Roissy, Amstelveen 26 March 2009
N° 5558

UPDATE ON ACTIVITY FOR FINANCIAL YEAR 2008-09

At the Air France-KLM Board of Directors meeting on 26th March, Chief Executive Officer Pierre-Henri Gourgeon gave an update on activity during the current Financial Year (1st April 2008 to 31st March 2009).

Since the beginning of 2009, the deepening financial crisis has led to a sustained decline in activity, as reflected in the latest data published by the International Air Transport Association (IATA) (passenger traffic down 5.6% and cargo down 23.2% in January 2009).

Air France-KLM's traffic has followed a similar trend, and the initial weeks of March – traditionally one of the busier months – show a further decline. These lower activity levels have been accompanied by a significant deterioration in unit revenues both in passenger and cargo, notably as a result of the decline in business travel and international trade. Moreover, the group has not been able to fully benefit from the fall in fuel prices because of the negative effect of its hedges. In addition the group estimates at just over 200 million euros the negative impact linked to the fact that the monthly fuel bill is invoiced on the basis of the previous month's price[1]. As a result, the operating result for Financial Year 2008-09 is expected to be a loss of the order of 200 million euros. As in previous quarters, the evolution of net result will depend on the valuation of hedging instruments based on market values at 31st March 2009.

Looking ahead, Pierre-Henri Gourgeon commented: «Financial Year 2009-10 will begin in a context of unprecedented difficulty, with little visibility on how the economy will evolve and on the volatility of factors such as currencies and the oil price.

Nevertheless, our business model for the transport of passengers, centered around the combination of two significant hubs at Roissy CDG and Amsterdam Schiphol feeding a balanced network has demonstrated its efficiency for several months now, with regular gains in market share. Moreover, our financial situation and comfortable cash position (3.5 to 4.0 billion euros at 31st March 2009) allow us to face the challenges ahead with confidence.

In the face of the recent developments in our operating environment, we have further reduced capacity in both the passenger (-3.4%) and cargo (-13%) businesses. As a result, we anticipate the decline in revenues will be of the order of 6% on a same currency and consolidation basis, although it will remain highly dependent on how the economic crisis plays out. On the other hand, the fuel bill should be much lower than the previous year (around -20% in dollar terms based on prices at 6th March 2009) thanks to the reduction in the volume of fuel hedged (around 43% versus over 90% in 2008-09). This drop, combined with our other cost-saving measures should allow us to offset a significant part of the decline in revenues and to limit our operating loss.

We have already proven our ability to adapt swiftly to the current environment by cutting capacity, reinforcing our cost-saving program, continuing to adapt headcount and curtailing our investments. We will press ahead with these measures in order to further strengthen the group's long-term resilience in the face of the current economic crisis, supported by our solid fundamentals.»

The accounts for Financial Year 2008-09 approved by the Board of Directors will be published after the market close on May 19th 2009.

[1] In the context of a marked and durable drop in the oil price, the fact that a significant proportion of the monthly fuel bill is invoiced on the basis of the oil price of the previous month means the group has not benefited immediately from the drop in the oil price.