Letter from the Director of Air France-KLM

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

N°818, July 26, 2021

If you do not see this page correctly, or if you want to read the English or Dutch versions

If you do not see this page correctly, or if you want to read the English or Dutch versions,

Als u deze pagina niet goed ziet, of als u de Engelse of Nederlandse versie wilt lezen,

follow this link , it is here, vindt u deze hier

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

As in the previous election, two lists share most of the 23 seats on the supervisory boards of the Majoractions, Aéroactions, HEA, HEM and HET funds:
. the list led by the SNPL (9 seats)
. and the list I have put together (12 seats), which brings together colleagues from the cabin crew and ground staff.

In addition, the SNPL list won all five seats in the Concorde fund, a fund created in 1998 to collect the shares of employees concerned by the share exchange.

The elected members of these two lists have all the skills required to manage your employee savings well over the next five years.

You will find detailed information on my website, under the heading "Air France-KLM employee share ownership".

Once again, thank you to all those who took part in this election.

Monday's Press Review

> Air France-KLM reorganizes its sales teams

(source Air Journal) July 26 - **Air France-KLM is reorganizing its commercial teams around the world, reducing from eight to four geographic zones as** part of the airline group's transformation. The commercial zones of the Franco-Dutch group will be reduced to four: **two domestic, for France and the Benelux, and two international with Europe and long-haul**.
On this occasion, Air France-KLM announces in its press release two appointments, effective August 1, 2021: Zoran Jelkic, currently Executive Vice President France, is appointed SVP (Senior Vice President) Long-haul, and Henri Hourcade, currently SVP Africa, is appointed SVP France.
The Group will present its first-half results on July 30; in May, it expected available seat-kilometer capacity for Air France-KLM in the second quarter of 2021 to be around 50% of 2019 for the passenger network business. In the second half of the second quarter, the group gradually increased its capacity "given the rollout of vaccination in Europe." For the third quarter, its forecast was for capacity in available seat kilometers "between 55% and 65% compared to 2019 for the network passenger business thanks to the expected increase in demand."

My comment: *The reorganization of Air France-KLM's sales teams was initiated after the departure of Patrick Alexandre, Executive Vice President, Commercial Sales of Air France-KLM.*

He was replaced by Henri de Peyrelongue. At the same time, Pieter Bootsma was appointed Chief Revenue Officer of Air France-KLM.
The Dutch press reported that KLM's Works Council had issued a "conditionally positive" recommendation for this restructuring plan.

KLM also checks travel documents in advance

(source Air Journal) July 23 - **KLM** Royal Dutch Airlines **has launched a new Upload@Home service, allowing travelers on a number of destinations to check that they have all documents related to the Covid-19 pandemic before going to the airport**.
Like its sister airline Air France or Corsair International in France, the national airline is setting up a pre-flight travel document verification service at its base in Amsterdam-Schiphol. KLM customers initially traveling to or from Curacao, Dubai, Lima, St. Maarten, Istanbul,

Germany and Spain can now use Uload@Home to check in advance that they have all the necessary travel documents.
The SkyTeam alliance company "understands that traveling with all the requirements related to Covid-19 can be a challenge at this time, especially because the rules change and can vary from country to country." Pre-validating the documents required by the destination via Upload@Home "allows the customer to ensure in advance that their documentation is in order. In addition, checking documents in advance can speed up the check-in process at the airport," its statement said.
The number of KLM destinations for which Upload@Home is available "is expected to increase in the near future."

My comment: *Last week, I informed you that a similar offer was launched by Air France: the "Ready to fly" service.*

United Airlines still burning cash, but betting on a rebound in air traffic

(source La Tribune with AFP) July 21 - Still in the red, **United Airlines does not lose hope and is very optimistic for the coming months**.
The American airline has indeed lost 434 million dollars from April to June. Nevertheless, even if these figures are still bad, United Airlines has largely reduced its loss compared to the second quarter of 2020 (1.6 billion), when traffic was at its lowest in the United States because of the Covid-19 pandemic, and is betting on a rebound in traffic.
With a successful vaccination campaign in the U.S. and the gradual reopening of the economy, Americans are slowly returning to flying. In addition, **international and business travel has "accelerated even faster than expected,"** the company said in a statement Tuesday.
United's revenue has increased more than fourfold compared to last year, to reach $5.47 billion, but remains 52% lower than the same period in 2019.
(...)
Thanks in particular to the gradual return of business travel by the end of the summer, the company expects to generate adjusted profits before tax in the second half of the year, says its statement.
United Airlines doesn't seem to be worried about the growing threat of the variant Delta and anticipates a full return of demand by 2023. To prepare for this, the company **placed the largest order in its history at the end of June**: 200 Boeing 737 MAX and 70 Airbus A321neo.
These two new contracts reflect the dynamism of the domestic air transport recovery in the United States. **They also illustrate United Airlines' desire to close the gap on this part of its network, where it is currently the worst placed of all American airlines. Indeed, as the**

U.S. carrier most dependent on international traffic, United Airlines is de facto the company hardest hit by the crisis in long-haul activity, impacted by travel restrictions. With these 270 new aircraft, United intends to increase its capacity on the North American network by about 30%.
On the other hand, Delta and American Airlines also indicated last week that they had taken advantage of the upturn in ticket purchases in the United States in the second quarter to turn their finances around a little. American Airlines announced on July 13 that it took advantage of a recovery in U.S. air traffic to return to positive cash flow in the second quarter for the first time since the pandemic began.
(...)
Delta Airlines, for its part, announced on July 14 better than expected results for the second quarter, even recording its first quarterly net profit since the beginning of the pandemic, and was also optimistic about the gradual recovery of traffic
(...)

My comment: *United Airlines seems to draw a first conclusion from the Covid-19 crisis: to compete with its two competitors Delta Air Lines and American Airlines, it will have to strengthen its medium-haul network, its current weak point.*

Lufthansa Group: the new Eurowings Discover takes off tomorrow

(source Air Journal) July 23 - (...) **The German group's Ocean project, which brings together the low-cost Eurowings, CityLine and SunExpress** (the merger with Brussels Airlines having been rejected), **has been renamed Eurowings Discover** (4Y), **and will start operations on July 24, 2021** with Airbus A330-200. With departures from its Frankfurt base on Wednesday and Saturday at 7:35 pm to arrive the next day at 5:10 am in Mombasa-Moi, then at 7:00 am in Zanzibar-Abeid Amani Karume; return flights leave Tanzania on Thursday and Sunday at 8:50 am then Kenya at 11:00 am to land at 6:40 pm.
Eurowings Discover competes with Condor to these two destinations, which were unveiled last October by its parent company Lufthansa and have now been transferred to the new subsidiary - which operates under its own commercial and operational responsibility, and shares its codes. In August, the Eurowings Discover flight schedule will be completed with three weekly rotations to Punta Cana in the Dominican Republic, and five to Windhoek in Namibia. Then in October, it will inaugurate new routes to Las Vegas in the USA and to Mauritius (3 flights per week in

both cases).

In the winter 2021 flight schedule, Bridgetown (Barbados), Montego Bay (Jamaica) and Varadero (Cuba) will be added to the program, with three weekly frequencies each. And in November the first medium-haul routes will be launched, "to the Canary Islands, Egypt and Morocco". All subject to travel restrictions related to the Covid-19 pandemic.

"**The timing couldn't be better. People can finally travel again and we are all set to fly them to the world's most beautiful destinations**," explained Wolfgang Raebiger, CEO of Eurowings Discover, last month. "We have built an airline in just one year - an ambitious goal that we have achieved with the great support of the entire Lufthansa Group, a motivated team and in close cooperation with the German Federal Aviation Authority. We would like to express our sincere gratitude to all those involved.
The Eurowings Discover fleet will consist of a maximum of eleven aircraft in total this year, increasing to 21 aircraft by the middle of next year (ten A320s and eleven A330s, all from the Star Alliance group fleet). On the passenger side, with full integration into Lufthansa's feeder network, travelers "will benefit from end-to-end booking processes and smooth transfer traffic." **It already plans to open a second base in Munich next year**.
(...)

My comment: *The Lufthansa group's project is questionable.*

It creates a long-haul low-cost airline while experts doubt the relevance of the model. The recent failure of Norwegian shows it well.

This new airline will compete with Condor, another German airline that has received 550 million euros in financial aid from the German government.

Ryanair loses 273 million euros in the first quarter

(source Le Journal de l'Aviation) July 26 - **Ryanair recorded a loss of 273 million euros in the first quarter**, up 47% compared to the first quarter of 2020. On the other hand, its turnover tripled, to 371 million euros, due to the increase in passengers: 8.1 million of them boarded its planes, compared to 500,000 in the same period last year.
The low-cost carrier points out that the quarter started badly, with no travel at Easter and a late easing of travel restrictions in Europe. Uncertainty surrounding the green lists and the Irish government's great

caution kept the trend of late bookings and low fares going.
(...)
Ryanair expects its traffic to increase from 5 million passengers in June to 9 million in July and 10 million in August, but its fares will remain well below those of 2019 to stimulate traffic and recover its load factors.
The company says it has no visibility on its financial results for fiscal year 2022 (starting April 1, 2021) but hopes to post a small loss or break-even result. However, it has tightened its traffic forecasts to between 90 and 100 million passengers (instead of 80 to 120 million passengers), if there is no relapse in the course of the pandemic. Finally, it expects its growth rates to return to a level equivalent to 2019 in the summer of 2022.

My comment: *The Irish airline has suffered from the restrictions linked to the emergence of the Delta variant in Great Britain.*

Note that for Ryanair, the first fiscal quarter is the second quarter of the calendar year, from April to June.

Johan Lundgren, CEO of EasyJet: "No to aid that distorts competition

(source Le Journal du Dimanche) July 25 - For his first trip out of the United Kingdom in over a year, the Swede at the head of Europe's second-largest carrier behind Ryanair made a stopover in Paris to meet his teams. He took this opportunity to decrypt, exclusively for the JDD, how the crisis is emerging in the airline sector. **Johan Lundgren assures that his company is still oriented towards growth, which comes this summer from the major European capitals and French domestic flights.**

We will only operate 60% of our flights compared to summer 2019, but more importantly, we will operate the most in Europe, not from the UK. Two thirds of our passengers are now in Europe. It is thanks to them that we will continue to grow, such as in Berlin, or in Amsterdam where we are scheduling more flights this year than in 2019. Overall, we have forecast that we will not return to our pre-crisis level of activity until 2023, with very different recoveries in different countries. But no scenario is written.

You recorded losses of 370 million euros in the last quarter alone. Is this partly due to the absence of British customers?
Yes, and I am very critical of the choices made by the UK in terms of

travel restrictions. Why quarantine people who have had their two doses? The country is isolating itself when Europe is starting up again, which is ironic because the vaccination campaign started there much earlier. Europe is leading the way out of the crisis.

What about France?
France is historically one of our main markets, and this summer traffic is picking up very quickly. Our domestic flight program has been further developed, notably with a fourth airport in Corsica (Calvi), flights to Toulon, and a total of seven bases **in France** where aircraft and crews are positioned. **We offer more domestic flights than before the pandemic. They represent 70% of our business, compared with 30% for flights abroad.** This was exactly the opposite two years ago. **This is a sign that there is strong demand for domestic routes and that our strategy was the right one.**

So your main competitor is the SNCF?
We do not operate routes for which there is a real alternative by train. This is true in France and throughout Europe. **Three hours is the limit at which passengers switch to air travel.** I don't see why this behavior should change and I don't want it to.
(...)
During the crisis, did you receive aid from governments, especially French?
We may be a low-cost airline, but **we operate in France**, with crews based in France and employees under French contracts. **This has allowed us to benefit from partial activity**. **In the UK, we obtained a government-guaranteed loan**. I have never been against this type of aid. We are facing a crisis for which no company was prepared. But when we see the amounts of aid granted to some, we can fear a distortion of competition. This is not fair and we will not accept it. We are against state aid that distorts competition.

Like the aid granted to Air France-KLM?
We are the biggest company in the UK, the second biggest in Europe, and **we have received €600 million in aid from the British government, compared with more than €10 billion for Air France-KLM** and the equivalent for some others. Once again, I am not against aid. We are using infrastructure that needs to start working again. But **we are going to look at whether the funds granted were** really to ensure the survival of the company or **to enable it to retain market share**. If the latter is the case, we will take the appropriate measures.

Do you think the bashing of the airline industry is unfair?

Our growth can no longer be achieved at the cost of environmental impact, as has been the case in the past. EasyJet was the first airline to support the European CO2 trading scheme and to launch automatic and voluntary carbon offsetting. Every ton of fuel we use is offset by funding projects around the world to combat deforestation. This is not a choice that we offer to passengers as other airlines do. At EasyJet, we integrate it into our operations and our costs. We are also working with Airbus on the energy efficiency of our aircraft. **We are very involved in the development of electric and hydrogen aircraft because sooner or later the technology will be there and they will fly. Airbus has said it will have a zero-emission aircraft by 2035. That's going to be a game changer and we want to be the first to do it.**

Can your efforts be taken into account in the proposed European airline tax?
I think **we are the only European airline that is 100% in favor of introducing a fuel tax. But on certain conditions: that the revenue from the tax be invested directly in projects to decarbonize aviation.** The tax must also be applied fairly to all. The European Commission is talking about exempting certain companies... We know that the majority of emissions come from long-haul flights. It is unthinkable that these types of routes - or traffic in hubs - are not taken into account. Even if this favors the large national airlines, which seems to be the objective. Finally, **this European tax will have to replace national taxes that are supposed to target environmental objectives**, but which often end up in the coffers of governments.

My comment: *Of all the answers given by the main competitor of the Air France group in France, the most interesting is the one concerning competition with the SNCF.*

> Airport slots in the EU: maintaining the rules criticized

(source Le Figaro with AFP) July 26 - **Brussels proposed on Monday to extend for the winter of 2021-2022 the temporary easing of rules on airport slots** for companies, attracting criticism from the International Air Transport Association, which is calling for further relaxation.
European rules normally require airlines to use at least 80 per cent of the take-off and landing slots allocated to them at airports, otherwise they lose their rights the following season.
After a suspension of these rules at the beginning of the pandemic in March 2020 to prevent airlines from operating empty flights in order to keep their slots, Brussels recommended a gradual return to normal.

Since March 28, 2021, airlines are required to use 50% of their scheduled **takeoff and landing slots** during the summer of 2021 in order **to keep them for the following season.**

"As the aviation sector begins to recover from the impact of the Covid-19 crisis, the Commission remains committed to maintaining the relief from the ordinary slot allocation rules for airlines," it said in a statement. It therefore proposes to continue this relief for the next winter scheduling season, from October 31 to March 27, 2022

.

The International Air Transport Association (IATA) considered this proposal "out of touch with reality" for the winter season, in a statement issued Friday before the official announcement.

It **criticized the Commission for "ignoring" the arguments of Member States and the airline industry that had argued "for a much lower threshold", pointing out that demand in winter is always lower than in summer.**

(...)

The proposal must still be approved by the European Parliament and formally endorsed by the Council, representing the Member States.

My comment: *The European Commission has based itself on intra-European traffic forecasts to set the minimum slot utilization threshold for the next winter season at 50%.*

This ignores the low international traffic forecasts for the period concerned (October 2021 to March 2022).

If the European Commission maintains its proposal, it is likely that airlines with a strong long-haul network will be forced to fly planes with few passengers to keep their slots.

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 **4.012 euros** on Monday 26 July. It is up strongly this week by +5.80%. **It has regained this week what it had lost the week before.**

Before the coronavirus epidemic, Air France-KLM shares were 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 crude oil (North Sea) **rose sharply from $6 to $75 a barrel. It has regained this week what it had lost the week before.**

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

As air traffic is about to pick up, this 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.

To contact me: message for François Robardet. 10912 people receive this press review online