Letter from the Director of Air France-KLM

At the forefront of more responsible European aviation, we are bringing people together to build the world of tomorrow.
(Air France-KLM Group's raison d'être)

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

N°908, April 17, 2023

If you do not see this page correctly, or if you want to read the English or Dutch versions
If you do not see this page correctly, or if you want to read the English or Dutch versions,
Als u deze pagina niet goed ziet, of als u de Engelse of Nederlandse versie wilt lezen,
follow this link , it is here, vindt u deze hier

Monday's Press Review

> Rio-Paris crash: Airbus and Air France released

(source Les Echos) April 17, 2023 - **More than thirteen years of chaotic proceedings, nine weeks of trial at the end of 2022, four months of deliberation... and an acquittal**. On Monday, April 17, when the decision exonerating Air France and Airbus was announced, a grumbling "oh" escaped from the benches of the civil parties, immediately calmed by the presence of a large number of representatives of the police force.

The European manufacturer and the airline were prosecuted for involuntary manslaughter after the 2009 crash of the Rio-Paris flight that killed 228 people. More than 500 civil parties had been constituted. As they left the courtroom, the relatives of the victims of the crash let their anger explode: "We expected an impartial judgment, but that was not the case. We are disgusted", reacted Danièle Lamy, president of the association Entraide et Solidarité AF447. "All that remains of these 14 years of waiting is despair, dismay and anger," she added.

Aware of this expectation and emotion, **President Sylvie Daunis took care to explain at length the reasons for her decision**. "Given the magnitude of the tragedy that occurred during the night of May 30 to June 1, 2009, the **existence of damage is indisputable,**" she said. **Nevertheless, even if "faults" were committed, "no certain causal link" with the accident "could be demonstrated".**

Guilt "impossible to prove

For the court, Airbus committed "four imprudences or negligence", in particular those not to have made replace the models of the Pitot probes known as "AA", which seemed to freeze more often, on the fleet A330-A340. Moreover, according to the court, Airbus has shown "withholding of information" about the incidents suffered by its customers. **As for Air France, the company has shown "faulty imprudence", especially in the way it distributed an information note to its pilots on the failure of the probes.**

Nevertheless, according to the court, from a penal point of view, "**a probable causal link is not sufficient to characterize an offence**. In this case, as far as the faults are concerned, no certain causal link could be demonstrated with the accident". For "it is constant that a probable causal link, even when this probability is very high and approaches near certainty, is not sufficient to characterize a crime". During the trial, which took place from October 10 to December 8, the public prosecutor's office requested the acquittal, considering that the guilt of the companies was "impossible to prove".

Nevertheless, the court once again examined these faults from the point of view of "loss of opportunity" in terms of civil liability. This "is analyzed as the disappearance of a real hope, in other words the probability of a favorable event. These faults committed by Air France to the detriment of both the passengers and the company's staff are thus in a causal relationship with the loss of chance suffered", explains the court. **And it declared Airbus and Air France civilly liable for this loss**. However, given "the legal questions raised by the compensation of a loss of opportunity", the court postponed the examination of the compensation of the civil parties to a hearing in September 2023.

Air France has taken "note of the judgment", in a sober statement. Saying again "its compassion" to "all the relatives of this terrible accident". As for Airbus it considered that this decision was "coherent" with the non-lieu pronounced at the end of the instruction in 2019.
(...)

My comment: *I join the employees and former employees of Air France in renewing our deepest sympathy to all the relatives of the victims.*

The first concern of the victims' families is to know the truth and to see justice done. The punishment of the person responsible is the object of the criminal proceedings, while the compensation aims at reparation, in particular for the moral prejudice.

On the criminal level, the court has (finally) given a clear answer: carelessness was committed, both by Airbus and by Air France, without this being considered a crime.

On the civil side, most of the victims' families have been compensated for several years.

This compensation will never ease the pain of the families of the deceased passengers and crew. I hope that they were at least useful to allow the orphans to finance their studies, to realize a project that was dear to the family, or simply to hold on in case of a hard blow.

> Cabinet considers a new tax increase on flights as a serious option

(source Luchtvaartnieuws, translated with Deepl) April 13, 2023 - **A further increase in the tax on flights is being considered by the cabinet to meet climate targets and generate additional revenue**, insiders told De Telegraaf's political editor. Increasing the CO_2 tax for industry and requiring business travelers to rent electric cars are also serious options. On the other hand, the introduction of a tax on meat and dairy products was rejected due to a lack of public support and IT problems in the tax office.

The cabinet is expected to announce additional climate measures in the spring to meet its self-imposed climate targets. A group of officials therefore recently presented a report on possible measures to achieve this. In addition to introducing a tax on dairy and meat products, which seems unlikely, **the officials suggested, among other things, that medium and long-haul flights be taxed much more heavily.**

Earlier this year, the tax on flights was already tripled from 8 to 26 euros per passenger, regardless of the distance flown. **Officials have outlined two scenarios for an even higher tax, depending on the distance: one in which the tax on long-haul flights amounts to 79 euros per person, and another in which the tax reaches 150 euros per person. For medium-haul flights, between 2,500 and 6,000 kilometers, the flight tax is also expected to increase, but less sharply: from 52 to 75 euros.**

According to insiders in The Hague interviewed by De Telegraaf, there is **"enthusiasm" within the cabinet for increasing the flight tax, although no decision has yet been made**. In addition to the climate, **increasing the flight tax has the advantage for the government of bringing in quite a bit of money**. Due to the increase in interest rates, the price cap and the rapid increase in the number of asylum seekers, a budget deficit of 6 billion euros is expected. This deficit has to be covered by raising taxes or cutting spending.

My comment: *Tax, why not, but how?*

The taxation system mentioned in this article to fight against climate change is a nonsense, totally counterproductive.

What would be the interest for airlines to replace kerosene by more expensive sustainable aviation fuel, if the amount of taxes is not adjusted accordingly?

> Transavia Netherlands lacks planes: 50,000 passengers affected

(source Air Journal) April 17, 2023 - **With six expected aircraft unavailable**, low-cost airline **Transavia Netherlands has been forced to reduce its flight schedule in April and May 2023, with some 50,000 passengers seeing their travel plans cancelled or changed.**

Based at Amsterdam-Schiphol airport, the Dutch low-cost subsidiary of the Air France-KLM group explained the reasons for the approximately 8,000 flight cancellations and 42,000 postponements suffered by its customers since the beginning of the month and until May 2023. **According to a Transavia spokesman, the lack of aircraft affects "5% of all flights" during these two months**. All passengers would have been notified, the NL Times said, citing a statement: "These operational disruptions require us to adapt our flight schedule. Wherever possible, we are rescheduling passengers or offering an alternative. Unfortunately, despite these efforts, we cannot avoid cancelling a limited number of flights and disappointing passengers and partners.

Two of Transavia's Boeing 737-800s that have been under maintenance for a long time are still waiting for Boeing parts, the low-cost airline says, while four of the five 737-800s leased from Romanian company Blue Air (nationalized after its bankruptcy at the end of 2022) cannot be used for "administrative reasons" (apparently missing safety certificates; they belong to leasing company ALC, the FAA being responsible for them). **Transavia therefore has 39 aircraft in the Netherlands, instead of the 45 expected to meet the demand of the summer season**.
There is still the problem of compensation: there is no provision for those notified at least 14 days before their departure, including other costs such as hotel reservations or car rentals, to the great displeasure of travel agencies who will have to find solutions. Transavia hopes that the problem will be solved by next month: it will then not have to make the same kind of decision for the months of June and July ...
According to the website Luchtvaartnieuws, the delays in maintenance are partly due to a lack of staff at Transavia Netherlands, due to sick leave but also to training departures on the future Airbus A321neo, which will join the fleet of the low-cost carrier by the end of the year. The airline acknowledges this, while claiming that hiring has taken place to compensate.

My comment: *The persistent crisis that Boeing is going through with its B737 MAX* *(see also the article "Boeing caught by a new problem on the 737 MAX") is creating a tension on the leasing market, which is detrimental to Transavia Netherlands. The KLM subsidiary needs the B737s until the arrival of the A320-A321s ordered in 2021.*

Transavia Netherlands also said that its lack of aircraft has nothing to do with the problems KLM Cityhopper is having with its own fleet.

At KLM Cityhopper, many of the new Embraer E195-2s are currently grounded due to problems with the Pratt & Whitney engines.

This engine has performance issues that are found on all platforms equipped with these engines, worldwide. Currently, the engine supplier and the aircraft manufacturer are working to find solutions. These performance problems do not affect flight safety, but they do affect the fleet's ability to deploy within KLM Cityhopper.

> Delta Air Lines confirms 2023 targets after a good first quarter

(source AFP) April 13, 2023 - U.S. airline **Delta Air Lines posted higher first-quarter revenues** and narrowed its net loss on strong demand, confirming its targets for the year, it said Thursday.
From January to the end of March, revenue was **$12.8 billion, up 36 percent year-over-year**, the company said in a statement.

The carrier incurred a net loss of $363 million in the first quarter, compared with a loss of $940 million in the same period of 2022.
(...)
Thanks to "record" bookings for the summer, the **carrier anticipates a very good second quarter**, **with** (...) **revenues up by 15 to 17%**. Over this period, however, it expects an increase in expenses excluding fuel of 1 to 3% compared to the second quarter of 2022.
The company is also "confident" and reiterates its objectives for the year, i.e. an increase in revenues of 15 to 20%.
(...)
This publication was well received by investors on Thursday. In the first electronic exchanges before the opening of Wall Street, Delta's share gained nearly 3.6% to 34.95 dollars.

> Turkish Airlines aims to have a fleet of 800 aircraft by 2033

(source Business travel) April 17, 2023 - **Turkish Airlines has set a series of strategic goals for the next decade, including doubling its fleet**.
The airline has set itself the goal of expanding its fleet **to more than 800 aircraft by 2033** (when it will celebrate its centenary) **from the current 400 or so**.

This is an ambitious goal because by comparison the fleet of American Airlines (the largest airline in the world in terms of number of aircraft) has about 930 aircraft. Similarly, **Turkish Airlines aims to carry 170 million passengers a year by 2033, compared to 85 million in 2023**, with a network of over 400 destinations.

The carrier is targeting a consolidated turnover of more than $50 billion by 2033, with a $140 billion value added contribution to the Turkish economy.

The Turkish airline also wants to establish the low-cost AnadoluJet as a separate subsidiary, aiming for a fleet of 200 aircraft by 2033, up from about 70 today.

Turkish Airlines is by far the largest airline at the new Istanbul airport, which opened in April 2019. It was the seventh busiest airport in the world and the busiest in Europe last year.

My comment: *A large part of Turkish Airlines' success is based on free access to the European market, with relative protection against competition from European low-cost airlines.*

An agreement signed in 2010, for example, prevents Ryanair from flying to Turkey from any airport other than Dublin.

In addition, Turkish Airlines continues to enjoy the full support of its government to develop.

The Turkish government's ambition is to make Turkish Airlines one of the largest airlines in the world in the near future.

> Boeing caught by a new problem on the 737 MAX

(source Les Echos) April 14, 2023 - **The upturn will not have lasted long**. While Boeing was pleased to have overtaken Airbus in the number of aircraft deliveries in the first quarter, **a new defect could jeopardize or at least delay the return to normal deliveries of the 737 MAX**. A manufacturing defect on two fin-to-fuselage attachment points discovered **on several models in its single-aisle range - the 737-7, 737-8 and 737-8200, as well as a P8 military version** - will force the U.S. aircraft manufacturer to delay some of its deliveries and make the necessary modifications to the aircraft already manufactured.

This is not an immediate flight safety issue, and **the in-service fleet can continue to operate safely," Boeing said in a statement**. However, the issue will likely affect a significant number of undelivered 737 MAX aircraft, both in production and in storage," it says.

Neither the number of aircraft affected nor the duration of the work required is specified at this stage. "We expect a decline in 737 MAX deliveries in the near term for the duration of the work," Boeing says only. "We regret the impact this issue will have on affected customers and are in contact with them regarding their delivery

schedules. We will provide additional information in the coming days and weeks as we better understand the impacts on delivery," the aircraft manufacturer promises. Probably at the time of the quarterly earnings release on April 26.
However, **the problem is likely to be large, given that the 737 MAX accounts for the vast majority of Boeing's deliveries and that the models concerned, notably the 737-8 and 737-8200, are the best-selling**. The MAX 8200 is used by Ryanair, which is one of the largest customers of the 737 MAX, and which had already complained on many occasions about Boeing's delivery delays.

Investors were not mistaken. The announcement of its problems, Thursday evening in the United States, made the Boeing share plunge of 5,2 % in the exchanges which followed the closing of Wall Street. Spirit AeroSystems
stock, to which Boeing subcontracts the manufacture of 737 sections and which is at the origin of the problem and its discovery, fell even more sharply, by 11.5%.
The only relief for Boeing is that the thousands of 737 MAXs already delivered can continue to fly. Necessary modifications can be made during scheduled maintenance visits.
(...)

My comment: *And it goes on and on, ...*

Obviously, nothing goes at Boeing. On the one hand, its 737 Max is suffering from manufacturing problems.

On the other hand, Boeing has admitted that the first 777X will not be delivered in 2023, contrary to what was announced in 2020.

The Boeing Board of Directors has drawn the consequences. For this reason, it has decided to cancel the performance bonus of CEO Dave Calhoun in 2023.

> ATR is preparing for a sharp increase in production rates to 40 and then 80 aircraft per year

(source Journal de l'Aviation) March 30, 2023 - **For ATR, the crisis is behind us. The Franco-Italian aircraft manufacturer has announced that 2023 will be a year of growth, and that its forces are now focused on restoring pre-Covid delivery rates**. Its ambition is strong: it is aiming for more than 40 deliveries in 2023, and twice that number by the end of the decade.

Before the crisis, ATR delivered more than sixty aircraft each year. In 2020, however, activity stopped for it too, and only ten aircraft were delivered to their customers, then 31 in 2021. 2022 was again a difficult year in this respect, with twenty-five new aircraft delivered, plus eleven second-hand aircraft. But this page will soon be turned.

The company expects to deliver more than 40 aircraft in 2023, and to receive an equivalent level of orders, since it is targeting a book-to-bill ratio of more than one. And this is just the beginning, as production rates are expected to continue to accelerate in the following years, with the goal of delivering 80 aircraft per year by the end of the decade.

ATR knows that this will not be easy. The sector is facing recruitment difficulties, which it hopes to overcome with the support of its two parent companies, Airbus and Leonardo. The aircraft manufacturer also has assets to put forward, such as the reduced environmental footprint of the ATR, an argument that has been put forward for a long time but that can find a wider echo today in the face of the growing environmental concerns of the younger generation, as well as with airlines that want to show that they are acting in favor of decarbonization and reducing their fuel bill. ATR also emphasizes the impact that each individual can have within the company, given its size. For example, 150 new hires are planned for 2023, which would bring the company's workforce almost back to pre-Covid levels.

The other difficulty to overcome is linked to disruptions in the supply chain and shortages of raw materials. The ramp-up will therefore have to be done gradually, in order to limit disruptions.
The target of 80 deliveries per year in the second half of the decade may seem very ambitious - it is above pre-crisis deliveries - but **ATR is convinced that the market is ready to absorb this supply**. The aircraft manufacturer has 160 aircraft in its order book today, but anticipates a need for nearly 2,500 twin turboprops over 20 years, including 1,500 to replace aircraft in service, and competitors are not (yet) jostling for position.
In the short term, as early as this year, demand for its aircraft should start to rise again. The company explains that many of its customers are based in Asia, and that the continent was the last to lift travel restrictions. Now that they have even been lifted in China, travel is expected to pick up again in the Pacific region, leading to an increase in ATR fleet utilization, the creation of new needs and a return of sales momentum.
In parallel, ATR continues to work on improving its offer, with the integration of the new PW127XT engine from Pratt & Whitney Canada, the development of the ATR 42-600S (STOL, short take-off and landing) and
the launch of a feasibility study for a new generation of aircraft, for the moment named EVO

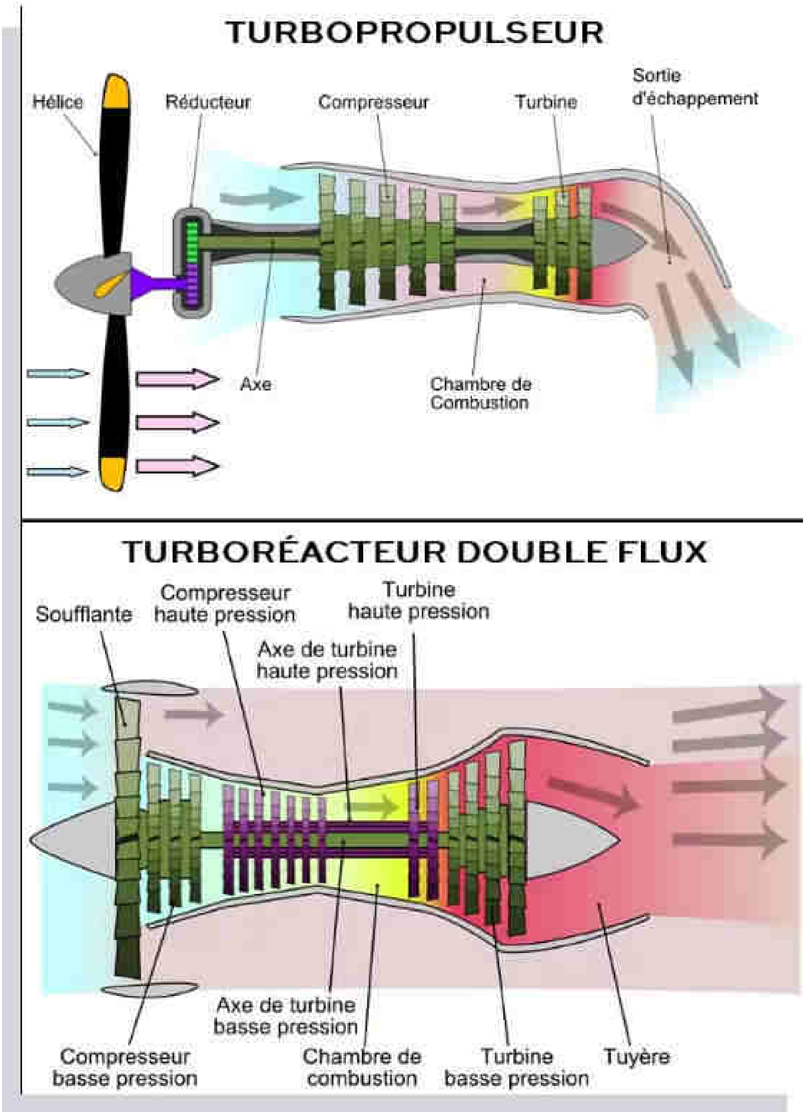
My comment: *The horizon is brightening for the French-Italian manufacturer ATR. For several years it has been the world leader in turboprop aircraft, which are more interesting than turbojet aircraft for short distances.*

Turboprops are noisier than jet engines, but they are cheaper and more fuel-efficient.

But for ATR, the future may lie in hydrogen. A U.S. start-up, Universal Hydrogen, has opened a workshop at the Toulouse airport to convert ATR regional aircraft to hydrogen fuel cells, stored in removable tanks. Read my letter n°874 about this.

How does a turboprop engine work?

When comparing turboprops and turbojets, the main difference is in the engines. A turboprop has an engine whose turbine drives the propeller and propels the aircraft. In contrast,
jet thrust is created by a fan inside the engines and a flow system (source: blog.privatefly).



End of the press review

> Air France-KLM share price performance over the past year

Two events have impacted the share price over the past year:

. in June 2022 the capital increase of 2.256 billion euros

. in February 2023, the announcement of good results for 2022.

New comment: *Two events have impacted the share price over the past year :*

. in June 2022 the capital increase of 2.256 billion euros

. in February 2023 the announcement of good 2022 results.

> Air France-KLM share price trend

Air France-KLM shares closed at **1.527 euros** on Monday 17 April. It is **down** this week **by -4.32%.**

It was at 1.253 euros on January 2, 2023.

The 12-month analyst average (consensus) for AF-KLM shares is 1.85 euros (it was 1.55 euros in early February). The highest price target is 2.40 euros, the lowest 1.10 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.

New comment: *According to AFP, markets are mixed, between slowing inflation* *and fears of recession in the United States.*

> Fuel price evolution in 2022

Since the beginning of the war in Ukraine, there is no longer any correlation between the price of a barrel of Brent oil and a barrel of Jet Fuel. In 2022, the difference between the two products has fluctuated between $30 and $50, while in previous years it was no more than $10.

No new comments

> Fuel price changes this week

The barrel of Jet Fuel in Europe is down this week by -$3 to $104. After peaking at $182 in June 2022, it was down to $132 in early August.
It was at $79 before the outbreak of the war in Ukraine.

Brent crude oil (North Sea) is **stable this week at $85. The effect of OPEC+ production cut announcements is fading.**

From mid-February 2022 to the end of July, it was yo-yoing between $100 and $120. Since then, it has oscillated between $75 and $99.

While oil has been back to a normal level for several weeks, **Jet Fuel is now approaching its normal level. The difference between jet fuel in Europe and Brent crude oil is now only $29 per barrel.** In 2022, at the beginning of the Ukrainian conflict, this spread was close to $50.

No new comments

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 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 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.

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

. If you wish to change the reception address of this press review, please send

me your new email address

. To contact me: message for François Robardet.

11.443 people receive this press review live