I Letter from the Director of Air France-KLM

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

N°812, June 14, 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

Editorial

Dear readers,

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

........

These infographics were produced by specialists with whom I have collaborated.

Let's continue to respect the barriers.

Good reading
François

Monday's Press Review

> Air France announces a summer program with nearly 200 destinations

((source Air Journal) June 12 - Taking advantage of the gradual reopening of French borders and the lifting of certain travel restrictions, **Air France plans to serve nearly 200 destinations this summer - including more than 110 in France, Europe and North Africa from Paris-CDG and Paris-Orly.**

On the short and medium-haul network, in addition to its usual schedule, Air France will offer 81 seasonal routes this summer, including 23 new ones. More than 40 summer routes will be offered on the domestic network, departing from Paris and from region to region, notably to Corsica, which will be linked this summer directly to Paris, Bordeaux, Caen, Lille, Lyon, Pau, Rennes, Strasbourg and Nantes.
In Europe, this offer will focus on leisure destinations such as Greece, Portugal, Spain and Italy, departing from Paris and the French regions. Overall and compared to summer 2019, Air France will increase its offer to Greece by almost 80% and to Portugal by almost 25%.
On long-haul routes, the lifting of the compulsory reasons to most of the French Overseas territories will enable us to strengthen our offer on these routes, which are essential for territorial continuity. This summer, Air France will operate up to three flights a day to Pointe-à-Pitre (Guadeloupe), Fort-de-France (Martinique) and Saint-Denis de La Réunion from Paris-Orly and Paris-Charles de Gaulle, enabling connections on the entire Air France network.
In July and August 2021, the Air France flight schedule will represent 65% of the capacity deployed at the same time in 2019, compared with 40% in May. Also, the CEO of the French national airline, Anne Rigail, considers it premature to speak of "the end of the crisis", but still evokes "good news for our customers eager to travel".
In order to accompany the increase in frequencies, **maintenance teams are working hard to take 10 medium-haul and 12 long-haul aircraft out of storage**. In total, 181 aircraft will be in operation this summer. As the French company points out, its flight schedule is subject to change and to obtaining the necessary government authorizations. It will be implemented taking into account the health measures in force in the various countries or destinations served.

(...) **Air France** (...) **would like to remind customers that as part of its commercial policy, the airline is currently offering 100% changeable tickets for travel until December 31, 2021**. Customers can thus modify their reservation free of charge, or obtain a refundable credit note if they no longer wish to travel. If the flight is cancelled by the company, the customer has the choice of postponing the trip, requesting a full refund of the ticket or receiving a credit note, also refundable if not used.

My comment: *All Air France-KLM group airlines are mobilized to meet the demands of the many customers wishing to travel after a one-year ban.*

In Europe, the resumption of activity mainly affects the medium-haul sector.

In an interview on RTL, Anne Rigail recalled that "all our tickets are refundable, modifiable, whatever the reason, until the end of the year, so no risk for our customers to prepare their vacations. (...) I can confirm that on Schengen, vaccinated passengers can travel without constraint, and those who are not vaccinated must take a PCR test, so it is quite easy".

> Air France-KLM: agreement on the pension plan for KLM ground staff

((source Boursier com) June 14 - Following the conversion of KLM's pension plans to collective defined contribution plans for pilots and cabin crew in 2017, an agreement has been reached for the KLM ground staff pension fund. As a result, **all major KLM pension funds now have a collective defined contribution scheme.**

This will lead to greater predictability of annual contributions and lower volatility on the balance sheet. **This development is fully in line with the general trend in the Netherlands**.
KLM and the 5 Dutch unions of KLM ground staff have reached an agreement allowing for the modification of the ground staff pension scheme as of January 2021. This formal agreement was reached between KLM and the Board of Trustees of the KLM ground staff pension fund.
(...)
With this agreement, **KLM finalizes the risk mitigation measures associated with KLM's 3 main Dutch pension schemes, thus contributing to significantly reduce the volatility of the annual pension contributions and the Group's balance sheet**. In addition, the Group's balance sheet will no longer show a 'pension asset' as of June 2021.

My comment: *In a defined benefit pension system, benefits are defined in advance. It is a kind of "performance obligation" operation.*

Unlike a defined benefit, a defined contribution system commits to the amount of contributions made but not to the resulting pension. In other words, it ensures a final envelope for all the pensions to be paid. This system exists in Sweden, Germany and Italy.

The French pension system is mixed.
For civil servants, the texts provide for a liquidation rate of 75% of the last gross salary, and for the private sector, the general scheme provides for 50% of the average annual reference salary, calculated on the basis of the best 25 years.

The level of the pension also depends on the length of contribution: the rates of 50% and 75% correspond to the full rate, and those who have not worked long enough do not benefit. The benefit is therefore not entirely defined by the texts, and experts prefer to speak of a "discretionary system".
(Source: La Croix, February 4, 2020)

> Transavia prepares for a record summer

((source Les Echos) June 10 - Not everyone will be in the same boat this summer. While the airline industry and its parent company Air France are still recovering, **Transavia France is preparing to enjoy the best summer in its history**. The low-cost airline of the Air France group expects to carry as many passengers if not more than in the summer of 2019. And while the delay in the first half of the year will probably not be made up by the end of the year, Transavia France seems to have already left the crisis behind.
"Since the end of April, trends have been good, and even very good," says Nicolas Henin, Transavia France's deputy managing director, sales and marketing. The announcement of the deconfliction schedule triggered a reaction among customers, which has been growing. On Monday and Tuesday, we even had the two highest booking days in Transavia's history.

On the most popular destinations - Greece, Spain and Portugal - Transavia France even had to add capacity, well above pre-crisis levels. **Compared to summer 2019, Transavia's offer has thus increased by 60% to Spain, 40% to Greece and 15% to Portugal**. The number of destinations offered by the company has also increased, from 110 in 2019, to 150 this summer, including 12 in Greece and 13 in Spain. Unlike some of its low-cost competitors, who were playing it safe,

Transavia France had bet early on growth this summer, as part of the plan to take over part of the Air France domestic network. **Since the beginning of the year, the green airline has taken delivery of eight additional Boeing 737-800s, bringing its fleet to 48 aircraft**. A risky bet, initially intended to protect the group's slots at Orly, but which has finally paid off. All these aircraft should be used during the summer peak.
(...)
Growth should continue in 2022, with the arrival of ten additional Boeing aircraft. On the other hand, the crisis has left its mark on the accounts, with record losses in 2020, which will probably have to be offset, once again, by a new recapitalization in the coming months. Only Air France will participate, since KLM, its sister company which initially owned 40% of the capital of Transavia France via Transavia Holland, has completely withdrawn by selling the balance of its stake to Air France at the end of 2020.

My comment: *Transavia faces a major challenge: to have enough crew (pilots, captains, flight attendants) to fly 48 planes this summer, 10 more than in 2019.*

AE CATA: the historic agreement that could well weigh on the Gulf companies

((source Le Journal de l'Aviation) June 8 - This is quite simply the largest open skies agreement ever negotiated to date. **The countries of the European Union (EU) and the Association of Southeast Asian Nations (ASEAN*) have finalized the ASEAN-EU Comprehensive Air Transport Agreement (AE CATA), the first air transport agreement between two major global economic regions**.

This open skies agreement, which has been in the making for many years, will facilitate air links and trade **between Europe and Asia, with airlines soon being able to offer an unlimited number of flights between the two regions, as well as the possibility of operating up to 14 weekly passenger routes in seventh freedom** (via and beyond a third country), and without restrictions for cargo flights.
But if the negotiators intend that this agreement will also be the source of closer cooperation between the two regions in areas such as air safety, air traffic management, consumer protection and environmental and social issues, **it is clear that the AE CATA aims above all to facilitate and strengthen direct connections between the countries of the two blocks, to the detriment of one of the business models that has made the great success of the airlines of the Gulf**

countries and in particular for the famous ME3, namely Emirates, Qatar Airways and Etihad.
Obviously, the effects of **the agreement between the EU and ASEAN,** which is **not yet definitively ratified**, will take some time to be felt. For the time being, passenger flights between the two regions are practically at a standstill, due to travel restrictions.
(...)
(*) ASEAN includes 10 Southeast Asian countries: Burma, Brunei, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

My comment: *What is the "seventh freedom" mentioned in this article?*

First of all, a reminder: commercial aviation is governed by eight freedoms of the air, national and supranational legislation as well as international conventions that each State undertakes to apply in its airspace after ratifying them.
(You can find all the information on these freedoms on pages 377 and following of the Air France-KLM universal registration document, available on the Air France-KLM Group website)

The seventh freedom allows an airline that departs from one foreign state to embark passengers and disembark them in another foreign state, without passing through its home state.

With this agreement, an Indonesian airline could fly directly from Thailand to Europe without passing through its hub. To fly the same route, Gulf carriers must stop at their hub.

> "I'm always afraid of missing out on breakthrough technologies," says Airbus boss

((source Les Echos) June 14 - It's *summer, the Covid-19 pandemic is receding, people want to start traveling again. Is the future more serene for Airbus?*
We are seeing progress in the fight against the pandemic, even if it varies from country to country. But we must remain vigilant and aware that the situation remains fragile. The aviation industry estimates that it will take two or three years to gradually return to pre-pandemic levels. **This recovery will initially concern mainly short- and medium-haul aircraft, and only later on will it affect long-haul aircraft. But obviously, the future looks brighter than it did six months ago**. With the vaccination campaigns - hopefully soon to take place all over the world - we can be cautiously optimistic.

So will commercial aviation return to its pre-pandemic level? So Covid was not a more structural break?

Covid has raised awareness of the environmental footprint of mobility, but people will travel again, both for business and pleasure. However, demand will change. Everyone will want to travel better and differently, with more direct routes and better cabin comfort. Products like our A321XLR meet these expectations.

Europe has committed to a significant reduction in CO2 emissions. Are you concerned that demand will shift to ground transportation?

Airbus is fully aware of the need for sustainable aviation, and we are pioneering it. Over the past 30 years, emissions have been reduced by more than 50%, and in recent years by an average of more than 2% per year. **For the future, we want to be the first on the market with a zero-emission aircraft in 2035**. Are we aware of the new reality? Yes. Are we taking the appropriate measures? Absolutely. Are we putting our money where our mouth is? Absolutely.

Carbon-neutral flight requires the mobilization of multiple skills: new technologies, materials, aerodynamics, greater use of sustainable fuels.

(...)

You have been Chairman of the Board of Directors for a year. What exactly is your role?

The Board of Directors must ensure good corporate governance, evaluate the performance of management, decide on strategic and financial plans, and oversee the company's risk management and compliance. One of my main contributions is to bring my experience in terms of strategy, finance, digitalization and connectivity in discussions with the Executive Chairman Guillaume Faury and the team.

Digitalization is increasingly influencing our business and **Airbus is thinking well beyond the next five years**.

What does that mean?

Believe me, I've seen this scenario before - what you were doing well yesterday can be disrupted in a relatively short time tomorrow. Part of my strategic role is to make sure that doesn't happen to Airbus. Frankly, I don**'t want us to be destabilized** the way some car manufacturers were destabilized by the arrival of Tesla or the telecom industry by Skype in the 1990s. You can call it paranoia, but **I'm always afraid of missing out on disruptive technologies and new trends**.

(...)

In your field, during this crisis, government intervention has been massive. Is it excessive in such a competitive market?

I think we need to distinguish between efforts to mitigate the crisis and support for the ecological transformation that benefits business and industry in the broadest sense. Governments were aware of the deadly crisis that Covid caused for the aeronautics sector, and they provided assistance with, for example, short-time working measures or funds to help our suppliers. These were important measures for which we should all be grateful in the aviation sector, because they kept a large number of our employees.

In a crisis, however, the danger for companies and governments is to focus solely on defensive measures. On the contrary, **we have maintained our research and development programs. On hydrogen, for example, governments are providing research support, for which we are also grateful. This will continue to be necessary in the future**.

The entire mobility sector is undergoing a radical ecological transformation that requires, among other things, increased R&D on hydrogen propulsion, on sustainable hydrogen production and on new supply infrastructures. All this requires the combined efforts of researchers, engineers, politicians and the private sector as a whole.

Is Brussels moving too fast in its climate ambitions?

The aviation sector supports the EU's targets of a 55% net reduction in global emissions by 2030 compared to 1990. We support these targets, because the climate challenge requires us to do so. **Our long-term goal is to make emission-free aviation possible.**

A recent study by the German Ministry of Transport shows that domestic flights account for less than 1.5 percent of travel-related emissions. Only one seventh of all flights from Germany are domestic, and most of them are more than 500 kilometers long. All others are international, with an average distance of 1,700 kilometers.

How can we replace them? By train? **The rail network is totally insufficient. To develop a capacity comparable to that of aviation, which directly connects several thousand destinations, tens of thousands of kilometers of track would have to be built across Europe over the next few decades. A colossal undertaking with an equally large environmental impact. In the meantime, flights will become very energy efficient and, in the long run, emission-free.**

To go from Berlin to Frankfurt, from Paris to Lyon, from Madrid to Barcelona, from Milan to Rome... would you choose the plane or the train to respect the environment?

I totally respect the environment when I choose my mode of travel. But

again, let's look at the facts. Two liters per passenger per 100 kilometers on average - that's what we're talking about for air travel. If we translate that into CO_2 emissions, we're talking about 60 to 65 grams on average, with a reduction of over 2% per year. Aviation accounts for 2 to 3% of global emissions.
Compare that to other modes of transportation. **The trajectory toward reduced emissions depends very much on how quickly aircraft fleets are modernized. And for trains, you can't just look at the greenhouse gas emissions of a single train ride, without considering the environmental effects on the whole ecosystem, biodiversity, water, etc.**

What are your objectives with regard to biofuels?

Today, **our engines can run on 50% biofuels or synthetic fuel**. What we need to look at now is improving the infrastructure and production to make them widely available. That's one issue. The other is the cost of producing these sustainable fuels, which has to come down.
China is becoming your most important market, and Beijing is pushing you to increase your production capacity there, including for the largest aircraft. You are also sourcing more fuel there. Aren't you falling into the same trap as the automotive industry: dependence?

Our commercial geography is very diversified, with about 30% in Europe and 70% outside Europe. In this commercial landscape, China is certainly a very important and growing market. As a result, we are looking to increase our production capacity in China to better serve this market locally, as we do in the United States.
As a reminder, we have industrial, commercial or service establishments in 35 countries with 180 sites. So you can see that there is no particular dependence.
(...)
This interview was conducted with our colleagues from "Handelsblatt", "Corriere della Sera" and "El Mundo".

My comment: *From this long interview I only retained a few passages concerning more particularly the future of the airlines.*

Biofuels: Djebbari's balancing act with the airlines

((source La Lettre A) June 10 - **The interministerial negotiations on sustainable aeronautical biofuels (SAF) are struggling to deliver their verdict** (LLA of 07/04/21). The ministries of Ecological Transition, Transport, Agriculture, Armed Forces and the French Ministry of

Finance have to define the criteria for a future call for projects, which should be launched this summer to develop the French biofuel industry. The conclusions of the call for expressions of interest (AMI), which prefigures the call for projects, have still not been finalized. Launched in early 2020 by Elisabeth Borne, then Minister of Ecological Transition, and Jean-Baptiste Djebbari, Minister Delegate in charge of Transport, it was supposed to end in late April.

While everything is not yet finalized, **a number of avenues are emerging, contrary to those expected by the sector's industrial players just a few weeks ago. The future call for projects should not focus so much on the development of biofuel production** - with the financing of demonstrators capable of meeting the needs of the French market - **as on upstream research.** Most of the effort will be focused on funding feasibility studies, with funds that could come from the fourth investment program for the future (PIA4) launched by Prime Minister Jean Castex earlier this year.
A significant part of the resources should be directed towards the development of synthetic fuels, known as "e-fuels". These new generation biofuels are developed from CO2 and hydrogen capture, which allows them to have a much better ecological balance than those obtained from biomass and to move more quickly towards carbon neutrality. **Although highly innovative, they require several years of development. They should only be operational by 2030, which is beyond the first obligations for incorporation into air transport set out in the government's roadmap published in early 2020** at the same time as the call for expressions of interest.
E-fuels are still underdeveloped in France, and until now they have not been a priority for the government, and were virtually absent from the roadmap. They are now strongly pushed by Jean-Baptiste Djebbari, who confirms his technophile inclination and his desire to preserve the French position in research on biofuels, especially in the face of Germany, which is very willing to work on e-fuels.
There are, however, projects underway that include French players. One example is the KerEAUzen consortium led by Engie in partnership with the German company Sunfire to develop an e-fuel industry in France, with the support of major aeronautical groups including Air France-KLM, Airbus, Aéroports de Paris (ADP) and Safran. It could apply for the call for projects this summer.
Another hope is likely to be disappointed: the implementation of a financial mechanism capable of offsetting the additional cost of biofuels by facilitating their purchase by airlines. This issue is no longer on the agenda of interministerial meetings. However, the price of biofuels is three to five times higher than that of conventional kerosene,

and the price of e-fuels, on which the government is betting, is ten times higher.
This decision could penalize the development of a French production sector, which was counting on this public support to attract private capital. Similarly, it could lead fuel suppliers to buy outside France if prices are lower.
In parallel to this call for projects, the government must also transcribe into law **the biofuel incorporation targets defined by the 2020 roadmap.** The 2021 Finance Act currently sets **a target rate of 1% in 2022**, while **the target of 2% by 2025** could be incorporated into the bill "Fight against climate change" this summer, through an amendment to the Senate. In any case, it will be imposed by the future European regulation "ReFuelEU Aviation", which will come into force by 2024 (LLA of 07/06/21).
Jean-Baptiste Djebbari may also **be tempted to raise the 5% target for 2030, in order to establish a more ambitious long-term trajectory**. This additional effort may be necessary for French air transport to reach its carbon neutrality goal by 2050. However, the Minister of Transport is not expected to make a move until the European Commission publishes its proposed "ReFuelEU Aviation" regulation, scheduled for July 14.

My comment: *In one year, the ministers' discourse has become more cautious.*

Last year's big announcements on the green hydrogen aircraft had raised the scepticism of industrialists as to the credibility of the project in the medium term.

Caution now seems to be the order of the day; feasibility studies should be launched.

One question remains unanswered: how many avenues will be explored?

In other words, how can we convince the president of Airbus (see previous article) that France will not miss out on the breakthrough technology that will enable air transport to achieve its goal of carbon neutrality by 2050?

Bonus of the week

Reducing the weight of aircraft will reduce their fuel

consumption by 3%.

((source sustainableaviation) June 8 - **Every time you reduce the weight of an aircraft by 100kg, you reduce its fuel consumption by 3.5kg for each hour of flight** and there are many examples:

- United Airlines used thinner paper for its in-flight magazine, saving 48g per newspaper. The savings amounted to 648,000 L of fuel per year!
- Cabin equipment such as Expliseat seats save one ton on a medium-haul aircraft, saving 100kg of CO2 for each hour of flight! -
the Boeing 777's hoof is replaced by a software protection (-150 kg in weight),
- the aircraft structure uses more composite materials, 20 to 25% lighter,-
the flight bags are replaced by tactile tablets, like those of AVIOBOOK...
But the passenger can also contribute to this effort by traveling light! If everyone lightened their weight by 100 grams before boarding, the global saving would be 50,000 tons of fuel, or 150,000 tons of CO2!

This generalized lightening should reduce aircraft consumption by 3 to 5%. So go to the bathroom the next time you fly and join the movement.

My comment: *Reducing the weight of an aircraft is the second most* *important concern of aircraft and engine manufacturers, after flight safety.*

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 **4.589 euros** on Monday 14 June. It has remained stable this week (down -0.02%).

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 $73. It is above its pre-pandemic level. Since late 2014, it has only exceeded this level for a few months in 2018. As air traffic recovers, 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.

If you no longer wish to receive this letter/press review, [unsubscribe].

If you prefer to receive the press review at another address, please let me know.

To contact me: message for François Robardet. 10907 people receive this press review online