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Air France-KLM: solutions to put an end to the conflict and pace up Transavia's development

The pilots' strike has been disrupting flight operations for seven days now, with catastrophic consequences for the Company's customers, staff and financial situation. Alexandre de Juniac and Frédéric Gagey wish once again to thank all staff who have rallied round in France and around the world to support and assist customers in this unprecedented situation. The Company wishes once again to present its sincere apologies to its customers.

This strike generates an operating loss of up to 20 million euros per day, plus customer compensations and the impact of the gradual recovery in traffic in the days following the return to normal operations. Once the dispute is over, the Group will update its EBITDA target for the 2014 financial year.

Negotiations with the pilot unions, notably the SNPL, have taken place daily. Since the beginning of the strike action, Alexandre de Juniac and Frédéric Gagey have spent over 40 hours in meetings with pilot representatives. Every day, they have been submitting new constructive proposals to resolve this conflict. On their part, the pilot unions have not put forward any proposal demonstrating their willingness to find a solution.

Management can only note that talks have reached a deadlock situation.

Management also wishes to reassert that Air France-KLM's development on the low-cost market in Europe is both strategic and urgent for the Group's future, given that this market is fast-expanding and our competitors have adopted particularly offensive strategies on the French market.

The growth and competitiveness ambitions set out in the Perform 2020 plan remain intact. The pilot unions have stigmatized the Transavia project by fuelling unfounded fears of "delocalization" and "social dumping", which have never been at stake. Management regrets these mistaken interpretations, but has taken note of the concerns expressed.

Alexandre de Juniac, Frédéric Gagey and the managerial teams have since taken the following measures:

Postponing the plan to create Transavia subsidiaries in Europe (outside France and the Netherlands), while entering into extended talks about the project and building together the necessary guarantees by the end of the year.

A comprehensive negotiation and explanatory process with Air France and KLM unions will be set up. As for Air France, this process will begin as soon as the next Central Works Council meeting takes place, scheduled for 25 September 2014.

Faster implementation of the Transavia project in France

The expansion of Transavia in France is vital for Air France, notably in order to defend the Group's position at Orly, as highlighted by the experts' report published in July 2014 and supported by the SNPL. It is now urgent to implement this plan.

The project was presented to the unions of each staff category over a year ago, but was not finalized within the framework of the talks underway. The pilot unions' demand to use, on the Transavia network, Air France pilots employed under Air France conditions and to replace the existing 44 Boeing 737s by Airbus A320s, would inevitably lead Transavia France to failure. The compromise solutions proposed by management have all been rejected.

In these conditions, if the pilot organizations do not agree to the economic and social terms and conditions of the project put forward, Management will be forced to begin the formal procedure for denouncing the agreement to create Transavia France (signed in 2007). This agreement currently restricts the development of Transavia France; its withdrawal will make it possible to implement the project more quickly.

The aim is to rapidly equip Transavia in France with additional aircraft beyond the 14 currently in the fleet. It should be remembered that this project included the creation of a thousand jobs over the next 5 years, including 250 jobs for French pilots. It will now be possible to hire staff faster. The project will, as planned, be primarily open to Air France pilots on a voluntary basis.

Moreover, Management confirms that the development of Transavia in France is not intended to impact the point-to-point activity on the French domestic network. Transavia will not feed the Air France hub at Paris-Charles de Gaulle.

"To remain in the race in Europe, we have no alternative than to rapidly expand Transavia. We are now taking every measure to explain and accelerate its growth out of France. The Air France-KLM Group is reaffirming its aim of reaching a fleet of more than 100 Transavia aircraft by 2017," said Alexandre de Juniac. Frédéric Gagey continued: "These decisions must enable us to restore calm within the company and end the strike that has lasted too long for Air France, its customers and its staff."

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