Delta) is more worrying. According to the BBC, the British authorities intend to limit tourist travel in the coming weeks.

If this measure were taken, it would inevitably delay the restart of the activity. This would be a new blow for the airlines.

> Schiphol-topman Benschop verwacht dat Lelystad Airport nodig zal zijn (Schiphol chairman Benschop expects Lelystad Airport to be open)

((NU source translated with Deepl) June 6 - **Dick Benschop, chairman of Schiphol Airport, assumes that Lelystad Airport will be opened**. He says it is logical that a new government decides to do so, as it is a continuation of previous decisions. The opening of Lelystad had already been postponed to November 2021 due to the krona crisis, and it seemed that the slow formation of a coalition government would lead to even more delay.
Benschop said Sunday on the Buitenhof show that he expects the number of flight movements before the Covid-19 crisis to be reached again, making Lelystad necessary. In addition, the combination of Lelystad, which is part of the Schiphol Group, and Schiphol is important for the international connection of the business community, according to the leader.
The previous government coalition agreement provided for Lelystad to take over Schiphol's leisure flights, which would give the airport more opportunities to develop as an international hub. This will improve the distribution of air traffic, Benschop said.

The Schiphol CEO also assumes that the use of sustainable aviation fuels will be made mandatory. According to environmental organizations, Schiphol is one of the biggest polluters in the Netherlands. Benschop believes that by 2030, about 14 percent of the fuels used by Schiphol could be sustainable.
He believes that linking developments in sustainable fuels to aviation can create jobs: "In Rotterdam and Delfzijl, sustainable fuel plants are already being built," says the senior official.
"The only perspective that is acceptable is to make big steps in sustainability. I think this is possible and will also be a condition for Schiphol's future possibilities." To meet climate goals in 2050, **Benschop believes that innovation and a national research and development program for electric flight and hydrogen are also needed.** "We will need all of that," he said.

My comment: *The opening of the airport in Lelystad is still uncertain.*

In 2019, the European Commission had indicated that slots at Lelystad would be given priority to airlines that would leave a landing slot at Schiphol.

The Commission specified that the space freed up at Schiphol should be used for flights with many connecting passengers, such as intercontinental flights. This recommendation provoked the anger of other airlines, who felt they were at a disadvantage compared with the KLM-Transavia group.

In addition, at the beginning of 2021, the Dutch government had still not given its approval. since then, parliamentary elections have been held in March 2021. The results of these elections do not support a quick decision; the rise of the Green Party from third to second place in the Dutch political spectrum calls for caution.

It should be noted that the opening of Lelystad will have a small impact on airline activity: in the first year, the average number of flights will be six per day, after which it will increase steadily.

> Montpellier: visit of the CEO of Transavia France and good news for the airport

((source Actu fr) June 3 - The least we can say is that the people of Herault will have a choice: **nearly 20 destinations** (18 to be precise) **in**

Europe throughout the summer, served by Transavia. To name just a few: Stockholm, Heraklion, Djerba, Tunis, Palermo, Lisbon, Calvi, Ajaccio, Athens and Santorini. "**We are very pleased to be able to count on the solid base of Montpellier Méditerranée to support Transavia's development," says Nathalie Stubler.**
(...)
"Montpellier is becoming a real gateway to Southern Europe with direct air access to the cultural wealth of the most beautiful cities," said Nicolas Hénin, Executive Vice President Sales & Marketing for Transavia, recalling the group's new ambition following the restructuring of Air France's medium-haul network: to gain power and take a "fair share" of the French market. "Transavia is continuing to develop and will gradually build up its domestic network.
(...)
If Transavia's installation in Montpellier was supposed to be done with great pomp and circumstance last spring (an event that was aborted due to the Covid-19 epidemic), the crisis will not have called into question the ambitions of the airport and Transavia for Montpellier. "We are clenching our teeth, adapting our services and doing everything we can to get things moving again," said Emmanuel Brehmer, chairman of the board of Montpellier Méditerranée Airport (AMM), assuring us of AMM's stability and its ability to overcome this "shock wave.
On the side of Transavia (...) we scrutinize the indicators. "And they are even better than the booking rates recorded in the past," analyses Nicolas Hénin. Reservations were very late for the season but have been soaring for the past few days. "People are waiting for the rules communicated by the countries," he says, pointing out that this is why **Transavia has chosen to globalize the free flight change, without reason, up to 2 hours before departure.** "Flexibility, flexibility, flexibility", insist Nicolas Hénin and Nathalie Stubler (...)

My comment: *The opening of a Transavia base in Montpellier, essentially oriented towards foreign countries, is part of the Air France group's strategy.*

It takes into account the environmental constraints (following the granting of state
aid in 2020) which require the Air France group to reduce its carbon footprint on its domestic network.

> Delta Air Lines expects second half 2021 earnings

((source AOF) June - At an investor conference, **Delta Air Lines said it would report a pre-tax profit in the second half of 2021** thanks to the

recovery in air traffic. Delta also expects a loss of $1 billion to $1.2 billion in June (previously forecast $1 billion to $1.5 billion), as well as a drop in second-quarter revenue of 50% to 52% (previously forecast -50% to -55%), which is expected to be between $6 billion and $6.2 billion. In
addition, **domestic leisure travel is expected to be restored to over 100% in June, compared to 60% in March**.
Finally, Delta Airlines expects fuel prices to average between $2.10 and $2.15 per gallon, compared to its previous forecast of $1.85 to $1.95.

My comment: *How can Delta Air Lines and other US airlines expect to be profitable in the second half of 2021, unlike European airlines?*

*The answer lies in the difference in the profitability of their networks. For European airlines, the **most profitable***
network is the transatlantic network, the least profitable being the medium-haul network (intra-European).
*For the American companies, the **least profitable** network is the transatlantic network, the most profitable being the medium-haul network (intra-US).*

However, it is the medium-haul activity that should recover faster than the long-haul activity, whatever the continent. The full recovery of air activity within China is the best example.

> German state considers participating in a capital increase for Lufthansa, says Scholz

((Reuters source) June 2 - **The German state is considering participating in a possible capital increase at Lufthansa**, Finance Minister Olaf Scholz told Reuters on Wednesday.
He added that any such decision would have to be well prepared by the group's management and could not be rushed.
The German airline group, which owns Lufthansa, Eurowings, Swiss, Brussels Airlines and Austrian Airlines, was bailed out last year by the German government to the tune of 9 billion euros.
Hit by the coronavirus crisis, Lufthansa suffered a record net loss of 6.73 billion euros in 2020.

My comment: *Germany's approach appears to be the best way for European governments to recover the aid given to their airlines: the States agree to exchange the debts of the companies for shares, then they will sell these shares on the market. The European Commission has indicated that the States should not lose money in the operation.*

The main difficulty will be to find buyers who are concerned about preserving the future of the so-called "national" airlines.

> Falcons in 2001, supersonics in 2021: United Airlines: a champion of contrarian announcements

((source La Tribune) June 4 - **United Airlines** likes to make announcements that go against the grain of the airline market. In June 2001, the company made a big splash by ordering 100 Falcon jets from Dassault Aviation and 35 Gulfstreams to enter the business aviation market, a project that was abandoned a few months later with the crisis that followed 9/11.

Twenty years later, **the Chicago-based company has unveiled a spectacular project. That of relaunching supersonic commercial flights**, eighteen years after Air France and British Airways stopped the Concorde, **with Boom Supersonic, a Denver-based startup, which has been working since 2014 to give new life to these lightning-fast aircraft**. A hyper-ambitious project in an aeronautical sector where the entry ticket is extremely high. It is also a project that is out of place when, for the past twenty years, the demand from airlines has not been for speed gains, but for cost reductions and lower CO2 emissions. This was the case for Boeing in the early 2000s when it ended the Sonic Cruiser project to launch the B787 Dreamliner.
This Thursday, United Airlines announced the purchase of 15 examples of this aircraft project called "Overture", with 35 options. If it meets all the standards, it could carry passengers by 2029 at Mach 1.7, twice the speed of the fastest airliners today. This could allow United Airlines to make trips in half the time: a flight from Newark, near New York, to London would take three and a half hours. Newark and Frankfurt would be connected in four hours. All this with a capacity ranging from 65 to 88 passengers.
(...)

At a **time when ecology is becoming more and more important in our collective consciousness, Boom Supersonic intends to fly on sustainable fuel.**
The startup has so far raised $270 million from various investors and partnered with aircraft engine manufacturer Rolls-Royce. **It says "Overture" should** be introduced in 2025, fly for the first time in 2026 and **start carrying passengers by 2029**.

By then, it will have to overcome many hurdles, including concerns about the noise of a sound barrier aircraft. Boom Supersonic will also need to get the green light from the authorities to fly at an altitude of about 18 kilometers, compared to about 12 kilometers for a jetliner.

My comment: *United Airlines announced to invest 3 billion dollars in the operation.*

Most observers are watching this project with skepticism.

> Boeing's $15 billion dilemma

((source Zonebourse) June 2 - The crises facing Boeing have overshadowed a deeper, longer-term risk to the company's commercial passenger business. According to Agency Partners and other analysts, **Boeing's share of the single-aisle airliner market, where it competes with Airbus in a global duopoly, has fallen from about 50 percent a decade ago to about 35 percent after the 737MAX's long layoff**.
Airbus' single-aisle A321neo has raked in billions of dollars in orders in a recently booming market segment, where the larger MAX variants are struggling to gain traction.
Without a new aircraft dedicated to this segment, analysts warn that America risks ceding a huge chunk of this market - valued by aircraft manufacturers at some $3.5 trillion over 20 years - **to Europe.**
But Boeing is not yet ready to agree on a plan to develop a new plane to counter the A321neo, and the two main options - move forward now or wait until later - carry financial and strategic risks, said several people briefed on the discussions.
"I'm confident that in the longer term we'll achieve our goal, and I'm confident in the product line," Calhoun said in April, as Boeing booked new MAX orders. Asked about the company's discussions and options for a potential new airplane, a Boeing spokesman said there was no immediate comment beyond Calhoun's remarks to investors.
Two options

A weakened Boeing has little margin for error, especially when it comes to addressing the industrial problems that hamper other airliners.
Boeing's first option is to strike relatively quickly, bringing to market by 2029 a 5,000-mile single-aisle airplane with 10 percent greater fuel efficiency. Orders could go out in 2023. "There's no better way to burnish its image than to invest now in the future, plain and simple," says Richard Aboulafia, an analyst with Teal Group.
A new single-aisle aircraft would replace the 757, which is no longer in production, and fill a gap between the MAX and the 787, confirming a

reversal of earlier plans for the mid-market. The idea took a back seat at the beginning of the pandemic, but is now gaining ground. It would also provide an anchor for an eventual outright replacement of the 737 family.

Another option is to wait for the next leap forward in engine technology, which is not expected until the early 2030s. This could be open-rotor engines with visible blades using a mix of traditional turbines and electric propulsion.

Anxious not to let near-term product decisions drive its strategy, Boeing is also prioritizing a more in-depth analysis of the investments or business changes needed to regain the top spot, analysts say.

What timing?

Both approaches carry risks. If it moves too quickly, Boeing may face a relatively simple counterattack. According to European sources, Airbus' preference is to do nothing and reserve a favorable status quo. But the European company has a revamped A321 in the works, in case it needs to counterattack an American offensive.

Such an upgrade could cost Airbus some $2 billion to $3 billion, but far less than the $15 billion Boeing would spend on a new plane. And that's not counting the risks inherent in developing a brand new aircraft. On the

other hand, if it moves too slowly, investors may have to endure a decade of dangerously low market share in the single-aisle category, the industry

's profit driver. Proponents of restraint, including soon-to-be-departed CFO Greg Smith, have a simple argument, insiders say.

Boeing has racked up a mountain of debt and burned $20 billion in cash as it has moved from crisis to crisis. "It's a different world," says one insider. "How can you think of a new airplane?"

Still, some engineers at Boeing's Seattle commercial headquarters are crying out for bold action to reassert its engineering dominance after the worst period in its 105-year history. "This should be a priority for Boeing right now," said Tom McCarty, a former senior Boeing avionics engineer. "Clearly getting back to the forefront of technological advancement."

ENGINE DISCUSSIONS

As it ponders whether to move forward, Boeing has requested initial technical data from engine makers Rolls-Royce, Pratt & Whitney and CFM International, the joint venture of General Electric and Safran, industry sources said.

China, where state-owned aircraft manufacturer COMAC is still working on the single-aisle C919, which wants to chase after the B737 and A320 families, is watching Boeing's decision from behind the scenes.

With a net cash position of $7 billion, an established position and assets up its sleeve, **analysts believe that Airbus looks the most comfortable, although it also faces its share of industry problems.**

Increasing pressure on the environment, reflected in the priorities of each aircraft manufacturer, is a key factor in the deliberations.
Airbus has committed to launching the first small commercial hydrogen aircraft in 2035. Its zero-emissions program reflects its CEO's belief that disruptive technologies will play a role in the next generation of jets. But industry sources say it's no coincidence that this rhetoric is deterring Boeing from launching an interim aircraft.
Boeing has emphasized the early benefits of sustainable aviation fuel (SAF). According to people familiar with the project, any new 757 airplane would be capable of running on 100 percent SAF.
While Boeing supported the fuel for technical reasons, it left itself enough wiggle room to argue that a relatively early new aircraft would still meet industry environmental goals.
Airbus, meanwhile, kept up the pressure by proposing last week to nearly double single-aisle production in four years.
While some suppliers question how quickly the plan is achievable, one industry executive noted that it sends a "message that Airbus is coming out of the crisis as number one and intends to stay there."
When asked if he thought Airbus' expansion plans might prompt Boeing to launch a new aircraft, Airbus CEO
Guillaume Faury downplayed the prospect of a new industry arms race.
"If they have confidence in the MAX and the pent-up demand they see for single-aisle aircraft, I don't see why they would be in a hurry to replace the MAX. If they are in a different situation, they might come to different conclusions," Faury told Reuters.

My comment: *This is a long article that describes the difficulty Boeing is having in developing a credible strategy for single-aisle aircraft.*

If Boeing decides to go ahead with a new aircraft, it may be too late, as Airbus (and possibly China's Comac) will have taken and delivered most of the single-aisle orders.

But if Boeing prefers to bet on a new B737 max model, Airbus has hinted that it has something to counter the American manufacturer.

In the end, the decision could depend on the engine manufacturers. If they are able to provide much more efficient engines than the current generation very quickly, then Boeing would likely *commit to a new aircraft.*

> Augustin de Romanet, CEO of ADP, "How will you control the health pass in your airports?"

((source Le Parisien) June 7 - Asked about the controls in Paris airports if the traffic returns to its usual level this summer, the CEO of ADP answers.

Augustin de Romanet, CEO of Aéroports de Paris reassures in preamble **on the implementation of the health pass**. "**Based on blockchain technology, it guarantees the certification of health data** (screening test results, vaccination certificate) and will replace, for all those who will be equipped with it, the multiple certificates in paper form. **Thanks to a QR code, the information will be easier to check, more difficult to falsify, and considerably faster to process**. The passenger will be able to easily provide the health proofs required by the different countries. "
The executive then indicates that the control of the health situation and if necessary the health pass is the responsibility of the airlines. "On arrival in Paris, it is carried out by the Red Cross or the Civil Security, then by the Border Police during passport control, according to the current rules, the latest of which were set by the Defense Council on June 2. The classification of countries from which the official rules will be derived is updated every week. "
Augustin de Romanet has high hopes for the arrival of the pass, especially in the context of a recovery in air traffic this summer "to 60% of the 2019 level". "It should make it possible to limit waiting times for health checks this summer. **The use of this tool should in no way exempt the implementation of appropriate human and logistical resources from the competent state services, including the Border Police at arrivals**. We are asking for reinforcements on the ground for this summer, and this is currently my primary concern. Although we cannot guarantee it, all our efforts are aimed at ensuring that waiting times are as short as possible, and that passengers have a smoother passage through the mandatory formalities. We insist that more controls be carried out at departure and that everything be done at arrival to ensure that we are ready for the summer season.

My comment: *The answer of the CEO of ADP, if it is well transcribed, is ambiguous.*

Safety/security services are paid by the airlines, but are not the responsibility of the airlines. It is a government function that should be *paid for by the state, as in most other countries.*

An unprecedented threat to global air transport

((source Le Journal de l'Aviation) June 1 - **The real political hijacking of Ryanair's 737-800 by Belarus is a very serious event that will have a lasting impact on global air transport. Of** course, the **impact of the new flight restrictions aimed at avoiding Belarusian airspace will have a significant impact on airlines in the region** or on some long-haul routes between Western Europe and Asia, with longer flight times, synonymous with increased fuel consumption, and sometimes even the need to put in place reinforced technical crews to comply with legislation regarding fatigue.
The overflight of certain border areas with Russia has already been highly regulated for years, for example in eastern Ukraine, in the Donbass, or over Crimea, and the recent cancellations of flight plans by Rossaviatsia, the Russian federal aviation agency, even if due to simple "technical issues", are not reassuring for the future.
But this is not the most serious issue.
By using its airspace for political purposes, **Belarus has attacked a symbol, that of international air law established in 1944 with the Chicago Convention**. Any airline has the right to fly over a country without having to land there. **The scheme devised by the Belarusian authorities clearly represents a violation of the law that could represent an unprecedented threat to global air transport if it were put into practice by other states around the world for various interests**.
Despite the current geostrategic context, France, supported by several other European countries, immediately turned to the Council of the International Civil Aviation Organization (ICAO) to shed light on the sequence of events and their legal qualification. The first results of the investigation are expected by the end of June and are intended to determine whether Belarus has flouted the Chicago Convention, and to draw the necessary consequences.
The world's air transport industry has already been drowning in the uncertainty of travel restrictions for the past 15 months. There was really no need to add new ones.

My comment: *It is to be hoped that this event will remain a unique event.*

Bonus of the week

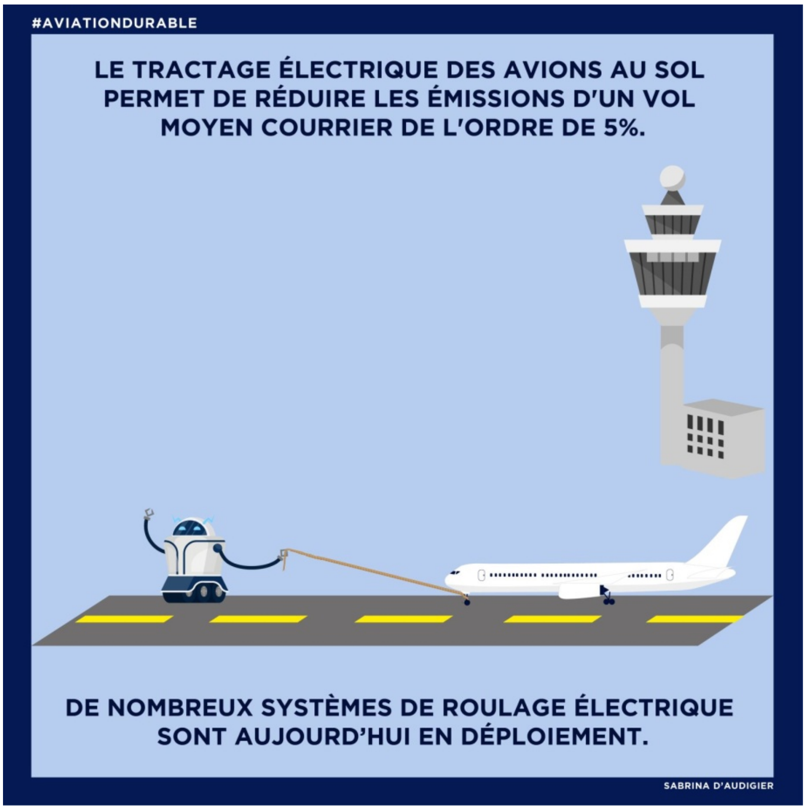
> Electrically powered aircraft towing reduces CO2 emissions by 5%.

((source #aviationdurable) June 1st - Did you know? To move on the ground, aircraft use their engines which are not optimized for this use. **Electric taxiing systems can reduce fuel consumption by 5% for short/medium haul flights**.

Numerous solutions are being deployed, such as the use of electrified towing equipment or the installation of a motor in the front wheel of aircraft. Airports are also committed to a transition to sustainable electricity, either from renewable or nuclear sources.

This best practice is gradually becoming the norm at all airports, as is the implementation of infrastructure to avoid the use of APU.

How to achieve sustainable aviation with current and future projects, other infographics will follow soon ... and a surprise!



My comment: *The installation of an engine in the front wheel of an aircraft is interesting for medium-haul aircraft, but it is not envisaged for long-haul aircraft.*

Considering the duration of the flight, the reduction in fuel consumption *on the ground for a long-haul aircraft would be less than the additional consumption linked to the weight of the equipment.*

End of the press review

> Advice for employees and former employees who are shareholders

You will find on my navigaction site the modalities of access to the managers' sites.

To avoid forgetting to change your contact information each time you change your postal address, **I advise you to enter a personal e-mail address**. It will be used for all correspondence with the management organizations.

Keep all the documents related to your Air France-KLM shares in one place: all the letters you receive from the different managers, Natixis, Société Générale, your personal financial institution if you bought your shares through it.

> My comments on the Air France-KLM share price trend

Air France-KLM shares closed at **4.590 euros** on Monday 7 June. It is down -0.78% over one week.

Before the coronavirus epidemic, Air France-KLM shares were at 9.93 euros.

The average (consensus) analyst price for AF-KLM shares is 3.30 euros. The highest price target is 5 euros, the lowest 1 euro. You can find the details of the analysts' consensus on my blog. I do not take into account the opinions of analysts prior to the beginning of the health crisis.

Brent crude oil (North Sea) is **up $2**
a barrel to $71. It is above its pre-pandemic level. Since late 2014, it has only exceeded this level for a few months in 2018.

This information is not intended to be a solicitation to buy or sell Air France-KLM shares.

You can react to this press review or send me 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 to employee share ownership...

See you soon.

To find the last press reviews of Monday, it is here

If you like this press review, please pass it on.

New readers will be able to receive it by giving me the email address of their choice.

| François Robardet

Director of Air France-KLM representing the employees and former employees shareholders of PNC and PS.
You can find me on my twitter account @FrRobardet