

Our main asset to get out of the crisis is our global network.



## 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*

> **Ben Smith, Chief Executive Officer of Air France-KLM: "Our main asset to get out of the crisis is our global network".**

*(source franceinfo) 9 August - Ben Smith, Chief Executive Officer of Air France-KLM. you express yourself very little in the media. In fact, this is your first radio interview in French since joining the group just two years ago. It was in August 2018. Before I talk about the health crisis, is this lack of media presence a strategy or simply timidity?*

Ben Smith: "I don't speak French very well, but the real reason is that **when I joined the AF-KLM group, I wanted, first of all, to restore dialogue and trust with the social partners. This took time, it was important to do it internally.** I was told too often that the company's announcements were learned via the media".

*Let's come back to the subject at hand, the health crisis: at the beginning of the winter, when people started talking about the Coronavirus in China, did you expect such consequences on air transport? Almost 95% of the world's fleet grounded? What did you think?*

"I've been in this industry for 30 years, I've been through a lot of crises, but **I could never have imagined a crisis of**

**this magnitude.** We started stopping our flights to China before stopping all our destinations. 500 planes grounded. The first few minutes are interesting, but then it's a shock, because it's our 85,000 employees who are directly affected".

"In France, 50,000 employees were able to benefit from short-time working, we stopped paying our variable costs (...). With a margin of 5 to 6%, it is clear that we were heading straight for the wall. **Fortunately, we received help from the French and Dutch governments.** Traffic is gradually picking up again. Our biggest market is the United States. We don't know when business will rebound, when the borders will be reopened, but **I think it will take at least three years to get back to 2019 levels**".

*This health crisis will inexorably lead to the disappearance of airlines, the most fragile ones or those that are developing too quickly, it will accelerate a consolidation in Europe. Can we say that this is a bad for a good?*

"We are starting to see bankruptcies, there will be many more, that can help us, **we will study the opportunities for consolidation, but for the moment it is much too early**".

*In your opinion, does this health crisis call into question certain economic models in the airline industry, in particular that of the Legacy and traditional airlines? Today, aren't there two models, two different professions, long haul and short-haul, that could be covered by low-cost airlines?*

"Of course, our industry is evolving, Air France is 86 years old, KLM is 100 years old, the Group has gone through many crises, but **we have assets, to get back on track, a global network which is not limited to Europe, the United States or Asia**".

*Is the future of Air France-KLM in one of its directions? Is it your wish or not?*

"Last year we put in place a transformation plan, it will be delayed, but we must reverse the losses on the domestic market, 200 million euros, every year, we must do it responsibly, we must resolve this situation which is impossible to maintain".

*To get through the health crisis, the State has directly or indirectly lent you seven billion Euros. Can you repay it and when? If not, what will happen? An increase in capital, partial nationalization?*

"That's not the subject today, the purpose of this loan for the moment is to ensure the sustainability of Air France, to get through this crisis with a cash reserve".

*In return for this loan of seven billion euros, the French government asked you, in the name of respect for the environment, to close some of your domestic lines, the lines less than 2 hours 30 minutes by TGV from Paris? Isn't this a rather simplistic view of air transport, and above all a request that is totally inconsistent with this state aid?*

"It is difficult to argue whether there is indeed a rail option of 2 hours 30 or less, but **it is very clear that we will keep our entire network to connect our Roissy hub for long-distance flights**. From Bordeaux, or Nantes, if we plan to abolish flights to Orly, there is no question of this for Roissy, it is not easy, because it is a paradox, but we accept this condition".

*For some time now, we have been witnessing a movement from the Nordic countries on "the shame of flying". We know that air transport only accounts for 2.5% of global CO2 emissions. Do you consider that air transport is a scapegoat for ecological thinking?*

"We are a highly visible society and industry: it is easier to attack us and see us as an enemy of the environment. Yet **we have been trying hard for years, but we don't communicate enough. We have already replaced a large part of our fleet to reduce our CO2 impact by 20 to 25%**. This is not well enough known. Other examples: we run on a single engine after landing, our towing vehicles are electric " .

*What will this health crisis change for passengers? Do you think that we will travel differently, that the passenger profile will change, that destinations will change? Will the price of airline tickets go down or up in the coming months?*

"Prices go down every year if you look at trends over 10 or 15 years. The real change will be health safety, with the mandatory wearing of masks on all our flights, more frequent cleaning of the aircraft, and temperature checks

on boarding".

*Do you feel a desire to travel for people?*

"It's very clear! The families need to get together, as soon as the borders reopen everything will start again very quickly, I'm sure. It will take longer for business traffic".

***Are you optimistic?***

**"Truly optimistic.** If you look at the industry over the last few decades, after the crisis, there has always been a rebound. **All those who have travelled, who have visited the world, will continue to do so"**.

***My comment:*** *The two main airlines of the Air France-KLM group have a balanced global network. They are less dependent than Lufthansa and British Airways on North Atlantic traffic trends. They are also better established in South America and even Africa.*

*But to emerge from the crisis better than their competitors, Air France and KLM will have to meet two major challenges.*

*They will have to demonstrate to their customers that they can have confidence in them, that all precautions have been taken to enable them to travel in the best possible sanitary conditions.*

*Air France and KLM will also have to use all their charms to win over business customers who, in all likelihood, will be the ones who will take the longest to get back on the plane.*

*I am convinced that our Air France-KLM group has the means to meet these challenges.*

**> Air France-KLM hopes to emerge from the crisis from the top**

(source Les Echos) 7 August - Paradoxically, **the current crisis could benefit Air France-KLM by enabling it to accelerate its transformation and close part of its competitive gap with its main competitors.** This is in any case the ambition declared by Benjamin Smith. Despite the seriousness of the current situation, the head of the Franco-Dutch group has maintained his objective of

achieving an operating margin of 7% to 8% by 2025, without taking anything away from the strategic plan announced last November, when everything was going well. This meant doubling operating income by 2019 to the level of Lufthansa.

**In the past, Air France has already succeeded in such a feat.** In 1996, after coming very close to bankruptcy, the tricolour airline opened a new chapter in its history with the establishment of the Roissy-CDG hub. In 2001, the post-September 11th crisis, followed by SARS, had enabled Air France to take over KLM, making Air France-KLM the leading air transport group at the time. In 2015, the Transform plan put an end to eight years of losses.

Each time, the turbulence had allowed unacceptable sacrifices and reforms to be made in ordinary times. And the current crisis seems to be having the same effect. **Benjamin Smith has already succeeded in getting through without a hitch a reduction in Air France's workforce, unprecedented since 2012, the transfer to the low-cost subsidiary Transavia of part of the medium-haul business and an unprecedented reduction in the domestic network, as well as the release of the Airbus A380s.** All this while obtaining loans worth €10.4 billion from the French and Dutch governments, with the blessing of the European Commission.

**All that remains now is to implement these measures.**

This still involves a number of unknowns, such as the number of candidates for voluntary departure at Air France or the outcome of the ongoing referendum among pilots on the restructuring of the domestic network and the extension of the Transavia domain. It will be known on 12 August.

**At KLM, the restructuring plan has not yet been unveiled.**

**Expected in October, it will also have to be accepted by the company's trade unions and the Dutch government.** More than 4,000 jobs would be at risk.

**Yet another uncertainty, mentioned in passing, is the necessary recapitalisation of the group by the French**

**and Dutch governments.** Without a new boost, Air France-KLM will not be able to repay the €10.4 billion loan, while at the same time financing the modernization of its fleet. A decision should be taken before the end of the year, but it remains to be seen under what conditions.

**My comment:** *The staff reduction measures envisaged by the Air France-KLM group seem less drastic than those taken by most European airlines.*

*Despite this, redundancies are being discussed in Air France's short-haul operations and at HOP! It will be up to the social partners (management and trade unions) and the main shareholder, the French State, to do everything possible to ensure that no employee leaves a company in the group against his or her will.*

### > **Declaration of war by pilots to KLM summit (Déclaration de guerre des pilotes au P-DG de KLM)**

(De Telegraaf source translated with DeepL) August 7 - **Pilots want Elbers to correct the "false" and "incorrect" image of pilots inside and outside the company.** "We ask management to represent us correctly to the outside world."

In the letter, which is in the Telegraaf's hands, **the pilots complain** that CEO Pieter Elbers has not sufficiently distanced himself from the image of the pilots who earn a lot of money. Elbers **should** also **publicly declare that the generous salaries of KLM pilots are 'in line with the market'.**

The suggestion that some of the pilots are guilty of tax evasion is downright shocking. "We are under fire from the media, politics, public opinion and even at home we are under direct attack on our terms and conditions of employment by other unions and employee groups," the letter states. At KLM, about 2,500 of the 30,000 employees are pilots; they account for 30 per cent of the total wage cost.

With this letter, the pilots are increasing the pressure at the

top of KLM. **The airline is technically bankrupt and depends on a loan package of EUR 3.4 billion to survive. One condition of these loans is that the pilots give up to 20% of their salary.** Minister Hoekstra has repeatedly stated during the negotiations that the strongest shoulders will have to bear the heaviest burden in the restructuring, so the pilots are clearly in the firing line.

For example, a KLM captain on a Boeing 737 in 2018 earned 226,000 euros a year according to research by the HKP research agency, while the figure for low-cost airlines was 133,000 euros. A KLM co-pilot on the same type of aircraft earned around 126,000 euros, compared with 71,000 euros for low-cost airlines.

KLM is in the deepest crisis of its existence. **Insiders say it is still not clear to pilots that it is not a question of what they are entitled to, but of respecting the agreements made with the government. "Everybody has to contribute, it's as simple as that".**

(...) Pilots' salaries have recently been partially paid by the taxpayer.

KLM states (...) that they have taken note of the letter and are 'studying' it.

***My comment:*** *This is the eternal debate on the level of remuneration for pilots within the Air France-KLM group. Is it similar to what is practiced within the competition? Is it too high? Are KLM pilots better paid than Air France pilots?*

*In a recent communication via social networks, an Air France pilots' union reported a net salary of 11,500 euros per month for an A320 captain.*

*11,500 euros net salary corresponds to a gross salary of 15,500 euros (with employee contributions) and a loaded salary of 20,500 euros (with employer contributions). In annual terms, this results in a net salary of 138,000 euros, a gross salary of 186,000 euros and a loaded salary of 246,000 euros.*

*A comparison between KLM and Air France pilots is impossible. In the article above, it is not clear whether for*

*KLM pilots it is net, gross or loaded salary.*

*However, it is important to remember that KLM pilots have not suffered any pay cuts since the start of the health crisis (see my letter of last week), whereas the remuneration of Air France pilots has fallen by at least 20%, as it is made up of a fixed part and a variable part depending on the number of hours flown.*

*Is it possible to compare remuneration from one country to another?*

*The answer is clearly no, for several reasons.*

*The number of working hours differs from one company to another.*

*Employee and employer contributions include what are known as deferred wages:*

*. For example, contributions for retirement; the amount of pensions varies greatly from country to country*

*. Another example is health contributions; France is the country with the lowest remaining health care costs in Europe (source: Social protection in France and Europe in 2015, page 111).*

*Income taxes should also be taken into account. They are two to three times lower in France than in the Netherlands, Germany or Great Britain (source fardeau-fiscal-eu-2019, page 15).*

*These last two elements (sickness and income taxes) are therefore less of a burden on the budget of French employees than on that of other European employees.*

*Can we compare salaries in France?*

*This is easier since the rules are similar from one company to another. Thus, according to the Observatoire des Inégalités (2020 study), the pilots would be the best paid French employees, ahead of salaried doctors and bank and insurance executives.*

> **Air France sets aside 430 million for voluntary departures (Air France provisionne 430 million pour les départs volontaires)**

(source RTLnieuws translated with DeepL) 6 August - **Air France**, the French parent company of Dutch KLM, is setting **aside 430 million euros for voluntary departures of ground and cabin staff (...)**.

At Air France, 6560 of the 41,000 jobs are due to disappear due to the Covid-19 crisis. This means that far fewer people are using the aircraft than before the crisis broke out.

KLM has already set up a voluntary departure programme for its staff. About 2,400 ground, cabin and cockpit staff have joined the programme, which could result in the loss of 2,000 full-time positions. **KLM has set aside EUR 188 million for this purpose (...)**.

**A total of 12,000 jobs will be lost at Air France-KLM in the coming years.** 6560 at Air France, 1020 at the Hop subsidiary and 5500 at KLM.

**KLM has already stated that other posts may have to be cut if air traffic does not recover quickly enough. Every time the number of flights is 5% below forecast, KLM will lose 800 more jobs,** said director Pieter Elbers (...).

***My comment: Be careful in interpreting the amounts mentioned in the article.***

*It is more accurate to write "Air France is making an **additional** provision of 430 million for voluntary departures". Indeed, Air France has already set aside the equivalent of 6 months' salary for each employee. This sum represents the amount of the bonus paid to the employee if he or she leaves the company to retire.*

*The total of these two provisions represents what the*

*company will pay to employees under the departure plans for ground and cabin crew.*

## > **Coronavirus is reshuffling the cards on air transport in Europe**

(source Les Echos) 7 August - Six months after the start of the crisis generated by the Covid-19 pandemic, the state of health of the main European airlines remains worrying. The Lufthansa group added the missing touch to this distressing picture on Thursday, with a record net loss of 1.49 billion euros in the second quarter, for a turnover halved to 8.335 billion.

**In total, the three main European air transport groups, Air France-KLM, Lufthansa and IAG (parent company of British Airways, Iberia, Vueling, Aer Lingus) made losses of 11.8 billion euros in the first half of the year, i.e. more than the cumulative profits of all European airlines in 2018 and 2019.**

No bankruptcy in sight Nevertheless, and even if the crisis is not over, the survival of the three European giants now seems assured and activity is gradually resuming, particularly on intra-European flights. The question is rather which of the three will emerge from this crisis fastest and strongest. Indeed, a comparison of their balance sheets reveals significant differences in strategy.

While Air France-KLM recorded the biggest half-year loss (4.4 billion, compared with 3.8 billion for IAG and 3.6 billion for Lufthansa), **the Franco-Dutch group is the best of the three in terms of liquidity.** Thanks to the support of the French and Dutch States, Air France-KLM is able to match €14.2 billion, compared with €11.8 billion for Lufthansa (including aid from the German State) and €8.1 billion for IAG.

**On the other hand, IAG, now a company under Spanish law, which was the most profitable before the crisis, now seems to be the most exposed. Its turnover, which is highly dependent on the transatlantic market, has recorded the sharpest fall (55.7% compared with 52% for**

Air France-KLM and Lufthansa) and its half-yearly operating loss (1.9 billion compared with 1.85 billion for AF-KLM and 1.679 billion for Lufthansa) is the highest.

**Above all, IAG**, whose debt has jumped by 38% to 10.4 billion, **can only count on its shareholders, with** Qatar Airways in the forefront for 25%, to **subscribe to a capital increase of 2.75 billion euros**, scheduled for the end of September. Diverging bets on the recovery is also the slowest to go. In July, its offer was still 85% below last year's level, and the group expects to remain down 74% in the third quarter and 46% in the fourth quarter. By way of comparison, Air France-KLM expects to recover to 45% of its pre-crisis capacity in the third quarter, 65% in the fourth quarter and 80% in 2021. For its part, Lufthansa plans to be at 40% of capacity in Q3 and 55% in Q4.

Nevertheless, **IAG is the first to return to positive cash flow generation**, starting in the fourth quarter of 2020. Lufthansa does not expect to achieve this before the course of 2021 and Air France-KLM not before 2023!

**This gap illustrates a difference in approach in the scale and pace of the planned sacrifices.** British Airways has already announced the elimination of 12,000 jobs, i.e. 25% of its workforce, accompanied by a sustained reduction in staff salaries. Lufthansa, for its part, is counting on 22,000 job cuts. This compares with 7,580 planned job cuts at Air France and Hop, i.e. 16% to 17% of the workforce, and without layoffs, to which should be added 4,500 jobs at KLM.

Similarly, IAG has already decided to withdraw 50 wide-bodied long-haul aircraft (32 Boeing 747s and 15 A340s), while the Lufthansa group plans to withdraw about 100 out of 763, including 18 wide-bodied long-haul aircraft. Air France-KLM, for its part, has given up its nine A380s, its last four A340s and KLM's B747s. But the group intends to maintain its deliveries of new aircraft - A350, A220 - and to invest three billion euros on average between now and 2024, while IAG has halved its investments and in particular its purchases of aircraft, from 14.2 to 7 billion euros between now and 2022.

**Air France-KLM**, which had fallen behind in renewing its fleet, is counting on the new aircraft to reduce its costs and meet its environmental commitments. But the Group also **aims to develop its low-cost subsidiary Transavia France at Orly and in the provinces, while Lufthansa and especially IAG have had to review their ambitions in this area.**

**If this wager succeeds, Air France-KLM could thus take advantage of the crisis to regain some of the ground lost in recent years**, while IAG is focusing on profitability rather than growth. For its part, Lufthansa, even reduced by 20%, will remain the leading air transport group in Europe in terms of turnover, while Ryanair will consolidate its title as the leading air carrier in terms of number of passengers and champion of growth. In the end, the European hierarchy should not emerge from this crisis in an upheaval.

***My comment:*** Which airline will come out of this health crisis best?

*Impossible to anticipate. It depends on factors that airlines do not control: the resumption of the epidemic in one region rather than another, the implementation of different prevention policies according to countries or continents.*

*However, it is certain that medium-haul traffic will resume more quickly than long-haul traffic. This situation will benefit the low-cost airlines whose core target is this, but could also benefit the Air France-KLM group, which has a large medium-haul fleet.*

**> Lufthansa may take its maintenance to the stock market**

(source: Le Figaro) 7 August - **Lufthansa executives now believe it has become "unrealistic" for job cuts to be made without layoffs.** "Like all companies, we are facing enormous challenges and are forced to make hard and painful cuts," explains Carsten Spohr, the group's boss. By the end of June, the German group, which also owns Swiss, Austrian and Brussels Airlines, had already shed 8,300 employees who had left under a voluntary

redundancy plan. An agreement avoiding redundancies for flight crew is currently being put to a vote by the employees, and discussions are continuing with the ground staff. However, the group's management considers the negotiations with the trade unions on salary reductions or part-time work to be "disappointing".

**Lufthansa incurred a net loss of 3.6 billion euros for the first six months**, including 1.7 billion euros in operating losses in the second quarter. This was the worst quarterly result in its history. In the second quarter, passenger numbers plummeted by 96% year-on-year, with Lufthansa's revenues plummeting by 80% to 1.9 billion euros. 1.9 billion. The cargo and maintenance business, **Lufthansa Technik**, generated almost all of this result, or 1.5 billion euros. **For this division, the group is "looking for ideas" and "studying" the possibility of a partial IPO or partnerships to generate liquidity** and pay back the 9 billion euros in aid granted by the German government more quickly (...).

***My comment:** Because the two groups have different structures, the solutions for getting the Lufthansa group and the Air France-KLM group out of the crisis are different.*

*Lufthansa is an airline that owns and controls other companies: Swiss, Austrian Airlines, Edelwaiss, Brussels Airlines, Eurowings and Air Dolomiti.*

*For its part, Air France-KLM is a holding company that controls two groups of airlines, Air France and KLM, .*

*In the past, Lufthansa has been led to spin off its maintenance business (Lufthansa Technik) and its IT business (Lufthansa Systems), sometimes after a long process.*

*Today, Lufthansa has several levers for obtaining cash through its aircraft maintenance business, an activity that requires major investments.*

*Lufthansa can partner with investors who would contribute to the liquidity needs of its maintenance business. This would involve paying a portion of future profits to these co-*

investors.

*It can also float its maintenance business on the stock market, as Jean-Marc Janaillac had unsuccessfully imagined for AFI E&M (the maintenance branch of the Air France-KLM group) shortly after his arrival at the head of the Air France-KLM group.*

*In both cases, Lufthansa Technik, one of AFI E&M's main competitors, would emerge from the crisis better armed than its Franco-Dutch rival.*

## > **Virgin Atlantic declares bankruptcy to bounce back**

(source Le Figaro) 6 August - **Virgin Atlantic**, the British airline created by Sir Richard Branson (who owns 51% of it), has **just filed for Chapter XV bankruptcy protection in the United States**.

At a hearing before a London court on Tuesday, a lawyer for Virgin Atlantic explained that the company could run out of money by the end of September if its recapitalisation plan is not validated, given the collapse of air traffic. The US Chapter XV stage is essential to be able to implement the recapitalisation plan in the United Kingdom. **It protects foreign companies holding assets in the United States from their creditors during the preparation of their restructuring in their home country.** Several foreign companies have done the same in recent weeks: Chile's Latam, Colombia's Avianca and Aeromexico.

**Virgin Atlantic, in which Delta has a 49% stake, reached an agreement in principle with its shareholders in July to raise £1.2 billion of private funds to avoid bankruptcy.** The company's managers failed to win the support of the British government. The company, which has already cut 3,000 jobs, estimates that in the second half of the year demand will reach 25% of last year's level (...).

According to the International Air Transport Association (IATA) (...) **Asia-Pacific and Europe are expected to be the first to return to 2019 traffic levels, while North**

**America and Latin America are expected to experience a slower return to normal than elsewhere.**

**> How the U.S. is keeping Boeing alive with more military orders**

(source BFM BUSINESS) August 7 - **Boeing, which is posting considerable losses, can count on the benevolence of the American government, which has multiplied contracts for the defence sector.** According to the Tribune's calculations, **the manufacturer has obtained \$31 billion in potential orders since the beginning of the year.**

The contracts have followed one after the other: twelve of them exceed \$100 million. But the most important remains that of the new F15 EX fighter plane. In mid-July, the U.S. Department of Defense announced a \$1.2 billion contract for the delivery of eight aircraft over the next three years. More importantly, this contract paves the way for a huge order for 144 aircraft for a potential value of over \$24 billion over 12 years. To this \$31 billion in orders, we must add the contracts in which Boeing is involved, as part of a consortium of several manufacturers. These contracts represent \$24.84 billion.

**For Boeing, this is certainly a huge breath of fresh air. Because on the civil aviation side, the figures are catastrophic.** Already weakened by the setbacks of its 737 MAX, which is still grounded, the American manufacturer has also been hard hit by the aviation crisis triggered by the pandemic. As a result, it has delivered only 20 aircraft since the beginning of the year and saw its sales drop by 25% in the second quarter alone, posting a loss of \$2.4 billion over these three months.

**The lavish military contracts are bound to fuel the dispute between Boeing and Airbus, which has been going on for years at the WTO over the government subsidies each receives.** At the end of July, Airbus announced its intention to settle this dispute, which is weighing on European and US trade balances as a result

of trade sanctions. But **for Boeing these disguised subsidies are now vital.**

### > **The military market, Airbus' lifeline?**

(source Franceinfo) 4 August - **Airbus must "rebalance" its civil and military activities, says** Guillaume Faury, the European aircraft manufacturer's boss, in an interview with La Tribune.

For him, the resistance of his group in the Covid crisis would have been much better if, for example, its merger with British BAE Systems had not been aborted in 2012. And it has **to be said that other players in the sector such as Thales and Dassault Aviation, with more balanced profiles than Airbus, are doing much better.** Even its American competitor Boeing, which is in great difficulty, managed to stabilise its Defence & Space division in the last quarter, when its sales of commercial aircraft were in freefall.

(...) The Group's loss of 1.9 billion euros in the first half of the year sounded a wake-up call. For too long, Airbus has based its commercial strategy on constantly rising air traffic projections, driven by tourism. Until the coronavirus came to call everything into question.

Today, **defence accounts for only 15% of Airbus' business, compared with double that figure ten years ago, while Boeing's military still accounts for 40% of the total.** It must be said that the setbacks of the A400M, Airbus' military transport aircraft, have a lot to do with this. For years, the program has been accumulating losses due to production delays and renegotiated deliveries.

This is one of the reasons why the aircraft manufacturer had announced more than 2,600 job cuts even before the Covid crisis. The defence business is too small and not profitable enough. **To get back in the saddle, Airbus is considering takeovers:** "If there are opportunities in the future to strengthen, we will do it", says its boss Guillaume Faury.

**Increased geopolitical tensions, which are leading to**

**higher military budgets around the world after many lean years, will play a role.** Among those who arm themselves the most: the United States, China and India. Even Europe is getting involved. In fact, these expenditures exceeded \$1.9 trillion last year, the highest since the end of the Cold War. Enough to whet appetites.

For the time being, Airbus can count on orders from European armies. But these states should not be forced to cut their budgets to cope with more urgent expenditure linked to the health crisis.

***My comment:** Because of the problems with its B737 Max, Boeing is now in greater difficulty than Airbus.*

*The two articles above help us understand how Boeing's military activity could help it overcome its financial difficulties better than Airbus.*

### > **The crisis is costing tourism nearly 40 billion euros**

(source: Le Figaro) 10 August - The estimate had been put forward at the end of March. The Secretary of State for Tourism, Jean-Baptiste Lemoine, confirmed it this Sunday in Le Journal du dimanche: **the health crisis should have an impact of at least 30 to 40 billion euros on the French tourism sector.**

"In normal times, tourism generates 180 billion euros in revenue, 60 billion of which is generated by international tourism," explains the minister, who points out that part of this foreign clientele has disappeared. Confinement, multiple travel restrictions... " Many operators tell us that their turnover will be down by 20% to 25% by the end of the year," he says. The minister nevertheless welcomes the participation of the French in the revival of the sector: 70% of those who went on holiday chose a destination in France, which helped to save part of the season. Campsites in particular saw an exceptional catch-up in bookings between June and mid-July. During the same period, Airbnb also noted a 70% increase in overnight stays booked in France. As for the Federation of Gîtes, it was delighted last week in Le Figaro that the occupancy rate of

its accommodation was higher than in 2019.

In spite of these good surprises, **the minister remains very cautious, specifying that in normal times France welcomes "every summer 17 million foreign tourists when 9 million French people go abroad"**, and hopes that the sector will benefit from a nice back season thanks to higher booking intentions from Belgian, German, Italian and Spanish customers for September than for July and August.

***My comment:** The crisis is causing tourism in France to lose 40 billion euros ... and several billion euros at Air France. The two activities are closely linked.*

*This is why it is important to find the right way to reduce the CO2 emissions of airlines while keeping tourists in France.*

## ***End of press review***

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

**The Air France-KLM share closed at 4.071 on Monday 10 August. It has risen sharply by +20.8%** over one week. Air France-KLM, the first European airline to announce poor results in the second quarter, had been sanctioned by the stock market. The successive announcements of similar results by IAG and Lufthansa probably led investors to correct their assessment of the performance of the Franco-Dutch group.

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 \$45.** 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.  
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