Letter from the Director of Air France-KLM

François Robardet

Representative of the employees and former employees shareholders PS and PNC

N°889, December 5, 2022

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Monday's Press Review

> Air France-KLM's 2030 CO2 reduction targets approved by the Science Based Targets initiative

(source Business Travel) December 2 - Air France-KLM is serious in its fight against global warming. **The Air France-KLM Group and its airlines are thus committing to a 30% reduction in aviation fuel-related greenhouse gas emissions** per revenue/ton/kilometer (RTK) by 2030 compared to 2019.

This ambition is in line with the decarbonization trajectory of the Group's aviation activities, detailed in the "Destination Sustainability" strategy.

In this context, the Air France-KLM group, Air France and KLM have submitted **their CO2 emission reduction targets**. These were **recently approved by the SBTi target validation team. SBTi determined that the Group's target was consistent with a trajectory well below 2°C, as determined by the Paris Agreement signed in 2015.**

"The Group has designed a consistent approach, developed as part of the Group's sustainability strategy: 'Destination Sustainability'. This environmental approach aims to reduce CO2 emissions by relying on three main pillars. These are fleet renewal, sustainable aviation fuel, operational measures). **The approval of the targets by SBTi is a key element for the Group to ensure that Air France-KLM's**

decarbonization strategy is consistent with the scientific targets," said Benjamin Smith, CEO of the Air France-KLM Group.

"Like all Air France -KLM Group companies, **Air France** is fully committed to reducing its carbon footprint. **This year** it **created a tailor-made strategy called Air France ACT**. It is based on 4 pillars (fleet renewal, unanimous adoption of sustainable aviation fuels, development of ecopilotage and intermodal transport in collaboration with trains). **The validation of the SBTi confirms the impact of our decarbonization strategy on the environmental transition of the aviation sector**. We will continue to share our actions and results with our customers and the public," said Anne Rigail, CEO of Air France.

"Together with Air France-KLM and Air France, KLM has strong ambitions when it comes to making aviation more sustainable and balancing our network development with the environment. This requires major and fundamental decisions about our fleet, operations and fuel consumption. The science-based goals and associated CO2 reduction trajectory provide clarity and at the same time present major challenges. **To make them achievable and possible, we are working closely with each other and with our industry partners to come up with technical solutions and innovations that support the energy transition of aviation**," added Marjan Rintel, CEO of KLM.

My comment: *Science Based Targets initiative (SBTi) is an independent organization.*

SBTi has done an extremely important, and necessary, job of breaking down global CO2 emission reduction targets (aligned with the Paris Agreement) by sector of activity.

The SBTi initiative thus aims to encourage companies to define emissions reduction targets based on what science defines as necessary to limit global warming to well below 2°C by the end of the century.

As a result, SBTi set a target emissions reduction trajectory for aviation in September 2021.

For several months, SBTi has been examining Air France-KLM's decarbonization trajectory to see if it meets the targets set.

Its opinion, presented in the article, is positive for the Franco-Dutch group.

> Air France-KLM and TotalEnergies agree on sustainable fuel

supply

(source Les Echos) December 5 - **Air France-KLM is stepping up investments to reduce its carbon bill. TotalEnergies announced on Monday that it had signed a memorandum of understanding with the airline to supply 800,000 metric tons of sustainable aviation fuel over a ten-year period starting in 2023**, representing more than one million cubic meters of fuel.
At the end of October, Air France-KLM had already signed two major contracts with the Finnish company Neste and the American DG Fuel to supply a total of 1.6 million tons of sustainable fuel. TotalEnergies, the leading supplier of aviation fuel in France, will produce this fuel in its biorefineries, which will be used in particular for flights departing from France and the Netherlands.

The alternative fuel is produced from sources other than petroleum, such as hydrogenated oils and fats. It has a less harmful environmental impact than kerosene over its entire life cycle, from production to combustion, **with "a reduction of at least 80% in CO_2 emissions compared to its fossil equivalent,"** according to TotalEnergies. It is most often made from food or agricultural waste.
In recent years, TotalEnergies has supplied sustainable fuel to Air France-KLM aircraft on several test flights between Paris and Montreal and Paris and Nice, for example, using fuel made from used cooking oil. The oil company aims to produce 1.5 million tons of this fuel by 2030.
(...)
"**This memorandum of understanding signed with TotalEnergies is a further step towards the emergence of a French industry capable of meeting the needs of airlines**, which is an essential step towards the successful decarbonization of our business," commented Benjamin Smith, CEO of Air France-KLM.

My comment: *The use of sustainable fuel is part of the Air France-KLM group's decarbonization trajectory, validated by the SBTi (see previous article).*

It is crucial for the group to ensure the availability of this fuel in the years to come.

> Brussels authorizes France to limit domestic flights

(source Les Echos) December 2 - **The European Commission has kept the suspense alive regarding the French decision to ban air travel on routes served by trains in less than 2.5 hours.** While the Brussels verdict confirming this rule while limiting its effects was handed down on Thursday, December 1, the rumor of an extension of this ban to Air France's connecting flights at Roissy-CDG caused a stir in the sector on Friday morning. After
reading the text that is now available, it is confirmed that **the European Commission has indeed validated the legality of the French measure, as expected, considering that it responds to "an emergency climate situation". However,**

this ban will have to be re-examined in three years, in accordance with the European rule that imposes a time limit.

(...)

The final text of the French decree, which will not be published for several weeks, should (...) not formulate an exemption in principle for connecting flights and stick to the general rule of 2.5 hours. However, as the travel time between two stations is taken into account, **connections between Paris-CDG and Bordeaux, as well as between Paris-CDG and Nantes, should not be affected by the ban. In fact,** the journey time by train between the Bordeaux and Roissy-CDG stations is around 3.5 hours and three hours for the Nantes station.

Similarly, **the connections between Roissy-CDG and Lyon and Rennes, as well as between Lyon and Marseille, should also escape the ban on air travel**, as the current rail service does not allow people to arrive at Roissy-CDG and Lyon-Saint-Exupéry early enough to take connecting flights. The substitution rule stipulates that the rail alternative must offer a service of equivalent quality. However, the ban could apply if SNCF changes its morning and evening schedules accordingly.

For the time being, this decision by the European Commission should not change much in the current situation of Air France, which has already given up the affected routes.

(...)

The French government is satisfied with the Brussels decision. In a press release, the Minister of Transport, Clément Beaune, has already welcomed this decision. "Following this favorable decision, the government will submit the decree to public consultation, then to the Council of State, before its adoption, as soon as possible," the statement said.

The Brussels verdict also offers a small victory to representatives of political ecology, without giving them complete satisfaction. "Victory!" exclaims in a tweet, the MEP EELV Karima Delli. "The European Commission gives the green light to the French ban on domestic flights if there is an alternative of less than 2 hours 30 minutes by train. This is a step in the right direction, but the threshold must be raised to 4 hours... And above all, private jets must be included in this ban!" concludes the deputy.

However, it is not certain that this decision will be acceptable to airport associations and European airlines, which would have liked an exemption for all flights with a majority of connecting passengers. A new legal recourse against this decision is therefore not to be excluded. Although the 2.5-hour rule will not lead to new route closures in the immediate future, it does constitute a potential obstacle to the opening of new routes and the development of intra-European air transport. In France alone, this ban would potentially affect more than half of the 40 largest cities.

However, **the ban is not definitive, and it remains linked to the CO2 emissions of current aircraft. However, Airbus and other aviation companies are already actively working on carbon-neutral or even "zero emission" aircraft, which**

could arrive on short-haul routes by the middle of the next decade. If these projects live up to their promise, the airplane will become the most environmentally friendly mode of transportation.

My comment: *The opinion issued by the European Commission is not surprising: it confirms that any measure aimed at responding to a climate emergency must be :*

. justified,
. limited in time.

These two conditions also apply to the Dutch government's plan to reduce activity at Schiphol by 12%.

> Schiphol needs 800 additional security guards by April

(OTP source, translated with Deepl) Nov. 30 - In an action plan presented to the airlines, which Het Financieele Dagblad reported earlier, **Schiphol Airport says it will launch a recruitment campaign with five security companies operating at Schiphol. On January 16, Schiphol will decide how many passengers it can handle in May and the summer months.**
The lack of security staff has regularly caused long queues and flight cancellations at Schiphol this year. **Until March, airlines are still forced to reduce the number of passengers boarding at Schiphol due to** staff shortages. KLM has estimated the cost of all these problems at 175 million euros, easyJet spoke this week of several million euros of damage.
(...)
A spokesman called these targets "ambitious and far-reaching". But **the goal is for Schiphol to be able to operate without restrictions during the upcoming May and summer vacations.** During this period, the airport expects almost as many travelers as in 2019, when a record number of people passed through Schiphol. The airport also wants to regain the confidence of airlines.
To cope with the flow of passengers, **airlines also need to employ enough handlers**, Schiphol points out. They are responsible for loading and unloading planes, for example.

My comment: *In the Netherlands, some people doubt the success of the recruitment project at Schiphol.*

But is this a concern for the Dutch government, which wants to restrict airline activity at Schiphol?

For the airlines, the current reduction in activity is similar to the one eventually envisaged by the Dutch government. Why would the government put pressure on the airport management?

> EasyJet: third annual loss in a row, despite a record summer

(source Les Echos) November 29 - **The results of the 2021-2022 fiscal year are rather frustrating for easyJet**. The British low-cost airline has become profitable again since last spring, but its 2021-2022 fiscal year, which ended on September 30, still ended with **a new loss of** 178 million pounds **(206 million euros), for the third year in a row**.

While most major airlines are expected to post a positive result at the end of 2022, easyJet will have to wait until 2023 to celebrate its return to profit, **due to its delayed financial year**, which started in October 2021 - while the Covid epidemic was still very much present. **Nevertheless, the turnaround of the orange company is just as spectacular as that of Air France-KLM, IAG or Lufthansa**

(...)

In addition to the rebound in demand, easyJet has been able to increase its ancillary revenues, derived from the sale of extras such as seat selection and baggage check-in, whose contribution to profits has risen by 59%. In particular, the company has successfully introduced demand-based pricing of these surcharges, as with ticket prices. Another addition: its tour operator subsidiary easyJet Holidays, launched in 2019, also generated 38 million pounds in profits this year.

The best news, however, remains the continued strong demand this winter, which bodes well for a continued recovery in 2023, which should particularly benefit French routes. Demand for the Christmas vacations and the ski season is up sharply," says Bertrand Godinot, easyJet's director for France. We are seeing strong demand for next summer. In the current context, people are choosing to go on vacation," he says.

(...)

The only shadow is the threat of a strike during the Christmas vacations in France, brandished by two easyJet flight attendant unions based in France, in order to obtain wage increases. At this stage, no strike notice has yet been given," says Bertrand Godinot. We are still in the process of resolving the conflict and negotiations are continuing, to try to avoid a strike.

(...)

EasyJet is not the only airline in France to face wage demands from its flight crews, accompanied by a strike threat. At Air France, two cabin crew unions have already given notice of strike action for the period from December 22 to January 2. At Hop Air France, the regional airline's pilots' union is also threatening to call a strike before the end of the year, if they do not obtain the same salary increase (5%) as their Air France colleagues.

My comment: *All European airlines have published their quarterly results. Here is a summary.*

EasyJet, IAG, Lufthansa Group, Ryanair and Wizz all reported double-digit operating *profits in Q3 2022, with Ryanair leading the pack by far with a 32% operating profit. Air France-KLM was at 12.6*

In terms of capacity, Wizz Air and Ryanair operated well above 2019 levels with 128% and 114% of Q3 2019 SKOs (seats per available kilometer) respectively, while easyJet (88%), IAG (81%) and Lufthansa Group (78%) are still well below Q3 2019 levels. Air France-KLM was at 89%.

In Q3 2022, low-cost carriers easyJet, Ryanair and Wizz Air all had load factors above 90%, while IAG and Lufthansa were not far behind at 87% and 86% respectively. Air France-KLM was at 88%.

> Chalair saves the Brest-Orly route that Transavia will close

(source La Tribune) November 30 - The Breton elected officials and the Breton business community can rest easy. **The Paris (Orly)-Brest line is saved. The Normandy-based airline Chalair announced on Wednesday that it would take over this route, which was to disappear after the announcement of its closure by Transavia,** the low-cost subsidiary of Air France. From March 6, 2023, Chalair will offer 22 flights per week between the tip of Brittany and the Paris airport, "which will allow businessmen to make round trips in the day or over two days in the most efficient way possible," said Jérôme Latrasse, Chalair's deputy general manager. While traffic exceeds 30,000 passengers per year with four flights per week, Chalair expects to carry 50,000 to 55,000 passengers per year on this route, which will be operated by a 70-seat ATR 72 turboprop aircraft. Within two years, the company expects 150,000 passengers per year with larger aircraft, or about half of the record number of passengers (296,000 passengers in 2019), said Alain Battisti, president and owner of the company. The latter relies on Air France's takeoff and landing slots at Orly. "**We had the guarantee of our partner Air France to lend us the slots if we were not awarded**" before March.

Chalair is not asking for public money. "No request for public money" to operate this line. "We are here to make money on this route," insisted Jérôme Latrasse.

"The Air France Group is ready to provide commercial support to **Chalair**, an IOSA-certified airline **with which Air France already has code-share agreements on routes operated by Chalair, notably between the Air France hub at Lyon-Saint Exupéry and the airports of Poitiers, La Rochelle and Limoges**. The implementation of this codeshare agreement on the Brest-Paris Orly route operated by Chalair will enable customers to book journeys including a connection at Paris-Orly to another flight operated by Air France on a single ticket, and to earn Flying Blue miles for the entire journey", explained the airline.

> Obstacles in sight for the hydrogen Airbus

(source Le Figaro) December 2 - **The clean aircraft, the aeronautics industry dreams**. Because succeeding in decarbonizing commercial aviation is becoming an existential challenge for the industry. Under pressure from public opinion, anti-aircraft lobbies and NGOs, despite its relative weight in man-made CO2 emissions (2 to 3% of the total), the aviation industry is racing against time. This, to honor the commitment to reach zero net emissions by 2050.

For Airbus, the world's leading commercial aircraft manufacturer, the challenge is immense if it wants to maintain its position in the face of Boeing and China's Comac, but also to impose the standards and regulations of an industry that, weaned on kerosene, is preparing to move into a new world.

The European giant's goal was announced at a "Summit" on sustainable aviation, which ended on Thursday: to **be the first aircraft manufacturer to put a green hydrogen aircraft into service** in 2035, as part of the ZEROe (e for emission) project launched in 2020. "The **decision to launch a program will have to be made in 2027-2028**," said Guillaume Faury, Airbus executive chairman. This is a very ambitious timetable for a breakthrough aircraft, and for an industry that has not always managed to meet its own deadlines in the past. And Airbus can't do it alone. "Developing the technologies that will make the hydrogen-powered aircraft a reality is up to us. And it can be done. But we also need our ecosystem - energy producers, airports, airlines - to get on board with us. If we don't have the certainty of having access to hydrogen in large quantities and at a reasonable price, that would be a reason to delay the launch of this new aircraft," warns Guillaume Faury.

To avoid this scenario and overcome the obstacles, Airbus is pursuing an all-out partnership policy. It has signed an alliance with Renault in the field of batteries (see our editions of December 1). It has also signed an alliance with Ariane Group, in which Airbus is a co-shareholder alongside engine manufacturer Safran. The Ariane Group, which specializes in liquid hydrogen, will install a hydrogen refueling station at the Toulouse-Blagnac airport by 2025. It will supply the cryogenic tanks of an A380 with hydrogen liquefied at -253 degrees Celsius, which will be transformed into a flying laboratory to test new propulsion technologies. Two studies are being conducted in parallel. First,
direct injection of hydrogen into a gas turbine engine technology demonstrator, developed in partnership with CFM International, a joint venture between Safran and GE. And an electric propulsion solution, supplied by fuel cells, combining hydrogen and oxygen. A second technology demonstrator will be tested on the A380 laboratory aircraft between 2026 and 2028. "**If the technology objectives are met, fuel cell engines could power a 100-passenger aircraft with a range of about 1,850 kilometers**," says Glenn Llewellyn, head of the Airbus ZEROe program. In other words, a short-haul aircraft capable of domestic flights. For that to happen, the ecosystem must be ready to produce, deliver and distribute enough hydrogen at

prices acceptable to airlines. And that's everywhere Airbus sells aircraft around the world. That's why Airbus has increased its partnerships with airports, including ADP and Vinci in France, as well as with Air Liquide, the world leader in gases, to set up hydrogen hubs near airports by the 2030s. And on a large scale: solutions will have to be deployed worldwide because the aeronautics industry is global.

However, hydrogen is not a miracle solution. Given the current state of science and technology, it is not suitable for powering all medium-haul aircraft, and even less so for long-haul aircraft with intercontinental range. Hence the initiatives taken by Airbus to promote sustainable aviation fuels (SAF), to set up a regulatory framework, to support airlines and to work with energy suppliers to increase their production capacity. Already, "all our aircraft are certified to fly on 100% SAF, once regulations allow it by 2030," says Guillaume Faury.

In the meantime, the group is counting on a range of aircraft with improved fuel efficiency. And in particular on the A321neo XLR, a medium-haul aircraft capable of "doing the job" of a long-haul aircraft. This version of the A321neo, due to enter service in 2024, burns 30% less kerosene and therefore emits 30% less CO2 than previous generation aircraft.

My comment: *Is it still necessary to write that the hydrogen plane will not allow to reduce CO2 emissions?*

As early as June 10, 2020 (see my letter n°760), the day after the announcement of the government's plan for a hydrogen powered aircraft, the CEO of Airbus tempered the government's enthusiasm: "We are following several technological avenues in parallel, including solutions using hydrogen for small aircraft".

In September 2020 (see my letter n°774), Airbus declared that "In the best case scenario, the first carbon-free aircraft capable of carrying some 200 passengers with a maximum range of about 3,500 km - will not arrive before 2035".

Today, "fuel cell engines could power a 100-passenger aircraft with a range of about 1,850 kilometers," which is half as many passengers on a trip that is twice as short as what was mentioned in 2020.

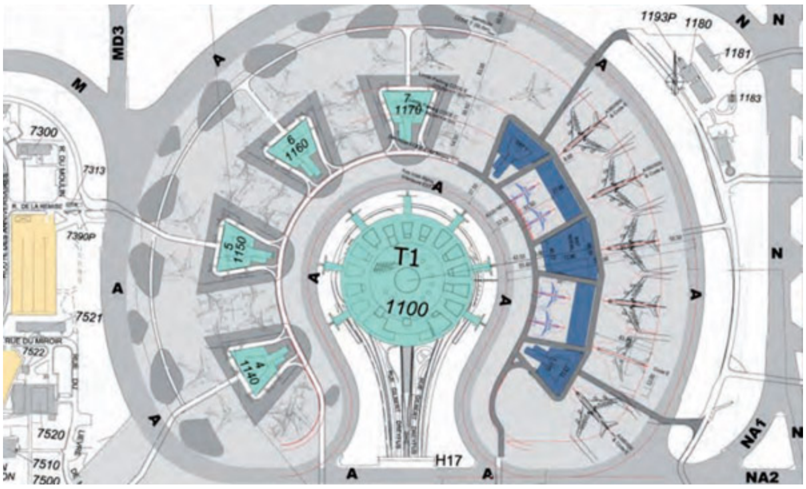
The icing on the cake: "Hydrogen ... is not suitable for the propulsion of all medium-haul aircraft and even less so for long-haul aircraft with intercontinental range".

Rather than continuing to invest in hydrogen propulsion, it would be more appropriate to redirect the funds towards more efficient programs: the Single European Sky to optimize the routes taken by aircraft, large-scale SAF production, production of synthetic fuel based on green hydrogen, ...

> The renovated and enlarged terminal 1 of Roissy-CDG reopens

after 2 years of closure

(source Les Echos) December 2 - Forty-eight years after its opening, **Roissy-CDG's Terminal 1 is making a fresh start**. After 33 months of work, the iconic concrete pie-shaped terminal reopened on December 1, **with a new 36,000 square meter building linking satellites 1 and 3. An 18% expansion coupled with a complete renovation and modernization**, which will allow it to welcome, in much better conditions, 10.2 million passengers per year, or 1.2 million more, than in 2019.
The reopening of terminal 1 marks not only the return to operation of the last remaining closed infrastructure of the Paris airports. But it is also the culmination of work begun more than five years ago with Paul Andreu, the architect-designer of Roissy, who had begun to work on this project of junction building before his death in 2018.
(...)
The new complex retains the characteristics of the original terminal, with its central shaft and access tubes in the boarding area and the tunnels leading to the satellites. But it **gains an enlarged screening area, a large commercial area and a new 5,600 m2 boarding area,** as well as numerous additional facilities, such as 90 baggage drop-off points and 130 self-service kiosks.
(...) A
total of 36 airlines are expected to gradually return to Terminal 1 over the next few weeks, including all members of Lufthansa's Star Alliance, including the American United and Japanese ANA.
(...)



***My comment:** The reopening of CDG Terminal 1 is accompanied (discreetly) by the closure of the three terminals 2A-2C-2D for at least 18 months.*

I have no information at this stage on the reasons for this closure.

End of the press review

> My comments on the Air France-KLM share price trend

Air France-KLM shares closed at 1.273 euros on Monday 5 December. It is stable this week (+0.24%).

It is penalized by the issuance of convertible bonds and by the suspension of a strike notice by cabin crew unions for the Christmas period.

The average (consensus) analyst rating for AF-KLM shares is 1.52 euros. The highest price target is 2.00 euros, the lowest 0.85 euros. I only take into account analysts' opinions after the May 2022 capital increase.

You can find the details of the analysts' consensus on my blog.

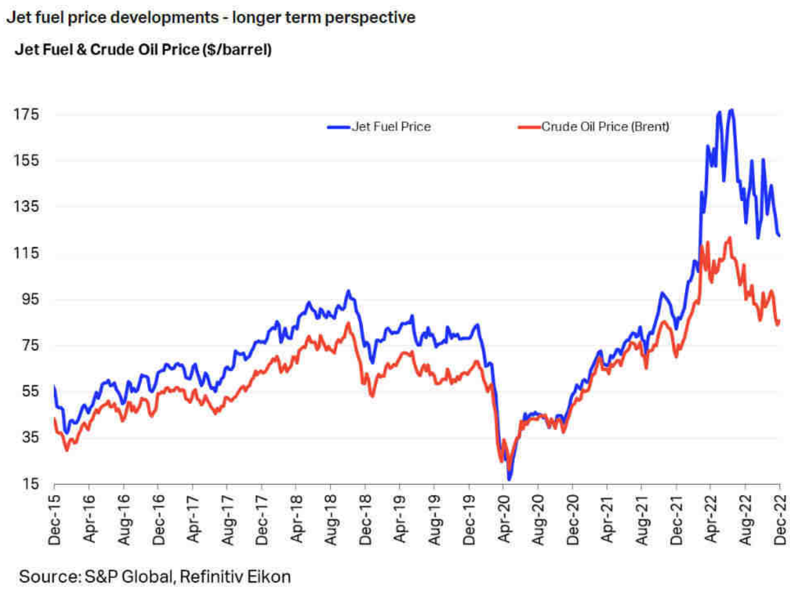
> My comment on the evolution of fuel prices

Oil and jet fuel have returned to levels close to those of the beginning of the year, although the gap between oil and jet fuel prices is still very wide. The increased need for diesel fuel to compensate for the reduced availability of gas is driving up the price of jet fuel, as both fuels are produced in similar ways.

Jet fuel in Europe is holding steady this week at $129 per barrel. It is close to its lowest level since the beginning of the health crisis. After peaking at $182 in June 2022, it had fallen to $132 by early August.
It was at $79 a little over a year ago.

Brent crude oil (North Sea) is **also stable this week at $83.**
From mid-February to the end of July, it was yo-yoing between $100 and $120. Since then, it has oscillated between $85 and $99.
At the beginning of March, Brent reached $132, close to its record of $150 (in 2008).
Fears that the economy will be in recession by the end of 2022 have caused fuel prices to fall.

Since the beginning of the war in Ukraine, there is no longer any correlation between the price of a barrel of Brent oil and the price of a barrel of Jet Fuel. This is very clear on the graph below, which covers the period June 2015 - November 2022**.**



Jet fuel price per barrel by region (source IATA) as of December 2, 2022

Fuel Price Analysis

The jet fuel price ended last week down 1% at 122.7/bbl

2 December 2022	Share in World Index	cts/gal	$/bbl	$/mt	Index Value 2000 = 100	vs. 1 week ago	vs. 1 month ago	vs.1 yr ago
Jet Fuel Price	100%	292.14	122.70	968.89	335.41	-1.0%	-15.0%	49.2%
Asia & Oceania	22%	277.39	116.50	920.38	332.88	0.0%	-8.8%	44.3%
Europe & CIS	28%	307.09	128.98	1017.63	347.50	-0.1%	-11.4%	56.8%
Middle East & Africa	7%	277.43	116.52	920.02	347.96	0.0%	-11.9%	45.6%
North America	39%	291.98	122.63	968.77	326.02	-2.4%	-20.4%	47.2%
Latin & Central America	4%	293.41	123.23	973.55	341.37	-1.5%	-19.5%	47.6%

Good to know

> 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.

> Management of employee investment funds

When you invest money in one of the Air France FCPE funds, you get shares in these funds. You do not hold shares directly.

It is the supervisory boards, which you elected in July 2021 for a five-year term, that manage the funds and make the decisions.

The Aeroactions, Majoractions and Concorde
funds only hold Air France shares.

The Horizon Épargne Actions (HEA), Horizon Épargne Mixte (HEM) and Horizon Épargne Taux (HET)
funds manage portfolios of various stocks.

My comment: *If you would like more information on the management of the various Air France FCPEs, please consult my website Navigaction, section Air France-KLM employee shareholding.*

Details

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

Alternate Nicolas Foretz, PNC

When I was elected, I received the support of the CFDT and the UNPNC.

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

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