Letter from the Director of Air France-KLM

François Robardet

Representative of employees and former employees PS and PNC shareholders

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Monday's Press Review

> Air France KLM wants to extend the term of office of President Anne Marie Couderc, for lack of a successor

(source AOF) December 9 - The Board of Directors of the Air France-KLM Group, meeting on December 8, 2022, decided to submit to the 2023 General Meeting a resolution amending Article 26 of the Group's Articles of Association in order to specify that when the age limit of the Chairman of the Board of Directors is reached during his or her term of office, he or she will continue to perform his or her duties until the end of his or her term of office as director.
In this case, **the duties of Anne-Marie Couderc, currently Chairman of the Board of Directors of Air France-KLM, will be extended until the end of her term of**

office as director, i.e. until the end of the 2024 General Meeting called to approve the financial statements for the year 2023.

The aim is to ensure consistency within the Board of Directors by aligning the term of office of the Chairman of the Board with that of his directorship. **The Group specifies that the Nomination and Governance Committee of the Board of Directors has launched an in-depth process to identify a successor to the Chairman.**

My comment: *The term of office as Chairman of the Board of Directors of Air France-KLM ends (for the time being) in May 2023.*

As no successor has been identified to date, it seemed prudent to postpone Anne-Marie Couderc's term of office by one year.

This was an easy decision to make, as she has been so successful in her position.

For the record, her presidency will be one of the longest in the history of the group after that of Jean-Cyril Spinetta.

> KLM (finally) gets a Premium Comfort

(source TourMaG) December 6 - At the end of the summer, **KLM started to modify the configuration of its long-haul aircraft - the B777 and 787 - to be able to offer one of the flagship products of the airline industry,** one that is already making major airlines happy: **an improved economy class**.
Intermediate between economy and business, it can be called several things depending on the airline: Premium Economy, at Air France, Premium Select at Delta or Moana Premium at Air Tahiti Nui.
For the Dutch airline, it is **called "Premium Comfort**".

Invented in 2008 by Air France during the global economic crisis, the initial idea was to offer an alternative to "economy" class for a portion of business customers with tighter budgets who could no longer afford business class.

With the return of a certain economic growth from 2010 onwards, the premium economy class also began to appeal to leisure customers who wanted a little more space, an improved meal and some signs of recognition.
When Ben Smith took over as CEO of Air France-KLM, he immediately began to redesign this product for Air France, considering it essential to improve the airline's profitability.
A winning strategy that he was very pleased with when announcing the group's latest results. **All over the world, this intermediate class model has been adopted by the major international airlines.** It has proved to be a real cash

machine for operators who regularly increase the number of seats on board. Emirates has understood this and this year has not hesitated to invest two billion dollars to equip its Airbus A380s with a new Premium Economy
class, ready to welcome 56 passengers.
(...)
Boet Kreiken, KLM's General Manager for Customer Experience, gave some details. "**We had to be able to offer the same options as our colleagues and partners from Air France and Delta as well as our competitors**. This was a growing demand from our customers.
(...)
KLM's product will therefore gradually be brought into line with the Air France-KLM group and its partner airlines.

My comment: *The introduction of a premium class marks a turning point in the history of KLM.*

Work to equip KLM's Boeing 777s and 787s began in September. It should be completed in January 2024.

> ITA and Lufthansa executives meet before a possible sale

(Reuters source) Dec 9 - **ITA Airways Chairman Antonino Turicchi met with Lufthansa CEO Carsten Spohr this week** as the Italian government aims to sign a preliminary agreement to sell the Italian carrier by the end of the year, Corriere della Sera reported on Friday.

The deal could value Alitalia's successor at 450-480 million euros ($475-$505 million) and Lufthansa would get a 55-60% stake, the Italian newspaper added.
(...)
Italy's new government reopened the ITA privatization process last month after an exclusivity period for talks with U.S. private equity firm Certares, Air France-KLM and Delta Airlines failed to produce a deal.

Lufthansa firmly believes it will succeed, a person with knowledge of the situation

said, adding that there is **no other bidder in the running.**
(...)
ITA has launched a plan to hire 1,200 new employees in 2023, when the carrier **will add 39 new planes to the 65 it already has**.

My comment: *MSC and Lufthansa had proposed at the end of August to pay 850 million euros for 80% of ITA Airways. If the information in this article is confirmed, Lufthansa has reduced its offer by more than 50%.*

The difficulties that ITA Airways is experiencing to relaunch its activity could explain in part the drop in valuation. If the new Italian company continues to accumulate losses, the buyer would be obliged to cover them, at least in part.

In the short-haul sector, ITA Airways has barely 20% of the Italian domestic market and must face competition from low-cost airlines, led by Ryanair and easyJet.

On long-haul routes, it has a small fleet: seven A330s and six A350s.

> Nuclear issue scuttles agreement on sustainable aviation fuels

(source Les Echos) December 9 - A week that was supposed to be crucial for the decarbonization of air transport in Europe has ended in failure. After a marathon negotiation lasting more than 9 hours, which ended in the early hours of Friday morning, **the trialogue meeting failed to resolve the disagreements between the Commission, the Council of the EU and the European Parliament, concerning the incorporation of sustainable aviation fuels** (SAF). Without an agreement, the final adoption of the "RefuelEU Aviation" regulation, scheduled for this summer, will probably be postponed until the next Swedish presidency of the European Union in 2023.
(...)
But **the negotiations have reached an impasse because of the hostility of several participants with an anti-nuclear environmentalist bent to forms of "e-kerosene" produced using nuclear-generated electricity**. In particular, these opponents would have liked to impose a deadline for the use of nuclear-generated electricity and the exclusive use of 100% "green" electricity for the manufacture of its "e-kerosenes". This would make it even more difficult, if not impossible, to develop the production of "e-kerosene", which requires a lot of electricity, and yet is the only way forward for sustainable aviation fuels, based on an almost unlimited resource.

"The anti-nuclear community and the German and Spanish governments do not want Refuel EU to be used as a Trojan horse for nuclear energy," explains a person familiar with the matter. **The French presidency had succeeded in bringing nuclear power back into the game. They are counting on the next Swedish presidency to rectify the situation**.

After more than two years of work in the European Commission and Parliament, the runway seemed to be clear for DACs. **These non-fossil fuels are indeed considered by all stakeholders in the sector as the most effective way, in the short and medium term, to significantly reduce CO2 emissions from air transport and achieve carbon neutrality in 2050.** Produced from food and agricultural residues and mixed with conventional kerosene, they could reduce the carbon footprint of current aircraft by up to 80%, without waiting for a new generation of aircraft.

Last July, the European Council and Parliament had already agreed on the broad outlines of the text, which made it mandatory to incorporate a minimum of 2% DAC in kerosene from 2025, and 6% in 2030. **European regulators also agreed to exclude all fuels made from agricultural products that could compete with food production or contribute to deforestation. This is in contrast to the United States, where agriculture contributes directly and massively to the production of biofuels.**

This failure does not mean that the Refuel EU project and sustainable aviation fuels, whose production in various countries is taking off, have been abandoned. In France, since January 1, 2022, regulations already require airlines and oil companies to incorporate 1% CAD in their kerosene, even if industrial production has not yet taken off
.

My comment: *Whether one is green or not, pro or anti-nuclear will not change anything.*

Commercial aviation is globalized, any decision taken in only one region of the world will create a distortion of competition and will not have the desired effect.

Limiting flights at Amsterdam-Schiphol will only shift them to another European airport.

Regulating biofuel more stringently in Europe than in the United States, China or the Gulf States will favor some airlines at the expense of European airlines.

> In Toulouse, Clément Beaune announces 435 million euros from 2023 for the decarbonization of aviation

(source: La Tribune) December 9 - **The Minister** was in the Pink City to bring together the main representatives of the aeronautics industry within the Airbus premises as part of the ministerial Council for Civil Aeronautics Research (Corac). **Clément Beaune announced that the industry will be able to commit 435 million**

euros to decarbonization as early as 2023, within the framework of France 2030.

Last March, the government unveiled the France 2030 program, which provides 800 million euros over three years to Corac to support the emergence of a low-carbon aircraft, including 300 million in 2022, 300 million in 2023 and the remaining 200 million in 2024. **The executive has therefore decided to accelerate the payment of aid to the industry**. A previous envelope of 1.5 billion euros over three years had already been allocated to Corac on the aircraft in 2020 as part of the plan to support aviation. The upcoming Paris Air Show in June could also be an opportunity to review the investment and public support trajectories for Corac in the coming years.
Will this be enough? **Airbus CEO Guillaume Faury warned Thursday** at a meeting organized by the Association of Aviation Journalists (AJPAE) **about the risks of distortion of competition for the industry in the face of massive aid for green energy implemented by the United States**. As part of a law to reduce the effects of inflation, substantial subsidies have been allocated, particularly for biofuels, green hydrogen and batteries, which are at the heart of the decarbonization of aviation. "Europe needs to react quickly to avoid a long-term competitive disadvantage," said Guillaume Faury. In response,
the Minister of Transport said: "**We cannot have such a wide gap in subsidies or various forms of support between the United States and the European Union. We probably need to do more on the European side to avoid a form of unfair competition with the United States.**" Before adding, "The best policy in the face of competition is excellence. If Airbus remains the world leader in aeronautics commercially, operationally, technologically, we will keep that advantage."
(...)

My comment: *The U.S. plan to support its airlines is impressive.*

Consider the example of sustainable aviation fuels (CAD or SAF).

In the U.S., thanks to subsidies and the use of agriculture (to produce the biomass needed to make biofuels), airlines have biofuels at almost the same price as kerosene. In Europe, biofuels are not subsidized and cost four times more than kerosene.

The aid announced by the French Minister of Transport is welcome. It is not certain that it will be sufficient to counterbalance the US subsidies.

> Suspicions of corruption in the European Parliament: four people, including Greek vice-president Eva Kaili, have been arrested

(source Le Monde with AFP) December 11 - **The Greek vice-president of the European Parliament Eva Kaili and three other people were charged and**

imprisoned on Sunday, December 11 in Belgium in an investigation into **suspected corruption linked to Qatar within this institution of the European Union** (EU), a judicial source told Agence France-Presse (AFP).
(...)
In this case "is suspected the payment of large sums of money or the offer of significant gifts to third parties with a political and / or strategic position within the European Parliament, to influence the decisions" of this institution, said the statement of the prosecutor.
(...)
The case of alleged corruption for the benefit of Qatar involving representatives of the European Parliament is "a serious attack on the reputation" of this institution and "a shameful and intolerable affair", said Sunday the European Commissioner for the Economy, Paolo Gentiloni, during a broadcast on Rai, the Italian media group.

My comment: *The investigation into suspicions of corruption in connection with Qatar within the institutions of the European Union sheds new light on previously signed agreements.*

For example, in 2019, the European Union and Qatar were negotiating an open skies agreement.
In spirit, this agreement aimed to eventually liberalize the links between the Gulf country and the EU, as desired by Qatar. In return, fair competition clauses were included in the agreement, allowing European airlines to compete on an equal footing against this competitor accused of benefiting from public aid from its Emirate shareholder.

The open skies agreement was finally signed in 2021, in a context that had evolved. It came into force without even waiting for the internal ratification of the 27 member states.

The airlines and the FNAM (Fédération Nationale de l'Aviation et de ses Métiers) denounced this agreement as "incomprehensible", "harmful" and "unbalanced". It put a market of 500 million Europeans and 3 million Qataris on the same level.

Meanwhile, Qatar Airways placed an order for Airbus A350s. Officially, the order and the agreement were not linked. The order was eventually cancelled by Airbus, with Qatar Airways citing paint defects as the reason for not meeting its commitments.

Bonus article, no comment

> Rio-Paris crash trial ends, judgment on April 17

(source AFP) December 8 - The trial of the Rio-Paris flight crash in 2009 ended on

Thursday, December 8 and the court will decide on April 17, 2023 on the fate of Airbus and Air France, tried for involuntary manslaughter since October 10.

After nine weeks of hearings, the 31st Correctional Chamber of the Paris Court has four months to decide whether Airbus and Air France are responsible for the disaster that claimed the lives of 228 people of 33 different nationalities on 1 June 2009.

On Wednesday, the prosecutor's office requested that the manufacturer and the airline be acquitted of manslaughter since October 10, considering that it was "not in a position to request (their) conviction".

A "shock" for the civil parties present at the trial, disappointed with this position after a legal procedure of more than a decade, marked by a dismissal in 2019 and a trial finally ordered by the Court of Appeal of Paris in 2021.

Taken to task during the debates, accused of "arrogance" and "coldness" by civil parties, the defense of the aircraft manufacturer assured Thursday that this image was "far from reality": "Airbus is not a legal fiction, it is also a human reality," assured Me Simon Ndiaye. He and his colleague Antoine Beauquier later apologized that words, an attitude, "could have hurt".

As is customary, the floor was given last to the representatives of the accused companies, who addressed the families. The Air France representative spoke of his "unconditional compassion", while the Airbus representative assured them of his "deep respect".

"We are in a place of antagonism between emotion and reason", said Me Ndiaye in his plea. "The truth can sometimes not soothe. It will be up to you to apply the law and only the law," he continued, calling for "a decision that will be humanly difficult, but technically and legally justified: a decision of release. "

The lawyer then applied himself to demonstrate how Airbus had not "underestimated" the seriousness of the failure of the Pitot probes, the probes measuring the speed of the plane which all three froze on AF447 the night of the accident. Destabilized by the repercussions of this failure, the pilots lost control of the A330, which stalled and hit the Atlantic Ocean less than five minutes later.

In the months leading up to the crash, there had been an increase in the number of failures of these probes. But for Airbus, "at the time of the facts, nobody noted any significant danger", "in all the cases known at the time, there had been a control of the trajectory".

The aircraft manufacturer is also suspected of not having taken "emergency measures" for the airlines, so that they train and inform their crews better. The court of appeal that ordered the trial has "been the victim of a retrospective bias", pleaded Me Beauquier. "There is no flippancy", he argued, "we have done before 2009 everything we could to avoid the accident".

Defending himself from wanting to "blame the pilots, blame the dead", Mr. Ndiaye nevertheless returned to the course of the flight, highlighting the non-avoidance of the turbulence zone, the unclear distribution of responsibilities within the team of pilots.

"The reasons why the crew did not react adequately" remain "unexplained", he concluded. "This may remain a mystery, but it cannot be the basis for a conviction."

"The acquittal is not the victory of Airbus in front of the civil parties, there can be no victory in front of 228 deaths", assured Me Beauquier. "There is a need for justice and I think that this justice passes by the acquittal".

End of the press review

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

Air France-KLM shares closed at 1.268 euros on Monday 12 December. It is almost stable this week (-0.39%).

The average (consensus) analysts' 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.

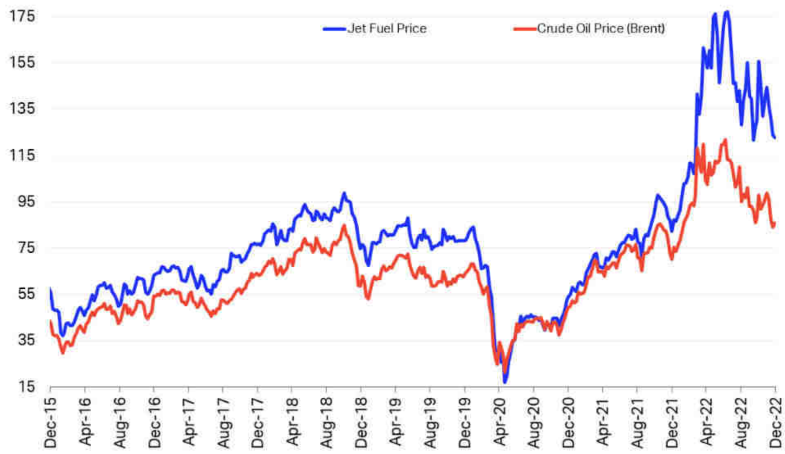
Jet fuel in Europe is down this week by $18 to $111 per barrel. It is close to its lowest level since the beginning of the health crisis. After peaking at $182 in June 2022, it was down to $132 in early August.
It was at $79 a little over a year ago.

Brent (North Sea)
oil is also down this week by $5 to $78. It is back to a more reasonable price level.
From mid-February to the end of July, it was yo-yoing between $100 and $120. Since then, it has hovered between $85 and $99.
By early March, Brent had reached $132, close to its record high 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 developments - longer term perspective

Jet Fuel & Crude Oil Price ($/barrel)



Source: S&P Global, Refinitiv Eikon

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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