The first A220-300 arrives in the Air France fleet

Letter from the Director of Air France-KLM

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

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Editorial

Dear readers,

ENAC Alumni, the ENAC alumni association, is organizing the second edition of the States of the Air 2021, on Thursday 30 September at the DGAC headquarters.

This is a day of conferences and workshops led by air transport personalities, including the Minister of Transport, representatives of the DGAC, ADP, Air France, SNCF, civil society, and manufacturers.

Here is an overview of the programme:
. The new deal in air transport post-Covid
. Data: the new levers of value
creation
. The place of air transport in the new mobilities
. Sharing the social responsibility of air transport
. The propulsion of tomorrow: what are the realistic solutions
? Flight safety, risk management and new surveillance methods

Places are limited but you will be able to follow this day by videoconference.

Have a good week

François

Monday's Press Review

> The first A220-300 arrives in the Air France fleet

(source actu-aero) September 25 - **The French airline is about to receive its first Airbus A220-300 powered by Pratt & Whitney PW1500G Geared Turbofan engines** out of a total of 60 aircraft (plus 30 options) on order to renew its medium-haul fleet and more specifically to replace the 18 A318s and 30 A319s currently in service. Air France is the second French airline after Air Austral to integrate this type of new-generation single-aisle aircraft into its fleet, with superior energy and environmental performance compared with the previous generation.
As a reminder, the airline already operates very recent aircraft in its long-haul fleet (10 Boeing 787s and 11 A350s) but until now has not had any new-generation aircraft, such as those in the A320neo family operated by European
majors, to operate its short and medium-haul flights.
According to our information, **the first Air France A220, msn55134 and registered F-HZUA, is expected to arrive on the tarmac at Paris Charles de Gaulle airport on Tuesday 28 September** at 10.25 pm local time from Montreal-Mirabel airport in Canada. **This aircraft will have a cabin configuration of 145 Eco seats, which is very similar to the aircraft it will replace, i.e. 131 Eco seats on the A318 and 138 to 143 Eco seats on the A319.**
(...)
In order to get to grips with the new flagship of the fleet, as presented by the airline, **Air France pilots who have already been trained on a simulator and certified on the A220 will have the opportunity to fly the aircraft in real conditions throughout France during the month of October.**

For a month, the Air France A220 will be criss-crossing France and, according to our exclusive information, will visit several regional airports: **Bordeaux, Châteauroux, Clermont-Ferrand, Épinal, Nantes, Limoges, Mulhouse (Basel-Mulhouse-Fribourg) and Strasbourg**. This is an opportunity for enthusiasts to see and photograph the aircraft.
According to the delivery schedule available to our editors, the French airline will receive 5 additional A220-300s before the end of this year: 2 in October, 2 in November and 1 in December 2021 [F-HZUF].

The actual date of entry into commercial service of the A220 on Air France's short- and medium-haul network has not yet been made official, but it should be soon. According to our sources, the airline plans to deploy its new aircraft for the first time outside France to serve Düsseldorf, Germany, but again the date has not yet been made official.

My comment: *The arrival of a new aircraft model is a major event for an airline and its staff.*

It will be officially presented to employees and the press on Wednesday.

This aircraft embodies Air France's commitment to sustainable development: it consumes 20% less fuel than the aircraft it replaces and its noise footprint is reduced by 34%.

It will play a decisive role in achieving Air France's objectives, including a 50% reduction in CO2 emissions in absolute terms on the domestic network from Paris-Orly and from region to region by 2024, and a 50% reduction in CO2 emissions per passenger/km by 2030.

> Transavia onderzoekt nieuwe thuisbasis in Brussel (Transavia Netherlands is considering a new base in Brussels)

(source FD, translated with Deepl) September 22 - Transavia Netherlands has a fleet of 44 aircraft, 28 of which are based at Schiphol.

Transavia Netherlands wants to offer flights from Brussels. Partly due to the uncertainty surrounding Lelystad Airport, Brussels is again in the sights as a home base, after Schiphol and Eindhoven. "We will see if we can launch an operation there. We want to be able to continue to grow in the coming years," says CEO Marcel de Nooijer in an interview with FD.
According to him, **the decision to move to Belgium is not directly related to Schiphol's controversial decision to significantly increase its airport charges. But De Nooijer has no sympathy for Schiphol's decision to increase its charges by 40% in the coming years**. (...) "This will lead to a considerable increase in our costs. We will pay almost 20 million euros more compared to 2019. We don't see that at any other airport. Schiphol is our home port, but not at any price." (...)
Schiphol will impose a covid-19 bill of €380 million on airport users. KLM, which as the largest user of Schiphol **has to pay half of this tax**, called the decision unacceptable. The airline called the

decision a diktat **and is considering legal action**. A final decision will be made at the end of this month.
(...)
Transavia Netherlands will end the year with a loss of tens of millions, says the CEO. In the first six months, Transavia France and the Netherlands recorded a loss of 218 million euros. This amount will not be recovered in the second half of the year.
(...)
Nevertheless, **De Nooijer**, who has been running the low-cost airline since the beginning of 2020, is satisfied with the number of bookings received this summer and autumn. In August, the company was at 85% of the number of flights in the peak year 2019.
(...)
He **is optimistic about next year. He expects Transavia to operate 95% of the number of flights it did before the pandemic broke out. He expects a full recovery in the second half of 2023.**
(...)

My comment: *Transavia Netherlands and Transavia France now have similar fleets (about 40 B737s each).*

But if the French side has the means to grow from France, by recovering the slots released by HOP and by Air France at Orly, it is not the same for Transavia Netherlands. The Dutch airports are almost saturated and the opening of the small airport of Lelystad is constantly postponed.

The geographical, economic and political proximity between the Netherlands and Belgium, in particular through the Benelux countries, is a factor in the success of establishing a base in Brussels.

> Washington wants to block a partnership between JetBlue and American Airlines

(AFP source) September 21 - **The US Justice Department and prosecutors in several states said Tuesday they had filed a lawsuit opposing a partnership between JetBlue and American Airlines on routes out of New York and Boston under** anti-competition laws.
(...)
The two airlines had announced in July 2020 that they would code-share certain flights, offering new options on schedules, fares or nonstop flights, and allow their respective customers to use loyalty programs at either airline.
(...)

But the partnership between "the world's largest airline" and "a low-cost airline" will lead to "higher fares, less choice and lower quality service," Richard Powers of the Justice Department's antitrust division told reporters at a conference.
The industry is already highly concentrated, he said, with **American, Delta, United and Southwest controlling more than 80 percent of U.S. air traffic.**

According to Mr. Powers, American cannot really merge with another airline anymore, so the company is using other tactics to reduce competition, such as partnerships.
On the other hand, the arrival of a new entrant like JetBlue can rekindle competition. But the alliance will probably encourage the low-cost carrier not to compete head-on with American at other airports, he said.
(...)
In separate statements, the two companies rejected the charges, saying the alliance has allowed them to offer new services and bring a third major competitor to New York's airports, previously dominated by Delta and United.
(...)

> British Airways abandons plans to create a subsidiary specialising in short flights, due to lack of agreement from pilots

(source Le Figaro with AFP) September 23 - **British Airways announced on Thursday that it would not launch a subsidiary specialising in short flights from London's Gatwick airport just one month after announcing its plans, due to the lack of agreement from its pilots**. The British carrier had confirmed its plans in late August, saying it was in discussions with unions. But **its plans have "not received the support" of British Airways' pilots' union BALPA**, the company said in a statement Thursday.
"After many years of losing money on European flights from the airport, it was clear to us that as we emerged from the pandemic we needed a plan to make Gatwick profitable and competitive," British Airways lamented.
"With regret, we will now suspend our short-haul operations at Gatwick, with the exception of a limited number of domestic services connected to our long-haul flights," the carrier added.
(...)

> An agreement with British pilots for Norse Atlantic

(source Air Journal) September 24 - **The new low-cost airline Norse Atlantic Airways, which will "replace" Norwegian Air Shuttle in 2022 on the transatlantic long-haul route, has signed a collective agreement with the pilots' union BALPA to "create hundreds of jobs" in the UK.**
(...)
The agreement with BALPA pilots will "provide an opportunity for pilots to return to the cockpit, and the creation of hundreds of new jobs in the UK, particularly after a difficult period for the aviation industry as a whole," Norse Atlantic
CEO Bjorn Tore Larsen
said in a statement. "The **passion and professionalism demonstrated by the BALPA team is exactly what we are looking for**, as we build a 'Team Norse' culture across the airline, which will be our sustainable competitive advantage," he added.
BALPA director Terry Brandon said the deal was a "ray of hope for the UK's ailing aviation industry, which is in dire need of it. We are delighted to welcome Norse Atlantic to London and the new jobs they will provide at this critical time. He added: "Our negotiating team was incredibly impressed with the company's business plan, as it will provide long-term sustainable careers for our members on its transatlantic route network. **This collective agreement will facilitate a successful relationship between BALPA and Norse to ensure that Norse is a great place to work.**"
(...)

My comment: *BALPA (British Airline Pilots Association) is the British counterpart of SNPL France ALPA.*

The position of the British pilots' union is surprising:
. it refuses the creation of a low-cost airline subsidiary of British Airways, thus allowing competitors to develop,
. it facilitates the development of Norse Atlantic, an airline which will compete with British Airways on the North Atlantic.

In both cases, the loser will be British Airways.

Qatar Airways' annual losses double due to pandemic and asset impairments

(source Zonebourse) September 27 - **Qatar Airways Group on Monday said its annual losses doubled to** 14.9 billion riyals (**3.5**

billion euros) due to the collapse in long-haul travel (COVID-19) and aircraft depreciation.
(...)
Chief executive Akbar Al Baker warned that the A380s, the world's largest airliner, may never return to the airline's operational fleet because of the impact of the pandemic.
The financial result for the year to March 31 compares with a loss of 7.3 billion riyals (**1.7 billion euros**) the previous year, which was also hit by an airspace ban by Saudi Arabia and other countries that ended in January.
(...)
The number of passengers carried fell by 82% to 5.8 million.

Qatar Airways also confirmed that it had received €2.6 billion in public aid since the start of the pandemic, in the form of capital injections from its sole shareholder, the State of Qatar (...), while employees have taken a temporary 15% pay cut and staff numbers have fallen by 27% to 36,707.
Dubai's Emirates lost €4.7 billion over the same period and received €2.7 billion in capital injections from the state throughout the COVID-19 pandemic.
Qatar Airways and Emirates do not have a domestic market to protect them from the restrictions and border closures introduced to stop the spread of COVID-19.
(...)

My comment: *The last sentence of the article illustrates what I wrote last week about the proposed open skies agreement between Europe and Qatar:*

Qatar has no domestic market, unlike Europe. The open skies agreement is at this stage a win-lose deal, to the detriment of European airlines.

Airbus, Vinci Airports and Air Liquide want to develop the use of hydrogen together

(source Le Journal de l'Aviation) September 21 - **Airbus, Vinci Airport and Air Liquide have signed a partnership agreement to work on developing the use of hydrogen in airports. Vinci Airports has proposed Lyon-Saint Exupéry as a pilot airport.**
Starting in 2023, a hydrogen gas distribution station will be installed on the platform. It should enable vehicles on the ground,

inside and around the airport to be powered. "This first step is essential to test the facilities and the dynamics of the airport as a hydrogen hub in its area of influence," explain the partners in a release.
Then the infrastructures linked to the use of hydrogen, liquid this time, must be developed, in order to allow the refuelling of future aircraft capable of using this technology to fly. This stage should run from 2023 to 2030.
Thereafter, **the three partners plan to deploy a complete hydrogen infrastructure**, covering production, storage and mass distribution of liquid hydrogen at the airport. At that point, and once the design of the facilities has been proven, the possibility of transposing this type of infrastructure to the Vinci Group's other European airports will be evaluated, in order to create a hydrogen network.

My comment: *The liquid hydrogen distribution project on the Lyon Saint-Exupéry airport platform is a long-term project.*

It will not be completed for a long time, in the next decade.

Bonus Article

The airline industry is pushing governments to speed up the energy transition

(source: La Tribune) September 23 - **A year ago, Airbus presented its ZEROe project, with the aim of putting it into service in 2035.**
During the summit on the exploration of sustainable aviation organised by the European aircraft manufacturer on 21 and 22 September in Toulouse, its executive chairman Guillaume Faury was quick to set the tone when asked about the evolution of this ambition over the past twelve months: "We are increasingly confident that this aircraft is an achievable objective. But at the same time, we have realised, working every day on the different aspects, that **having the aircraft available in 2035 is only part of the challenge. It's not just about an airplane, it's about having the right fuels, hydrogen, in the right place, in the right quantity and at the right price**. It's not something that aviation can handle on its own. Given the level of disruption and change we are bringing, we need to get the regulators on board too."
A view fully shared by the other speakers, starting with Johan Lundgren. **The CEO of EasyJet did not hesitate to state that governments had a major role to play in the decarbonisation of air transport and called for greater cooperation**. Among the subjects raised in turn by the various leaders, the availability of new energies, the creation of

suitable infrastructures, costs, fair competition conditions and the improvement of air traffic management came up regularly.
The availability of hydrogen is at the top of the list of demands made by the aeronautics industry. For Johan Lundgren, who has shown himself to be more enthusiastic than in the past about this solution, **it is the responsibility of governments to ensure that the necessary infrastructures are put in place for the distribution of hydrogen at airports when the first planes arrive.**

Implementing hydrogen in aviation requires entirely new infrastructure at airports to store and refuel aircraft while meeting safety requirements and airline operational demands, such as turnaround times - which today can be as short as 30 minutes for a low-cost airline on a medium-haul flight.
An additional difficulty is that **these new networks must not jeopardize the operation of current kerosene networks, which will continue to function for several decades after the arrival of hydrogen - if it becomes widespread -** to ensure the service of previous generation aircraft until they are replaced. Johan Lundgren also points out the connection between the distribution networks and the airport platforms. Finally, the EasyJet executive believes that governments must also integrate the production of green hydrogen into the sizing of renewable electricity production facilities.
If this question appears to be of prime importance today, it is because the example of sustainable fuels for air transport (SAF) is not really conclusive. Their use is currently limited to less than one percent of the kerosene used worldwide. However, aircraft are certified to incorporate up to 50% SAF in their fuel tanks without modification, as Guillaume Faury has pointed out on several occasions. Experiments are even being carried out to go beyond this, which does not require major changes either. For
the time being, the use of these sustainable fuels is limited by their cost, which is 5 to 7 times higher than that of conventional kerosene. **Thomas Reynaert, CEO of the A4E association** (which includes Air France-KLM, IAG, Lufthansa, Ryanair and EasyJet, among others), says he "really needs SAF at an affordable price and very quickly in large quantities.
It **therefore broadly welcomes the measures taken by the European Commission in its "Fit for 55" package unveiled this summer, in particular Brussels' willingness to push member states to develop their production capacities and the adoption of incorporation mandates (from 2% in 2025 to 63% in 2050). These measures could allow aviation to get out of the current "chicken and egg" dilemma,** i.e. low demand from companies due to high costs and high prices from

producers due to low demand. On the
other hand, Thomas Reynaert denounces the taxes that could be applied to conventional kerosene in parallel, which he sees as the least effective way to reduce emissions. He is joined on this point by Johan Lundgren, who believes that some politicians want to solve the pollution issue by "strangling demand".

Most of the players therefore advocate financial incentive systems to reduce the additional cost of incorporating FAS, believing that this would greatly encourage their development. This type of system was also expected in France as part of the roadmap published in early 2020 by Elisabeth Borne, then Minister of Ecological Transition and Solidarity, and Jean-Baptiste Djebbari, her Secretary of State for Transport (who has since become Minister Delegate). In vain until now.

The last point of demand is the improvement of air traffic management, which could generate fuel consumption reductions of up to 10% in Europe. **Johan Lundgren expressed his strong dissatisfaction with the European delays in the implementation of the Single Sky for almost thirty years**: "It is absolutely deplorable that we have not seen any progress in this area. It is absolutely deplorable that no progress has been made in this area. It has been a major issue for so many years. On our network alone, we have calculated that if we had just reformed our airspace management system, we would have instantly reduced our emissions by 15%. That's massive when we're shedding pounds on every flight to reduce our consumption. Everyone knows what's going on, everyone is talking about it, but no one is doing anything. We're hoping that policymakers will finally do something about it."

My comment: Can *we afford to run two hares at once?*

On the one hand, air transport players are encouraging airports to develop infrastructures that will allow them to supply liquid hydrogen in the next decade (see the previous article Airbus, Vinci Airports and Air Liquide want to develop the use of hydrogen together).

On the other hand, the same players are militating for the development of the sustainable fuel production sector (SAF).

The two solutions are less incompatible than they seem, at least in their prerequisites: to produce liquid hydrogen or sustainable fuel, a large quantity of green energy must be available.

However, given the current state of scientific knowledge, the

combination of solar and wind energy is unlikely to be sufficient. Especially since both energy sources are very space-intensive.
For
example, according to a study by The Nature Conservancy (covering only installations in the United States), for one TWh produced, it takes 126.9 km2 for wind power
. 15.1 km2 for solar photovoltaics
. 16.9 km2 for dams
. 0.64 km2 for coal
. 0.13 km2 for a nuclear power plant.

(source futura-sciences, Les énergies renouvelables ont-elles un impact sur la biodiversité?)

So, should we go with or without nuclear power?

On August 11, 2021, the UN published a report on nuclear energy. According to the UN, the atom remains a source of electricity production close to carbon neutrality.

For the UN, in order to fight against global warming, it must be used: "Nuclear energy has the potential to increase its integration with other low-carbon energy sources in a future decarbonized energy mix. UNECE".

The United Nations Climate Change Conference (COP26) will be held from 1 to 12 November in Glasgow, Scotland. There is an urgent need for states to decide on the use of nuclear energy.

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 **4.723 euros** on Monday 27 September. **It has risen sharply over the past week, by 23%. It is benefiting from the announcement by the United States of the reopening of its borders to vaccinated travellers.**

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 a barrel of Brent crude oil (North Sea) has **risen sharply from $5 to $79.**

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.

At $79.36, Brent has crossed the $79 mark for the second time since 2014.

As air traffic picks up, particularly on the North Atlantic, 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

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 employees and former employees who are PNC and PS shareholders. You can find me on my twitter account @FrRobardet