I Letter from the Director of Air France-KLM

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

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Monday's Press Review

> Air France and KLM move to Heathrow

(source Air Journal) August 26 - **Air France and KLM Royal Dutch Airlines are now operating at London Heathrow Airport's Terminal 3, where they join their transatlantic joint venture partners Delta Airlines and Virgin Atlantic**.
Since 24 August 2021, the French and Dutch national airlines have been operating in T3 at London's first airport, which reopened in early July after a year-long closure due to the Covid-19 pandemic. Prior to the health crisis, Air France and KLM were based at T4, but had already had to move to T2; they currently operate more than 60 flights a week to Heathrow from their respective hubs at Paris-CDG and Amsterdam-Schiphol.
Fahmi Mahjoub, Air France-KLM's managing director for the UK and Ireland, told Business Traveller: "**We are very pleased to start flying from terminal 3. This decision brings us closer to our partners, Delta Airlines and Virgin Atlantic, under one roof and will further enhance the customer experience, especially for our transatlantic passengers**" whose connections will be made easier. Eligible Air France and KLM passengers will also have access to Lounge 1 in T3.

Algeria: Air France and Transavia announce their flights

(source Air Journal) August 29 - **Algerian authorities have authorized**

64 weekly commercial flights (round trip) between Algeria and seven countries - including **48 flights with France**, and the rest with Germany, Italy, Spain, Turkey, Tunisia and Russia.
Of the 48 weekly flights between Algeria and France, 24 flights are operated by Air Algerie and the other 24 are shared between French airlines Air France, Transavia and ASL Airlines.
Following Air Algerie, Air France and Transavia have announced their flights between France and Algeria. (...) Air France has announced the resumption of its commercial flights from 29 August, offering a daily flight between Paris-CDG and Algiers and two weekly flights between Paris-CDG and Oran.
Transavia, for its part, has announced confirmed flights for the next few days only: Paris Orly-Oran on 30/08; Paris Orly-Alger on 29/08, 30/08, 31/08 and 02/09; Lyon-Alger on 31/08 (already full). (...) **Other flights will be announced at a later date**: this is because **authorisations are given by the Algerian authorities each week for the following week**, until further notice.
(...)

My comment: *The three French airlines (Air France, Transavia and ASL Airlines) had, just before the beginning of the health crisis, recovered the traffic rights available between Algeria and France after the bankruptcy of Aigle Azur.*

Covid-19: Delta Airlines to charge $200 a month for health insurance for unvaccinated employees

(source Le Monde) August 25 - **Unlike its competitors United or Hawaiian Airlines, the American airline Delta Airlines does not impose the mandatory vaccine to its employees**. **However,** it is going to seize the wallet of its 25% of non-vaccinated employees. Thus, **it will force them to be tested every week and increase by 200 dollars (170 euros) per month the premium that they must pay to their health insurance.**

Delta's boss, Ed Bastian, is relying on the final approval of the Pfizer vaccine: "With the announcement this week that the FDA [Food and Drug Administration] has given its full approval to the Pfizer vaccine, the time has come for you to get vaccinated," the company's chief executive wrote in a memo to his employees.
(...) As
of October 1, sick leave for Covid-19 will be granted only to those who are vaccinated. Finally, at the beginning of November, their insurance premium will increase by $200. **Delta's CEO said that hospitalization**

for SARS-CoV-2 can cost up to $50,000.

In recent weeks, not all airline employees hospitalized with SARS-CoV-2 were vaccinated. "This extra money will be needed to address the financial risk that the decision not to vaccinate creates for our company," Bastian said.

ITA gives green light to a firm offer for Alitalia's aviation sector

(AFP source) August 24 - **The board of Italia Trasporto Aereo (ITA), the new state-owned airline expected to rise from the ashes of Alitalia, approved a firm offer Tuesday to buy the aviation division of the financially troubled former national flagship.**

The offer, the amount of which was not specified, covers 52 aircraft, a corresponding number of slots and other assets of the aviation division, ITA said in a statement, confirming that the fleet will be reduced by half. The new company is expected to begin flights on 15 October as planned, after receiving the green light from the Italian Civil Aviation Authority (ENAC) last week.
Alitalia's ground services and maintenance will be sold separately, through public tenders, as requested by Brussels, but ITA will be able to participate alongside other investors. **The sale of tickets by ITA will start on 26 August, according to the statement. At the same time, Alitalia will stop selling tickets for flights scheduled from 15 October onwards from midnight.**
(...)
The Italian state, which had placed Alitalia under public administration in 2017, had approved at the end of July the injection of 700 million euros of funds into ITA. After this initial injection planned for 2021, ITA is expected to benefit from two further capital increases in 2022 and 2023, bringing the total to €1.35 billion. In 2017 and 2019, Alitalia had been granted loans by the state totalling €1.3 billion, which are still in Brussels' sights.

My comment: *The new Italian company ITA will be barely half the size of Alitalia.*

Many ground staff, cabin crew and pilots will be out of work.

Ryanair is already leaving Northern Ireland

(source Boursier com) August 25 - **Ryanair is already winding down its operations from Northern Ireland. Just three months after** the

low-cost airline resumed flights from Belfast City after an 11-year absence, it will stop flying to Northern Ireland from the autumn due to what it says are too high costs at both Belfast airports.
Ryanair blames its decision on the government's refusal to reduce or suspend the air tax and the lack of incentives at the two airports. Britain has some of the highest passenger charges in the world, with a tax of £26 per person on short-haul economy flights to most of Europe, and £150 per passenger on long-haul flights.
A Ryanair spokesman said: '**Due to the UK Government's refusal to suspend or reduce air passenger duty**, and the lack of incentives to recover from the Covid pandemic at both Belfast airports this winter, Ryanair will cease operations from Belfast International Airport and Belfast City Airport from the end of the summer schedule in October. These aircraft will be reallocated to cheaper airports elsewhere in the UK and Europe for the winter programme which begins in November."

My comment: *Ryanair's attitude could be interpreted as blackmail: a situation denounced in many countries.*

Attention: contrary to a widespread idea, Ryanair has its head office in Dublin, Ireland, a member of the European Union.

Northern Ireland (Belfast), which refuses to give in to the injunctions of the low-cost airline, is a member of the United Kingdom, and therefore outside the European Union.

> New public aid for Air Austral

(source Air Journal) August 30 - The airline **Air Austral will benefit from a new state aid of 20 million euros, the second since the beginning of the year for a total of 170 million paid since the beginning of the Covid-19 pandemic.**

Based at Saint Denis-Roland Garros airport, the Reunionese airline will, according to an order published on 29 August 2021 in the Official Journal, receive 20 million euros from the State "under the Economic and Social Development Fund (FDES) programme, through Natixis, in the form of a loan to Air Austral SA".
It had already received 30 million euros in the form of a state-guaranteed loan (PGE) last April, being deemed "vital for the island of Reunion (where it) represents several hundred jobs" by the Minister of the Economy Bruno Le Maire. The Region, which owns 73.5% of the company SEMATRA controlling Air Austral, was also to provide "very

significant" financial aid, while the Caisse des dépôts et consignations (CDC) "is going to provide 5 million euros to the company"; and the Minister declared at the time that he was "willing to ask the CDC to provide additional financial support to Air Austral".
All this aid is in addition to the 120 million euros of financing received last year, including 86 million from SEMATRA and via a PGE.

According to the Region, Air Austral was "close to break-even" at the end of March 2021, but its cash flow should "plunge to -41 million euros in February 2022". According to the shareholder, **this risky situation** justifies the 60 million euros "necessary for the company to meet its deadlines". And **which undoubtedly weighed in the announcement in mid-August of a joint venture project with Corsair**, "in a context of persistent health crisis that durably affects the profitability of the airline sector".

My comment: *As I indicated last week, the financial situation of the Reunionese company was precarious even before the health crisis.*

Since the beginning of the crisis, it has not launched a restructuring process. To avoid bankruptcy, the public shareholders are obliged to reconstitute a positive cash flow.

India reauthorizes the 737 MAX

(source Air Journal) Aug. 27 - India's Directorate General of Civil Aviation (DGCA) has ended the flight ban on the Boeing 737 MAX, a decision that low-cost airline SpiceJet hopes to take advantage of as early as next month.
(...)
Its statement said the green light allows flights in India with MAX aircraft "only if applicable requirements for return to service are met."
Two and a half years ago, SpiceJet was the only one in the country to have put MAX 8s into service, 13 of the up to 205 ordered. It announced yesterday that it wants to put them back into service by the end of September, having reached an agreement with leasing company Avolon to "restructure" its order. And the low-cost carrier is still negotiating with Boeing for possible compensation; it posted a loss up to $106 million in the first quarter of 2021, with the absence of the 737 MAXs "a significant contributor to the bottom line."
Jet Airways, the other Indian customer of the 737 MAX, had gone bankrupt in 2019 after putting 8 of the 75 expected aircraft into service; it is unclear whether the hoped-for takeoff will be with these aircraft.
Boeing is also in advanced negotiations with the low-cost startup Akasa,

which could order at least 70 of them.
This Indian green light for the return of the 737 MAX means that only two major markets remain closed to it: China, where a test flight has just taken place in Shanghai, and Russia.

My comment: *Most countries have reauthorized the B737 Max.*

Customers trust the authorities and are not boycotting this aircraft.

Vinci Airports relaunches the project for a new runway at London-Gatwick

(source La Tribune) August 26 - London's airports are not waiting for the traffic recovery to take hold before displaying their ambitions. **While it has become extremely complicated in Europe to increase airport capacity due to environmental constraints**, they intend to increase their capacity to keep up with the growth in air traffic that is set to resume at a steady pace after the health crisis.
After Heathrow - which now only needs the British government's approval to start building a third runway - it is Gatwick's turn to expand. On Wednesday 25 August, the UK's second largest airport announced its plans to transform its current back-up runway, which runs parallel to the main runway, into a fully operational runway by 2030. This second runway should enable Gatwick Airport to increase its maximum capacity from 62 million annual passengers today to 75 million by 2038. This is roughly the capacity of Roissy-Charles de Gaulle before the health crisis. This would provide the London airport with significant room for growth in its traffic. In 2019, before the health crisis, it had welcomed 47 million passengers. This is a record for a platform with only one runway.
With this project, **Vinci Airports** - which acquired 50.01% of the capital of the airport in 2019, from the American fund Global Infrastructure Partners - revives a long-standing dream, already thwarted several times. To win the decision, the manager **will launch a twelve-week public consultation, to be held between September 9 and December 1, before filing its project with the British authorities.** And it already assures that this second runway will generate a gross added value of 1.5 billion pounds for the region and the creation of over 18,000 jobs by 2038. He also claims that the environmental impact will be limited and will contribute to the UK's goal of achieving zero carbon emissions by 2050.
With 75 million annual passengers, Gatwick would reach the level of hubs such as Amsterdam-Schiphol, which now has a limited number of movements, or Frankfurt. At the same time, Heathrow's

third runway would allow the airport to handle 135 million passengers a year, compared to nearly 80 million before the crisis. It would thus largely outstrip Roissy-CDG, which is limited to 80 million passengers until a new project emerges after the abandonment of Terminal 4 earlier this year.
If realized, these two projects would therefore offer an unprecedented growth potential to London's traffic, which has long been threatened with saturation due to blockages for the construction of new runways. While the Brexit has exacerbated competition between the island kingdom and the continent, this would undoubtedly be bad news for Europe's major airports.

My comment: *The construction of a new runway at either Heathrow or Gatwick is not a foregone conclusion.*

The current UK government has expressed its opposition to Heathrow and for Gatwick the process is still in its infancy.

> British Airways rethinks its short-haul strategy

(source AFP) August 27 - **British Airways is considering launching a subsidiary specialising in short-haul flights from its current operations at London's Gatwick airport.**
"We are working with the unions on proposals for a short-haul business at Gatwick," a British Airways spokesman said, confirming a report in the Wall Street Journal. However, the company did not want to give any details at this stage on the project, until it is approved.
The Wall Street Journal recalls that **for large companies like British Airways, long-haul flights have always been more profitable than short-haul flights**. Creating a subsidiary would allow them to reduce costs in this niche and better compete with specialists such as the Irish low-cost airline Ryanair or the British EasyJet, at a time when traffic is gradually picking up after the shock of the pandemic.
(...)

My comment: *After Lufthansa and Air France-KLM, British Airways tries to compete with low-cost airlines*

Last year the CEO of British Airways announced that he wanted to abandon the Gatwick hub. This led the ultra low-cost airline Wizz Air to ask for the slots of the British airline to be allocated to it.

India plans to set up 100 new airports and 1000 air routes by 2025

(source Aerotime translated with Deepl) Aug 21 - **India's civil aviation minister** Jyotiraditya Madhavrao Scindia **recently announced the central government's plan to create 100 new airports and 1,000 new air routes by 2025** under the regional air connectivity programme - UDAN. "
We have decided to create 1,000 new air routes and 100 new airports by 2025 under the UDAN programme," Scindia
said at a press conference in Indore (ANI). "In the last four years, out of these 1000 new air routes, 363 have been launched. Out of the target of 100 new airports, **59 airports have already been established**."
The UDAN programme aims to make air travel affordable for the common man, as desired by the Indian government.

My comment: *China has a similar plan to India. By 2035, China intends to have 450 airports, up from 235 today.*

This is good news for the middle class in these countries, less so for the fight against global warming.

How will these two countries be able to meet their targets for limiting CO2 emissions?

EU overweegt opnieuw inreisverbod uit de VS (EU plans to ban US entry)

(source zakenreis translated with Deepl) August 26 - **The European Union is concerned about the growing number of coronavirus cases in the United States and is therefore considering a new entry ban**. Vaccinated Americans are now allowed to travel to Europe; conversely, the borders are still closed.
In recent weeks, the United States has had more than 500 cases per 100,000 people, well above the European Union's "safe" limit of 75.
(...)
European airlines were counting on a return to "normal" transatlantic traffic in the near future, with the opening of US borders to non-Americans. However, the latest developments indicate the opposite: the White House is still not making any move to admit non-US citizens, while the European Union is now considering reverting to closing the borders for all non-emergency travel. **A huge disappointment" is how the trade organisation Airlines for Europe (A4E) describes the possible arrival of new travel restrictions.**

My comment: *According to Reuters, the European Union on Friday initiated a process that will result in the removal of the United States* *from the list of countries whose citizens can travel to Europe without additional restrictions related to COVID-19.*

The update of the list on the reception of foreign travellers in the context of the COVID-19 pandemic will be adopted on Monday 30 August if no EU member country objects by then.

Rio-Paris crash: Airbus and Air France appeals against their referral to trial declared inadmissible

(source AFP) August 26 - **Air France and Airbus will be tried for "involuntary manslaughter" after the 2009 Rio-Paris crash that killed 228 people**: the Court of Cassation ruled their appeals inadmissible in a ruling handed down on Wednesday and consulted by AFP on Thursday.

This decision "comes to close twelve years of procedures filled with hopes, uncertainties, humiliations but never resignation", reacted Danièle Lamy, president of the association Entraide et Solidarité AF447, in a statement sent to AFP. The manufacturer and the airline had appealed against their referral to the criminal court ordered on 12 May by the investigating chamber of the Paris Court of Appeal.

(...)

After ten years of proceedings, **the investigating judges of the collective accident division of the Paris court had dismissed the case in 2019, arguing that the investigations had not established "a faulty failure by Airbus or Air France in connection (...) with the piloting errors (...) at the origin of the accident**". On the contrary, the Court of Appeal considered that Air France "failed to provide appropriate training (...) and the necessary information to the crews" in the face of the technical failure encountered, "which prevented the pilots from reacting as they should have", a source close to the case had indicated. And Airbus "underestimated the seriousness of the airspeed sensor failures (...) by not taking all the necessary measures to inform the crews urgently (...) and to help train them effectively", the court considered, according to this source.

The lawyers for Airbus and Air France could not be reached by AFP.

My comment: *The families of the victims were desperate to be heard before a competent court.*

They will be able to obtain explanations from Airbus and Air France on the circumstances of the accident during a trial.

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 sites of the managers.

To avoid forgetting to change your contact details 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 bodies.

Keep all the documents relating to your Air France-KLM shares in one place: all the letters you receive from the various managers, Natixis, Société Générale, and 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 **3.977 euros** on Monday 30 August. It is up this week by +1.30%.

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 5.5 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.

The price of Brent crude oil (North Sea) has **risen sharply from $4 to $73
per barrel.**

From a low point at the end of October 2020 ($37), it has risen steadily until it reached $69 in early March 2021. Since then, it has fluctuated between $69 and $77.

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

This indicative information does not constitute an invitation to sell

or a solicitation to buy 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

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| François Robardet

Director of Air France-KLM representing employees and former employees who are PNC and PS shareholders.
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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