

3rd April 2008

Update on Alitalia situation

When it submitted its final offer on 14 March this year, Air France-KLM clearly indicated that the offer was contingent on prior agreement with the trade unions representative of the majority of the various categories of Alitalia employees (ground staff, flight crews); this agreement concerned the implementation of the Alitalia restructuring plan and its related severance measures. Air France-KLM know from experience that in the airline industry no restructuring plan has ever succeeded if it was not first agreed by employees. Consequently, Air France-KLM has always considered that the Alitalia industrial plan would have no chance of success unless it had the backing of the trade unions representing Alitalia's workforce.

After several lengthy negotiation sessions, the trade unions today formulated a new proposal corresponding to a totally different framework to the one in which Air France-KLM had restricted itself since Autumn 2007.

In formal terms, Air France-KLM was thus regretfully forced to accept that there was no longer any basis for further negotiations. This is because Air France-KLM has no mandate from its Board of Directors to follow up this new proposal. As regards content, the new proposal, which would involve retaining a number of activities generating large scale-losses within the Alitalia group, seems incompatible with the target of a rapid return to profit.

Chairman Spinetta said: "I regretfully acknowledge the breakdown in negotiations, which is none of our doing. This is a project I have profoundly believed in and continue to do so, because it would have ensured Alitalia a rapid return to profitable growth".

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