



ADAPTATING TO CHANGE :

A PERMANENT BEHAVIOUR ENFORCED BY THE ECONOMIC CRISIS

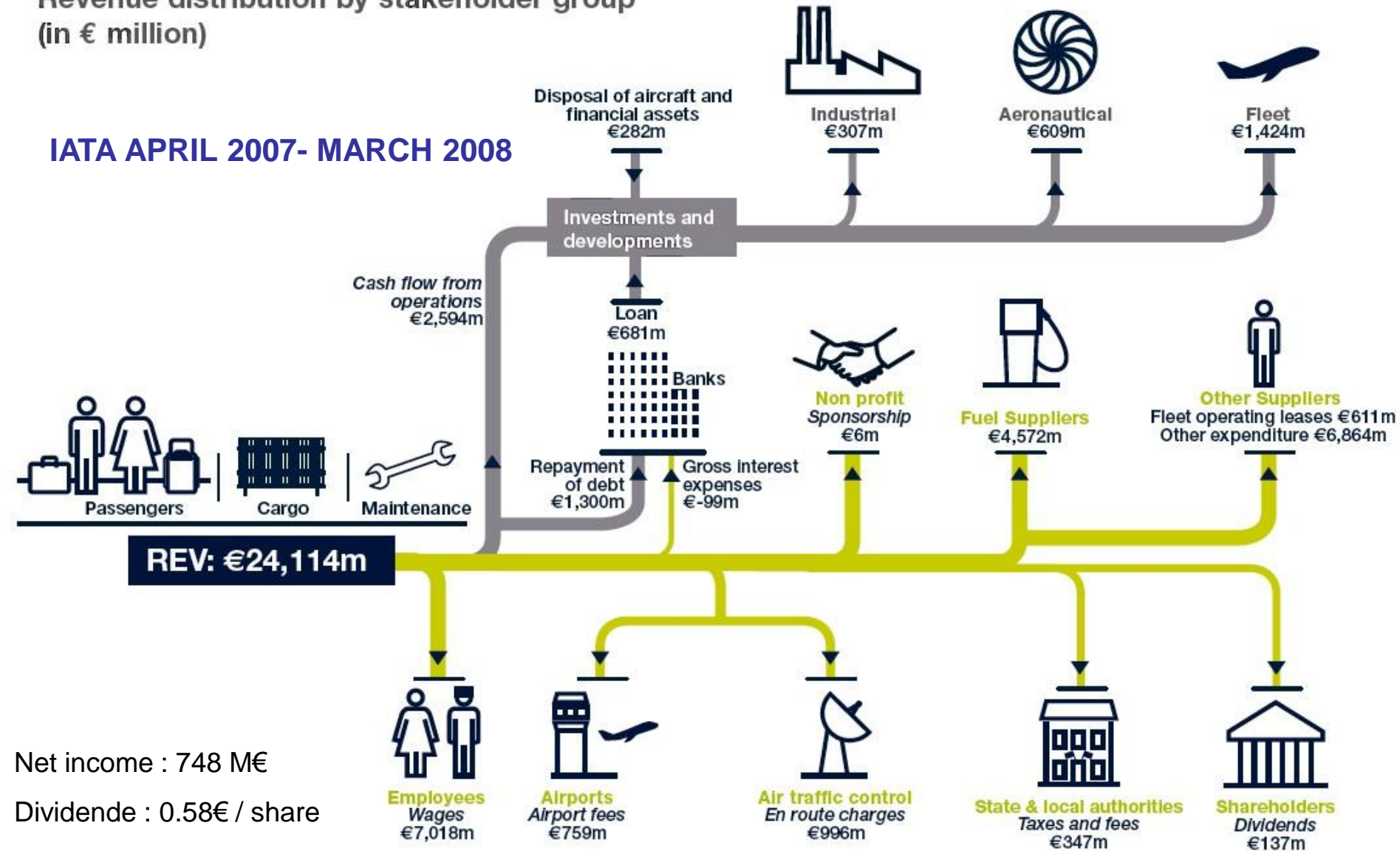
THE AIR FRANCE KLM CASE

AIR TRANSPORT :

A SMALL MARGIN INDUSTRY WITH HEAVY INVESTMENTS

Revenue distribution by stakeholder group
 (in € million)

IATA APRIL 2007- MARCH 2008





2006 – 2007 – 2008 : A DECREASING STAFF DESPITE GROWTH

Headcount at 31/12/2007	Air France-KLM group			
	2005 ⁽¹⁾	2006	2007	07/06
Total staff (permanent & fixed-term contracts) ✓	103,966	111,092	110,369	-0.7%
Staff under permanent contract ✓	N/A	N/A	103,772	N/A
Ground staff	73,683	77,300	76,177	-1.5%
Cabin crew	22,833	24,987	25,545	2.2%
Cockpit crew	7,450	8,805	8,647	-1.8%
Recruitments under permanent contract ⁽²⁾				
Ground staff		2,788	3,012	8.0%
Cabin crew		926	931	0.5%
Cockpit crew		410	566	38.0%
Total ✓		4,124	4,509	9.3%
Leavings ⁽⁴⁾				
Ground staff		4,458	5161	15.8%
Cabin crew		1329	1121	-15.7%
Cockpit crew		200	342	71.0%
Total leavings ✓		5,987	6,624	10.6%
• Resignations ✓		2,696	2,611	-3.2%
• Redundancy (incl. Economic) ✓		726	1,118	54%
• Retirements ✓		1,714	2,018	17.7%
• Deaths ✓		117	143	22.2%
Percentage of women (permanent and limited contracts) ⁽⁵⁾				
Ground staff		37.2%	37.1%	-0.2%
Cabin crew		72.5%	72.3%	-0.3%
Cockpit crew		5%	5.3%	6.8%
Total ✓		42.4%	42.7%	0.7%
Part time employment (permanent and limited contracts) ⁽⁵⁾				
part-time employees females ✓		38.3%	39.7%	3.7%
part-time employees males ✓		9.1%	9.5%	4.4%
Total part-time employees ✓		21.5%	22.2%	3.3%

New skills – new jobs but less jobs through new technologies (reservations by internet, computers on aircrafts to ease maintenance and flight operations, etc.)

2008 (March):

104,659 employees in the group (-5.2% / 2007)

IATA APRIL 2008- MARCH 2009 : A DECREASING ACTIVITY (-8%) INVOLVING A STAFF REDUCTION (- 2500 FORESEEN REDUNDANCIES)



A GROUP WITH 2 AIRLINES THROUGH AN ACQUISITION WITHOUT MERGER BY ABSORPTION TO PRESERVE CULTURES AND NATIONAL POLICIES

Air France-KLM has established a set of clearly defined commitments to ensure that its strategy of profitable growth goes hand in hand with environmental quality and social progress (every 3 years, an action plan is issued).

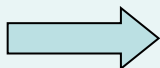
The process used for the merger (called “combination”) between Air France and KLM was based on cooperation and complementarity of networks and competences.

AIR FRANCE – KLM COMBINATION SURVEY (Dec 2006) **notation max : 5**

<i>Positive for AF or KLM</i>	4.1 (AF)	3.9 (KLM)
<i>Positive for my department</i>	3.5	3.6
<i>Positive for myself</i>	3.4	3.5
<i>Good and efficient Relationships</i>	3.8	3.5
<i>Motivated to do my best</i>	4.5	4.1
<i>Well informed</i>	3.7	4
Global	3.8	3.8

Response rate (Ci-nergy for Air France – Sirene for KLM):

- Ci-nergy = 61 % 2847 out of 4674 Average
 mark : 3,77
 - Sirene = 74 % 1595 out of 2150 Average
 mark : 3,9



THE PROCESS STARTED IN 2003 AND WILL NEVER BE ENDED

TO EXTEND FLEXICURITY TO AIR FRANCE - KLM : STRIVING TOWARDS A COMMON VISION

PROGRAMS FOLLOWING THE « COMBINATION »



Optimizing our teamwork: intercultural training (70 two-day seminars) for mixed Air France and KLM teams. 1,000 employees have participated in 2005-2006



Short-Term Exchange Program (STEP): to develop a greater understanding of the other airline in the context of short-term missions (lasting from one day to four weeks).



Connecting our Talents: Air France and KLM exchange program: thus far, 18 young Air France-KLM managers have transferred to the partner airline.



Training for social partners of the EWC : Air transport economic context, functioning of a EWC, etc.

And also ... English courses !

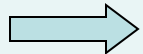
The psychological block regarding language may be a main issue when the best skills are not brought out. The English-speaking should not prevail over the vocational skills.

AIR FRANCE CASE

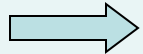
Air France training represents 3,070,000 hours and €271 million in 2007 (**10.8% of the total gross wages**). *50% of these training hours are spent on technical and regulation.*



Technical Air crew : 20% of the pilots' gross wages

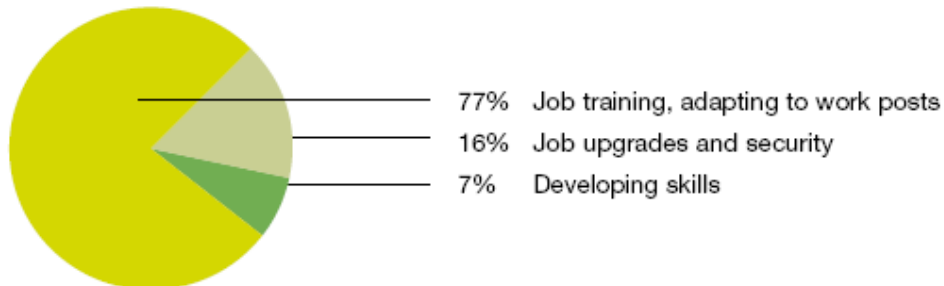


Cabin crew : 10.8 % of the cabin air crews' gross wages



Ground staff : 6.7 % of the ground staff's gross wages

Air France – Breakdown of training hours for ground staff (1,418,161 hours in 2007-08)



TO FOSTER MOBILITY IN AIR FRANCE

To encourage occupational mobility and develop transfers between various channels, mobility/integration (individual) conventions are set up, mainly from ground staff to cabin crews (50%).

TO SECURE EMPLOYMENT IN AIR FRANCE

The July 2006 agreement with social partners : “Air France engages for the duration of this agreement to not use collective redundancies if concerned employees have accepted the proposed coverage to guaranty a job.”

“To face necessary changes of the enterprise and once examined this coverage by agreement, another external coverage should be brought on voluntary request and after negotiations with trade unions.”

- An observatory of air transport professions and modernization of the jobs to the needs of the airline
- Careers and mid-term assessments (45)
- Training
- Fostering occupational and geographical mobility by a commitment of no collective redundancies if concerned employees go into a mobility process
- Part time (100% to 80% or 80% to 60%) for seniors more than 57 with an extra bonus of 10% of the wage **or** the whole provisions for retirement paid by the employer on the 20% lost **or** extra days in a time savings account
- Individual Training Right

In France (except Paris and suburbs):

- Temporary leaving allowance (3-6 months / 100% - 80% of the expenses)
- Leaving allowance (1 person : € 1,300; € 1,730 for a couple, € 260 for every child)
- Workplace change allowance (14.34 € for one kilometer more than before and 4,573.47 € maximum over 25 kilometers more).
- Whole compensation for furniture moving

Leaving allowance for Paris and suburbs

- 1 person : € 5,000; € 6,500 for a couple, € 700 for every child

In addition from Province to the region Ile de France

- Leaving allowance (maximum 24 months) if more than 100 km :
€ 500 /month for 6 months, then € 375 for 6 months, then € 250 for 6 months and € 125 for months

For a mobility more than 100 km :

A special bonus : 15,000 € + 1,500 € by other member of the family

2008

Commercial unit

**Staff :
3000 employees**

- 1 employee out of 6 has moved from one post to another one
- 504 staff changes have been done in which 301 through out the Commercial France unit
- 84 employees came from another unit
- 119 employees moved to another unit

Telework

60 employees have chosen telework for personal reasons: decreasing commuting time, work – life balance, working conditions, etc

The procedure of telework :

- An assessment of capacities by Human Resources
- Technical study and if positive, implementation of IT tools at home
- One day a week is spent at the office to get in touch with colleagues
- Conferences calls with the manager

Roissy / Orly unit : 123 employees have moved to cabin crews

CONCLUSIONS

- Restructuring is a permanent issue
- Restructuring must involve social partners
- Restructuring must be linked to concrete measures to achieve the goals
- Restructuring must preserve cultures in common frameworks and guidelines
- Restructuring must be linked to training
- Restructuring must be linked to mobility with security of a job

Thanks for your attention