# 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: Pilots give green light to Transavia's domestic rescue plan

(source: Les Echos) 12 August - The last obstacle to the completion of Air France's biggest project has now been removed. Consulted by referendum, **Air France pilots who are members of the SNPL AF approved by** 90.37% of the votes, the **project to restructure the domestic network,** which paves the way for the continued development of its low-cost subsidiary Transavia France, including on domestic routes (...). In
concrete terms, **Air France pilots agreed to** lift the ban imposed on Transavia France from the outset and to take over Air France and Hop's domestic routes. But they also agreed to **exchange a contractual guarantee of a minimum of 110 medium-haul "hull aircraft" at Air France, signed in July 2019, for a new guarantee of 150 medium-haul aircraft with more than 136 seats (Airbus A320, A220, Boeing 737),** including both the 110 Air France aircraft and the current 40 Transavia aircraft. A subtle difference, but one that will enable the group's management to transfer routes and slots currently operated by Air France and Hop at a loss to its subsidiary Transavia.
**The future distribution of forces between Transavia and Air France has not been fixed**. The only limit is the guaranteed maintenance of at least 80 medium-haul Air France aircraft at Paris-CDG, from which

Transavia remains excluded, and the maintenance of the Air France Shuttle service on the Orly-Marseille, Orly/Nice and Orly/Toulouse routes. Air France pilots have also been guaranteed a minimum number of flight hours per aircraft. **But** for the rest, **the way is clear for the unhindered development of Transavia at Orly, as well as in the regional metropolises**.
**The wager is simple: with an average seat cost of 63 euros, compared with 107 euros for an Air France A320-200 and 131 euros for an Embraer E190 from Hop, and an operating margin of 9%, compared with 2% for Air France, Transavia France should be able to make profitable routes that are currently loss-making and resist more effectively to competition from easyJet, Volotea and Ryanair.**

However, given the current situation, Transavia's expansion will not start until next summer and given the numerous B737-800s available on the second-hand market, no large orders for new aircraft are on the agenda (...).

**The transfer of routes from Air France to Transavia may require an overhaul of the product itself to take into account the needs of business customers,** as easyJet has already done. Some are even suggesting a possible brand change, so as not to lose the benefit of the strength of the "Air France" name in the provinces. The project is therefore far from complete.

***My comment:*** *Prior to this agreement, the pilots' unions agreed to the implementation of a voluntary departure plan through a Collective Bargaining Agreement (CBA).*

*This plan, which provides for 403 job cuts, has been fully subscribed. The voluntary pilots had until this week to confirm their departure.*

## > Guillaume SCHMID, Vice-President of SNPL Air France-Transavia: the Air France restructuring plan

(source France Info) 12 August - This is one of the economic sectors most affected by the health crisis and the consequences are now clearly visible. Like other airlines around the world, Air France is preparing to reduce its workforce. A restructuring plan was announced at the beginning of July, with the aim of cutting 7,500 jobs by 2022, including a thousand in its subsidiary HOP! which operates on domestic routes (...).

*FranceInfo: Guillaume SCHMID, good evening (...). You are the vice-president of the SNPL - the National Union of Airline Pilots - Air France-*

*Transavia. What has changed? Air France pilots have long been opposed to the arrival of Transavia on domestic routes, why do you finally accept it today and widely?*
Guillaume SCHMID: Let me correct you, **Air France pilots have been involved in the construction of Transavia since its creation in 2007**. It's true that until now, Transavia has always grown alongside Air France with a certain amount of caution. Today, **Transavia is being allowed to develop on Air France's playing field, which is domestic flights, because** (...) the crisis is precipitating a certain number of decisions and **our French domestic market, which until now has been relatively little penetrated by low-cost airlines, (...**) is **going to be increasingly under attack** and it is feared that when the crisis is over, this phenomenon will be further amplified (...).

*FranceInfo: Does this mean that you are ready to make concessions in the face of economic difficulties?*
Guillaume SCHMID: (...) **Air France pilots will be working at Transavia from 2014**. Professional mobility is allowed and these pilots will therefore be working under conditions that are close to low-cost conditions, i.e. productivity conditions that are better than we negotiated, it's true, little by little. The last negotiation dates back to last September, and **we are** indeed **managing to integrate Transavia's career path more and more into the professional career of an Air France pilot. We are very happy,** yes.

*FranceInfo: So you were talking about 2014, which is the date of the great pilots' strike that was precisely aimed at the development of Transavia on certain routes. Were you able to obtain guarantees to limit this development of Transavia so that it wouldn't overshadow the Air France network?*
Guillaume SCHMID: (...) Today, **Air France's management has chosen to take up the issue with the Air France pilots and to negotiate with us the extension of Transavia**. So we have a management team that is resolutely committed to dialogue and today we are succeeding.

*FranceInfo: To what extent are pilots affected by this restructuring plan? Will there also be job cuts in your company?*
Guillaume SCHMID: So, yes, there will be. **400 pilots have volunteered for departures in the coming months out of 4,000 drivers**. So this still represents 10% of the workforce, which is unprecedented at Air France. And on the other hand, **we have a variable remuneration mechanism, which sees the remuneration of pilots fall** by 25 to 40% on average and which enables us to secure our

jobs because it is one less burden for the company in this period of crisis.

*FranceInfo: Can we nevertheless say that pilots are less impacted, less fragile than other categories of personnel?*
Guillaume SCHMID: So, less fragile, today, once again, we **are trying to secure our jobs**. We have this pay mechanism that helps us, we of course have the partial state activity mechanism that also helps us, but it is important to know that the pilots are going to work at Transavia today in conditions of productivity that have also improved. So, as far as the pilots are concerned, I believe that they are doing their part to get out of this crisis.

*FranceInfo: What are your demands, your red lines? Are you vigilantly observing how this restructuring plan is going to be carried out?*
Guillaume SCHMID: On the red lines, today, we have a strategy that was developed by Ben SMITH, the CEO of Air France KLM, which consists in refocusing on Orly, defending this stronghold that is Orly thanks to Transavia, succeeding in making a profit and making a margin on these medium-haul flights that touch Orly, which is nevertheless a platform on which we should be able to make a margin and make money. So I think that today, **we support Ben SMITH's project. There isn't really a red line being drawn**. Transavia remains confined to departures from the French provinces, from Orly, and cannot touch the airport at Roissy-Charles de GAULLE, which is still reserved for Air France planes to supply the hub and international connections.

*FranceInfo: And are you optimistic with this plan in the face of low-cost airlines that are in better shape than ever since they are still faring much better from the crisis than "traditional" airlines?*
Guillaume SCHMID: Yes, you are right, these low-cost companies for the most part have not had to resort to state aid, they have their coffers full. We know that once the crisis is over, they will be stronger than ever to get back on the market. And so this is part of the plan that is taking shape today, which is precisely to put us in order to be able to compete with these low-cost companies. We were fortunate at Air France, like other major European airlines, to have received a loan from the State, but this State loan obliges us, it obliges us to pay it back and then to be in sufficient economic shape to be able to do so.

*FranceInfo: Thank you very much Guillaume SCHMID. I remind you that you are the Vice-President of the Syndicat national des Pilotes de Ligne Air France-Transavia .*

***My comment: First of** all a correction: contrary to what is mentioned in the interview, European low-cost airlines have all benefited from State aid, whether it is Wizz Air, Ryanair, easyJet, Vueling, SAS or Norwegian.*

*The SNPL is the majority among Air France pilots. As such, it is the only union that can really impose red lines on Air France management.*

*After this agreement on the development of Transavia France, three bans still weigh on Transavia France: the ban on recruiting its pilots outside Air France, the ban on operating at Roissy-Charles de Gaulle and the ban on operating long-haul flights.*

## > At Hop, job losses and an uncertain future

(source Libération) 12 August - During the summer, plans to cut jobs do not take any vacations. That of Air France subsidiary **Hop is** one of the most drastic of the season. It is being examined this Wednesday during a Works Council meeting (CSE) of the small company, which specializes in short domestic flights and **has 2,421 employees**.
But **next year its workforce is not expected to exceed 1,403 pilots, hostesses, stewards, reception staff and mechanics.** At least 1,018 jobs are set to disappear - 40% of the total - as part of a voluntary redundancy plan. For several years now, Hop, with €675 million in turnover in 2019 and losses of €77 million, has been recording negative results and therefore savings plans.
This time, Air France's management has decided to step up a notch in the restructuring process. The fleet will lose 19 aircraft
, falling to 32. The historic site in Morlaix and a maintenance centre in Lille will close (...).
It seems that the health crisis has provided Air France's management with a justification to reorganize its organization much more quickly and radically. In an internal message, which Libération was able to read, the CEO of Air France-KLM, Benjamin Smith, does not mince words: "The Covid-19 crisis forces us to adapt the size of our organisations to the new reality of reduced capacities and lasting uncertainties". Behind the techno and police language, an Air France executive deciphers: "Benjamin Smith now intends to achieve in two years the savings plan he had set himself over five."
**In this new context, which does not allow a return to normal activity for at least three years, it is the very survival of Hop that is at stake**. Etienne Guénat, CFDT delegate and member of the CSE, imagines the future of the company in a rather gloomy way and in two stages: "The Lyon correspondence platform is threatened. Then, the

State could take a stake in Air France and it would then decide to close Hop. This would be more acceptable to public opinion." (...)

For Air France, the priority is to develop its low-cost subsidiary, Transavia, which will take over certain domestic routes such as Orly-Montpellier. Several employee representatives contacted by Libération lent the Air France-KLM managing director the willingness to set up an organisation based on the model of the American airlines. The latter have gradually entrusted their domestic flights to small companies with which they are bound only by commercial agreements. Before he became head of Air France, the current boss was Air Canada's number 2.
**Air France will soon know its hour of truth, with a voluntary redundancy plan for 7,000 employees, in addition to the 1,000 job cuts at its Hop subsidiary. It is likely that the number of candidates wishing to leave will be lower than expected. Reclassifications will be proposed but they will involve, at best, changes of assignment and long-distance moves. Recourse to dry layoffs therefore appears to be on the horizon,** even though the company has received $7 billion in financial assistance in the form of two loans, one of which was granted directly by the State.
However, neither Air France nor its subsidiary Hop should be disrupted by strikes, which are generally triggered by pilots. At Air France, for several months now, they have already concluded a sort of non-aggression pact with management: no forced departures in the cockpits in exchange for relative calm from the main pilots' union. The price of a certain form of social peace.

## > FD.nl - Transavia stapt in tumultueuze tijd in overvolle markt voor pakketreizen (Transavia enters a busy market for package holidays in tumultuous times)

(source FD nl translated with Deepl) 12 August - **Transavia Netherlands is entering the market of all-inclusive package holidays under the name Transavia Holidays** (...).
**Transavia Holidays was due to be launched in April,** but by then all planes were on the ground. According to Transavia, this is the right time because 'the consumer is looking for confidence now'.
Transavia Holidays will work together with the travel organisation Airtrade, which also organises package holidays for KLM. **Travellers will be able to "compose their own complete holiday with a flight, accommodation and possibly a rental car, transfer or activity,"** the airline reports in a press release (...).

Erik van der Waard, owner of the Internoord Travel group and chairman of the Dutch Travel Alliance partnership (...) "understands Transavia's plans (...) because the travel industry is in trouble. The money has to be earned one way or another, and Transavia apparently needs it" (...). **Travel sites such as Airbnb, Expedia and Zoover have long offered fully supported travel because** consumers find it easier and because it generates more money (...). This process accelerated after the bankruptcy of Thomas Cook last year (...).
**With Transavia, there is now another "**one-to-one **competitor**", according to Van der Waard of the Dutch Travel Alliance. At the same time, **tour operators are also customers of the airline and buy a lot of airline seats. "This can lead to conflicts of interest**. We have invested a lot of money in our customers through our marketing," says Van der Waard. "I don't feel like sharing our customer base with Transavia at the moment".

***My comment:*** *The launch of Transavia Holidays has been widely reported in the Dutch press. The bankruptcy in September 2019 of Thomas Cook, a pioneer in organised travel, suggests that the low-cost subsidiary of KLM is trying to seize opportunities.*

## > KLM scraps salary increase of 2.5% for personnel (KLM renounces to a salary increase of 2.5% for personnel).

(source FD nl translated with Deepl) 12 August - **KLM withdraws a planned 2.5% salary increase for all staff due to the airline's financial problems**. Management failed to convince the unions to postpone the increase previously agreed within the CAO, and has now unilaterally suspended the agreement.
KLM reported this yesterday in a press release. The 33,000 employees will receive the last part of the previously agreed 7% pay increase this month.
But then the situation is completely different from today's reality," says KLM. The company is losing €10 million a day, has received €3.4 billion in aid from the Dutch government and could not afford a pay rise.
**The decision worsens relations with the unions.** KLM will start negotiations later this month to reduce wages by 20% for employees earning more than a modal income (36,500 euros gross per year). This is part of the agreements reached with the government.

We are considering going to court", says Jan van den Brink, member of the FNV board of directors. According to the union, KLM is violating the "contract with the employees" by suppressing the pay rise. KLM wants to postpone the wage increase and include it in the negotiations on total cuts. According to the FNV, employees with a lower average wage will not be spared, even though this is provided for in the agreement.

***My comment: In** order to meet the demands of the Dutch state (reduction of salaries by 0%, 10% or 20% depending on their level), KLM proposed a first measure: temporarily postponing the general increase of 2.5% contracted in 2019.*

*Negotiations failed as unions and management were unable to agree on a date for unfreezing the increases.*

## > Flight attendant who retired after 59 years pens a love letter to Delta

(source Delta, translated with Deepl) August 14 - **On March 15, 1961, 19-year-old Roberta Alpert recorded her first day of work as a flight attendant. Today, 59 years later, she says goodbye to the company she has loved most of her life** - but not just any goodbye. As a **final farewell, Roberta e-mailed Delta CEO Ed Bastian**, Executive Vice President and Chief Human Resources Officer Joanne Smith and Senior Vice President of In-Flight Service Allison Ausband **a heartfelt "love letter" to Delta, summing up a career brimming with memories and appreciation.**

Born in Boston, Roberta began her career in her hometown with Northeast Airlines, which merged with Delta in 1972. She flew domestic flights out of Boston for almost 40 years, allowing her to stay home and take care of her family. After her mother passed away in 1997, Roberta moved to New York to serve Delta internationally before returning to Boston to end her long career.
Over the years, Roberta's passion for Delta has come from serving passengers around the world. "Passengers are people just like you and me," Roberta said in an interview. "They may be distracted by their daily lives, but it stops them in their tracks and allows them to forget their worries when you offer them a special and elevated experience on board".
Roberta knows only too well how exhausting the role of a stewardess can be - in fact, her total service miles are equivalent to 50 round trips to the moon! At such times, Roberta encouraged herself and the crew with simple advice: "Just love the passengers and throw kindness on the plane like confetti. Sometimes she even carried a small bag of confetti as a reminder.
"Roberta's love for humanity is an incredible reflection of the true spirit of the Delta. As we all work to restore Delta to its former glory, this Delta

spirit and differentiation will allow us to be stronger than ever," said Allison Ausband - Senior Vice President, In-Flight Service. "We stand on the shoulders of so many great people at Delta, like Roberta, who entrust us with this 'honor of loving our customers' every day.
**Roberta left Delta on August 1, along with nearly 17,000 of her compatriots, as part of the voluntary departure programs imposed by the VIDOC-19 pandemic.** Today, **at age 78,** Roberta plans to earn a degree in music history at a Harvard extension school.

***My comment:*** *The professional longevity of this Delta stewardess is exceptional. In France, retirement rules do not allow employees to work at such an advanced age.*

## > Lufthansa announces failure of negotiations with its ground staff

(source AFP) 14 August - The **Lufthansa** airline group, rescued from bankruptcy by the German state, **announced** Thursday that it **had unilaterally broken off talks with the Verdi union on cost-cutting measures** linked to the Covid-19 pandemic for **ground staff**.
Verdi described the decision, taken after 20 meetings without result, as a "slap in the face for the employees", according to its vice-president, Christine Behle, quoted in a press release.
A Lufthansa spokeswoman, quoted by the dpa agency, said union representatives were now being called back to the negotiating table with new proposals for significant reductions in personnel costs.
**According to the group, the 600 million or so savings so far proposed by the union will not be enough to overcome the unprecedented crisis the company is going through**.
Lufthansa is calling for savings of up to 20% of personnel costs from the various categories of employees, which, according to the spokeswoman, in the worst case represents an 18% cut in gross wages.
Europe's largest airline group, in which the German state has become the main shareholder in an attempt to get out of its rut, is planning to cut 22,000 jobs, and its boss earlier this month left the threat of dry layoffs hanging over his head.
"Lufthansa is receiving state aid of more than €9 billion," Christine Behle said. **"It is** therefore **absolutely unacceptable that the company should demand substantial wage cuts without offering job guarantees or measures for socially acceptable job cuts in return**.
Eight thousand employees have already left the group, mainly in countries other than Germany, and 75,000 employees were on short-time working in June while air traffic has only slowly recovered.
An agreement avoiding redundancies for cabin crew is currently being

put to a vote by the employees.
Verdi represents some 35,000 ground staff.

***My comment:*** *As at KLM, negotiations for pay cuts at Lufthansa are coming up against the compensation granted to employees.*

## > Air Europa: buyback price revised downwards

(source Business Travel) 14 August - **IAG had reached an agreement to buy Air Europa for €1 billion in November 2019**. Yes, but since then the Coronavirus epidemic has changed everything in the airline sector, which is one of those that has suffered the most.
**IAG would therefore like to renegotiate the buyback price downwards. The Spanish press is talking about an amount up to 50% lower than the initial price, i.e. at most 500 million euros. In addition, IAG has set its conditions for a buyout**. The Spanish airline company is currently suffering from liquidity problems, which threatens its medium-term survival.
IAG wants Air Europa's financial situation to be cleaned up before entering the capital. The Spanish government is therefore negotiating a public bailout to ensure the survival of this company, which is described as "strategic". **The Ministry of Transport considers that this sale to Iberia and IAG is important for the country's competition** (...).

***My comment:*** *Before the health crisis, experts believed that the price of the Air Europa takeover was overvalued.*

*Would the drop in IAG's offer open the door to a counter-offer from one of IAG's competitors?*

## > Easyjet gives itself air by reselling 23 aircraft

(source Trends Tendances) August 14 - **EasyJet sold 23 aircraft from its fleet for** $771 million **('650 million**). However, the low-cost British airline will continue to use them under a leasing agreement, it announced on Friday.
**The resale and leasing programme has earned easyJet 2.4 billion pounds (€2.65 billion) since the** start of the health crisis, the company said.

***My comment: In*** *addition to the operation described in the article, EasyJet used several solutions to strengthen its cash position: the company obtained a loan of €680 million from the Bank of England. 680 million loan from the Bank of England. It also raised €460 million by* *issuing shares.*

## > Tourism - German giant TUI bailed out again

(source Les Echos) 12 August - **German tourism giant TUI is still faltering due to the** sluggish demand for international travel. So much so that the **German state must once again bail out this Hanoverian heavyweight, which is the world leader in its sector**. **TUI**, which achieved a turnover of around 19 billion euros for its 2018-2019 financial year for around 27 million customers, **announced on Wednesday that it was going to benefit from an additional 1.2 billion euros in public funding, in addition to the 1.8 billion announced at the end of March** and made in April. Once again, the state-owned KfW Bank is on the move.
TUI has concluded an agreement with KfW increasing the credit line of KfW, guaranteed by the German State, by €1.05 billion. The provision of additional cash is in particular conditional on the issue of a convertible bond by the German group for an amount of €150 million, to be subscribed by the German Economic Stabilisation Fund.
This convertible bond, with a maturity of six years, represents a potential 9% share of TUI's capital. In addition, obtaining this financial package implies the green light from holders of bonds already issued. Once the two preconditions have been met, the German group will have a total of 2.4 billion financial facilities at its disposal - "to date".
**The second contribution will enable TUI to cover a drop in activity during the next winter season** - a generally unpromising period - and even beyond in 2021 in the event that travel restrictions continue (...)

***My comment:*** *TUI is one of the first companies in the tourism sector to need a second helping hand to withstand the health crisis.*

*Its financial situation is closely monitored by Corsair, of which it is one of the main shareholders; Tui's support for Corsair is essential to the survival of the French airline.*

## > The aeronautics support plan comes to fruition

(source: Les Echos) 11 August - After the announcements in early June, **the aeronautics support plan is now entering the real world.** Its priority is to avoid the break of a strategic link in the chain of subcontractors. But also to strengthen the competitiveness of the French aeronautics industry, by promoting mergers and consolidation operations. Not forgetting support for innovation and the modernisation of companies.
**On the innovation side, the government should unveil by the end**

**of the year the results of the call for projects** launched at the beginning of June, as part of the creation of a €300 million public investment fund (including €100 million in 2020) **dedicated to the modernisation of the aeronautics industry**. A total of 759 projects have been submitted by companies in the sector in order to benefit from public aid.
**With regard to support for companies, the "ACE Aéro Partenaires" fund, which was launched on** 28 July by the government and manufacturers, also got to work without delay. Managed by ACE Management, a subsidiary of the Tikehau Capital asset management group, and headed by former Airbus Strategy Director Marwan Lahoud, this investment fund has **an initial budget of €630 million, with the dual mission of preventing the disappearance of strategic companies and promoting consolidation.**

Several cases of companies in difficulty are already "on the table", according to a source close to the dossier. Many others are expected in the coming weeks. "We estimate that about 50 companies in the sector are in serious difficulty and may need financial support, but we need to sort out those that have a strategic interest and the others.
ACE Aero's resources remain limited. Out of the €630 million, we plan to devote around 46%, or €290 million, to help companies in difficulty to get through the crisis," explains the company. 290 million, to enable companies in difficulty to get through the crisis, we explain internally.
But most of it **will be devoted to consolidation operations, which require greater resources over a longer period of time.**
However, ACE Aéro will not be limited to the 630 million euros already promised by the State (150 million), BPIFFrance (50 million) and its industrial partners (Airbus for 116 million, Safran for 58 million, Dassault and Thales for 13 million each). The Tikehau investment fund, which has already pledged €230 million, has already left in search of new investors from French and foreign banks and insurers. "The objective is to raise another 370 million euros from French and foreign investors by the end of the year, in order to reach, as planned, one billion euros. This would enable us to mobilise up to 2.5 billion euros in various types of financing".
**Enough to finance large-scale operations in France, but also, if necessary, with foreign companies, in order to build up European champions of global stature**. There is no shortage of possibilities, whether in the aerostructures sector, where several leading European players such as Latécoère, Stelia and Premium Aerotec are still chasing critical size, or in the smaller parts sector, where there are hundreds of SMEs.

***My comment:*** *The overall plan to support French aeronautics is worth €15 billion. It includes the seven billion euros granted to Air France on condition that it becomes "the most environmentally friendly airline on the planet".*

*This plan, presented last June, has other components:*
*. a fund of one billion euros to invest in aeronautical SMEs, detailed in the article above, . an*
*acceleration of orders from La Défense, for 600 million euros, . the implementation of the*
*Long-Term Partial Activity Plan (APLD),*
*. the strengthening of export credit to support Airbus sales. A twelve-month moratorium was introduced on the repayment of export credits granted to airlines, representing 1.5 billion euros in support for these companies,*
*. 1.5 billion to speed up the development of a low-carbon aircraft,*
*. finally, the drawing up of a charter between principals and aeronautical subcontractors. Finance Minister Bruno Le Maire considered that in exchange for a massive national effort, the major prime contractors should behave in an "exemplary" manner vis-à-vis their chain of subcontractors. In particular, the Minister wants to reduce as much as possible the so-called "low-cost" clauses which, in fact, require subcontractors to produce part of the parts or equipment in low-cost countries.*

*This charter could oblige companies receiving aid not to outsource activities currently carried out in France outside France.*

## *Stock Exchange Press Review*

### > Air France KLM: AlphaValue degrades

(source Boursier com) August 11 - AlphaValue has lowered from 'reduce' to 'sell' its recommendation on the airline with a margin-adjusted target of 3.4 to 3.43 euros. The value is clearly not in the analysts' petty papers at the moment. **According to the 'Bloomberg' consensus, only one specialist is advising to 'buy' the stock while 10 are to 'hold' and 12 are to 'sell'.** The average 12-month target is 3.68 euros.

### > The Paris Bourse caught up by health concerns (-1.89%)

(source AFP) August 14 - **The Paris stock market slid 1.89% Friday**

**at mid-session, led by the return of health concerns and their impact on economic activity** (...).
The first subject of fears for investors in Europe, "the increase in the number of new contaminations of Covid-19 and the new restrictions" that may result, according to Milan Cutkovic, an analyst at AxiCorp.
Thus, **travellers arriving from France to enter the United Kingdom will have to observe from Saturday morning about forty two weeks,** announced Thursday evening the British government, with Paris promising "reciprocity".
**People arriving from the Netherlands are also affected by this restriction, to** which Spain has been subject since the end of July (...).
The marks of the pandemic were still visible on the occasion of the publication of the main indicator of consumption in China. Retail sales continued to decline in July, while experts expected a slight increase (...).
**The tourism sector, such as the hotel group Accor** (-3.13% at 24.41 euros), **or the airline sector,** with a loss of 2.84% for Airbus at 71.22 euros and 4.96% at 3.85 euros for Air France-KLM, **suffered a sharp downturn after the British announcement.**

***My comment:*** *Uncertainties linked to the evolution of the health situation justify the airlines' caution regarding the resumption of activity.*

*A few weeks ago the airlines were anticipating a return to the 2019 level of activity by 2022 or 2023. They are now talking about 2024 or even 2025.*

# *The Bonus Article*

## > All about hydrogen in four questions

(source Les Echos) 9 July - Hydrogen, which is now being brought to the forefront in the fight against global warming, can be produced in different ways, and it is not always "green".
In fact, the massive use of this gas at the present time is quite the opposite, since it is derived from fossil fuels, especially natural gas.
*1 - Is hydrogen "clean"?*
**The conversion of natural gas into hydrogen generates CO2; hydrogen obtained in this way is therefore described as "grey".**
This form of hydrogen is the only one that is used on a large scale today (70 million tons are produced per year). It is used in refining - it reduces the sulphur content of fuels - and in the chemical industry to produce ammonia and fertilisers.

**The so-called "blue" hydrogen is obtained when the $CO_2$ emitted is captured and then reused or stored**. Carbon capture and storage technology is mature but its use is still in its infancy.
Finally, **"green" hydrogen is produced from renewable energies**. Electricity produced by wind turbines or solar panels is transformed, with water, through an electrolysis process. No greenhouse gases are then emitted. In
addition to existing industrial uses, hydrogen can also be injected directly into the natural gas network to green it, but in small quantities because it is corrosive.

*2 - What can hydrogen be used for?*

The interest of "blue" and especially "green" hydrogen, whose production is still marginal, is that they can decarbonize a whole series of sectors for which it is difficult to reduce $CO_2$ emissions. This is the case for long-distance transport (it can notably power a fuel cell that will propel a car or a train), chemicals, refining and the iron and steel industry.

"It can also help improve air quality and enhance energy security" in countries without hydrocarbon resources, says the International Energy Agency (IEA).

*3 - Why is hydrogen the friend of renewable energies?*

**Hydrogen can be stored in large quantities**, which is not yet the case for electricity, despite the progress made in battery storage. Green hydrogen can then be reconverted into electricity, thus playing a crucial role in the massive development of renewable energies.

**Wind and solar energy are by nature intermittent and not controllable**: the sun does not shine 24 hours a day and the wind does not always blow. **Hydrogen will make it possible to store electricity produced in excess at certain times** (the price of **electricity is** then very low or even negative) **and to return it later. "Hydrogen** looks promising as a low-cost electricity storage option for days, weeks or even months," the IEA says.

*4 - How much does hydrogen cost?*

One of the challenges is cost. The production of green hydrogen with an electrolyser today costs up to 5 euros per kilo, stresses the European Commission, compared to 2.50 euros for "blue" hydrogen (with carbon capture) and only 1.50 euros for "grey" hydrogen (produced from natural gas).

The Hydrogen Council, which brings together the major industrialists in the sector, estimates that the cost of "green" hydrogen can be divided by more than half by 2030. On two conditions: massive deployment of electrolysers to lower their cost (90 gigawatts, the equivalent of 90 nuclear reactors) and a significant reduction in the price of renewable electricity thanks to the development of offshore wind power. Even in this scenario, many believe that hydrogen will not really take off without a carbon tax.

***My comment:*** *Hydrogen is not a source of energy, but a means of storing energy.*

*In order to produce it, a primary energy source is needed: gas, oil, nuclear, wind, solar, ...*

## *End of press review*

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

**The Air France-KLM share is at 3.68 euros at** the close of trading on Monday 17 August. **It is down -9.6%** over one week. The change in the health situation and the announcement by the United Kingdom of the introduction of a fourteen-strong policy for passengers from France and the Netherlands explain this fall.

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 3.43 euros**. I no longer take into account the opinions of analysts prior to the start of the health crisis. You can find on my blog the details of the analysts' consensus.

**The barrel of Brent oil** (North Sea) **is stable at $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.

To find the latest press reviews of Monday, it's here

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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



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