

Air France-KLM acquires a stake in SAS

I Letter from François Robardet



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

former Director Air France-KLM

Representative of current and former employee shareholders PS and PNC

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Monday's Press Review

> Israel: local airlines maintain flights, tourism at a standstill

(source Les Echos) October 9 - Although **most international airlines have temporarily suspended their services to Tel Aviv for security reasons**, air traffic at Ben Gurion airport is far from being interrupted.

The national airline El Al and its "leisure" subsidiary Arkia, as well as Israel's Israir, have maintained their operations and even added extra flights to allow tourists to depart and Israelis to return from their trips abroad. On Monday alone, El Al and Arkia planned to operate seven flights to Paris-CDG.

By contrast, Air France and its low-cost subsidiary Transavia cancelled all flights to Tel Aviv from the start of the attack, at least until Monday inclusive. Air France usually operates two flights a day to the Israeli capital. The other major European airlines followed suit, with the exception of Ryanair, which had several flights to Tel Aviv this Monday morning, including one from Brussels.

In addition to their familiarity with such crisis situations, **Israeli airlines have the advantage of having equipped their aircraft with an anti-missile system developed by the arms company Elbit systems, capable of detecting and deflecting light, thermally-guided surface-to-air missiles.** In 2002, an Arkia Boeing 757 escaped a missile strike as it took off from Mombassa airport in Kenya.

The stoppage of a large part of air traffic, following Saturday's large-scale attack by the Palestinian organization Hamas, is likely to put a stop to the recovery of tourism

to Israel, which began last year.

(...)

My comment: There are no words strong enough to express the feeling I have following this cowardly attack on civilians, women, children and the elderly.

> **Has Air France-KLM lost its way by acquiring a stake in SAS?**

(source La Tribune) October 5 - Has Air France-KLM lost its way by positioning itself in SAS AB, the SAS Scandinavian Airlines group? **Why invest in an airline that was placed under Chapter 11 bankruptcy protection a year ago**, posted a negative operating margin of 7% over the first three quarters of its 2022-2023 fiscal year, posted a net loss of 325 million euros - after having already lost nearly two billion euros over the last three fiscal years - and has a debt of 2.6 billion euros?

On the face of it, the picture doesn't look too rosy. However, one thing is certain: Benjamin Smith, CEO of Air France-KLM, didn't go there just to rub Lufthansa's nose in it (although that part is not negligible). First and foremost, the **company is in a recovery phase, with traffic up sharply in the last quarter** (May to July, SAS being in the off-year period) **and its first operating profit in a long time. It is also well advanced in its restructuring** within the framework offered by Chapter 11, under the leadership of Dutch CEO Anko van der Werff, who had already cut his teeth in a similar situation at Avianca between 2020 and 2021. The aim is to exit this arrangement by the end of the year. **Finally, SAS has begun renewing its fleet, switching to Airbus with A320 NEOs and A350s.**

The Scandinavian market also offers real prospects, with its high propensity to travel and a premium dimension that is far from negligible, and despite the difficulties accumulated over the last ten years, SAS remains the dominant player. **We're talking about 4 trips per inhabitant per year in Scandinavia,**" explains Mathieu Blondel, head of the aviation competence center at Arthur D. Little. Little. **This ranges from 3 in Sweden to 4 in Denmark and 7 in Norway. By comparison, France is 1.8, Germany 1.9 and the UK 2.7.**

Although the population pool is limited, and the "flygskam" ("shame on flying") **movement of Swedish environmental activist Gretha Thunberg was born in Scandinavia, there is a real appetite for travel, whether within the Nordic countries or southwards in search of the sun**, and both the local geography and the peripheral nature of this region in relation to Europe favor the use of airplanes. Air France-KLM also makes this point.

However, these data date from before the pandemic, and the upturn in traffic is weaker than in the rest of Europe. According to ACI Europe, traffic in the first eight months of the year in Sweden was still over 20% lower than in the same period in

2019, over 13% lower in Denmark and 8.5% lower in Norway. The EU average is 7%. And as an analyst interviewed last year noted, **Scandinavia is far from offering the same prospects as a market like Italy, where Lufthansa preferred to position itself by embarking on the acquisition of ITA Airways.** He pointed out that Scandinavia (which does not include Finland) has a population of just 22 million. In any case, **the Franco-Dutch group will now be able to gain a foothold in a market that had previously eluded it, unlike Lufthansa, which had signed major commercial agreements with SAS.** This will enable it to reach new destinations in this zone, where SAS is in a dominant position. For the time being, competition from ultra-low-cost carriers such as Ryanair and Wizzair is still limited, according to Mathieu Blondel, who draws a comparison with ITA Airways in Italy. A view not necessarily shared by all, with some noting the strong presence of low-cost carriers on north-south European routes. According to Official Aviation Guide (OAG) data for 2022, Ryanair accounted for 7% of supply in Scandinavia, with strong growth, and Wizzair for 3%. And Norwegian's pending takeover of Widerøe could also shake up this market.

Air France-KLM's aim is also to attract Nordic passengers to its Paris-CDG and Amsterdam-Schiphol hubs, so that they can travel on its long-haul networks. This will take the wind out of Lufthansa's sails, which until now have routed them via Frankfurt and Munich. **However, the French group is not expected to clip SAS's wings at its Copenhagen and Stockholm hubs, which are well positioned to serve North America, despite the weakness of SAS's long-haul fleet** (12 A330s and A350s). The company's northern position also offers the possibility of polar routes with medium-haul aircraft, with SAS operating three long-range A321 LRs. SAS controls half of the 400,000 to 500,000 seats offered on these routes between Scandinavia and North America, well ahead of Finnair (despite its repositioning) and emerging players such as Norse.

With SAS, Air France-KLM is also acquiring a company with a premium positioning, in line with the Group's desire to move upmarket. As Mathieu Blondel points out, it will be necessary to revitalize a somewhat aging brand, "but one whose DNA has great potential", rather like what Lufthansa did with Swiss fifteen years ago. An interesting prospect in view of the Scandinavian countries' higher-than-average purchasing power, but also tempered by the analyst interviewed last year, who again warned against overestimating the size of the market. In the same vein, SAS has a powerful EuroBonus loyalty program, with over 5 million members, over which it has retained control.

To develop a genuine commercial partnership with Air France-KLM, **SAS must first leave Star Alliance**, the global alliance of which it is a founding member alongside Lufthansa and United Airlines. This could happen **as early as the second quarter of 2024**, suggests an insider. From then on, Air France-KLM could enter into code-share agreements, or even integrate the Scandinavian airline into its transatlantic

joint venture (the highest level of collaboration prior to a merger) with Delta Airlines and Virgin Atlantic. This would upset the balance of power in the North Atlantic, which had hitherto tended to favor Star Alliance.

Delta Airlines did not take part in the transaction, but lent its support to Air France-KLM's acquisition of a stake in SAS. In the long term, it is even likely that SAS will join SkyTeam.

In fact, this will break the current agreements with Lufthansa. If Air France-KLM succeeds in completing the turnaround of SAS and including it in a truly integrated and coherent strategy (which took them almost twenty years between Air France and KLM), the **German group will be able to bite its fingers off. Lufthansa had forged very close links with the Scandinavian airline and was the obvious candidate for its takeover**, having already shown an interest on several occasions in the past. In recent years, however, he has clearly preferred to remain on the sidelines, relying on his various commercial agreements with SAS to attract a share of the market without having to manage the company's turnaround. And in the end, he preferred to concentrate on acquiring ITA Airways at the expense of Air France-KLM. It's

still too early to say whether Air France-KLM or Lufthansa made the better move, but these are two major strategic moves while we wait to see what happens to TAP Air Portugal, put up for sale by the Portuguese state. When all is said and done, Europe's skies will have undergone a major consolidation phase, capable of redefining the balance of power for the next decade.

My comment: *The Air France-KLM group is (finally) taking part in the consolidation of European air transport.*

SAS has selected Air France-KLM from a consortium including Castlelake and Lind Invest.

The two favourites (the investment fund Apollo Global Management Inc. and the Lufthansa Group) were eliminated.

The surprise was twofold.

Firstly, because the investment fund Apollo Global Management Inc. had granted SAS a \$700 million bridging loan last year. Secondly, because relations between Lufthansa and SAS seemed to be on the up.

As soon as the choice of buyers was announced on Tuesday, investors took fright. SAS Scandinavian Airlines shareholders rushed to sell as many of their shares as possible. By mid-day, the share price had plummeted 82% to 5 cents.

SAS management had been warning of this risk for several quarters, but until the

end, the SAS share price "defied all logic and reason", noted Sydbank chief analyst Jacob Pedersen in a note.

In a press release SAS announced on Tuesday evening, October 3, that the consortium of investors comprising Air France-KLM and the Castlelake and Lind Invest funds would invest a total of \$1.18 billion (€1.12 billion) in the ailing company alongside the Danish state, taking a stake of around 86%. The remaining share capital would be held by creditors who have agreed to a debt-for-equity swap, bearing in mind that SAS AB's existing shares are due to be cancelled and delisted in 2024.

"As a result, no value is expected for existing SAS AB shareholders, and only a modest recovery rate is anticipated for holders of convertible bonds," said SAS.

> Air France: domestic flights could be switched from Orly to Roissy

((source L'Informé) October 5 - Major change on the horizon at Air France? **According to our information, the airline is seriously considering transferring all its domestic flights from Orly to Roissy.** This particularly concerns the "shuttles", the multiple daily connections between the capital and Nice, Toulouse and Marseille, which concentrate the bulk of short-haul traffic. "Announcements will be made this autumn", said Ben Smith on the bangs of an Air France board meeting in July, at the urging of employees. Since then, the Group has declined to comment, but the matter does seem to be moving forward. **It's a question of timing," says a member of the Air France-KLM Board of Directors, "we're moving towards Roissy for all domestic flights, while the Group's presence at Orly would be reduced to the single low-cost airline Transavia.** Air France routes to the French overseas territories have already been switched to double service between Orly and Roissy, and Cayenne already only has a link with Roissy. Logic dictates that domestic flights should follow suit. It makes no sense to leave Orly staff in limbo any longer.

Internally, management no longer conceals the fact that maintaining the Orly base for Air France is becoming increasingly difficult. "If you want me to tell you that I'm advising you not to invest in real estate south of Paris, I'd advise you to take a second look," warned the French airline's CEO Anne Rigail at a CSE meeting earlier this year. Everyone can see that the future is not looking good for Air France at Orly," says a person close to the matter. It's regrettable, but that's the way it is. The project should be launched by the end of the year. **Various scenarios are on the table. Before the transfer is launched, the strategy to be adopted for services to Corsica, for shuttle services to Marseille, Nice and Toulouse, and for connections to overseas territories must be determined.**

For the group, the objective is clear: make drastic savings on a short-haul segment that has only recovered 75% of its pre-Covid crisis revenues. By 2019, we were losing more than 250 million euros on this point-to-point network," Anne Rigail told Le Figaro at the end of September. Although we have reduced our capacity by 40%, our losses remain substantial." Limiting the sources of losses is all the more necessary as Air France is multiplying investments elsewhere. On the one hand, the group has signed a mega-order for fifty A350 long-haul aircraft (and 40 as options). On the other, it has invested \$145 million in Scandinavian airline SAS, raising its stake to 20%. A stake in the privatization of Portugal's TAP is also on the cards.

But abandoning Orly, Air France's historic airport after 70 years in business, is by no means a foregone conclusion. The issue will first and foremost be a social one at a company where conflicts, which have been fairly contained since the arrival of Ben Smith in 2018, can quickly flare up. On the front line for this transfer are the 600 ground staff at Air France's Orly base, in maintenance and boarding assistance functions. Numbering 2,000 ten years ago, they have mostly settled close to the terminal, in communes in the southern suburbs of Paris and in Essonne. **To be acceptable, the project will have to give colleagues time to organize themselves for this transfer, which will be difficult for some to accept," warns a union official.** The number of years' notice they will have to manage their mobility will be bitterly debated with management. Air France will not be leaving Orly next year.

All the more so as the group is also faced with another imperative, a technical one at that: not to leave its slots at Orly to the competition. **The principle would be to transfer the rights acquired by Air France to the group's low-cost airline Transavia. Positioned on European routes, Transavia's strong growth means it can expect to break even in the near future:** by 2022, it will "only" have recorded losses of 104 million euros, on sales of 2.2 billion euros. The problem is that Transavia has seen strong growth in traffic in recent years, from 38 aircraft before 2020 to 71 today," recalls a union delegate. Will it have the capacity to absorb a new phase of growth very quickly, doubling in size again?" Here again, the transfer of slots could be spread over several years.

In any case, the low-cost airline is part of the solution. **The CFDT union is calling for its aircraft at Orly to be operated in future by boarding or maintenance staff currently assigned to Air France's short-haul fleet. This would solve part of the mobility problem for employees who do not wish to fly to Roissy.** "Group aircraft must be handled by Group employees", insist the union representatives. But Transavia's ability to remain competitive with competitors such as EasyJet, Ryanair and Vueling is due to its use of external airport handling service providers. There's plenty of room for negotiation if we want to maintain jobs," insists a CFDT delegate. Air France pilots have agreed to fly Transavia aircraft, at the cost of working time arrangements. Why shouldn't the same arrangements be possible for ground staff?

My comment: I have no information to confirm or deny the content of this article.

I just have a comment concerning the proposal that Transavia's aircraft be handled by Air France staff.

I find it judicious because it seems to me more economical for the Air France + Transavia group to use ground staff currently based at Orly to assist Transavia rather than granting them severance pay and at the same time paying subcontractors.

> But what is Royal Air Maroc going to do with all these new planes?

((source Journal de l'Aviation) October 2 - "**RAM will quadruple its fleet from the current 50 aircraft to 200 over the next 15 years**". This huge announcement by the Moroccan government in the middle of last summer may well have left many stunned, especially as the country's national airline has been experiencing a phase of overcapacity in recent years, and not just because of the pandemic.

So what is Royal Air Maroc going to do with all these new aircraft?

For some years now, Royal Air Maroc has been planning to renew its entire medium-haul fleet (currently 30 single-aisle 737s). The airline is lining up two small 737 MAX 8s out of the four initially ordered before the crisis that hit Boeing's re-engined single-aisle program from March 2019.

But that's not even close to matching the size of the Air France fleet (214 aircraft, excluding the regional fleet) over the next fifteen years...

The contract-programme signed between RAM and the government promises a great deal: to develop tourism in the Kingdom by attracting up to 65 million visitors by 2037 (they were 13 million in 2019), the opening of new international services (particularly on the African market, but also to the Americas and Asia, and the creation of 46 domestic services. In short, Royal Air Maroc intends to follow the strategy of its partner Qatar Airways to boost tourism in Morocco and turn Casablanca airport into one of the most important connecting hubs on the African continent, a far cry from the mere feeder of sub-Saharan night flights we know today.

What Royal Air Maroc and the Moroccan government fail to mention, however, is that low-cost airlines have logically returned in force since the end of the pandemic, rediscovering their role as engines of growth for many Moroccan airports with their point-to-point flights from Europe.

(...)

My comment: Read the following comment

> Turkish Airlines, a dazzling success for Erdogan

(source Les Echos) October 4 - U(...) In many respects, the success story of Turkish Airlines, the Turkish national carrier founded in 1933, is prodigious. With service to 129 countries, it is the carrier with the most international connections in the world, 9 countries ahead of the Air France-KLM group in second place.

In the space of twenty years, Turkish Airlines has unquestionably become a major player in the global airline industry. Its expansion seems unstoppable.

After extending its network across Europe, North America, the Middle East and Africa, the Turkish carrier has now set its sights on India and Asia. In addition to the routes it already offers to most South and East Asian countries, Turkish Airlines signed a codeshare partnership with Indian low-cost carrier IndiGo at the beginning of the year, giving it greater access to the Indian market. This summer, it negotiated similar agreements with Vietnam Airlines and Thai Airways, consolidating its foothold in Southeast Asia.

(...)

"Between 2009 and 2019, Turkish Airlines almost tripled its annual passenger numbers, from 21.5 million to 74.3 million," points out Richard Maslen, head of analysis at the Capa aviation center in Sydney, Australia. After a drop in business due to the Covid-19 pandemic, it carried 71.8 million passengers in 2022, making it Europe's sixth-largest airline in terms of passengers," he continues.

(...)

Turkish Airlines also outperforms the major Western airlines in terms of profitability. In 2022, it made a profit of \$2.7 billion, less than the \$2.9 billion generated by Emirates, but far more than the nearly \$1.3 billion recorded by US carrier Delta and the Lufthansa group, respectively, for example.

What's more, Turkish Airlines continues to invest heavily in its fleet, acquiring modern aircraft such as the Airbus A350 and Boeing 787. Last May, Ahmet Bolat, Chairman of the Board of Directors, announced plans to add 600 aircraft to the company's existing fleet of 429 by 2033. The strategic objective, he said, was to reach 170 million passengers by then. "

These investments will enable the airline to face up to competition from major European carriers, as well as other carriers such as Emirates, Qatar Airways, Etihad Airways and Ethiopian Airlines," points out Olivier Ponti of ForwardKeys, a consulting group specializing in travel and tourism.

(...)

Behind the airline's success: a hub-and-spoke model that takes advantage of Istanbul's advantageous geographical position, as the megalopolis is located at the crossroads of Europe, the Middle East, Africa and Asia. A hub

consecrated by the titanic Istanbul airport, inaugurated in October 2018 by Turkish President Recep Tayyip Erdogan, and which has since risen to become Europe's busiest airport. "The growth in transit traffic has enabled Turkish Airlines to fill its planes," notes Julien Lebel, geopolitologist and author of a doctoral thesis on the strategic influence of Turkish Airlines, Emirates, Etihad Airways and Qatar Airways

(...).

This business model is based on relatively low operating costs. While its labor costs are expressed in Turkish lira, the company's revenues are essentially denominated in euros or dollars. And yet, the Turkish lira has been plummeting for the past five years. What's more, Turkish Airlines prefers to use single-aisle aircraft rather than wide-body jets. Although these aircraft only have a six-hour non-stop flight capacity, they enable the company to operate most of its routes to Europe, Africa and the Middle East.

But the key to Turkish Airlines' success has been the support of the Turkish government. Although the state privatized the carrier in 2004 and 2006, reducing its stake to 49%, it remains closely involved in its affairs and enjoys special prerogatives in its management. "The Turkish government's approval is required for a certain number of strategic decisions concerning the company's development, which is not necessarily the case for the other shareholders," points out Julien Lebel. By negotiating traffic rights with third countries, the Turkish authorities have helped Turkish Airlines to expand its network and penetrate new markets. This expansion has been carried out in line with the interests of the state. "**Turkish Airlines' operations are coordinated with Turkey's foreign policy,**" sums up Orçun Selçuk, a political scientist at Luther College, who wrote his doctoral thesis on the airline's political role.

(...)

As well as helping to consolidate Ankara's diplomatic and economic clout, the airline is a "soft power" tool at the service of the nation. With its ubiquitous presence and high-quality service, Turkish Airlines boosts Turkey's visibility and conveys a positive international image. Its management regularly boasts of the carrier's performance in Skytrax rankings, which are based on customer satisfaction levels. Last year, for the eighth year running, Turkish Airlines was named "Best European Airline".

(...)

My comment: These two articles about Royal Air Maroc and Turkish Airlines increasing their fleets support the comments I made in my [letter n°930](#).

I wrote then:

Over the period 2015-2050, the OECD forecasts a fourfold increase in air traffic, with major disparities between geographical areas.

Here are the details:

. **Africa: traffic multiplied by 9.5**

.

Asia: traffic multiplied by 8

.

China+India: traffic multiplied by 6.8

. **Europe+Turkey: traffic multiplied by 1.7**

. Latin America: traffic multiplied by 4.4

. Middle East: traffic multiplied by 3.2

. North America: traffic multiplied by 2

. Pacific: traffic multiplied by 2.3

The question that IATA (the International Air Transport Association) must examine without delay is whether these developments are compatible with the decarbonization of air transport.

As a reminder, Europe requires airlines to incorporate 20% SAF (sustainable aviation fuels) by 2035.

To date, this target seems hard to achieve, especially if airlines stick to their growth plans.

I invite you to read the excellent article by Damien Gaudin (who works closely with me): [Ecological transition and French air transport: a \(currently\) difficult equation to solve](#)

> **Underground CO2 storage: easyJet joins forces with Airbus**

(source AFP) October 9 - Like the rest of the global airline industry, which is responsible for 2-3% of global CO2 emissions, low-cost carrier easyJet has committed to achieving zero net CO2 emissions by 2050.

To achieve this, it is counting on modernizing its fleet with aircraft that consume and therefore emit less CO2, technological innovations and the gradual introduction of sustainable aviation fuels (SAF) capable of reducing CO2 emissions by 80% compared with kerosene over their entire lifecycle.

Although the technology is still under development, **easyJet believes that CO2 capture will help offset "residual emissions over the transition period to 2050"**, said Jane Ashton, easyJet's Head of Sustainability, during a conference call.

The technology, known as Direct Air Carbon Capture and Storage (DACCS), aims to capture CO2 from the air using powerful fans, powered by decarbonized electricity, and store it underground.

Last year, Airbus announced a partnership with 1PointFive, which is due to commission a capture and storage site in the Permian Basin of Texas at a depth of almost 2,000 meters in late 2024 - early 2025.

The European aircraft manufacturer has committed to acquiring 400,000 tonnes of CO2 credits, also known as carbon credits, over four years. The

contract with easyJet, the terms of which were not specified, stipulates that the airline will use part of these credits between 2026 and 2029.

In addition to easyJet, six other airline groups (Air Canada, Air France-KLM, IAG, Latam, Lufthansa and Virgin Atlantic) also signed a letter of intent with Airbus last year.

For Nicolas Chrétien, Head of Sustainability and Environment at Airbus, the advantage of CO2 credits is that they enable the quantity of CO2 eliminated to be precisely quantified, with one credit corresponding to one tonne. **The stored CO2 can then be used to manufacture synthetic fuels combining hydrogen and carbon dioxide.**

***My comment:** For this comment, I'm basing myself on the "Proposed roadmap: decarbonizing the aviation sector" and on the Scientific Committee's Opinion on the roadmap for decarbonizing the aviation sector, two documents that you can find on my blog in the [Sustainable Aviation](#) section.*

Here's another advertisement that I'm curious about. I find it close to greenwashing.

CO2 capture technology is still in the experimental stage, with no guarantee of being deployed on a large scale.

Source Proposed roadmap: decarbonizing air transport (page 15):

The dissociation of CO2 into CO and the capture of atmospheric CO2 are the two least mature links in the process. Their production is currently at the pilot stage.

Above all, it will require large quantities of green electricity, i.e. electricity from wind turbines, photovoltaic panels or nuclear power plants, which is not available today.

Source Avis du Comité scientifique sur la feuille de route de décarbonation du secteur aérien (page 1) :

Deployment of Sustainable Aviation Fuels (SAF) and associated energy loop issues.

The committee points out that the need for electricity, biomass or carbon capture from the air to produce sustainable fuels is colossal. In particular, in the event of domestic production of sustainable aviation fuels, electricity demand by 2050 would represent between 20% and 33% of 2019 electricity consumption. This level of demand generates substantial risks as to their actual availability. Faced with these energy challenges, it seems imperative to mobilize other levers beyond technological substitutes alone.

I'll be coming back shortly to the decarbonization roadmaps for various industry sectors. The following roadmaps have already been drawn up:

*decarbonization of the development sector
decarbonization of the construction sector*

decarbonization of the automotive sector
decarbonization of the heavy goods vehicle value chain
decarbonization of the maritime sector
decarbonization of the aviation sector
decarbonization of the digital sector

Article Bonus

> Do you know why the Air France symbol has been a winged seahorse for 90 years?

Far from being a mere graphic coquetry, Air France's winged seahorse is a testament to the identity of the company, which celebrates its anniversary on October 7, 2023. Here's how it works.



(source Le Figaro) October 6 - If you've ever taken an Air France flight, chances are the company's emblematic symbol has caught your eye: an elegant winged seahorse. But how many of us have really wondered about the origin of this symbolic choice? **Where does this "shrimp", as it's nicknamed by Air France employees, come from**, and what does it mean for a company that dominates the sky rather than the sea?

The origins

It all goes back to 1933. It was on August 30 that Société Centrale pour l'Exploitation de Lignes Aériennes officially took the name Air France. Born of a merger in the spring of the same year between the five main French airlines of the time - including Air Orient - it soon grouped together all the national airlines. On October 7, 1933, Air France's "christening" took place at Le Bourget airfield, in the presence of Pierre Cot, Minister of the Air Ministry. At a press conference, Louis Allègre, president of the new airline, confessed that he still had no name. "

Why not Air France?" suggested Georges Raffalovich, a journalist with the daily Le Journal. Agreed. Now they needed a logo to embody their identity. Costa de Beauregard, a former Air Orient employee, suggested the seahorse as an emblem,

the sea horse evoking the seaplane, widely used at the time. Adopted. At a time when global tourism was in its infancy, the winged seahorse was an invitation to dream, explore and discover faraway lands.

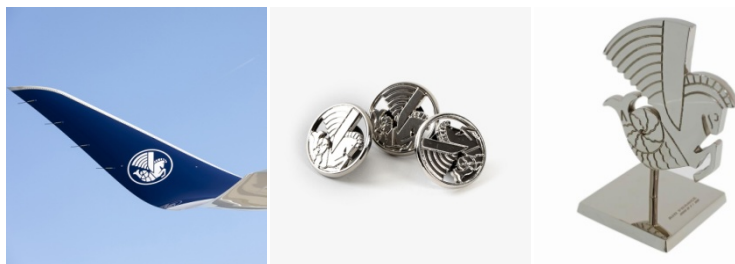
The winged seahorse: between land, sea and sky

While, at first glance, choosing a seahorse for an airline may seem incongruous, the choice is rich in meaning when placed in context. A variation on a prototype, it's made up of the bust of Pegasus, the winged horse of Greek mythology (symbolizing power) and the tail of the Annamese dragon (reminiscent of the seaplane), symbol of the imperial family of Vietnam. The result is a seahorse with wings. While the debate rages between the airplane and the seaplane, the marvellous animal is the consensus, as much at home in the sky as on the water. Legend has it that Maurice Noguès, one of the aviators on Air France's inaugural adventure, spotted this enigmatic fish while shipwrecked in the Bay of Naples in 1928.

In an article published in 1952 in the magazine *Publimondial*, Jacques Albert Deport, then Head of Advertising at Air Orient from 1930, and later in charge of Air France's "propaganda services", recalls the creation of this emblem and the difficulty in constructing the graphic design. "How, without detracting from its solid character, could these three disparate elements be amalgamated? It was Marrast (the company's architect, editor's note) who came up with the solution, advising me to use the cut, as it exists in the chess knight." In 2000, the Air France Museum recovered a drawing from June 1933, validated by Marrast, to create the logo with the À and F letters, which disappeared in December 1934. This drawing explains why there are in fact two logos, one for each side of the aircraft, so that the horse's head always faces forward.

A symbol widely used Over the

years, Air France has obviously modernized its image, but the winged seahorse still bears witness to the company's attachment to its roots and history. Airline tickets, uniforms, travel items, advertising, in-flight magazines and even infrastructure buildings: over the century, Air France has used this emblematic symbol in a wide variety of ways. In its most recent stylized version, known as "au fil", it symbolizes the world of *La Première*, the airline's most exclusive travel experience. It's also a way of showing that, even in the age of mass tourism, the company remains true to its values of exploration, adventure and discovery.



My comment: The "crevette" is now everywhere at Air France, whether on the

winglets (the fins at the end of the wings), on the staff uniforms ... or on my desk.

Stock market press review

> Air France-KLM: cancellation of flights to Israel and surge in oil prices... the airline sector retreats on the stock market

(source BFM Bourse) October 5 - The airline sector is under pressure on the stock market. **Several airlines have had to suspend flights to Israel and the Palestinian Territories following the Hamas terrorist attack on Israel over the weekend.** Rising oil prices are also weighing on these companies.

The outbreak of a surprise Hamas terrorist attack against Israel over the weekend forced several airlines to cancel flights to and from Tel Aviv. In a note published over the weekend, the French Ministry of Foreign Affairs also advised against all travel to Israel and the Palestinian Territories.

And **on the stock market, the sector is understandably under pressure following these flight cancellations.** On the Paris Bourse, **Air France-KLM was the biggest decliner on the SBF 120, shedding 4.3%.**

(...)

International Airline Group (**IAG**), **the** airline created by the merger of British Airlines and Spain's Iberia, **lost 5.2% in London.** German airline **Lufthansa, for its part, gave back 2.8% in Frankfurt, while Easyjet and Wizz Air were the biggest decliners in the sector in Europe, falling by 5.4% and 7.3% in Dublin and London respectively.**

(...)

Tour operators were also penalized. Voyageurs du Monde lost 2.6% on the Paris Bourse, while Germany's TUI lost 1.7% in Frankfurt.

End of press review

> Air France-KLM share price trend

Air France-KLM shares closed at **11.41 euros** on Monday October 9. It is **down** this week by **-4.44%**. **The deadly Hamas attack on Israel has led to a fall in the share prices of all airlines.**

In two months, the Air France-KLM share price has lost over 30%. Other airlines fared little better.

It was at 12.53 euros on January 2, 2023.

The analysts' 12-month average (consensus) for AF-KLM shares is 19.10

euros (it was 15.0 euros at the beginning of January). The highest price target is 24.00 euros, the lowest 11.0 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 comment: *Following the announcement of the possible takeover of SAS by Air France-KLM, the Air France-KLM share price rose by over 6%.*

Hamas's deadly attack on Israel has caused the share prices of all airlines to plummet. The Air France-KLM share price fell by almost 9%.

> **Fuel price trends this** week

The price of a barrel of Jet Fuel in Europe fell sharply by \$17 to \$117. It was \$94 at the end of June, and \$79 before the outbreak of war in Ukraine.

Brent (North Sea)
oil is down -\$5 to \$88 per 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 gap between Jet Fuel in Europe and Brent crude oil has narrowed, but is still abnormally high. It now stands at \$29, compared with around \$15 before the conflict in Ukraine. In 2022, at the start of the Ukrainian conflict, the differential was close to \$50.

My comment: *The spread between Jet Fuel in Europe and Brent crude has narrowed, but is still abnormally high.*

It now stands at \$29, 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 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 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

In short, part of the Air France-KLM Group's fuel hedging is now based on the price of Jet Fuel.)

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**

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

It's 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 how the various Air France FCPEs are managed, please [visit the Air France-KLM Employee Share Ownership section of my website](#).*

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 that will 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.

For the latest Monday press reviews, [click here](#).

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

New readers can receive it by [giving me](#) the email address of their choice.

| François Robardet

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

At the time of our election, Nicolas and I received the support of the CFDT and the UNPNC.

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

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. To contact me: [message for François Robardet](#).

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