

Air France-KLM completes partial takeover of SAS



I Letter from François Robardet

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Monday's Press Review

> Air France-KLM completes partial takeover of SAS

(source Les Echos) 28 August 2024 - Air France-KLM and SAS are in the bag. Less than a year after announcing the partial takeover of the Scandinavian airline, **the Air France-KLM group finalised on Wednesday the acquisition of a 19.9% stake in SAS**, for 144.5 million dollars. **The transaction has received the green light from the European and American competition authorities.**

This acquisition is the largest external growth operation carried out by Air France-KLM since the takeover of KLM by the Air France group in 2003. It is also the first **acquisition** made by the current CEO of Air France-KLM, Benjamin Smith, **symbolising the group's return to the consolidation race**, in which its European rivals IAG and Lufthansa had taken a few steps ahead.

A smoothly-run operation, which contrasts with the difficulties encountered by Lufthansa in finalising the takeover of the Italian airline ITA Airways and with the failure of the takeover of the Spanish airline Air Europa by the IAG group. Unlike its two competitors, **Air France-KLM has played it safe with regard to European rules**, contenting itself for the time being with a stake of less than 20%, below which a veto from the European Commission is not to be feared. However, **Air France-KLM has the option of becoming a "controlling shareholder" of SAS within two years, in accordance with the shareholders' agreement, subject to a further**

green light from Brussels.

For the time being, however, this operation will enable the Air France-KLM group to extend its network in Northern Europe, to the detriment of the Lufthansa group, which has long been SAS's major partner. And it does so at a limited financial risk, by remaining a minority shareholder alongside the Danish state (25.8%) and the investment funds Castlelake and Lind Invest.

Ultimately, the Franco-Dutch group will be enlarged as Air France-KLM takes control of SAS, although the Scandinavian airline will retain its identity. But **from September 1**, the first phase of the operation will see the entry into force of a broad commercial agreement, which will enable the three airlines to jointly market their respective networks, under the same flight numbers, as if they were their own flights. From this date, SAS customers and Air France and KLM customers will be able to enjoy the benefits of each other's frequent flyer programmes, EuroBonus for SAS and Flying Blue for Air France-KLM.

At the same time, **SAS will leave the Star Alliance of Lufthansa and United to join the SkyTeam alliance of Air France-KLM and Delta.** (

...)

At the time, however, the CEO of SAS made no secret of the fact that integration into SkyTeam was only the **very first step in a wider project, aimed at making the Scandinavian airline a full member of the virtual transatlantic joint venture formed by Air France-KLM and Delta.**

(...)

Even if it confirms SAS's loss of independence, **the arrival in the fold of Air France-KLM and the SkyTeam alliance is probably the best thing that could happen to the Scandinavian airline**, which has been loss-making since 2019. The prospect of being marketed by Air France-KLM and, at a later date, by Delta has already enabled it to renegotiate its debt with its main creditors and to emerge from the receivership proceedings initiated in the United States.

Add to this the conversion of Danish government debt into equity, a cost-cutting plan worth €660 million a year, agreements with flight crew unions, the disappearance of competitor Norwegian from transatlantic routes and a return to profit this summer, and the outlook for SAS is looking brighter.

For Air France-KLM, this means the prospect of privileged access to the Scandinavian market, where the standard of living and the rate of air travel remain higher than in France. But it is also an opportunity to make up some of the ground lost to IAG and Lufthansa in the race for size. While Air France-KLM was by far the leading European airline group when it was formed in 2003, the group has been overtaken by Lufthansa and IAG, who have stepped up their takeovers in recent years.

Although it is still too early to integrate SAS's figures in the accounts, the addition of Air France-KLM's €30 billion turnover in 2023 and SAS's €3.7 billion would put the group ahead of the IAG group (€29.45 billion) and not far behind the Lufthansa group (€35.4 billion). Air France-KLM's 83.3 million passengers added to SAS's 23.7 million

would also put the tandem on the heels of IAG (115.5 million) and in the wake of the Lufthansa group (122.5 million passengers in 2023, excluding ITA Airways).

But above all, the 33 SAS destinations added to Air France-KLM's 189 will enable it to compete more effectively with the global offer of IAG and Lufthansa. This is essential to attracting and retaining the clientele of large companies and frequent flyers, who have an interest in pooling their ticket purchases and miles with the same pool of airlines.

Pooling costs

(...)

In addition to the need to offer a global network that is as extensive as possible, **capital-intensive takeovers can also make it possible to pool some of the costs - in particular the purchase of aircraft and sustainable aviation fuels** - and reduce competition, while improving the offer.

This process of consolidation is set to continue, with several small airlines yet to find a major protector. These include TAP Air Portugal, whose sale process has been suspended by the new Portuguese government. But also Air Europa, whose takeover by IAG failed because of the demands of the European Commission and the group's dominant position in Spain, with Iberia and Vueling. With its strong market share on routes between Spain and Latin America and its slots in Madrid, Air Europa could potentially be of interest to Air France-KLM or Lufthansa.

***My comment:** This financial operation will be neither the first nor the last in Europe, as demonstrated by the merger between the Lufthansa group and ITA, and the aborted attempt between IAG and Air Europa.*

The Covid-19 crisis has weakened most airlines, paving the way for consolidation in the sector.

Air France-KLM limited the risks by acquiring less than 20% of the capital of SAS, which enabled it to easily obtain the approval of the European and American authorities.

Like Lufthansa and IAG, Air France-KLM will have to make concessions to increase its stake in SAS or take a significant stake in TAP Air Portugal.

> **KLM enters the Airbus A321neo era, a radical change for the airline**

(source FR3) 26 August 2024 - On 27 August 2024, **KLM begins a revolution with the arrival of its first Airbus A321neo. This historic transition from Boeing to Airbus will entail an unprecedented upheaval: massive staff training, adaptation of infrastructures and a colossal investment** of 7 billion euros. From the cockpit to the cargo hold, the entire airline has to reinvent itself

(...) The integration of this new aircraft requires a **complete overhaul of KLM's operations**. Thousands of employees, from the cockpit to baggage handling, need to be trained. For pilots, the change is radical. "We're switching from a steering wheel to a joystick, just like on a games console", Reinout Verkerk, chief pilot of the new fleet, explains to the Dutch newspaper. **Around a hundred pilots will be trained each year, with three months' training per person.**

The arrival of the A321neo will have an impact on **all KLM's services**. Maintenance hangars will have to be adapted to the new aircraft, and mechanics will have to learn how to operate the new Leap engines.

André Fonken, mechanic, highlights the technological advances: "The blades are made of fireproof composite, lighter and 25% quieter".

Finally, 1,700 new baggage containers will be deployed.

Airports also need to evolve

, because **baggage loading is also undergoing a major transformation**. Maud Lange, head of baggage processes, explains: "We are moving from individual loading to a container system".

(...)

But the Dutch airline is not alone in having to adapt to this strategic choice. **Schiphol airport and the airports it serves will also have to upgrade.**

***My comment:** A fleet change of this kind is extremely rare, given the complexity and cross-functional nature of the changeover, which will have an impact on a wide range of professions.*

In addition to KLM, Transavia Netherlands and Transavia France are also switching from Boeing to Airbus.

During the transition phase, the three airlines will have to work with two types of aircraft for their medium-haul fleets.

This change will generate economies of scale for the Air France-KLM group, whether in terms of aircraft purchases, spare parts or maintenance.

This operation will also enable the three airlines to reduce their NOx emissions thanks to new-generation aircraft, as well as their noise impact around airports.

Indeed, Dutch infrastructure minister Madlener recently reiterated the objective of a 20% noise reduction by 2026.

It should be noted that while in France we often talk about CO2 emissions, the Dutch talk more about NOx (NO2 and NO3), without fundamentally changing the issue: to

reduce CO2 or NOx emissions, we need to reduce fossil fuel consumption.

> **Can India replace China in international air traffic?**

(source La Tribune) 26 August 2024 - **For a long time, China was seen as an Eldorado for global air transport.** And in fact, before the health crisis, the country was clearly unavoidable: not only was it the world's second-largest domestic market behind the United States, it was also a major player in international transport. As the International Air Transport Association (Aeroactions.htm) points out, "China accounted for a considerable share of global air passenger demand, representing 9% of international and 25% of domestic travel".

The fact is that **the health crisis has largely disrupted this trajectory.** (...)

Last year, while global traffic had almost returned to its 2019 level (-6%, calculated in passengers per kilometre carried), Asia was still far from the mark (-14%). And this was largely due to China's difficulty in recovering its international traffic.

The country has had no difficulty in recovering its domestic traffic, which soared as soon as the borders were opened, to the point where it was well above its pre-crisis level as early as last year. And this momentum has continued since the start of the year, according to IATA figures. On the other hand, the situation is more complex for international traffic.

At the beginning of 2024, international traffic was still 40% below 2019 levels. The gap is closing, but it is still there. In fact, in its latest traffic report, IATA states that Asian international traffic "is maintaining an upward trend, although most routes have not returned to 2019 levels for the month of June".

Today, China seems to have recovered its inbound traffic (passengers coming to China from another country), but according to Marie Owens Thomsen, Vice President for Sustainable Development and Chief Economist at IATA, this is not yet the case for outbound traffic (passengers going from China to other countries). She attributes this discrepancy to the country's economic situation, even if she finds it somewhat difficult to describe it in terms of China's specific features:

(...)

This uncertainty raises the question of the balance in the global aviation market. Because of the time lag between the opening of borders and the upturn in traffic, airlines have been performing a balancing act for the past three years to finely manage the increase in their capacity and place their aircraft as best they can on the various international routes.

Weakness in Asia - exacerbated by the ban on Western airlines flying over Russia since February 2022 and the outbreak of war in Ukraine - **has been offset by the solid recovery in transatlantic traffic.** (

...)

But although the transatlantic market is by far the world's largest international market

and maintains high levels of demand, it cannot indefinitely combine strong growth and high prices. With global fleets now above their pre-crisis levels, the **risk of overcapacity cannot be ignored.**

In May, Bjørn Tore Larsen, CEO and founder of Norse Atlantic Airways, said in an interview with La Tribune: "One of the big question marks is what happens to Asia. If the Asian market opens up again, it will take capacity away from Atlantic. Personally, I think it will prosper, simply because Asians want to go to Europe and Europeans want to go to Asia. It's a question of time. The Norwegian boss was certainly convinced that Asia would regain its place, but without being able to say when.

However, this does not seem to worry Marie Owens Thomsen too much. **IATA's chief economist** believes that "we are more limited in terms of capacity than the opposite.

(...)

Above all, Marie Owens Thomsen **points to the role that India could play in making up for the lack of demand from China.** "India is clearly a market in the making. It has already overtaken China in terms of population. It's a big change in the global economy. And the excitement we've had for some time around China will slowly shift to India," she argues.

(...)

In fact, **India saw its domestic traffic** pick up strongly from 2022 onwards, then well exceed its pre-Covid levels in 2023. Since then, it has continued to **grow, by more than 4% since the start of the year.** And this growth is also being seen at international level.

The Indian Civil Aviation Authority reports that for the 2023-2024 financial year, which ended on 31 March, **the country broke all records in terms of domestic and international passenger numbers, with a total of 220 million passengers.**

And the country is showing strong ambitions, driven by players such as Air India and Indigo, both of which have placed giant orders for aircraft in recent years. **Pieter Elbers, CEO of the Indian low-cost carrier, estimated that traffic would double over the next six years,** to more than 500 million passengers, thanks to a rapidly expanding middle class.

In the longer term, the gap should continue to narrow gradually. According to Airbus market forecasts (2024-2043), the Indian domestic market will be the most dynamic over the next twenty years, with a real acceleration in the 2030s. The European manufacturer forecasts average annual growth of almost 7%.

In comparison, the Chinese domestic market is expected to grow by just over 5% a year on average between now and 2043. Boeing's figures are slightly higher, but this difference in dynamics is also forecast. The American manufacturer also points to strong prospects for the development of regional and long-haul traffic with the Middle East, South-East Asia and Europe.

However, **India is still far from being able to overtake China**, whose domestic and international traffic is much more developed. All segments included, Airbus estimates that China accounted for 700 million journeys last year, or 0.5 journeys per inhabitant. For the time being, this is less than in 2019, but the European aircraft manufacturer expects this figure to accelerate over the next few years.

And according to the company, in 2043, **despite a falling population, the Chinese will be three times more likely to travel than they are today** (1.7 trips per inhabitant), for a total of almost 2.3 billion journeys.

India is starting from a much lower base. It accounted for just 170 million journeys last year, or 0.1 journeys per inhabitant. Despite strong growth in demographics, the propensity to travel and a fourfold increase in traffic, India should barely exceed 700 million journeys in 2043, or just 0.4 journeys per inhabitant.

India will therefore emerge as one of the world's air transport powerhouses, behind the United States (around 1 billion journeys in 2043) and ahead of Indonesia (over 400 million journeys in 2043). But despite its demographic decline, China looks set to remain out of reach for several decades yet.

***My comment:** Unlike mature markets such as Europe and the United States, the main high-growth potential markets are in China, India and Africa.*

Although we can make relatively reliable demographic projections (see [my letter no. 977](#)), it is much more difficult to predict the number of trips per person in 20 years' time: the economic, political, societal and environmental criteria are many and varied.

> **Takeover of ITA strengthens Lufthansa's role in consolidating European airspace**

(source Les Echos) 28 August 2024 - After months of turbulence, the skies finally cleared this summer for Lufthansa's takeover of ITA. The German airline obtained the green light from the European Commission to ratify the agreement signed last May with the Italian government. **Lufthansa boss Carsten Spohr paid €325 million to buy a 41% stake in the previously state-owned Italian carrier.**

At the beginning of July, he announced in the Corriere della Sera that **his company might consider increasing its stake in ITA to 90% at the beginning of next year.** The Italian Minister for the Economy, Giancarlo Giorgetti, reiterated that his government would retain a stake in order to maintain a right of oversight to guarantee national interests.

The President of ITA, Antonino Turicchi, confirmed that **the final transaction with Lufthansa will take place in November 2024.** Until then, the two airlines will have to address Brussels' competition concerns by selling routes to Northern Europe and slots at Milan-Linate airport to rivals. **Talks are underway with low-cost carriers easyJet and Volotea.** During the next quarter, Lufthansa will complete the

integration of ITA by appointing its key managers. One of their objectives will be to consolidate the company's return to profitability. **"We estimate that ITA's revenues will exceed €4 billion as early as next year"**, two years ahead of the initial forecasts, said Antonino Turicchi. In the first half of 2024, revenues amounted to €1.2 billion, an increase of 33% on the same period last year. **The airline carried 15 million passengers in 2023, out of a total of 163 million in Italian air traffic**, which is set to overtake French traffic in terms of volume. **This figure nevertheless reflects the very strong competition from low-cost carriers, which dominate the skies over the peninsula with a market share of over 50%.**

"The company was too small to continue flying on its own, and its takeover by Lufthansa is good news for both companies," says Andrea Giuricin, Professor of Transport Economics at the University of Milan-Bicocca. **Italy becomes the Lufthansa group's fifth 'home' market.** It is already its second most important market outside its domestic markets, after the United States.

Rome Fiumicino airport, one of the best managed in Europe, joins the German airline's other intercontinental hubs, namely Brussels, Frankfurt, Munich, Vienna and Zurich. It **will become one of the main windows on the "southern hemisphere"**, where Lufthansa hopes to catch up with its competitors. Long-haul routes from Rome to Latin America will be opened. **The Germans are also keen to seize the opportunities offered by the eventual liberalisation of African airspace.** Lufthansa is continuing to consolidate its position in the European airline sector," insists Andrea Giuricin, referring to the takeover of Austrian Airlines, Brussels Airlines and Swiss. ITA's entry into its orbit will have major consequences. Historically, it was part of the SkyTeam alliance, led by Air France-KLM and Delta. It will now become part of the Star Alliance network".

The competition with Air France-KLM is not the only one. The Middle Eastern airlines have strengthened their position and the Chinese are taking off. Before the pandemic, some of them had already passed the 100 million passenger mark. In this context, **European airlines need to be increasingly strong,"** warns Andrea Giuricin. **Unfortunately, they are hampered by European legislation that will increasingly penalise airlines by imposing strict new environmental obligations. The costs will be considerable and will weigh on their competitiveness.**

My comment: *The race to consolidate air transport is intensifying between the three major European groups: Air France-KLM, IAG and the Lufthansa group.*

This article highlights the airlines likely to be interested in acquiring take-off and landing slots, in particular EasyJet and Volotea.

In previous letters, I have highlighted the importance of Africa as a source of growth opportunities for air traffic.

China and the United Arab Emirates, through their support for large-scale projects on the African continent, have clearly understood this. The proximity of Rome airport to the African continent is an asset.

> **This airport currently holds the title of the most interconnected airport in the world.**

(source BFM) 26 August 2024 - **Istanbul's IGA airport**, which recently celebrated its sixth anniversary in 2024, has been identified as the world's most interconnected airport according to new statistics compiled by aviation data company Cirium.

This strategic airport, nestled between East and West in Turkey, **boasts an impressive 309 direct flights to destinations around the world. Most of these flights are operated by Turkish Airlines**, an airline that serves more countries than any other in existence.

Around 90 million travellers pass through this global hub every year, making it the **seventh busiest airport in the world**, while its annual capacity can comfortably accommodate 200 million passengers.

(...)

Commenting on the importance of the airport, CEO Selahattin Bilgen said in a statement to CNN: "**Our advantageous geographical location at the crossroads of Europe and Asia allows us to serve as a crucial hub for international travel.**

Beyond that, we have proven to be the most resilient airport, recovering faster than any other from the Covid-19 pandemic and restoring our pre-pandemic passenger numbers ahead of any other airport in the world."

Istanbul Airport is followed on the list [of the world's most interconnected airports] by three European airports: Frankfurt in second place, Paris-Charles de Gaulle in third and Amsterdam-Schiphol in fourth.

Frankfurt, a major financial centre and home to Lufthansa, one of Europe's largest airlines, comes second. Schiphol's location at the heart of Europe, giving it an advantage over an airport like London Heathrow, which is isolated on an island on the periphery of European activity and hampered by constraints on expansion due to its densely populated location, contributes to its ranking.

(...) Hartsfield-Jackson Atlanta

International Airport, the busiest in the world in terms of passenger volume, is ranked ninth, with 237 non-stop destinations.

(...)

The best-connected airports today

1. Istanbul Airport (309 unique direct flights)
2. Frankfurt airport (296)
3. **Paris-Charles de Gaulle airport (282)**
4. **Amsterdam-Schiphol airport (270)**

5. Chicago O'Hare International Airport (270)
6. Dubai International Airport (269)
7. Dallas-Fort Worth International Airport (261)
8. Shanghai Pudong International Airport (243)
9. Hartsfield-Jackson Atlanta International Airport (237)
10. Rome Leonardo da Vinci-Fiumicino International Airport (234)
11. Denver International Airport (229)
12. London Heathrow Airport (221)
13. Jeddah King Abdoulaziz International Airport (219)
14. Madrid-Barajas Adolfo Suarez Airport (218)
15. London Gatwick Airport (218)
16. Munich Franz Joseph Strauss Airport (217)
17. Barcelona-El Prat Airport (209)
18. Beijing Capital International Airport (206)
19. Chengdu Shuangliu International Airport (202)
20. Guangzhou Baiyun International Airport (202)

My comments: *The two hubs of the Air France-KLM group are among the top four in the ranking. The largest network, however, belongs to Turkey, whose government is a staunch partner of both its airport and its national airline.*

While in the East European airlines mainly serve the Far East, the Turkish national airline stands out by also positioning itself in Central Asia.

Turkey's geographical location, on the route between Europe and Asia, and even Africa, is an advantage for Turkish Airlines.

It enables it to offer a maximum number of routes, operating almost exclusively single-aisle aircraft.

This gives it a clear advantage over its European, Asian and Gulf competitors, in a regulatory framework that is much less strict than that of the European Union.

> Michael O'Leary calls for limits on alcohol sales in airport bars in the face of increasing unrest

(source telegraph) 26 August 2024 - Ryanair boss Michael O'Leary has called for a limit of two drinks per passenger in airport bars to combat drunken disorder on flights and in airports.

Cases of violence on board aircraft have increased this summer, with assaults now occurring on a weekly basis, said Mr O'Leary.

While assaults on cabin crew are the most worrying, confrontations between passengers have become increasingly frequent, according to Mr O'Leary. He blamed the combination of alcohol with "powder and tablets".

(...)

Mr O'Leary said that **the increase in assaults could be tackled by allowing a maximum of two drinks** per boarding pass before passengers board a plane. **This restriction would be one of his three main recommendations to the new Labour government.**

Ryanair's chief executive told the Telegraph: "Airports of course object and say their bars don't serve drunk passengers. But they do serve the parents of drunk passengers.

Flights from the UK are particularly prone to violence, especially on routes to 'party destinations' such as Ibiza and some Greek islands from regional airports such as Liverpool, Manchester, Glasgow and Edinburgh.

(...)

Sinead Quinn, who is responsible for training **Ryanair**'s 14,000 cabin crew, said the airline **was having to use passenger bans and was increasingly sharing information about problem travellers with its peers.**

She said: "The UK is the most difficult: "The UK is the most difficult, the regions in particular. But **there's no particular profile.** There are groups of young people, but also families and people you least expect.

The situation is exacerbated when flights are delayed and passengers drink several hours before boarding, according to Mr O'Leary, who said that alcohol-related violence was also a problem on some flights from Ireland and Germany.

(...)

He added: "What we are asking for will not affect profits. Pubs will still be able to sell their food and drink. Yet government agencies in the UK and across Europe are not taking this issue seriously.

My comment: *The management of unruly passengers is a recurring theme in discussions between organisations representing the interests of air transport employees, the European Commission and the International Civil Aviation Organisation (ICAO).*

It is difficult to find the right balance between protecting passengers and employees in the event of incidents, while respecting everyone's right to travel, particularly within the European Union.

At present, each airline applies its own policy for identifying and dealing with unruly passengers. The ICAO (International Civil Aviation Organisation) recommends in its Annex 9 "Facilitation":

"6.44 In order to deter and prevent unruly behaviour, each Contracting State shall promote passenger awareness of the inadmissibility and possible legal consequences of unruly or disruptive behaviour within aeronautical facilities and on board aircraft.

6.45 Each Contracting State will take measures to ensure that relevant members of its staff receive training in the detection and management of situations involving unruly passengers."

These texts will be examined and rediscussed by the FALP (ICAO Facilitation Expert Group) at the end of November 2024 in Montreal.

As far as Ryanair is concerned, we can understand its CEO's irritation. But this should not overshadow the irritation of its customers: the numerous flight delays, extra charges and lack of treatment in the event of irregularities do not allow passengers to travel with peace of mind.

> TAP Air Portugal returns to profit in 2nd quarter

(source AFP) 29 August 2024 - **TAP Air Portugal is back in the black** after six months of losses, **posting a second-quarter net profit of 72.2 million euros**, a 10.1% year-on-year fall caused by the devaluation of the Brazilian real, the airline announced on Thursday.

TAP, Europe's leading carrier on routes to Brazil, recorded a 3.4% increase in turnover between April and June, to €1.1 billion, and its operating profit jumped by 35.2% compared with the second quarter of 2023, to €168 million.

The number of passengers carried rose by 2.4% to 4.16 million, or 92% of its level in the second quarter of 2019, the reference period before the crisis caused by the Covid-19 pandemic.

The Portuguese national airline, which is undergoing a restructuring plan following its financial rescue in 2020, had made losses in the last quarter of 2023 and in the first three months of this year.

For the first half of 2024 as a whole, TAP posted a net profit of 400,000 euros, compared with 22.9 million euros for the same period last year.

"The good performance in the second quarter has enabled us to achieve a positive net result for the first half of the year which, although not significant, is achieved for the second time in a row, but this time without salary cuts," emphasised TAP CEO Luis Rodrigues, quoted in a press release.

Renationalised as a matter of urgency to benefit from an injection of 3.2 billion euros of public funds, the company is due to be privatised again, but its sale has been delayed by the resignation of the previous Socialist government and the arrival in power of a right-wing executive.

The process, officially launched in September 2023, aimed to privatise at least 51% of TAP's capital and attracted the interest of its European competitors, Air France-KLM, Lufthansa and the IAG group (British Airways and Iberia).

***My comment:** TAP's results are similar to those of Air France-KLM, with an excellent 2023 despite a very mixed last quarter of 2023 and first half of 2024.*

These performances are worth keeping a close eye on, as the Air France-KLM group is potentially interested in the process of privatising the Portuguese airline.

While the acquisition of a stake in SAS has given Air France-KLM access to the Nordic market, a capital operation with TAP would give the group access to other markets, notably Brazil.

> **CMA CGM Air Cargo launches its first transpacific route with a new Boeing 777-200F**

(source Mer et Marine) 27 August 2024 - CMA CGM AIR CARGO announces the delivery of its third Boeing 777-200F on 18 August 2024. This aircraft inaugurated a new transpacific route linking Asia to North America. This milestone marks an important milestone in CMA CGM AIR CARGO's global expansion strategy and is in line with the CMA CGM Group's ambition to offer a complete range of solutions to its customers.

The delivery of this new B777-200F, operated by Atlas Air, will play a key role in the expansion of CMA CGM AIR CARGO's network on a strategic route, serving airports such as Hong Kong, Chicago and Seoul. The first commercial flight took place on 25 August 2024, connecting Hong Kong (HKG) to Chicago (ORD) with a technical stopover in Anchorage (ANC). On the westbound leg, the aircraft operates from Chicago (ORD) to Hong Kong (HKG), via Seoul (ICN).

A second B777-200F will be delivered in the fourth quarter of 2024 and will also be deployed on a transpacific route, linking mainland China to North America. With the deployment of these 2 Boeing aircraft, **CMA CGM AIR CARGO customers will benefit from a total of 7 frequencies per week on the transpacific route.**

In 2025, a third aircraft will strengthen the fleet, extending the range and capacity available to customers.

Since 2022, 2 Boeing 777-200F aircraft operated by CMA CGM AIR CARGO, based at the Paris-Charles de Gaulle (CDG) hub, have been serving Europe and Greater China, with 5 flights a week to Hong Kong and 4 flights a week to Shanghai.

(...)

The Boeing 777-200F, the benchmark freighter in terms of capacity and range The B777-200F is the world's largest, longest and most powerful twin-engine freighter. Renowned for its high reliability, fuel efficiency and low maintenance and operating costs, this aircraft offers a range of 9,200 km (4,970 nautical miles) and can carry a maximum payload of 103 tonnes (226,000 lbs). **Thanks to its capacity and range, the 777 Freighter offers the lowest cost per trip of any large freighter.**

My comment: In April, the director of CMA CGM Air Cargo expressed his intention to position himself on routes between Europe and Asia, as well as between Asia and North America, in collaboration with an American operator, notably Atlas Air. The strategy described in the article is perfectly in line with this vision, and calls for a few observations:

- Routes between Europe and Asia continue to be affected by longer journeys due to the closure of Russian airspace.

- Cargo traffic for the selected airports, Hong Kong, Chicago and Seoul, is as follows:

Airports	Cargo 2023 ('000 tons)	2022 (%)	Q1 2023
HONG KONG	4,301	3.1	19.1
MEMPHIS	3,881	-3.9	0.2
SHANGHAI-PVG	3,440	10.4	14.0
ANCHORAGE	3,289	-5.0	9.8
SEOUL INCHEON	2,781	-6.8	7.9
LOUISVILLE KY	2,725	-11.2	-7.7
MIAMI	2,526	1.0	4.7
DOHA	2,341	0.6	14.9
LOS ANGELES	2,155	-13.4	-2.3
TAIPEI	2,113	-16.8	3.7
GUANGZHOU	2,031	7.8	31.8
TOKYO NARITA	1,907	-20.5	-5.4
CINCINNATI	1,900	5.9	-6.6
CHICAGO O'HARE	1,865	-15.7	8.8
FRANKFURT	1,869	-5.0	5.9
Total*	106,434	-2.1	

(source France aviation civile services)

- At this stage, CMA CGM Air Cargo is not considering the option of the Boeing B777-300 ERSF (Extended Range Special Freighter), the first model of which was

converted from a passenger aircraft last June.

This redeployment of the network follows the split with Air France-KLM.

End of press review

> Air France-KLM share price performance

Air France-KLM shares closed at **8.222 euros** on Friday 30 August. It has **risen sharply this week (+7.56%)**.

The share price was €12.53 on 2 January 2023 and €17.77 on 19 June 2023.

The average (consensus) 12-month analyst price for AF-KLM shares is 11.11 euros (it was 15.0 euros at the beginning of January 2023). The highest price target is €19.60, the lowest €8.

I only take into account analysts' opinions after 1 July 2023.

You can find [details of the analyst consensus](#) on my blog.

My comment: *Air France-KLM's share price is recovering significantly, no doubt following the announcement that it has acquired a stake in Scandinavian airline SAS.*

The average (consensus) 12-month analyst price for Air France-KLM shares is €11.11, down nearly €3 in two months.

> Fuel prices this week

The price of a barrel of Jet Fuel in Europe is stable at \$95. It was \$94 at the end of June 2023, and \$79 before the outbreak of war in Ukraine.

Brent crude oil (North Sea) is up \$2 to \$79 a barrel.

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

My new comment: *Since the beginning of the year, the price of a barrel of oil has been relatively stable. It fluctuates between \$80 and \$90.*

The price of a barrel of jet fuel in Europe has been falling steadily, gradually dropping from \$120 to \$100.

The spread between Jet Fuel in Europe and a barrel of Brent crude oil has followed the same trajectory as Jet Fuel, approaching its pre-Ukraine level.

> **Management of employee investment funds**

When you invest in one of the Air France 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 take the decisions.

The Partners for the Future, 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 would like to find out more about how the various Air France employee shareholding funds are managed, please [visit my website navigation, under the heading Air France-KLM employee shareholding.](#)*

Details

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

You can react to this press review or send me any information or thoughts that will help me to keep you better informed.

You can send 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](#)

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| François Robardet

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

You can find me on my twitter account @FrRobardet

When I was elected, I 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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