

KLM Cityhopper takes delivery of 17th E195-E2 and brings all Embraer aircraft into service

## I Letter from the former Director of Air France-KLM

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(Raison d'être of the Air France-KLM group)



### François Robardet

former representative of PS and PNC employee and former employee shareholders

N°926, August 21, 2023

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## Monday's Press Review

### > KLM Cityhopper takes delivery of 17th E195-E2 and brings all Embraer aircraft into service

(source Air Data News) August 15 - **KLM Cityhopper**, the regional airline of the Air France-KLM group, **has invested heavily in Embraer's E2 family of commercial aircraft.**

The carrier has signed leasing contracts for 25 E195-E2s in its fleet, thereby increasing its transport capacity, since the aircraft can carry up to 132 passengers. However, **like many airlines that have chosen Pratt & Whitney's GTF engine for their aircraft, Cityhopper was faced with the need to upgrade the turbofan engine for safety reasons.**

But the American manufacturer was not prepared to carry out so many services at the same time, as engine problems affect not only Embraer E2s, but also Airbus A220s and the A320neo family.

As a result, KLM Cityhopper has had to ground several E195-E2s due to insufficient flying conditions. **Earlier this year, as reported by Air Data News, more than half the fleet was out of service, forcing the company to cancel flights.**

After around eight months, the Dutch regional airline finally seems to have overcome this difficult phase. (..

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**The E195-E2 was the 1,700th commercial aircraft delivered by Embraer, but it had been grounded since December, shortly after arriving in the Netherlands.** The situation is in contrast with the Embraer PH-NXR. The brand-new E195-E2 was delivered by the Brazilian company on August 12 and made its first commercial flight to Stavanger, Norway, on Tuesday.

**My comment:** *KLM Cityhopper has suffered from Pratt & Whitney GTF engine availability problems since the beginning of the year, as have many other airlines.*

*It should be noted that, like Air France's A220-300s, the E195-E2s have a 3-2 configuration (i.e. 5 seats per row), enabling 80% of customers to benefit from a window seat or aisle seat.*

### > **IAG signs agreement with Microsoft for large-scale SAF purchase**

(source biofuels-news, translated with DeepL) August 16 - **International Airlines Group (IAG) and Microsoft have signed the world's largest co-funded purchase agreement for sustainable aviation fuel (SAF) emissions reduction, where both parties finance part of the procurement cost.**

IAG's industry-leading SAF program has seen it commit \$865 million (€791 million) to future SAF purchases and investments from the end of 2022.

IAG has set itself the target of meeting 10% of its fuel needs with SAF by 2030, and was the first European airline group to do so.

IAG is funding supply agreements as well as investments to accelerate SAF production, including the Nova Pangaea waste-to-energy facility in the UK.

**Microsoft will co-finance the purchase of 14,700 tonnes of SAF from IAG in 2023**, enough to power around 300 British Airways Boeing 787 flights between London and Seattle.

IAG has been working with the aviation industry as part of its campaign to secure additional political support from the government to stimulate investment in SAF production.

"Reducing aviation emissions through decarbonization efforts such as this, while recognizing the societal and economic benefits of aviation, requires increased commitment from all stakeholders," said Julia Fidler, Microsoft's Fuels and Materials Decarbonization Lead for Environmental Sustainability.

**"This agreement represents a further step in the SAF purchase, which will enable Microsoft to reduce emissions from business travel and supply chain freight**, while helping to fund SAF's future development and drive the market as a whole.

Jonathon Counsell, Head of Sustainability at IAG, added: "(...) We are pleased to see leading organizations such as Microsoft leading the way.

**My comment:** Microsoft's approach is original. Until now, only airlines have pre-empted SAF (sustainable aviation fuels).

The advantage for IAG is twofold: the group limits its investment in this type of fuel and secures a major customer for the long term.

This article gives me the opportunity to remind you that IAG has a cargo offer. The group subcontracts the entire filling of its bunkers. By 2022, IAG Cargo will have achieved sales of €1.6 billion, compared with €3.5 billion for Air France-KLM Cargo.

## > Flying wings: the US Air Force paves the way for an aeronautical revolution

(source Les Échos) August 17 - **The first true flying wing could see the light of day in the USA before the end of the decade**, ushering in a new era in aeronautical history. At the end of a competition organized by the Defense Innovation Unit, a branch of the Pentagon dedicated to futuristic projects, the US Air Force on Wednesday selected the Blended Wing Body project developed by Californian start-up JetZero, in partnership with Northrop Grumman, as the basis for a future Multi-Role Tanker Transport (MRTT) aircraft.

The first prototype is scheduled to leave the factory in 2026, and to begin flight testing in 2027. This should pave the way for a new generation of long-haul wide-body aircraft, offering 30% to 50% lower fuel consumption than today's tubular aircraft.

**Unlike current aircraft, whose wings are attached to the fuselage, the entire structure of a flying wing contributes to lift, with the wing fully integrated into the central section. This would not only improve aerodynamics, but also enable the use of new engine architectures that are more efficient than current jet engines, such as open-rotor turbojet engines**, which cannot be fitted under the wings of a conventional aircraft.

The flying wing concept has been around for a long time. During the Second World War, the Germans and Americans were already studying projects for very long-range bombers of this kind. (..

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In 2020, Airbus resurrected a flying wing project - christened Maveric - presented as a possible foretaste of the future long-haul aircraft of the second half of the century.

To date,

however, **none of these projects has gone beyond the scale model stage, with the exception of the B-2 and B-21 stealth bombers**, which are not transport aircraft and whose two pilots are the only occupants. The **US military's decision to have a real prototype built to the dimensions of an airliner therefore represents a huge leap forward**, even if the contours of the project are still rather vague.

In addition to money from the Pentagon, JetZero will be able to draw on the know-how of Northrop Grumman, one of the giants of the American arms industry, which designed the B-2 and B-21 bombers.

The future aircraft, which will be manufactured in composite materials by a Northrop Grumman

subsidiary based in the Mojave Desert, will be powered by two Pratt & Whitney engines. The aim is not only to produce a multi-purpose aircraft with a very long range, thanks to a fuel consumption cut in half, but also to gain in discretion and carrying capacity, compared with current fuselages. The flying wing shape would be particularly well suited to in-flight refueling and cargo transport, as well as radar surveillance and eavesdropping missions.

**As for possible civilian versions, they are still purely theoretical at this stage,** although it is certain that the lessons learned from this military program will also benefit a possible airliner project. **The permeability between military and civil research programs in the USA is well established.**

**The question of replacing the current generation of long-haul aircraft - Airbus A350, Boeing 787 and 777X - will probably not arise before 2040, as priority will be given to medium-haul aircraft.** And by then, JetZero's project will have to prove its ability to outperform its traditional competitors in future U.S. military tenders, towards the end of the decade.

**Despite its strengths, the flying wing also has a number of drawbacks.** In particular, the concept would be less stable and also much bulkier on the ground than traditional aircraft. A civil version would require major airport redevelopment. In addition, passengers in the middle rows would be far from the windows, while those near the windows would be bothered by the sensation of tilting when turning, again due to the aircraft's width. Moving from today's aircraft to flying wings won't just be a question of performance and technology.



***My comment:*** To my knowledge, this is the first project for a flying wing the size of a long-haul aircraft.

*Should this (military) project come to fruition, the civil version could be envisaged, but would only enter service towards the end of the 2040s.*

**> Paris airports finally back to pre-Covid levels**

(source Capital) August 18 - With summer in full swing, **Paris airports are gradually returning to their pre-Covid-19 levels, except for domestic flights, which are struggling to take off.** The latest data published by Aéroports de Paris reveal a significant upturn in traffic, franceinfo reported on Thursday August 17. In July, almost 9.8 million passengers passed through Paris airports, up 7.5% on 2022. **Overall, traffic reached 92.8% of July 2019 levels.**

**Orly airport stands out in particular**, note our confrères. **Its traffic in July 2023 even exceeds that of the same period in 2019, reaching 103%.** This result was boosted by medium-haul flights to Europe and overseas destinations. This offsets the impact of inflation, which has hit these destinations hard in recent months. Ditto for flights to Africa, which are now 113% of pre-Covid levels. **By contrast, Roissy-Charles de Gaulle airport, which focuses on long-haul flights, has seen its numbers fall back to 88% of pre-Covid levels.** Flights to and from the Asia-Pacific region are still lagging behind.

Despite this positive trend, challenges remain. **Air traffic control is under pressure due to the saturation of the European skies.** Delays are piling up, and with them the grumbling of travellers is becoming increasingly audible. **Eurocontrol is reporting a ten-point drop in departure punctuality.** What's more, domestic flights are suffering a steady decline, losing 8.8% in one year and 26% since 2019. This decline is partly due to the challenge of growing competition from rail, particularly for short-haul routes. And the closure of air links between Orly and certain cities, such as Nantes, Bordeaux and Lyon, located less than 2 hours 30 minutes by train from Paris, is not helping matters.

**My comment:** *Be careful not to confuse Groupe ADP with Paris Aéroport.*

*The ADP Group operates and develops, directly or via TAV Airports and GMR Airports, a network of over twenty airports on every continent. More than 280 million passengers used the Group's airports in 2022.*

*The ADP Group is also involved in "Commercial activities" and "Activities covering airport real estate (freight stations, maintenance hangars, buildings near runways) and diversification real estate (offices, hotels, shops, business premises, warehouses)".*

*Paris Aéroport, formerly Aéroports de Paris, is the passenger brand of the ADP Group, which operates the airports in and around Paris, including Paris-Orly, Paris-Charles-de-Gaulle and Paris-Le Bourget.*

## > **The airline that loses the most passengers' luggage**

(source Moustique & la Libre) August 17 - **Forbes Advisor has ranked the airlines that lose the most travelers' luggage.** The magazine counted the number of complaints filed due to lost, damaged or delayed luggage between 2018 and autumn

2022.

**Ryanair topped the list with a total of 944 complaints. In second place is British Airways with 844 complaints, followed by EasyJet (565 complaints), Wizz Air (522 complaints) and Norwegian (419 complaints).**

"We found that Ryanair was the worst airline for damaged, lost or delayed baggage. It accumulated 954 baggage complaints between 2018 and the third quarter of 2022. For context, this represented just 4% of the total 23,000 complaints lodged against the airline during this period. The most common complaints are related to flight delays, while accessibility complaints are less common," explains Forbes Advisor.

**As far as airports are concerned, New York's John F. Kennedy International Airport records the highest number of lost luggage cases in the world.**

Ryanair: 944 complaints

British Airways: 844 complaints

EasyJet: 565 complaints

Wizz Air: 552 complaints

Norwegian: 419 complaints

Flybe: 297 complaints

Turkish Airlines: 195 complaints

Virgin Atlantic: 182 complaints

Tap Portugal: 160 complaints

Iberia: 105 complaints

***My comment:** Here's a ranking that's best avoided.*

*None of the airlines in the Air France-KLM group are included.*

## **Stock market press review**

### **> IAG: analyst upgrades to buy, stock outperforms**

(source CercleFinance) August 21 - On Monday morning, **IAG shares gained ground on** the London Stock Exchange following the upgrade of AlphaValue's recommendation, which hailed the airline's business recovery.

By mid-morning, the stock was up 0.5%, while the British FTSE 100 index was up 0.4%. The STOXX Europe 600 Travel & Leisure sector index advanced by 0.2%.

**AlphaValue** said it had upgraded its recommendation on the stock to 'buy' from 'hold', with the target price maintained at 259 pence.

In its note, the research firm **explained that it had significantly raised its earnings forecasts for the group for 2023 to take account of its latest performance, which was deemed to be well ahead of expectations, and its favorable booking outlook for the remainder of the financial year.**

According to the research firm, **solid passenger demand and strong fares more than offset the contraction in cargo business and the "normalization" effect of the Covid pandemic.**

***My comment:** The IAG Group is mainly active on transatlantic routes between Europe and the Americas.*

*These routes have been the best performers in recent months, as they are not affected by the Russian overflight bans following the invasion of Ukraine.*

## End of press review

> **Air France-KLM share price performance (and that of four other airlines) over the past five years**

**Air France-KLM share price over the last five years :**



**Lufthansa share price over the past five years :**



IAG share price over the last five years :



easyJet share price over the last five years :





Delta share price over the past five years :



**My comment:** The tables above (source: Boursorama) show the respective share price trends of Air France-KLM, Lufthansa, IAG, easyJet and Delta over five years.

The Covid-19 effect is obvious. The effect of the conflict in Ukraine is also obvious, but less significant.

IAG and easyJet are struggling to return to their pre-Covid levels, no doubt paying for the consequences of the Brexit.

Lufthansa, which quickly repaid its Covid debts, is now close to its 2019 level.

*Delta has returned to its 2019 level, buoyed by a strong domestic market and an oligopoly situation in the United States.*

*Air France-KLM has followed a similar pattern to Lufthansa, except since the beginning of the year. While the Franco-Dutch group has been able to repay its Covid debts, its shareholders' equity has still not risen to a satisfactory level.*

### > **Air France-KLM share price trend**

**Air France-KLM shares** closed at **1.40 euros** on Monday August 21. It is **down** this week by **-3.58%**. **Good quarterly results announced by Air France-KLM and Lufthansa were offset by higher-than-expected unit costs. Shares in the two air transport groups fell similarly.**

It stood at 1.253 euros on January 2, 2023.

**The analysts' 12-month average (consensus) for AF-KLM shares is 1.97 euros** (it was 1.50 euros at the beginning of January). The highest price target is 2.45 euros, the lowest 1.10 euros. I only take into account analysts' opinions subsequent to the May 2022 capital increase.

You can find details of the analyst consensus on my blog.

**My new comment:** *In two months, the Air France-KLM share price has lost over 20%. Other airlines are hardly better off.*

*Lufthansa lost 12%, Delta 15%, easyJet 11%.*

*IAG is the only one of the five airlines mentioned in the previous commentary to have gained +5%, although it is still a long way from its 2019 level.*

### > **Fuel price trends this** week

**The price of a barrel of Jet Fuel in Europe is down slightly by \$3 to \$124, after four consecutive weeks of increases.** It was \$94 at the end of June, and \$79 before the outbreak of war in Ukraine.

**Brent (North Sea) oil is down slightly by \$1 to \$85 a barrel.**

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

**The spread between Jet Fuel in Europe and Brent crude oil is still abnormally**

**high. It now stands at \$39, whereas it was around \$15 before the conflict in Ukraine.** In 2022, at the start of the Ukrainian conflict, the spread was close to \$50.

***My new comment:*** *The spread between Jet Fuel in Europe and Brent crude oil is still abnormally high.*

*It now stands at \$39, whereas it was around \$15 before the conflict in Ukraine. In 2022, at the start of the Ukrainian conflict, the differential was close to \$50.*

*This decorrelation between the price of Brent crude and the price of jet fuel has led airlines to review their fuel hedging strategies. Before the Ukrainian crisis, most fuel hedging was based on the price of Brent crude oil.*

*==> quote: Air France-KLM Group UNIVERSAL RECORDING DOCUMENT 2022, page 173:*

*(Thus, )the Air France-KLM Group had put in place a policy of systematically hedging its fuel price risk, essentially based on the price of oil (Brent).*

*At the start of the Ukrainian crisis, against a backdrop of high volatility and tension on the commodities market, the Air France - KLM Group integrated new hedging instruments on cracking margins in order to better cover the risk linked to the decoupling between indices reflecting the price of crude oil (Brent ICE) and indices reflecting the price of refined products (Gasoil ICE and Jet CIF NWE).*

*<== end of quote*

*To put it plainly, part of the Air France-KLM Group's fuel hedging is now based on the price of Jet Fuel kerosene).*

## **Good to know**

### **> Advice for current and former employee shareholders**

You'll find [details of how to access the managers' websites](#) on my [navigation](#) site.

To avoid forgetting to change your contact details each time you change your postal address, **I advise you to enter a personal e-mail address.** This will be used for all correspondence with management bodies.

Keep all the documents relating to your Air France-KLM shares in one place: all the letters you receive from the various managers, Natixis Interépargne, Société Générale, and your personal financial institution if you bought your shares through it.

***My comment:*** *If you have shares in one of the funds managed by Natixis Interépargne, remember to log in to your account manager once a year, to avoid it*

*being considered inactive.*

*PEE*

*inactivity is governed by the Eckert law.*

*After 5 years of inactivity, Natixis Interépargne sends a letter/email to those concerned asking them to log in to their account or to call Natixis Interépargne to reactivate their account.*

*Natixis Interépargne sends this information every year after 5 years of inactivity and up to the 10th year. After 10 years of inactivity, the assets are transferred to CDC, which holds them for 20 years.*

*This is the old 30-year prescription period, which breaks down into 2 stages: 10 years with the account keeper and 20 years with CDC.*

*Inactivity means not carrying out any transactions and/or not logging on to your account and/or not calling and/or not writing to Natixis Interépargne.*

*This system also applies to PERCO/PER since the PACTE law.*

## > **FCPE management / Consolidation of Air France-KLM shares**

When you invest in one of Air France's FCPE funds, you obtain shares in these funds. You do not hold shares directly.

It is the supervisory boards, which you elected in July 2021 for a five-year term, that manage the funds and make the decisions.

The Aeroactions, Majoractions and Concorde funds only hold Air France shares.

The Horizon Épargne Actions (HEA), Horizon Épargne Mixte (HEM) and Horizon Épargne Taux (HET) funds manage portfolios of various equities.

**My comment:** *If you'd like to find out more about the management of the various Air France employee shareholding funds, please visit the [Air France-KLM employee shareholding section of my website](#).*

**My specific comment on the share consolidation:** *On July 21, Natixis Interépargne sent information to all current and former employee shareholders by e-mail.*

*It reads as follows:*

*On July 12, 2023, Air France-KLM published a press release (click [HERE](#) to access*

*this document) announcing a share consolidation (1 new share will consolidate 10 old shares, resulting in a 10-fold increase in value) and share capital reduction.*

***Holders of FCPE units are not affected by the exchange period running from July 31 to August 30 mentioned in the press release.***

*On this date, the Concorde, Majoractions and Aeropelican FCPEs will carry 10 times fewer shares, the share value having been multiplied by the same amount.*

*As this operation offsets each other, holders of shares in these FCPEs will see no impact on the amount of their savings.*

*For your information, on August 31, the share price (multiplied by 10) will be re-correlated with the unit value, which will remain unchanged:*

*- so that the value of the FCPE unit will be as close as possible to the share price;  
 - with the effect of reducing the total number of FCPE units.*

*A new communication will be sent to you before the end of the trading period, on August 31, by our services [Natixis Interépargne].*

## **Details**

**This information does not constitute a solicitation to buy or sell Air France-KLM shares.**

Please feel free to react to this press review or to send me any information or thoughts you may have to help me better carry out my role as a director of the Air France-KLM Group.

**By return, you can ask me any questions you may have about the Air France-KLM group or employee share ownership...**

See you soon.

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**| François Robardet**

**former Director of Air France-KLM.  
You can find me on my twitter  
account @FrRobardet**

***Nicolas Foretz, PNC, Director of Air France-KLM  
representing employee and former employee  
shareholders, PNC and PS***



To write to Nicolas: [message for Nicolas Foretz](#).

During our election, we received the support of the CFDT and the UNPNC.

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

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