Air France proposes to integrate the health pass into its air tickets

I Letter from the Director of Air France-KLM

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

N°817, July 19, 2021

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Election of the members of the supervisory boards of the Air France group employee savings plan

The voting is over. The results will be published this Tuesday on my website. Thank you to everyone who was able to participate in this election.

Editorial

Dear readers,

I am publishing at the end of this letter the twelfth infographic on the climate impact of aviation, on the carbon offset and reduction program for international aviation developed by ICAO (CORSIA program).

The team of specialists behind these infographics is taking a short break and will prepare new infographics for you in the fall.
Of course, I will continue to publish this letter every week.
See you soon on our lines.
François

Monday's Press Review

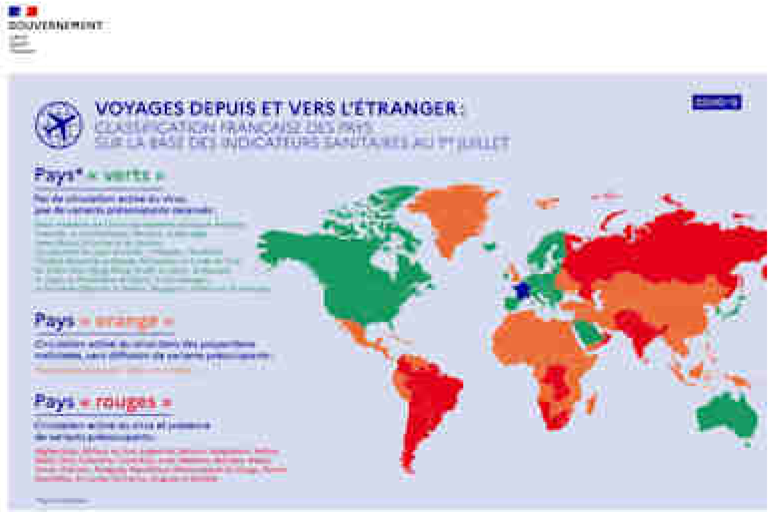
> Air France proposes to integrate the health pass into its air tickets

(source Huffington Post) July 17 - A health pass integrated directly into your plane ticket? This is what **Air France is** offering for all its flights to Corsica and the French overseas territories from this weekend of July 17 and 18.

The airline **has launched a platform, "Ready to fly", on which its customers will be able to transmit their documents online in advance - such as the health pass or any other document requested by the destination country** - so that their boarding pass includes an inscription guaranteeing faster boarding.
It will be a free and optional application to allow those who have not submitted their documents to present them at the airport. The device should be extended to other destinations during the summer.
"**What we are trying to do is** to make travel easy and in this jungle of regulations that change regularly, **to be able to tell our customers three days in advance**, we are able to tell you if you are "ready to fly" or **if there are documents that are missing**," detailed to franceinfo the director of HUB the Paris Charles de Gaulle Airport Guy Zacklad.
(...)
The SNCF would also like to "integrate the control of the health pass from the purchase of the ticket online" but this prospect is "technically complex", said the company to AFP Thursday, July 15.

My comment: *It is difficult for passengers to be sure to have all the necessary documents for their trip. The Air France initiative should reassure them.*

For your information, here is the situation as of July 1st :



DÉPLACEMENTS INTERNATIONAUX DEPUIS ET VERS LA FRANCE : LES RÈGLES À RESPECTER

COVID-19

		Preuve de vaccination (vaccins reconnus par l'EMA)	Motif impérieux	Test exigé à l'embarquement	Test exigé à l'arrivée	Mesure de quarantaine
À destination d'un pays vert	✓	∅ (sous réserve des règles du pays de destination)	Selon les règles du pays de destination	Selon les règles du pays de destination	Selon les règles du pays de destination
	Je ne suis pas vacciné	∅ (sous réserve des règles du pays de destination)	Selon les règles du pays de destination	Selon les règles du pays de destination	Selon les règles du pays de destination
En provenance d'un pays vert	✓	∅	∅	∅	∅
	Je ne suis pas vacciné	∅	Test PCR ou antigénique négatif < 72h[1]	∅	∅

[1] Test PCR ou antigénique négatif < 24h pour les pays sous surveillance (Chypre, Espagne, Grèce, Pays-Bas, Portugal).

	Preuve de vaccination (vaccins reconnus par l'EMA)	Motif impérieux	Test exigé à l'embarquement	Test exigé à l'arrivée	Mesure de quarantaine
À destination d'un pays orange	✓	∅ (sous réserve des règles du pays de destination)	Selon les règles du pays de destination	Selon les règles du pays de destination	Selon les règles du pays de destination
	Je ne suis pas vacciné	Liste des motifs impérieux des pays oranges (sous réserve des règles du pays de destination**)	Selon les règles du pays de destination	Selon les règles du pays de destination	Selon les règles du pays de destination
En provenance d'un pays orange	✓	∅	∅	∅	∅
	Je ne suis pas vacciné	Liste des motifs impérieux des pays oranges	Test PCR négatif < 72h ou antigénique négatif < 48h[2]	Test antigénique aléatoire	Auto-isolement de 7 jours

[2] Test PCR ou antigénique négatif < 24h pour le Royaume-Uni.

	Preuve de vaccination (vaccins reconnus par l'EMA)	Motif impérieux	Test exigé à l'embarquement	Test exigé à l'arrivée	Mesure de quarantaine
À destination d'un pays rouge	✓	∅ (sous réserve des règles du pays de destination)	Selon les règles du pays de destination	Selon les règles du pays de destination	Selon les règles du pays de destination
	Je ne suis pas vacciné	Liste des motifs impérieux des pays rouges (sous réserve des règles du pays de destination**)	Selon les règles du pays de destination	Selon les règles du pays de destination	Selon les règles du pays de destination
En provenance d'un pays rouge	✓	∅	∅	∅	∅
	Je ne suis pas vacciné	Liste des motifs impérieux des pays rouges	Test PCR ou antigénique négatif < 48h	Test antigénique systématique	Quarantaine obligatoire de 10 jours contrôlée par les forces de sécurité

> Air France-KLM: Brussels validates the Dutch state aid to KLM

(source Agefi) July 19 - **The European Commission on Monday**

confirmed its green light for the Dutch state's €3.4 billion aid to KLM.
"The European Commission has re-approved, under EU state aid rules, a Dutch aid measure of €3.4 billion consisting of a state guarantee on loans and a subordinated state loan to KLM to provide urgent liquidity to the company in the context of the coronavirus outbreak," the EU executive said in a statement.
The Court of the European Union (TEU) had annulled in mid-May a first authorization decision of the European Commission, considering it insufficiently founded. However, the TEU had suspended the effects of its judgment until the adoption of a new decision by the Commission.

My comment: *This judgement was expected, only details had to be revised.*

It should be noted that this concerns the aid provided by the Dutch state last year. Discussions are ongoing about a possible recapitalization of KLM by the Dutch state, as the French state did for Air France last April.

The long dialogue with the pilots

(source Le Parisien) July 18 - It is **impossible to separate the story of Transavia from that of its pilots**. At each stage of the deployment, **the Air France-KLM group had to negotiate foot to foot with the** National Union of Airline Pilots (**SNPL**) **and convince it, with elements of pay and career, that the social model of the sister company would not be low-cost**.
"Transavia was born in 2006 with seven aircraft and outside pilots with different working conditions," briefly recalls Guillaume Schmid, vice-president of the Air France SNPL pilots' union. Little by little, Transavia grew and, at each stage, we wanted to bring the contracts closer to those of Air France."
In reality, **the fight has been tough. Notably in September 2014, when the pilots led a two-week strike to obtain that all new hires at Transavia are now seconded Air France pilots**. To put it plainly, each pilot signs both an Air France employment contract and a secondment contract with Transavia. His or her name will be placed on the Air France "seniority" list at the same rate as the others, which determines the order of promotion according to seniority.
This agreement with the SNPL allowed the Transavia fleet to grow beyond the 14 aircraft of the time, but within the limit of 40. **In 2019, "Ben Smith wanted to go even further** (editor's note: when he lifted this limitation of 40 aircraft) and **we argued that compensation should be aligned**," recalls Guillaume Schmid.

This has now been done, even if the working conditions are not quite the same. For example, at Transavia, where activity is highly seasonal, crews work more hours in summer and less in winter. Similarly, because of its organization, in which each aircraft always makes a return trip to France, the pilots must, for example, make Paris-Tel Aviv (Israel) and Tel Aviv-Paris flights in the same day. An accumulation of flight hours impossible at Air France.
It's a good negotiation, **we're getting away from the view that a low-cost airline should necessarily use low-cost contracts," says Guillaume Schmid**. Moreover, Transavia has no shortage of volunteers among Air France pilots. This represents new career opportunities.
(...)
In the summer of 2020, a new limit has fallen: a new agreement with the SNPL has authorized Transavia to operate on domestic routes. There is now only one last lock: "commuter" flights to Marseille, Toulouse and Nice.

My comment: *The agreement mentioned here is complex. In particular, it sets out the number of aircraft in the medium-haul fleets (single-aisle aircraft with more than 135 seats) of Air France and Transavia France until 2031.*

It provides for a minimum of 150 Air France + Transavia France medium-haul hulls, including at least 80 Air France medium-haul hulls at Charles de Gaulle.

In addition, if the number of Air France medium-haul hulls falls below 110, for a reduction of three hulls operated by Air France, a growth guarantee of four hulls operated by Transavia France would be provided.

Finally, the Orly-Marseille, Orly-Nice and Orly-Toulouse routes will continue to be operated exclusively by Air France. In the event that it is envisaged to no longer operate these routes with Air France's own resources, the signatories will meet to define the terms and conditions of this change.

An inaccuracy in the sentence at the beginning of the article should be corrected: "the social model of the sister company is not low-cost".
The Transavia France model is indeed a low-cost model. The flight crews have specific Transavia contracts. As for ground staff, the vast majority of the activity (notably ground handling) is entrusted to

subcontractors.

As for pilot compensation, the interview with the SNPL vice-president is clear and precise.

> American Airlines benefits from the U.S. recovery

(Air Journal source) July 18 - **American Airlines**, which was burning up to $100 million a day at the start of the health crisis, **managed to free up $1 million in cash each day, during the second quarter of 2021.**

"We ended the second quarter with more than $21 billion in total available cash, by far the highest amount in American's history," CEO Doug Parker and U.S. operations head
Robert Isom
boasted. The U.S. airline, which will release its final quarterly results this July 22, still expects second-quarter revenue to be down 37.5 percent compared with the same period in 2019, before the pandemic.
It anticipates a result between a net loss of 35 million and a net profit of 25 million.
(...)
The Covid-19 vaccination campaign in the United States has allowed a gradual reopening of the economy and Americans have started to travel again. The number of passengers is still between 15% and 20% lower than before the pandemic but now regularly exceeds 2 million per day.
Delta Airlines, another major U.S. airline, has also benefited from the recovery: it reported better-than-expected results for the second quarter of 2021 and even recorded its first quarterly net profit ($652 million) since the beginning of the pandemic

My comment: *To analyze the relatively good performance of U.S. airlines, it is worth recalling the oligopoly-like concentration of the domestic market in the United States. This concentration allows the four main airlines to adjust their fares upwards without losing customers.*

The control of the Covid-19 epidemic on the North American continent has facilitated a faster recovery than in Europe.

EU gives green light to the launch of ITA, which replaces Alitalia

(source Reuters) July 15 - **Italy has reached an agreement with the European Commission on the launch of the new airline Italia Trasporto Aereo (ITA), which is intended to replace the former loss-making state-owned company Alitalia**, the Treasury announced on Thursday.

This new company will be fully operational from October 15, said in a statement the Treasury, which believes that this "constructive and balanced" agreement paves the way for the planned capital increase. **Long and difficult negotiations between Rome and Brussels** - particularly concerning the links between IAT and Alitalia - **have allowed competing airlines such as Ryanair and Wizz Air to gain market share on domestic flights in Italy.**

In a separate statement, the Ministry of Industry said 2,800 Alitalia employees could be taken over by ITA this year and another 5,750 by 2022. Alitalia had some 11,000 employees.

My comment: *Alitalia's ground services and maintenance will be sold separately, through public tenders, as required by Brussels. But ITA will be able to participate alongside other investors.*

Brussels had also demanded that the future company mark a clear break with Alitalia, notably by abandoning the Alitalia logo. Nevertheless, the Alitalia brand will be sold through a public tender, in which ITA may participate.

TAP Air Portugal: the European Commission authorizes a rescue loan of 1.2 billion euros

(source Tourmag) July 16 - This Friday, July 16, 2021, the **European Commission has reauthorized rescue aid of 1.2 billion euros for TAP Air Portugal**.
(...) This means
that the rescue aid already paid will not have to be repaid while efforts continue to develop a sound restructuring plan to ensure the long-term viability of TAP, without the need for permanent state support.
(...)
As a reminder, **on 10 June 2021, Portugal formally notified to the Commission restructuring aid amounting to €3.2 billion to finance a restructuring plan of the TAP group** through TAP Air Portugal.
The restructuring plan includes a set of measures to rationalise the operation of TAP Air Portugal and to reduce costs.
(...)
TAP Air Portugal will reduce its fleet, rationalize its network and adapt to the expected decrease in demand by 2023.

At the same time, TAP is renegotiating its agreements with suppliers and lessors and lowering its personnel costs.
Portugal plans to finance the restructuring. This support would take the form of about €2.73 billion in equity or quasi-equity, including the €1.2 billion rescue loan that will be converted into equity.
(...)
The Commission has opened an in-depth investigation in order to better assess the compliance of the envisaged restructuring plan and related aid with the conditions laid down in the guidelines.
(...)

My comment: *TAP Air Portugal, in a delicate situation before the crisis, could be tempted to get closer to a European major.*

> Airlines reject EU kerosene tax plan

(source AFP) July 14 - **The European Commission's proposal to gradually tax kerosene for flights within the EU to reduce emissions from the aviation sector is "counterproductive,"** the International Air Transport Association **IATA reacted** Wednesday. "Aviation is committed to 'decarbonization'" and does not need "punitive measures like taxes" to change, IATA said in a statement.
"**In fact, taxes siphon money from the industry that could support investments**" to reduce the sector's emissions through fleet renewal and clean technologies, **argues its chief executive, Willie Walsh**. "To reduce emissions, we need governments to implement a constructive policy framework that in the immediate term focuses on production incentives" for sustainable aviation fuels (SAF) and "the implementation of the Single European Sky," he added.

Other industry lobbies have reacted in a similar way, with airlines grouped in the A4E association also calling for the development of electric and hydrogen aircraft. **The Commission proposed on Wednesday to gradually tax kerosene for intra-European flights, while the air fuel has so far enjoyed a complete exemption.**

This tax, which would spare business aviation and freight, would be phased in over ten years, while the minimum target for the use of biofuels in aircraft would be raised and the free "pollution permits" from which the sector benefits would disappear from 2026, according to this project.
For its part, the NGO Stay Grounded network "welcomed" the Commission's proposal to end the tax exemption on kerosene enjoyed by the airline sector. But it has "condemned the slow introduction" of this

measure, the exemption for air freight and its limitation to domestic flights in the EU.

My comment: *A tax will never prevent kerosene from emitting CO2, unless the proceeds of this tax are used to set up an alternative fuel production chain. This is what the airline industry is asking for.*

Another criticism is that since this tax only concerns flights within the European Union, it could create a distortion of competition between airlines. Thus, it would be more interesting for a passenger to fly from Marseille to London and back than from Paris to New York. He would then escape taxation on the flight between Marseille and Paris.

The stock market press review

Oil falls by more than 6%.

(source AOF) July 19 - **The price of a barrel of U.S. WTI fell by more than 6.1% to 67.33 dollars** after falling below 70 dollars for the first time since June 1. **The black gold is penalized by the fear of a slowdown in demand linked to the spread of the Delta variant**. This concern resurfaces even as OPEC and its partners have just reached an agreement to increase their production.
The 23 members of "Opec +" agreed to increase their production by 400,000 barrels per day (b/d) each month starting in August. They have agreed to meet in December to adjust their strategy according to market developments.

The agreement also extends the deadline for the production cap from April to December 2022.
In early July, a first meeting had failed due to a disagreement with the United Arab Emirates over its production reference volume.
This threshold, of 3.17 million b/d, no longer corresponded to the country's full production capacity, which had risen to more than 3.8 million b/d in April 2020.
Following discussions over the weekend, this threshold was raised to 3.5 million b/d in May 2022. In the process, quotas were raised in several other countries such as Iraq, Kuwait, Saudi Arabia and Russia.
In April 2020, faced with falling prices related to the health crisis, "Opec+" had reduced its production by 10 million barrels per day (bpd).
The organization then gradually changed this quota, bringing the production cut to about 5.8 million bpd.

My comment: *The summer recovery had raised a lot of hopes but with the increase of the contaminations linked to the Delta variant, the markets are questioning the earnings prospects for the third quarter.*

In the stock market, all sectors are in the red, starting with the transport and leisure sector, which is in the front line of the health crisis.

Bonus of the week

More than 100 countries voluntarily participate in the Corsia program

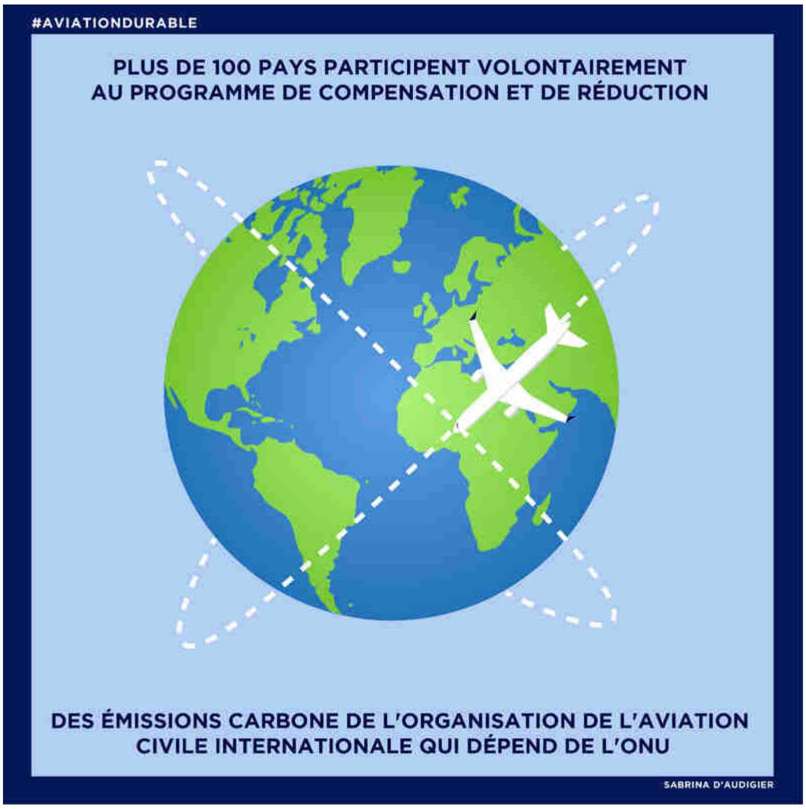
(source aviationdurable) July 13 - Did you know?

More than 100 countries around the world have, to date, decided to voluntarily participate in the carbon offset and reduction program for international aviation developed by ICAO (1) (**CORSIA program** (2)). This is more than half of the United Nations member countries.

CORSIA, a program of market-based measures, **is not the only solution to combat climate change**, but rather part of the "basket of measures" designed to help achieve ICAO's ambitious global goal of carbon-neutral growth for international aviation from 2019.

CORSIA therefore complements the measures of technological innovation and fleet renewal, operational improvements (ground and air) **and the acceleration of the introduction of sustainable alternative fuels, which have been illustrated in previous infographics.** It is the first global market-based mechanism created for an entire industry sector. The more states join

CORSIA, the higher the emissions covered by the Scheme's offset requirements and the greater its environmental effectiveness.
1: The International Civil Aviation Organization (ICAO) is the United Nations' specialized agency in charge of civil aviation
:2
CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) was adopted by the ICAO Assembly in 2016.



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 **3.792 euros** on Monday 19 July. It is down sharply this week by -4.91%. It has lost nearly 30% in three months. The weak recovery of activity, as a result of the appearance of the Delta variant, is the main explanation.

Before the coronavirus epidemic, the Air France-KLM share was at 9.93 euros.

The average (consensus) analyst price for AF-KLM shares is 3.24 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 (North Sea)
oil is down sharply from $6 to $69
per barrel, due to fears of a slowdown in demand linked to the spread of the Delta variant

Since a low point at the end of October 2020 ($37) it had been rising steadily.

As air traffic recovers, this still high price is bad news for airlines.

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

When I was elected, I received the support of the CFDT and the UNPNCChis

press review deals with subjects related to the Air France-KLM shareholding.

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