

Air France-KLM becomes more attractive to investors



I Letter from the Director of Air France-KLM

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

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Last minute!

> **Air France-KLM launches its capital increase and strengthens its ties with China Eastern**

(source Agefi-Dow Jones) April 12 - **Air France-KLM announced on Monday the launch of its capital increase, for a gross amount of 988 million euros, as well as a strengthening of its partnership with China Eastern Airlines, which will participate in the operation.**

The funds raised will be used to "strengthen liquidity and finance general needs in the context of the Covid-19 crisis", said the group, which will issue 186 million shares between 4.84 and 5.31 euros, without preferential subscription rights, to strengthen the equity of its subsidiary Air France.

This operation is part of the 4 billion euro recapitalization plan presented last week.

The operation has already been subscribed to 78.7% for an amount of 778 million euros, said Air France-KLM, recalling that two major shareholders, the Dutch state and Delta Airlines, would not participate.

Present in the capital of the Franco-Dutch group since 2017, China Eastern will give it extended access to the Chinese market by integrating Paris-Beijing and Amsterdam-Beijing flights to the current joint venture between the two groups.

"With the strengthening of the cooperation between Air France-KLM and China Eastern Airlines, the two groups have clearly paved the way to build

the most efficient and powerful joint venture between Europe and China," said Air France-KLM.

The amount raised through the capital increase may be increased to €1.14 billion if the extension clause is exercised in full, which would bring the total number of shares issued to 214 million, or 50% of the current capital.

As part of its recapitalization plan, the airline will also issue 3 billion euros of undated deeply subordinated notes, reserved for the French State.

The French government has committed to participate in the capital increase while maintaining its stake at less than 30%, compared to 14.3% at present. Similarly, China Eastern Airlines intends to participate in the operation while maintaining its stake at less than 10% of the capital, compared to 8.8% currently. **The bond issue will consist of three perpetual tranches with a nominal amount of 1 billion euros each, with redemption options at 4, 5 and 6 years, and bearing interest at 7%, 7.25% and 7.50% respectively.**

***My comment:** For the employees holding shares in the Air France Group funds, the reactivity required for the operation does not allow the managers of these funds to seize the opportunity of this increase.*

Monday's Press Review

> Ben Smith: "With the recapitalization, Air France-KLM becomes more attractive to investors"

(source Les Echos) April 6 - *The agreement on recapitalization is good news for Air France and Air France-KLM, but it does not settle the case of KLM, nor the group's future refinancing needs, since heavy losses are still expected this year. What will happen next?*

This agreement is above all very good news for Air France-KLM and Air France. The conditions negotiated with the European Commission are fair and balanced. Discussions are underway with the Dutch government to reach an agreement for KLM, although no date is set for completion. The conversion of part of the debt into perpetual bonds will allow us to stabilize our balance sheet and to look for other financial instruments to further improve our financial situation.

In addition, **we are counting on a gradual increase in Air France-KLM's Ebitda** [gross operating profit]. This will give us access to other credit and financing possibilities when the situation in the sector improves. **This recapitalization makes our company more attractive to investors. And it will also allow us to pursue our transformation plan.**

How much will these perpetual bonds cost and how do you plan to repay them?

We are not disclosing the details of this contract. All we can say is that the state has committed to exit within six years and to submit an exit strategy within 12 months. In addition, this agreement is designed to allow us to pursue our transformation plan. As for the guaranteed bank loans, we have obtained an extension until 2023, which is an additional two years to the initial arrangements, which provided for their repayment in 2021.

What is Air France's liquidity situation?

Today, Air France is consuming around 10 million euros a day, notably because of the new travel restrictions. Our current assumptions are based on a return to a balanced cash position from 2023. But **with nearly 10 billion euros in cash at the end of December for the Air France-KLM group, we do not have a short or medium-term liquidity problem.**

The problem was the level of debt and our financial ratios. And this is what justifies this recapitalization.

In the end, Air France will only have to give up 18 slots at Orly, compared with 24 for Lufthansa in Frankfurt and Munich... How did you get a better deal than your main competitor?

Lufthansa's situation in Frankfurt is different from that of Air France in Paris. Lufthansa has about 800 slots in Frankfurt
(...)

The most important thing is that the loss of these 18 slots, out of the more than 300 we have at Orly, does not call into **question our strategic plan, nor the development of Transavia at Orly**. We will eventually be able to replace the few flights that would be eliminated at Orly with additional flights at Paris-CDG.

By prohibiting the acquisition of stakes of more than 10% in other airlines, doesn't the Commission run the risk of hindering the consolidation of air transport in Europe and slowing down its recovery?

(...) As long as our main competitor Lufthansa has the same restrictions, it is not a problem for us. Especially since it is always possible to reach commercial agreements. In addition, the agreement provides that if a major change occurs in the French market and the situation requires it, Air France can obtain an exemption from the 10% limit.

Will the recapitalization of Air France and the fact that Delta cannot participate in it change the governance of the group?

No, this operation does not involve any change in governance at the moment, nor will it have any impact on our partnership with Delta. The only change - unrelated to this transaction - is the appointment of Alain Bellemare, the former head of Bombardier, as Delta's representative, whom I know very well

personally and who is very good news for the group.
Are you starting to feel the beginning of a recovery in demand?

(...) **We are seeing some very positive developments, such as the strong recovery in demand in the U.S. market**, which is on track to return to or even exceed its 2019 level. In China, the domestic market has also returned to its pre-crisis level.

Personally, I did not expect such a rapid recovery. This leads us to be cautiously optimistic for the French and European market, which could follow the same curve with a three or four month delay, as vaccination progresses and health certificates are put in place. (...)

My comment: *The recapitalization as presented last week is the first step in the recovery plan of the Air France-KLM group.*

While the financial conditions of this operation remain confidential, the financial charges borne by Air France on the loans granted in 2020 are public:

In a full year, they would amount to about €50 million for the state-guaranteed loan and about €210 million for the shareholder loan.

According to the Franco-Dutch group's press release, "Additional measures to further strengthen the balance sheet are currently under consideration, with several measures to be taken before the 2022 annual general meeting."

Taxpayers make an effort, Air France must make an effort on its side" (Le Maire)

(source La Tribune) April 5 - (...) **Bruno Le Maire has been hammering it home for a year.** The State's support for Air France is not a blank check. The French airline, which had a competitive deficit compared to its European rivals before the health crisis, must make additional efforts, according to the Finance Minister. Air France must "return to profit (...). **Taxpayers are making an effort, Air France must make an effort on its side,**" said Bruno Le Maire this Sunday at the "Grand Jury" RTL / Le Figaro / LCI.

(...)

Asked if he was calling for job cuts, Bruno Le Maire replied that "improving competitiveness does not necessarily mean cutting jobs, or destroying value".

"It is up to the chairman of Air France Ben Smith and all his teams to make proposals to us so that the money of the French people that we are going to put in support of Air France is well placed," he said.

(...)

> **De goudgerande bonus voor topman Ben Smith van Air France KLM (The golden bonus of the CEO of Air France-KLM)**

(source: Eleven Parliamentarians) April 9 - **The golden bonus of Air France KLM CEO Ben Smith is causing a wave of indignation in the political world in The Hague.** No one can understand the reward for "bringing in" state aid in a catastrophic year.

"We are against this bonus," replies outgoing Finance Minister Wopke Hoekstra. "Bonuses and dividend payments seem to us incompatible with aid."

The Netherlands is a shareholder in Air France KLM, but an earlier attempt to prevent the distribution of generous rewards at the top in Paris failed. **In his own country, Hoekstra has a firm agreement with KLM: no bonuses, no dividends.** (...)

The Dutch Lower House demands clarification. **VVD MP Eelco Heinen wonders whether this is not a violation of European aid rules.** The liberal finds no valid reason: "Shouting mayday mayday and granting bonuses is totally inappropriate in these difficult economic times for the company and its employees."

The SP would rather separate the blue swan from the French and nationalize KLM. Lilian Marijnissen, leader of the SP, is furious: "Thousands of layoffs, uncertainty on the shop floor, but of course the bonuses at the top will continue."

The PvdA wonders how much influence Hoekstra has as a shareholder.(...)

"Paying bonuses to the top while employees are laid off is amoral and indefensible."

My comment: *What is this new controversy in the Netherlands about? Different pay cuts for Air France-KLM CEO Ben Smith and KLM CEO Pieter Elbers in 2020. What exactly is the situation?*

Both have the same compensation structure:

- 1) a fixed salary;*
- 2) an annual variable compensation linked to the performance of the past year;*
- and 3) a long-term variable compensation, via two plans.*

According to KLM's annual report, it is stated that "Mr. Elbers has decided to voluntarily reduce his fixed salary by 20% for the remainder of 2020 (June - December 2020)".

Furthermore, in 2020, the Dutch government supported KLM. One of the conditions was the abolition of variable compensation for KLM executives. There was no mention of the compensation of the CEO of Air France-KLM.

Benjamin Smith issued a press release on 23 April 2020:

"I firmly renew the commitment I made on 16 March 2020 to waive 25% of my remuneration during the crisis related to covid-19.

In the context of the very difficult period that the Air France-KLM group is going through, this commitment to reduce my compensation obviously implies the abandonment of my annual variable compensation ("bonus") for the 2020 fiscal year.

Once again, I would like to thank all the Group's teams for their exceptional commitment at a time when our sector is going through the most serious crisis in its history. »

Benjamin Smith received variable compensation in 2020, but it was relative to the 2019 fiscal year.

Finally, the governance condition imposed by the European Commission stipulates that as long as at least 75% of the recapitalization is not repaid (in accordance with the provisions of the temporary framework), a strict limitation on the remuneration of the members of their management applies, including a ban on bonus payments.

> Air Caraïbes and French Bee ask for the State's help

(source La Tribune) April 10 - LA TRIBUNE - *More than a year after the beginning of the health crisis, how are Air Caraïbes and French Bee doing?*

MARC ROCHET - **Air Caraïbes and French Bee** have been severely affected by the impact of the three confinements, but they **are still standing**. Cost-cutting measures have been taken, and last year we benefited from a state-guaranteed loan (PGE) obtained by the Dubreuil Group. We will soon be closing our accounts for the year 2020, but it is clear that we have left several years of profits.

The State has saved Air France, Corsair, Air Austral... Are you asking for the State's support?

Aviation is one of the sectors most affected by the crisis. We too are turning to the State, but our approach is a little different from that of some companies. **We are asking the State for help because we have suffered something exceptional and because we are suffering the consequences of measures taken by the State**, such as the closure of Orly airport last year, or the obligation today for passengers to justify a compelling reason to travel. We are asking for two things in particular: first, fairness, because we note that there is no common

rule in the aid granted to Air France, Corsair and Air Austral. This has been done in other sectors, such as ski lifts, for example, where the State has helped all players, whether public or private, by applying a simple rule based on several criteria, such as turnover, the evaluation of fixed costs or the duration of the closure... I regret that there was not a similar measure in air transport. This would have made it possible to allocate aid according to criteria that are valid for all. The second thing we are asking for is fundamental respect for the rules of fair competition. The colossal sums given to Air France must allow them to be respected.

(...)

How long can Air Caraïbes and French Bee hold out?

We are able to get through the current third containment and bounce back this summer. We have no end in sight. We will do our best to survive as long as possible. **We have made a lot of efforts through collective performance agreements (CPA), signed last year. Air Caraïbes and French Bee are the only ones to have really lowered salary costs. We are negotiating new CPAs with employee representatives for additional efforts. The third containment is forcing us to tighten our belts.**

Last year, the agreements signed allowed us to reduce the payroll by about 10%. What is the objective of these new negotiations?

The measures negotiated last year enabled us to exceed the target by 10%. We have not set a target for these new negotiations. However, we have set May 14 as the deadline for reaching an agreement. If there is no agreement, we will take further action.

If negotiations fail, are layoffs envisaged?

No, **we have made a commitment to retain our staff and we will respect it**, but there are other measures we can take to increase our efficiency. The airline industry is living under a considerable pile of company agreements, some of which (and this is not our case) go back more than 40 years. This leaves room to improve performance. We are aware of the salary efforts made by our staff. **We have had many discussions about vacation days and the calculation of overtime... The world after will not be the world before.**

(...)

In return for its 4 billion euro recapitalization, Air France will have to give up 18 takeoff and landing slots at Orly to the competition. What is your view of this operation and are you a candidate for these slots?

We're talking about 18 slots per day and therefore nine pairs of slots, allowing us to make nine round trips per day. This is not insignificant, but it will not change the face of the world in terms of competition at Orly, which has a

capacity of 300 to 350 slot pairs per day. Beyond that, I must admit that I did not understand what was announced. We know the European regulation on slots. When I hear that Air France must give up the use of slots, I don't know what that means. I did not understand, as I heard, how slots could be ceded en bloc to have real competition. So we are waiting to see the real texts and their compatibility with the European Slot Regulation which defines the distribution process. **Air Caraïbes and French Bee will be candidates for one or two pairs of slots.**

(...)

***My comment:** A clarification on the allocation of the 18 slots returned to Orly by Air France: they will only be granted to one company.*

Priority will be given to a company already present at Orly and which has not previously received public aid.

> **Air Austral will benefit from new public aid**

(source AFP) April 9 - **The state will provide new financial support to the airline Air Austral, based in Reunion**, including via a loan guaranteed by the state (PGE) of 30 million euros, announced Wednesday the Minister of Economy Bruno Le Maire.

(...)

The Region, which owns 73.5% of the semi-public company Sematra controlling Air Austral, will also provide "very significant" financial assistance, according to the minister. For its part, the Caisse des dépôts et consignations (CDC) "will provide 5 million euros to the company. And I am willing to ask the Caisse des dépôts et consignations to provide additional financial support to Air Austral," added Bruno Le Maire.

(...)

"Air Austral is therefore in a risky situation in terms of cash flow, as of March 2021. The need is estimated for March at 15 million euros, 60 million in total being necessary for the company to meet its deadlines," she added. The company had already received 120 million euros of additional funding in 2020, including 80 million via loans guaranteed by the state.

Asked about the situation of another overseas company, Air Tahiti, Bruno Le Maire said he had "no concerns about the cash flow by the end of the year, but I hope that this company can continue to fly. "I hope that Air Tahiti can quickly contact the Ciri (Interministerial Committee for Industrial Restructuring, editor's note), my services, to see how in the long term we can guarantee the sustainability of the company," he said, recalling that it had already obtained 60 million in loans guaranteed by the State.

Air Tahiti could thus claim a device to cover its fixed costs up to 10 million

euros, he said.

> Aircraft rental companies under high pressure

(source Les Echos) April 9 - **The small world of aircraft rental companies is in turmoil.** After two decades of unbridled growth, **these essential but little-known players in the air transport industry, who own nearly one out of every two aircraft in service worldwide, have been hit hard by the health crisis.**

Not only have their customers, the airlines, sought to dispose of their leased aircraft or renegotiate their leases, but the **sector has also experienced an unprecedented coup: the announcement of the merger of the world's number one aircraft leasing company, AerCap of Ireland, with the number two, Gecas of the United States, a subsidiary of GE.**

This \$30 billion deal will have far-reaching consequences for all the players in the industry: leasing companies, airlines, but also for Airbus and Boeing, whose aircraft leasing companies account for half of their order books. **"In 2020, the share of aircraft lessors in the order books of aircraft manufacturers has risen to 55% overall, and even 60% for single-aisle aircraft,"** points out Pascal Fabre, managing director of the consulting firm AlixPartners, which has just produced a note on aircraft lessors and the crisis. **"But the future entity resulting from the merger of AerCap and Gecas will be far ahead of all the other leasing companies, with a portfolio of assets of around 70 billion dollars, compared to 20 to 30 billion for the following ones, and a fleet of more than 2,000 aircraft,"** he underlines.

This will make life even more difficult for the other players in the sector, already weakened by the crisis.

(...)

" The airlines have continued to pay the rent for their aircraft, even if some of them have asked for delays in payment, explains Pascal Fabre. But **with the crisis, the value of aircraft has dropped: by 20% to 30% for aircraft over 15 years old.** And these asset impairments have not yet fully materialized in the balance sheets. The big players have also continued to have access to financing under good conditions. But when access to capital tightens and lessors have to sell aircraft to refinance, we could see a domino effect. »

(...) "AerCap will not keep the entire Gecas portfolio," continues Pascal Fabre. They will certainly sell some of the aircraft, which will be added to the usual fleet renewal. "

The first to go will probably be the 5% to 6% of the AerCap and Gecas fleet that is still grounded due to lack of a tenant. In the longer term, another 15 to 20 percent of the airline fleet may also be grounded due to lack of passengers, and will be returned to their owners as soon as the contract expires.

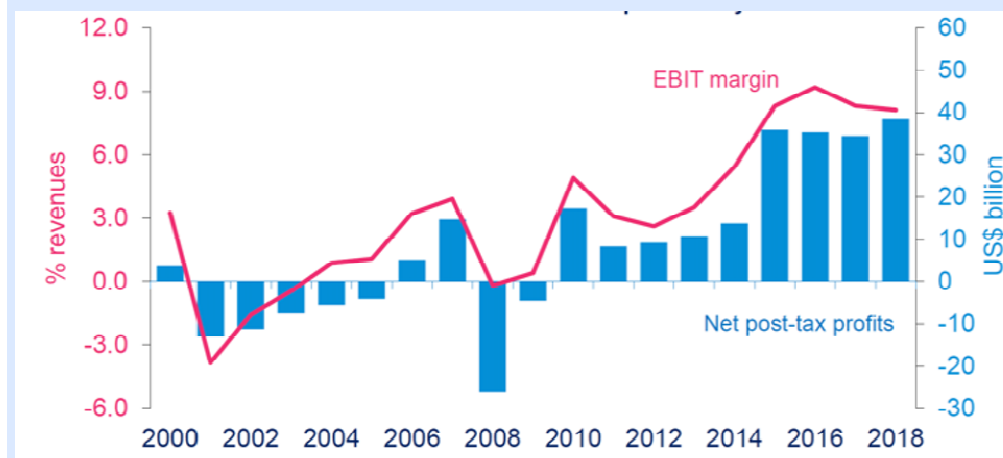
The parallel to **this predictable influx of aircraft onto the market - and the resulting drop in prices - will be a drop in rents, which has already begun,**

even though leases are usually for several years. "We are seeing decreases ranging from 5% for recent models to 29% for older medium-haul aircraft and up to 60% for older long-haul aircraft," says the AlixPartners expert.

(...)

My comment: The high percentage of aircraft leased by airlines, nearly 50%, testifies to the fragility of global air transport.

Cumulatively from 2000 to 2014, airlines have not made a profit. Only the five years preceding the health crisis were globally profitable. The airlines are struggling to have all their own means of production.



How Total wants to supply planes at Roissy and Orly with "biokerosene"

(source Les Echos) April 8 - This is a first in France, and a first for **Total**. The French oil company **has started producing biofuels for air transport** at its sites in La Mède, in the Bouches-du-Rhône region, and Oudalle, near Le Havre in Seine-Maritime. It plans to deliver to French airports by the end of the month. "Volumes will be limited at first, but we are preparing to ramp up," explains François loos, the group's biofuels director.

French regulations stipulate that kerosene marketed in France must contain at least 1% biofuels as of January 1. The objective is to reach 2% in 2025 and 5% in 2030 in France. A European regulation, currently being finalized, aims at the same quantities in 2025 and 2030.

This objective may seem modest, but it already represents a real industrial challenge. Given that current kerosene consumption for air transport in France reaches 7 million tons, including 5 million for Paris airports alone, **the incorporation of 1% biofuel in 2022 will require the production of a minimum of 70,000 tons of sustainable fuel per year, double that in 2025 and five times more in 2030. And that's starting from scratch!**

Hence the need for Total - France's leading producer of aviation fuel - to start producing biofuel without waiting for the conversion of the Grandpuits refinery in Seine-et-Marne, scheduled for 2024. **"We will be ready to meet demand in line with the obligations set out in the regulations,"** says François Loos.

In addition to the challenge of increasing production rates, there is also the challenge of reducing costs. For the time being, biofuels based on waste oils and fats (the easiest to produce industrially) remain three to four times more expensive than fossil-based kerosene, and up to ten times more expensive for the most innovative processes. "Based on current oil and biofuel prices, the incorporation of 2% sustainable fuel in 2025 would represent an overall annual additional cost of between €240 and €280 million," says Air France.

(...)

Sustainable fuels can be used on current aircraft as a complement to fossil fuel, reducing the environmental impact by 70% to 90% depending on the process used. For Air France alone, the incorporation of 1% biofuels, or 30,000 tons, would reduce its environmental impact by the equivalent of 550 Paris-New York flights.

But only if these fuels are derived from waste and residues and do not compete with food production. This is the case with **Total'**

s biokerosene, which is produced from used food oils and animal fats collected from canteens, restaurants, slaughterhouses and supermarkets. The group **will not use vegetable oils, which will spare it the controversy over the palm oil used for roadside biofuels** at La Mède.

Environmentalists are nevertheless hostile to the project. They argue that the raw material will not be abundant enough. The root of the problem is the volume," says Sylvain Angerand, of the Canopée association. There will not be enough used oil and animal fats to ensure the production planned by Total.

(...)

"The resources are limited today, it is true, but the dies of collection of oils and greases are called to develop, and we look at other types of waste and residues," answers François Loos. And other renewable air biofuel production processes are being developed or studied, from ethanol, municipal waste, algae... not to mention e-fuels produced from renewable electricity. "In

addition, **the oil company has made no secret of its plans to import animal fats from other European countries, as well as used oil from around the world.**

***My comment:** Total's statement is clear: the oil company will not risk producing more biofuels than necessary to meet regulatory obligations.*

To achieve decarbonization of air transport, governments will have to set ambitious rules applicable to all airlines.

> Airbus, ADP and Air France-KLM bosses: "Hydrogen aircraft, a

territorial challenge

(source Le Journal du Dimanche) April 11 - **Guillaume Faury, CEO of Airbus, Augustin de Romanet, CEO of the ADP Group, and Ben Smith, CEO of Air France-KLM, talk about the environmental issues in the airline industry and advocate the development of hydrogen-powered aircraft.**

Here is their opinion: "Air transport players are used to thinking about their business on an international scale. The expectations of a multicultural clientele and the globalized competitive landscape are factors that guide the sector's strategic choices. (...)

In France, as in many European countries, governments are betting on a green recovery. We share and support this ambition, as long as it includes certain conditions for success. The air transport industry has been ahead of the curve on this issue for several years, committing to halve its emissions by 2050 (compared to 2005), in line with the objectives of the Paris agreements. **We are now convinced that we can achieve carbon neutrality for intra-European flights by the middle of the century.** The road ahead will be long, and its implementation will require coordinated action by all stakeholders. A low-carbon air transport sector that creates jobs is a dynamic air transport sector in which everyone is able to invest, with **the support of the public authorities, in the three essential pillars of our zero-carbon roadmap: fleet renewal, sustainable alternative fuels and technological breakthroughs, such as the hydrogen-powered aircraft, which requires significant innovation.**

To accompany the research phase, and pending the operational implementation of these major breakthroughs, **alternative sustainable fuels have been identified as a major strategic focus for decarbonizing air transport: they can reduce 80% of CO₂ emissions at the source.** Among them, e-fuels, whose technology is based on hydrogen, can be incorporated into any aircraft today, without any modification or operational impact. Their performance meets the requirements of the aviation sector and ensures an ecological balance close to carbon neutrality. For long-haul flights, they represent a real complementary lever.

The hydrogen aircraft is a tremendous opportunity for the French and European economies. It is fully in line with the challenges of reindustrializing the country and making the aeronautics industry more competitive. For this to be viable, we must create a sufficiently large and efficient hydrogen ecosystem around airports, guaranteeing supply at a controlled cost. This is the challenge of a call for expressions of interest that has just been launched by Airbus, Air France-KLM and the ADP Group. The hydrogen-powered aircraft is a technological revolution, which starts today, on a local scale.

My comment: *Whether it is the production of sustainable alternative fuels or the*

development of a hydrogen aircraft, the investments will be considerable.

State support will be essential.

Bonus Article

> Around the world, the end of travel causes a social tsunami

(source Le Monde) April 9 - The fall in tourism threatens 100 million jobs, mostly held by women, young people and people with few qualifications.

Without vaccines, developing countries are preparing for another summer without visitors.

When a few vaccinated Westerners rediscover the beaches of Thailand, the ruins of Machu Picchu in Peru, or the safaris of Kenya

this summer, what will be most striking is what they will not see: the mass of small hands of globalized tourism, evaporated in the cessation of travel. The maids, the baggage handlers, the craftsmen. The street photographers, the weavers, the parking attendants. The drivers, the mattress renters, the masseuses. The guides, the teeshirt sellers, the diving instructors. The ecosystem built for mass tourism, sometimes for the worse, has dispersed into other sectors, causing a rural exodus. Its reconstruction will necessarily be slow.

There is no need to go to the end of the world to see the social impact of the closure of borders - in Lourdes, the soup kitchen is overflowing. **But it is more devastating in developing countries, where the social safety net and domestic clientele are non-existent.** As we enter a second summer without much activity, household savings are depleted. The 74% drop in international visitors in 2020 has led to the loss of 62 million jobs, according to the World Travel and Tourism Council (WTTC). Add to that those artificially supported by governments whose survival will be uncertain once the tap is turned off.

CASCADING CONSEQUENCES

The World Tourism Organization (UNWTO) estimates that we are currently only seeing the tip of the iceberg that has just hit the sector, and **that the number of jobs destroyed by the crisis will exceed 100 million.** Small and medium-sized enterprises account for four out of five workers in tourism, and a recent survey by the Organization for Economic Cooperation and Development (OECD) calculates that more than half of them will disappear by the end of the year. In Europe, Asia-Pacific and the Americas, tourism accounted for nearly 10 percent of employment before the crisis.

This share was growing globally, with one in four jobs created between 2014 and 2019 being in this sector. **The accessibility of long-haul travel has accompanied this boom in tourism employment, developing services that did not exist for domestic customers: the WTTC estimates that one job is**

created for every 11 international visitors in Africa, 13 in Asia-Pacific. The United Nations (UN) is particularly concerned about the impact on certain African countries and on "small island developing states" (SIDS).

For women, rural populations, indigenous peoples and many other historically marginalized groups, **tourism is a vehicle for integration, empowerment and income generation,**" the UN noted in an August 2020 note. The sector is also an essential tool for preserving natural and cultural heritage. "It is also the main source of foreign currency savings, and has a cascading effect on land-use planning, transport, agriculture, crafts and construction: it is an economic engine, even though more than half of the tourism revenues of developing countries are diverted abroad to Western groups.

Jobs cannot be relocated. Danièle Kuss, an expert with the WTO, notes that **"it allows young women and men without qualifications, and sometimes without primary education, to enter the job market.** It is also the only sector that allows people to progress on the job, without diplomas: we see people becoming hotel managers from the bottom up. "The seasonal nature of the activity, part-time work, thankless working conditions and lower pay than elsewhere contribute to the recruitment of first-time workers or people excluded from the labor market - young people without diplomas, ethnic minorities, immigrants, mothers who can only accept part-time work.

For skilled workers who, thanks to their language skills in particular, were in contact with tourists, retraining is not easy. In Phuket, Thailand, the average income of an employee who works with our clients is around 40,000 baht per month (1,070 euros), five times more than what those who have found a job are earning today," says Guillaume Linton, head of the French tour operator Asia. Graduates who are multilingual and have mastered computer tools were able to find a job in the city. It's much more complicated for guides, cultural site staff and drivers. They have had to return to the countryside to live with their families. " In 90% of the 40 countries served by Asia, from the Middle East to Australia, there is neither aid nor a significant domestic market. The small structures with which the tour operator collaborates are short of cash. The bigger ones have been able to keep a core group of employees, and will hire again when the activity returns. Some have had to reinvent themselves during the crisis, as in a structure with 30 employees in Mongolia, created by a Frenchman: "He was able to keep his employees by setting up a partnership with a Mongolian cashmere sweater manufacturer. This is an example of the resilience of these populations, used to going through crises. There is a real "system D" economy", underlines Guillaume Linton.

Women are the first victims of the crisis, accounting for 54% of employees in the tourism sector, compared to 39% in the economy as a whole. In Africa, the proportion rises to 69%. Gender inequalities are the same as elsewhere: 15% lower income (compared to 17%), often unpaid work in family businesses, management positions held by men. Unsurprisingly, it is their jobs that have been

more easily eliminated. The long-term closure of schools was an additional handicap.

The American case is particularly striking: of the 3.5 million jobs destroyed in the entertainment and hotel and restaurant sector, 2 million were held by women. In the United States, these employees are the symbol of "the storm that is hitting women workers", which Vice President Kamala Harris expressed concern about in an op-ed published by the Washington Post in February.

The major hotel chains have all cut their payrolls during the crisis and promised their shareholders that these savings would be sustainable: digitization of certain tasks, increased flexibility imposed on employees, less systematic room cleaning. The American union Unite Here is concerned about the consequences for employment and denounces the fact that salaries are falling at a time when the recovery is beginning. The weak capacity to mobilize hotel employees, the economic emergency and the compression of demand, at least initially, make us fear a social underbidding and will not contribute to the advent of responsible tourism called for by the WTO.

In terms of communication, the major Western groups tend to give priority to environmental responsibility to the detriment of job quality," says Caroline Demeyere, a doctor in management science and researcher at the University of Reims-Champagne-Ardenne. When we talk about sustainable tourism, we mean green tourism: this is very visible to the consumer and will weigh more in his choice than the remuneration of the chambermaid, whose role is to be invisible to the tourist. "

Can the forced pause in travel and the emergence of tourism as an economic issue be, as the UNWTO hopes, an opportunity to raise awareness? For travelers, staying in a local hotel, preferring domestic handicrafts to those made in China, choosing a hotel without a swimming pool where access to water is a problem. For governments, stop delegating tourism development to private groups, distribute the flows and invest in training the rural population and in infrastructure.

In places that were once taken over by mass tourism, the time has come not so much for reflection as for resourcefulness and solidarity. Food banks have sprung up everywhere, as far as Disney World in Florida (USA), where more than a thousand employees made redundant by the theme parks have been served each week. In the small Mexican port of Mahahual, on the Yucatan Peninsula, Mexico, the "casa de la cultura" distributed bags of basic foodstuffs, paid for by the Church or by the rich Americans who spend several months a year there. This former fishing village - converted to guides or boat captains - has rediscovered the virtues of spearfishing and taco stands, a conversion for dive guides.

"Mexico City and the local government didn't provide any help, but the village pulled together," describes Clara Malbos, a tourism anthropologist at the University of Paris who has been living in Mahahual for 16 months as part of her

doctorate. Most businesses have continued to pay their employees a minimum wage. Many landlords, based in the big cities, have lowered their rents. The cruise port, on the other hand, laid off almost all of its 1,000 employees. " Despite the return of local and long-term tourism, the village of 3,000 inhabitants has not seen the return of seasonal workers this winter. The Europeans or Latin Americans who settle for several weeks cannot compensate for the 20,000 passengers, mainly Americans, who could disembark daily from the liners. "The diving centers and hotel restaurants are reviving. But the handicraft sellers and tipped waiters miss the ships. » .

My comment: When NGOs advocate degrowth as the only solution for air travel, they approach the problem from the small end of the spectrum.

Of course they are aware that this will lead to a decrease in the number of tourists in Europe and in the number of induced jobs. That is why they propose to retrain the employees in other sectors.

But what will happen far from Europe, for all those small countries, often islands, which live essentially from tourism? What alternative can they have?

I am only repeating here a part of my comment of last month. The article above provides an answer to my questions. For all the countries that live essentially from tourism, there is no credible alternative.

End of the press review

> Advice for employees and former employees who are shareholders

The annual statements from Natixis and/or Société Générale have been sent to you by e-mail or by post.

You will find on my [website](#) the access modalities to the managers' websites.

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.

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

Air France-KLM shares closed at **5.314 euros** on Monday 12 April. It is up +3.47% over one week. Since the end of November 2020, the share price has remained around 5 euros. The recapitalization project announced at the beginning of the week has pulled the share price up.

Before the coronavirus epidemic, the Air France-KLM share price was 9.93 euros.

The average (consensus) analysts' price for AF-KLM shares is 3.31 euros. The highest price target is 5 euros, the lowest 1 euro. You can find the details of the analysts' consensus on my blog. I do not take into account the opinions of analysts prior to the beginning of the health crisis.

Brent crude oil (North Sea) is **down \$2 a barrel to \$63**. It is at its pre-pandemic level.

The temporary blockage of the Suez Canal by a giant cargo ship had no effect on the price of oil.

This information is not intended to be a solicitation to buy or sell Air France-KLM shares.

You can react to this press review or send me any information or thoughts that will help me better carry out my duties as a director of the Air France-KLM group.

You can ask me, by return, any question relating to the Air France-KLM group or to employee share ownership...

See you soon.

To find the last press reviews of Monday, it is [here](#)

If you like this press review, please pass it on.

New readers will be able to receive it by [giving me](#) the email address of their choice.

| François Robardet

Director of Air France-KLM representing the employees and former employees shareholders of PNC and PS.

You can find me on my twitter account [@FrRobardet](#)

When I was elected, I received the support of the CFDT and the UNPNCChis
press review deals with subjects related to the Air France-KLM shareholding.

If you no longer wish to receive this letter/press review, [unsubscribe](#).

If you prefer to receive the press review at another address, please let me know.

To contact me: [message for Francois Robardet](#). 10872 people receive this press review live