

Air France-KLM: losses are heavy, recapitalisation under consideration



I Letter from the Director Air France-KLM

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

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Monday's Press Review

> **Air France-KLM: losses are heavy, recapitalisation under study**

(source La Tribune) 31 July - Unsurprisingly, **Air France-KLM's losses during** the second quarter (April-June) **are very heavy.** During these three months during which activity was virtually halted, the Group recorded an operating loss of 1.55 billion euros, down 1.9 billion euros compared to last year's profit of 423 million euros. Due to an impairment of the Airbus A380 and A340 aircraft and a restructuring provision of 227 million euros, the net loss amounted to 2.612 billion euros, while turnover fell by 83% to 1.182 billion euros.

For the first six months of the year this time, revenues amounted to 6.2 billion euros, for an operating loss of 2.6 billion euros and a net loss of 4.4 billion euros (...).

In detail, Air France recorded an operating loss of 1.056 billion euros in the second quarter (1.6 billion over the first half), KLM of 493 million (768 million over the first half), and Transavia of 111 million (193 million over the first half).

"Visibility on the demand recovery curve is limited because customers' booking behaviour is much more oriented towards the short term than before the Covid-19 crisis, particularly on the long-haul network" subject to government policies of opening borders (...). Travellers prefer to wait until the last minute to make their reservations

and the "recovery of business class is taking place more slowly than tourism," explained Frédéric Gagey, the group's financial director, during a conference call.

For the month of September, for example, the group had already sold 52% of medium-haul seats last year at the same time, compared with only 18% this year, he said.

In the third quarter, the group will propose an offer of only 45% compared to the same period last year and 65% in the fourth quarter. "But these capacities will be reviewed at any time depending on the evolution of the crisis," Frédéric Gagey warned.

The group's baseline scenario foresees operating in 2021 with at least 20% less supply than in 2019.

At 30 June, Air France-KLM had 14.2 billion in liquid assets or credit lines, including 10.4 billion in direct or guaranteed loans granted by France and the Netherlands (7 billion by France and 3.4 billion by the Netherlands). But cash consumption is significant. In the second quarter, the group had a negative adjusted free cash flow from operations of 1.5 billion euros. It would have exceeded €2.2 billion without the reduction in investments. In addition,

"exceptional items are expected to have an impact on cash in the second half of 2020", explains Air France-KLM, which mentions "the risk on working capital due to the repayment of prepaid ticket receipts, estimated at 1.6 billion euros" or the repayment of renewable credit lines already drawn down by KLM, i.e. 700 million euros.

In view of the extremely slow recovery in traffic, recapitalisation seems inevitable. Air France-KLM makes no secret of studying the subject and explains that it is 'pursuing its reflections initiated last April on the plan to strengthen equity and quasi-equity capital by May 2021, subject to market conditions' (...).

My comment: *When we look at each other, we are sorry; when we compare ourselves, we are consoled. This maxim applies well to Air France-KLM.*

The losses recorded at the beginning of the year are unprecedented. In spite of this, they are similar to those recorded by the main European airlines, or even lower than those announced by the American airlines.

It is worth recalling that the Air France-KLM group approached the crisis with a cash position higher than that of most airlines, excluding low-cost airlines (analysis based on the ratio of free cash flow to monthly turnover).

> **The State will continue to support Air France without**

"any ambiguity", according to Pannier-Runacher

(source AFP) July 31 - **The French state will continue to support Air France without "any ambiguity", not ruling out a capital increase if necessary**, Industry Minister Agnès Pannier-Runacher said Friday, in the wake of a massive loss announced by the airline.

"There is no ambiguity, the State will be there because we believe that having a national airline is an important element of our sovereignty," the minister said on LCI.

"Yes, we must keep a national airline," Economy Minister Bruno Le Maire also said on CNews (...).

Asked about a possible renationalisation of the company, the minister Mrs Pannier-Runacher judged that this was "not the subject".

"The subject is to know how Air France is bouncing back, and if we have to go back to capital, we will do so. We're not ruling it out, but it's not the subject of the moment," she said (...).

"I estimate that with the 7 billion euros that have been granted, Air France can see it coming by the end of the year. But if at some point, because air traffic does not resume and the economic situation remains difficult, Air France will be able to count on the support of the State", the Minister of the Economy assured the Minister of the Economy. France and the Netherlands each own 14% of the Franco-Dutch group that the airline Air France forms with KLM (...).

> Air France: "If this nationalization takes place, it would only be temporary."

Marc Ivaldi, a researcher at Ehess and president of the International Association of Transport Economists, deciphers the worrying situation in the airline sector, and discusses his doubts about a potential renationalisation of Air France-KLM and the uncertain future of low-cost airlines.

Is the nationalization of Air France-KLM inevitable? If so, will it be definitive?

I would be very surprised if the European Commission validated it.

There are two stages in nationalisation. Firstly, the shareholders' shares must be bought back, and then an additional sum must be injected to increase the company's capital. This would pose a problem for the Directorate-General for Competition, because, unlike the 7 billion loan that the State has just made to the French company, this would involve direct intervention in the capital over a long period. At French level, this

would perhaps be acceptable, but at European level, it is clear that other companies, such as Ryanair, would object. **If, however, this nationalisation were to take place, it would only be temporary; it is not the role of the State to manage commercial companies of this type.** I believe that we are moving more towards restructuring the aviation sector in Europe, with mergers between companies, for example. At this stage, the only lasting solution to the crisis affecting the aviation sector is a cure for the virus.

Do you think a return to normal before 2024 is possible for low-cost airlines?

A number of so-called low-cost airlines have significant financial reserves. This is the case in particular of Ryanair, which can still afford to have a certain flexibility on prices despite the drop in its revenues. This proves that they have not completely exhausted their stocks. But this is not a bottomless pit. **If the health situation does not improve rapidly in Europe, it is possible that even the large low-cost companies will be in difficulty in the medium and long term.** Smaller airlines will suffer seriously from the fallout of the epidemic before then, as early as September, because they cannot afford to raise prices at the risk of losing customers. In a way, we can see this with Air France's Hop! sector, which is already planning to cut more than a thousand jobs. The State is helping companies for the moment, but the concern is that it too will not be able to do so indefinitely.

In this transport slump, is the air industry going to pull through?

The government is spending money on thermal retrofits, on economic stimulus, but no matter how **much money is allocated to the airline industry**, people have to get on the plane. In the meantime, the **role of the executive is to keep their heads above water, maintain salaries, maintain investment plans.** How long, I don't know.

Are growing environmental demands threatening the future of airlines?

CO₂ emissions from aviation account for less than 2% of greenhouse gas emissions. And yet the public authorities are making it the leading polluting activity. The Citizens' Climate Convention advocates the abolition of domestic flights when there is a low-carbon alternative that lasts less than four hours by 2025. I believe that this is a decoy, that we are on the wrong target, since the car contributes more to global warming by releasing more greenhouse gases. If the proposal is indeed adopted by the government, not only will CO₂ emissions hardly go down, but above all the low-cost airlines will not be able to resist it. And in the end, it is the railways and railway companies like the SNCF that

will benefit. They will have plenty of time to make their TGV fares explode thanks to the almost total absence of competition.

My comment: *The prospect of a capital increase for Air France-KLM is nothing new.*

As early as 24 April, the group indicated, in the press release announcing the financial support of the French State, that "the Board of Directors of the Air France-KLM group will consider carrying out an operation to strengthen its equity capital which could take place at the latest at the end of the meeting approving the accounts for the financial year 2020", i.e. before May 2021.

On 26 June, on the occasion of the announcement of the Dutch government's support plan, Dutch Finance Minister Hoekstra mentioned the possibility "that more money will be paid to the parent company Air France-KLM this autumn".

Other airlines have already done so: Singapore Airlines has announced that it has raised €9 billion from its existing investors, Lufthansa has obtained €6 billion from the German government through a capital increase.

It is still too early to comment on the advisability of such a transaction. Everything will depend on the level of business recovery in the coming months.

> Kleiner en goedkoper: KLM worstelt met toekomstbestendig personeelsbestand (Smaller and cheaper: KLM fights with a future-proof workforce)

(source Het Financieele Dagblad, translated with DeepL) 31 July - Fewer pilots, fewer hostesses, fewer ground staff: **KLM adapts its workforce to the new reality and cuts 1500 additional positions. A total of 4,500 to 5,000 of the 33,000 employees will leave in the coming years.** For the time being, this should be enough to compensate for the significant losses caused by the post-crisis period, but there are no guarantees.

On Thursday, Air France-KLM presented blood-red half-yearly figures: in the second quarter, passenger numbers were down 95.6% on last year. KLM's total headcount is therefore expected to fall by some 7% to 28,000 in the coming years (...).

In addition to the reorganization, KLM and the unions will negotiate the employee contribution from mid-August. At the beginning of

October, the company is to present a plan to reduce costs by 15 %. Only then will KLM be able to claim the EUR 3.4 billion support package from the Dutch government.

This reduction must come from the staff, among others (...). KLM wants employees with an income of 36,500 euros or more to accept salary reductions. The pilots are not opposed to adjustments in terms of employment conditions, but are opposed to substantial government interference in the case (...).

One of the main uncertainties for Air France-KLM is whether business customers will return. The planes are now mainly filled with holidaymakers and family visitors, passengers who will no longer be travelling in the autumn. It will have to be seen whether business people will return.

Frédéric Gagey, managing director of the Air France-KLM holding company, thinks so: "Companies and people always want to see their customers again, technicians will be sent again to solve problems or check the functioning of factories after the crisis," he said Friday in an explanation. Nevertheless, the recovery will be slow.

Customer behaviour is clouding the vision of the future. As they do not know how travel restrictions will develop, customers are postponing their reservations as long as possible. Air France-KLM is trying to overcome this situation by offering flexible re-booking arrangements, but as long as too few passengers are reassured by this measure, the group will not know what future demand will be.

The French subsidiary Air France has to cut some 7,500 jobs, but it is being helped by the age pyramid. Over the next two years, 3,500 employees will leave due to natural attrition. At KLM, only 10% of the reduction will be achieved through natural attrition. As a result, KLM will have to make a proportionally larger contribution, even though almost 2,000 KLM employees have made use of the voluntary redundancy scheme (...).

> Another 4000 runways away from KLM (4000 autres postes supprimés chez KLM)

(source Het Financieele Dagblad, translated with DeepL) 30 July - (...)

The reorganisation announced Friday by KLM will cost 2000 temporary and 4000 permanent posts. The temporary posts have already been abolished and 2400 KLM employees have joined a voluntary departure programme. As a result, some 1500 to 2000 people will still have to leave. KLM employs 27,000 full-time staff (...). In total, 14,000 jobs will be lost throughout the Group. **Earlier, Air**

France has already announced that 8,000 jobs will be lost, but this is being done on a voluntary basis. In addition, **staff will not have to lower their salaries, which is currently a hot topic among KLM employees**. Minister Hoekstra (Finance) wants KLM employees to give up 20% of their salaries (...).

***My comment:** It is understandable that it is difficult for KLM unions to negotiate salary cuts.*

That said, the comparison with Air France made by the author of the article is erroneous. There are many salary cuts for all categories of Air France staff.

The remuneration of Air France flight crews (pilots and cabin crew) is made up of a fixed part and a variable part depending on the number of hours flown. The current drop in activity has led to a reduction in their income of almost 20%.

Air France ground staff are mostly in partial employment. This scheme allows the employee to be compensated up to 84% of the net salary, but he has to reduce his working time.

KLM, on the other hand, receives aid from the Dutch State. The Dutch State pays 58.5% of the salaries, with KLM paying the remainder. KLM employees therefore receive their full salary, but they must continue to work as long as possible.

> **Some 300 employees angry in front of the HOP! headquarters in Nantes**

(source AFP) 30 July - Between **220 people**, according to the police, and 300 according to the CGT, **exploded in anger on Thursday morning outside the headquarters of Air France's regional subsidiary, Hop! in Nantes**, to say no to job cuts and the "death of the company," an AFP journalist said.

This first "national gathering" brought together employees from all over France, and in particular from Morlaix and Lille, where the sites are under threat (...). **"We would like to have recourse to long-term unemployment to see how air traffic will develop in two years' time, and to work with the social partners to rebuild Hop,**" said CFDT union delegate Etienne Guenat (...). The trade unionist expects "an arm wrestling over the number of job cuts that are being contested".

According to documents circulated before the CSE, 1,019 full-time

equivalent job cuts would be envisaged: out of 2,421 jobs, only 1,402 would remain by 2022 (...).

"We are promised jobs at Air France, but Air France is doing very badly. We are very, very scared," flight attendant Pauline Polonceau-Duchene told AFP. She fears that if the airline is reclassified, it will be "starting from scratch" despite 13 years of seniority (...).

***My comment:** The level of job cuts envisaged for HOP! (almost one in two positions) is considerable. Moreover, the planned closures of establishments (Morlaix for example) concern regions where it is very difficult to find a similar job.*

For HOP! employees, the downsizing plan is a source of concern and stress, as they do not imagine that the job cuts will only be voluntary.

> Clermont-Ferrand: flights to Orly should resume in mid-September.

(source France Bleu) July 30 - (...) The **Clermont/Orly** line **will resume service with Amelia/Regourd** (...). The first planes are expected in mid-September, with one flight in the morning and one in the evening. Why Regourd?

There were two candidates in the balance: Chalais and Regourd. Chalais had an advantage, being able to start very quickly. But the Regourd group soon appeared to be financially stronger. Wherever the group operates - as in Aurillac, Castres or Lorient- it is very well perceived (...). Finally, a strong argument, it will locate its aircraft in Clermont-Ferrand and provide work to the maintenance workshop in Hop! in great difficulty (...).

For the Clermont-Ferrand Chamber of Commerce and Industry, and for local companies, this is a relief (...). Rallying Orly is important for those who want to go to the centre of Paris, but also for those who want to come to us (...). When we're negotiating (...) the installation of a company, it's obvious that it's looking at the means of communication because its whole life won't be spent here". (...).

***My comment:** Regourd is taking over half of the rotations previously made by Air France between Clermont and Orly: one return flight in the morning and another in the evening.*

Accustomed to working with the national airline, she obtained that Air France conceded her the four slots associated with these flights to Orly.

> Ryanair, that's strong!

(source La Tribune) 27 July - During **these three months in which 99% of its fleet was grounded, Ryanair recorded a fall of more than 2 billion euros in its turnover**, from 2.3 billion euros last year to 125 million euros this year, a drop of 95%. **But the net result "only" fell by "only" around 430 million euros**, from a profit of 243 million euros last year to a loss of 185 million euros this year. **This performance is the consequence of an 85% reduction in costs achieved at lightning speed (job cuts, closure of airport bases, salary cuts, etc.)**, which will continue over the coming weeks.

As a result, Ryanair has limited the scrap in terms of cash consumption. And, with the postponement of certain investments and a loan of 600 million pounds obtained from the Bank of England (658 million euros), the company has a high level of cash of 3.9 billion euros, slightly higher than last year (...).

For the whole of its financial year, which will end at the end of March 2021, Ryanair intends to carry only 60 million passengers, compared with 149 million last year, provided that there is no second wave. Despite this great plunge, the group nevertheless intends to take advantage of the crisis to gain market share (...).

My comment: *How has Ryanair been able to limit so much financial breakage?*

This is due to its model of outsourcing personnel costs. An example: the vast majority of pilots have "zero euro, zero flight hour" contracts. As a result, they are not paid when they do not fly.

Financial breakage is avoided, not social breakage.

> **China: unlimited packages to boost air traffic**

(source AFP) July 28 - China's biggest airline, **China Southern, became on Tuesday the latest in China to launch unlimited flight packages in** an attempt to revive a sector heavily hit by the Covid-19 (...).

Since Tuesday, China Southern offers a package at 3699 yuan (450 euros) allowing unlimited travel on domestic flights between late August and early January.

At least eight airlines in China have launched similar offers in recent weeks in an attempt to attract travellers who are still reluctant to travel at a time when small outbreaks of infection have been reported in various parts of the country.

China Eastern, the second largest airline in terms of passenger

numbers, offers unlimited domestic flights at weekends (...).

My comment: *The health crisis is still not sparing China.*

Like airlines in Europe, Chinese airlines are trying to revive business by offering flights on most domestic routes but they are unable to fill their planes.

> **IAG: net loss of €3.8 billion in the first half and fund raising**

(source AFP) July 31 - The airline group **IAG on Friday published a net loss of 3.8 billion euros for the first half of the year and** intends to raise funds to deal with the air transport crisis resulting from the (...) Its turnover has halved to 5.3 billion euros in the first six months of the year (...).

This unprecedented crisis is pushing the group to restructure in depth, with the already announced reduction of 12,000 jobs at British Airways.

IAG estimates that it will be necessary to wait until at least 2023 for demand to return to its 2019 levels (...).

The group is also seeking to re-discuss the terms of the planned acquisition of the Spanish airline Air Europa, announced at the end of 2019 for €1 billion.

IAG is also obliged to strengthen its finances, hence its plan unveiled on Friday to increase its capital by 2.75 billion euros, which will have to be approved by the shareholders at a general meeting on 8 September.

Qatar Airways, its main shareholder with 25.1% of the capital, has already committed to participate in the operation, IAG said.

In recent weeks, the group had already obtained a £300 million loan from the public authorities in the United Kingdom and has extended its commercial partnership with credit card issuer American Express, which will enable it to receive £750 million.

My comment: *After Lufthansa, which received a capital injection of 6 billion euros from the German government in early June, it is now the turn of British Airways to attempt a capital increase.*

> **Singapore Airlines records record loss between April and June**

(source AFP) July 30 - **Singapore Airlines posted a record loss of**

693 million euros in the first quarter of its postponed 2020-2021

(...). The airline has cancelled 96% of the routes usually offered to passengers over the period (...).

To face its financial difficulties, **Singapore Airlines said it has raised €6.8 billion in capital raising** (...).

***My comment:** The amount of financing obtained by Singapore Airlines is one of the largest among those obtained by airlines since the beginning of the health crisis.*

> Safran anticipates a 35% drop in sales for the year, but posts solid targets for the second half of the year

(source AFP) 30 July - **The Safran group is forecasting a drop in its adjusted turnover of "around 35%" in 2020**, but is counting on its adaptation plan, which avoids redundancies in France, to overcome the crisis caused by the Covid-19 (...).

In the first half of the year, the group suffered a 27.6% drop in sales to €8.8 billion, due to the collapse in air traffic, which is affecting the group's service activities, and to lower production rates for aircraft manufacturers, which is reflected in the drop in deliveries of engines and aeronautical equipment (...).

Based on the assumption of a "gradual recovery in air traffic, which would intensify from September onwards", the Group forecasts a "decline in adjusted revenue of around 35%" by 2020. For the year as a whole, it expects an operating margin of 10% - it was 10.8% in the first half of the year - and a "positive free cash flow in the second half", after having reached €901 million in the first six months of the year (...).

The group, which before the crisis employed 95,000 people and 5,000 temporary workers, reduced its workforce abroad by a quarter (-13,000 people) (...).

In France, where Safran had 45,000 employees and 3,000 temporary workers before the crisis, the group has signed an "activity transformation agreement" with the trade unions, which should enable it to "get through the next 12 to 18 months of crisis while preserving the skills and competitiveness of its French activities" and **avoiding redundancies**. The group plans to hire 300 to 400 young people.

This plan includes a long-term partial activity plan (APLD), which will enable it to "keep 5,000 to 6,000 people", according to Mr. Petitcolin, retirement incentives for 3,000 people and wage restraint measures.

The innovation component of the French government's aeronautics support plan "should make it possible to save at least 1,000 jobs" in

research and development activities, according to the Safran boss. The "ambitious" objective, he acknowledged, is to develop a carbon-neutral aircraft by 2035 (...).

Safran has delivered 450 LEAP engines, which power all Boeing 737 MAX and more than half of the Airbus A320. This is almost half as many as a year earlier, and the group expects to deliver only "around 800" over the year, compared with 1,736 last year (...).

My comment: *Between the health crisis and the B737 Max crisis, it's a double whammy for the Safran group. However, redundancies have been avoided by using the new long-term partial activity scheme (APLD).*

> **Airbus announces a net loss of 1.9 billion euros in the first half of the year but says it is ready to weather the crisis**

(source AFP) 30 July - The collapse in air traffic plunged **Airbus** into the red in the first half of the year, reflecting the halving of its aircraft deliveries, but the aircraft manufacturer now believes it is in fighting order to get through the crisis caused by the coronavirus.

The European aircraft manufacturer **suffered a net loss of €1.9 billion in the first six months of the year, similar to the \$2.4 billion loss** of its American rival Boeing, which is mired in the 737 MAX crisis but can rely more heavily on its defence activities (...).

Airbus, which booked 298 net orders in the first half of the year, delivered 196 aircraft over the period. Airlines, brought to their knees by the collapse in traffic, are trying to postpone their deliveries or are unable to receive them because of border closures (...).

This had an impact on sales: at 18.5 billion euros, **they fell** by 39% over the first half of the year, and by **48% for the Commercial Aircraft Division alone, to 12.5 billion euros** (...).

In order to adapt to a recovery in air traffic, which is not expected to return to its 2019 level until 2023-2025, the aircraft manufacturer has reduced its production rates by 40% compared to its pre-crisis forecasts, with 40 Airbus A320s produced per month (compared to 60 in 2019), 4 A220s and 2 A330s. However, the aircraft manufacturer is making "a small adjustment to the production rate of the A350 from 6 to 5 aircraft per month". Airbus was producing 9 to 10 long-haul A350s per month before the crisis, which enabled it to break even on this programme.

And despite the call by local officials on Wednesday to maintain the project to open a new assembly line for the A321 in Toulouse, Airbus is maintaining the project on hold.

"We cannot invest in a new production facility when (...) we don't have the activity to fill it," the aircraft manufacturer (...) justifies (...).

> **ADP will "adapt in depth the redevelopment project of Roissy-Charles de Gaulle airport"**

(source La Tribune) July 29 - Hit hard by the crisis in air transport, **ADP is reducing its costs. In addition to wanting to reduce its current expenses by 550 million euros in 2020, the airport infrastructure manager, notably in Paris, wants to reduce its payroll to return to a positive net result as early as 2021.**

Rather than massively cutting jobs, the group intends to give priority to "reasonable and sufficient" salary cuts, according to its CEO Augustin de Romanet, for whom "there is no question of unbalancing the family budgets" of the employees, of whom there are 6,300 in the group (...). **Negotiations with the trade unions will be spread out from the end of August to the end of September to sign several agreements: one on long-term partial activity (APLD), a collective performance agreement (APC) which generally involves a reduction in salary or an increase in working time, and a collective bargaining agreement (RCC).**

Savings will also be achieved through lower investments (...).

At Roissy-Charles de Gaulle, ADP will carry out an "adaptation" of the airport redevelopment project, which essentially involved the construction of Terminal 4 with a capacity of 40 million passengers per year.

"The environmental authorisation for the Paris CDG airport redevelopment project was due to be the subject of a public enquiry in November 2020. The ADP Group has decided to carry out an adaptation of the project in order to draw the health consequences and in terms of traffic forecasts from the current crisis, prepare for the arrival of the hydrogen aircraft and respond to the recommendations of the environmental authority. The aim of this work will be to create the conditions for a public enquiry into the project thus thoroughly adapted", explains ADP in a press release (...).

My comment: Like Safran, Airbus is going to negotiate a long-term partial activity agreement (APLD) to reduce the number of job cuts.

This arrangement has just been the subject of a decree. It could be used by Air France if it is compatible with the voluntary departure plan

(PDV) which has just been proposed to the company's ground staff.

> **IT: Europe is worried about its American "cloud".**

(source AFP) 2 August - Sitting on a gigantic mine of data, this "gold of the 21st century", is Europe in danger of losing control of it completely by relying on the services of American IT giants? This is what experts and governments fear.

There has recently been a **succession of major cloud' contracts signed between major European groups or institutions and American IT giants: Google Cloud with Renault and Orange, Deutsche Bank or Lufthansa, Amazon Web Services with Volkswagen, Microsoft with the French Ministry of Health for French research data...** "Cloud" or "cloud": this term refers to various services that make it possible to obtain computer resources online - storage and calculation - without having to have your own computer equipment, which is expensive to maintain and renew (...). **"Most European data is stored outside Europe** or, if stored in Europe, on servers belonging to non-European companies", experts and media managers were alarmed in mid-July (...).

The EU is "losing its influence in the digital sphere, at a time when it has taken on a central role in the continent's economy", they deplored. At the

beginning of the month, **a senior French official gave an even more abrupt diagnosis at** a meeting of IT professionals, which AFP attended on condition that the anonymity of the interlocutors be respected. **"We have a huge subject of security and sovereignty around the clouds,"** he explained. **"In many cases it is an easy, even treacherous, way** for European companies or institutions to "get rid of all that" with non-European players "because it's simpler," he said, without however giving any specific example. "Yet we have very good players in the cloud and data processing."

One of the sources of concern for Europeans comes from the Cloud Act, the US legislation that allows powerful US security agencies to access in certain cases data hosted by US providers, wherever they are in the world (...).

Beyond the integrity of the data itself, it is the ability to exploit and benefit from it that worries many European experts and decision-makers (...).

Last June, the German and French governments announced the "Gaia X" project to develop a European offer.

Rather than seeking to encourage one or more giant companies such as Gafa, capable of offering a multitude of services - storage, computing power, data processing and artificial intelligence tools, encryption and

security tools - Paris and Berlin want to create a network of European companies operating according to the same norms and standards. A sort of "marketplace" where every potential customer would find everything he needs, without leaving European jurisdiction. And which would operate according to a decentralized logic, perhaps more compatible with the future challenges of industrial data processing and in particular those resulting from connected objects.

My comment: *What does an article on the cloud (the "cloud" for IT experts) have to do with this?*

Airlines are among the companies that have a large volume of data about their customers, in particular through their frequent flyer programmes. This is the case of Air France-KLM with its Flying Blue programme.

According to the experts quoted in this article, airlines have to be very careful in choosing the location of their customer data.

Stock Exchange Press Review

> Analysts' recommendations

(source Investir) August 3 - Air France-KLM: Berenberg lowers its target price from 4.75 to 3.2 euros. Barclays also lowers it from 3.6 to 3.3 euros. HSBC does the same and lowers it from 4.2 to 3.5 euros.

> Air France-KLM: 7% drop, analyst forecasts

(source: CercleFinance) August 3 - Oddo confirmed this morning its neutral value advice and adjusted its price target to 4.2 E versus 4.3 E. **Air France-KLM accelerated the return of its capacity with a new target of a 55% decline in Q3 2020 compared to Q3 2019 (versus -80% previously announced and -74% at IAG), a 35% decline in Q4 (versus -60% previously and -46% at IAG) before returning to a decline of -20% in 2021 (unchanged and -24% for IAG).**

The company continues to anticipate a return to a pre-crisis offering not before 2024 (compared to 2023 for IAG for example). It anticipates a still negative EBITDA in H2 2020 (but at first glance on a smaller scale than in H1) indicates Oddo.

We are expecting an adjusted FCF (free cash flow) of -4.7bn, which brings net debt to 7.1bn (10.1bn without retaining the shareholder loan

as an equity contribution),' adds the analysis firm.

My comment: *The Air France-KLM Group expects a stronger recovery at the end of 2020 than that of IAG. IAG's greater exposure to the North Atlantic market is the main explanation.*

> **Air France - KLM: the airline's action is balanced on a wire**

(source abcbourse) 31 July - **The technical situation is tightening for the Air France-KLM share**, which is insistently testing its final support zone at 3.5 euros. The latter was briefly passed during the trading session but for the time being it is holding up well at the end of the trading session. It goes without saying that the pressure is strong and that the attraction of the historic lows of 3.01 euros is increasingly pressing.

It has to be said that the industry is being hit very hard. **After a gloomy second quarter that ended with extremely low activity and a loss of 2.6 billion euros, the recovery is still awaited.** A priori, it will take many months to return to a more or less normal situation, which largely explains the disaffection that the stock is suffering from.

In the short term, we see no reason to anticipate a rebound, especially as the leading indicators for bookings for the new school year are still very, very weak.

End of press review

> **My comment on the evolution of the Air France-KLM share price**

The Air France-KLM share is at 3.37 euros at the close of trading on Monday 3 August. It is down sharply by -10.96% over one week. The second quarter results, while in line with forecasts, were very negative. This values the Air France-KLM group at 1.44 billion euros.

It is close to its historic low of 3.055 euros on 14 June 2012. Before the coronavirus epidemic, the Air France-KLM share was at 9.93 euros.

The average (the consensus) of analysts for the AF-KLM share is 4.28 euros. Several analysts lowered their price forecasts after the publication of the half-yearly results. You can find the details of the

analysts' consensus on my blog.

The barrel of Brent crude oil (North Sea) is up slightly from \$1 to \$44. For the past two months, it has varied very little. When the coronavirus outbreak started, it was \$69.

This indicative information in no way constitutes an invitation to sell or a solicitation to buy Air France-KLM shares.

You can react to this press review or provide me with 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 employee shareholding...

I'll see you soon.

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| François Robardet

Director Air France-KLM representing employee shareholders PNC and PS.

You can find me on my twitter account @FrRobardet

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

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