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AIR FRANCE-KLM REINFORCES ITS CO-OPERATION WITH ALITALIA

Air France-KLM and Alitalia have reached an agreement to strengthen their partnership, cemented by Air France-KLM taking a minority stake in Alitalia. This agreement will give Air France-KLM greater access to the Italian market thanks to Alitalia which, following its acquisition of Air One, has reinforced its position on the domestic market. It also links Alitalia to the world's leading air transport group, thereby offering its passengers access to the most powerful network linking Europe to the rest of the world, henceforth organised around a unique combination of hubs from North to Southern Europe.

Jean-Cyril Spinetta, Chairman and Pierre-Henri Gourgeon, Chief Executive Officer of Air France-KLM stated: *"In view of the numerous challenges facing our sector, cooperation between airlines is becoming increasingly necessary, and this partnership represents an important milestone. We are happy with this reinforced partnership with Alitalia, which represents a compelling development opportunity for both our companies, and is in the interest of our shareholders, our customers and our employees"*.

Terms of the operation

Air France-KLM will subscribe to a reserved capital increase for an amount of some 323 million euros. As a result of this operation, Air France-KLM will own 25% of the capital of Alitalia. Alitalia's other main industrial and financial shareholders include the Riva Group, IMSSI, Banca Intesa and the Benetton group.

A lock-up agreement will be implemented for a period of 4 years up to 12 January 2013. During this time, no Italian shareholder will be able to transfer shares externally to the Alitalia shareholder group or to Air France-KLM. During the fifth year – between 13 January and 28 October 2013 – the transfer of shares to third parties will be possible, but only on condition that the other shareholders have not exercised their pre-emption rights and that the transfer is approved by Board of Directors of Alitalia. The lock-up will cease to apply only in the case of a stock market quotation starting as of the third year.

Air France-KLM's holding in Alitalia will be accounted under the equity method.

Synergies

Air France-KLM and Alitalia have estimated a level of potential synergies which will feed through progressively. They should derive mainly from the optimization of the networks and revenue management as well as the extension of the JV between Air France and Alitalia and the implementation of a JV between Alitalia and KLM. These JVs will cover all traffic between the three countries.

For Air France-KLM, these synergies are estimated at around 90 million euros per annum by Year 2 or 3 at the EBIT level. Alitalia will generate total synergies of around 280 million euros per annum by Year 2 or 3 on its side, of which Air France-KLM will consolidate 25% by the equity method.

The operation will be earnings accretive for Air France-KLM as early as Year 2. Return on Equity on Air France-KLM's investment will be in the region of 15% as of Year 3, excluding the positive impact of its own synergies.

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Governance

Air France-KLM will be represented on the Alitalia Board by three members out of a total of 19 and on the Executive Committee of the Board by two members out of a total of nine. Elsewhere, a Partnership Manager responsible for implementing the partnership strategy and overseeing the generation of synergies will be appointed for a term of three years, renewable once, and will be appointed on a rotating basis by the two groups. The first such Partnership Manager will be designated by Air France-KLM.

Suspensive conditions

The implementation of this agreement is subject, amongst others, to the approval of the various competition authorities, including the EU, which could be forthcoming before the end of the first quarter of 2009.