

The image shows the tails of several aircraft. The top tail features the Air France logo, which consists of three blue diagonal stripes on a white background. The bottom tail features the KLM logo, which includes a blue crown above the letters 'KLM' in blue. The aircraft are white with blue and red accents.

AIRFRANCE **KLM**

# Information meeting

Full Year 2010-11  
results

June 2011

# Agenda

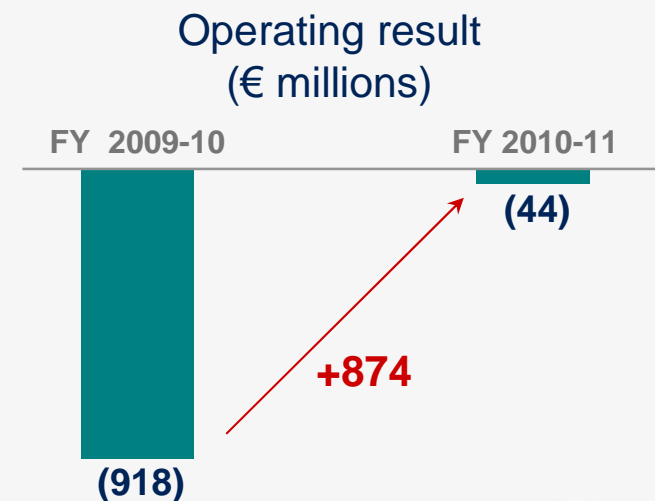
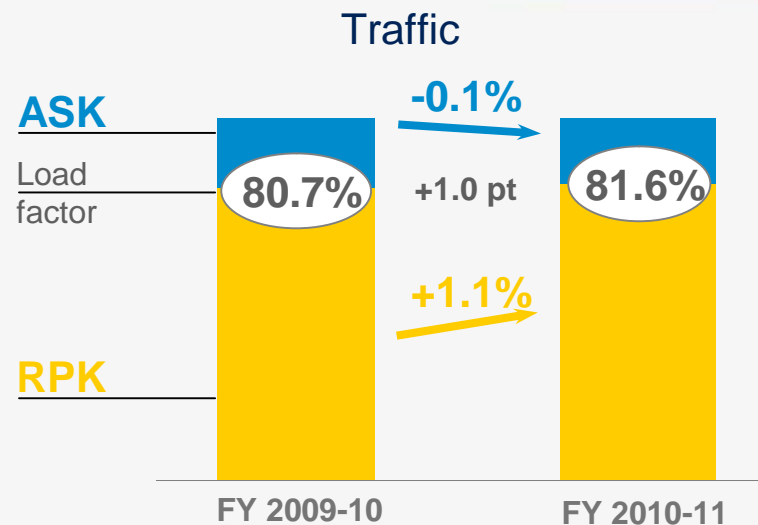
- ✦ 2010-11: Recovery in activity and return to profitability
- ✦ 2011: Ongoing actions and reinforced strategic advantages

## 2010-11: Strong improvement in operating result

- ✦ Dynamic transport activity supported by an improving economic context
- ✦ Target of improvement in operating result achieved, underpinned by cost savings and strategic measures...
  - ▶ Operating result improved by €1.4bn
- ✦ ...in spite of external headwinds
  - ▶ Increase in fuel bill
  - ▶ Numerous one-off events
- ✦ Recognized leader in the field of sustainable development
  - ▶ Airline sector leader for the 6<sup>th</sup> consecutive year running in DJSI indexes

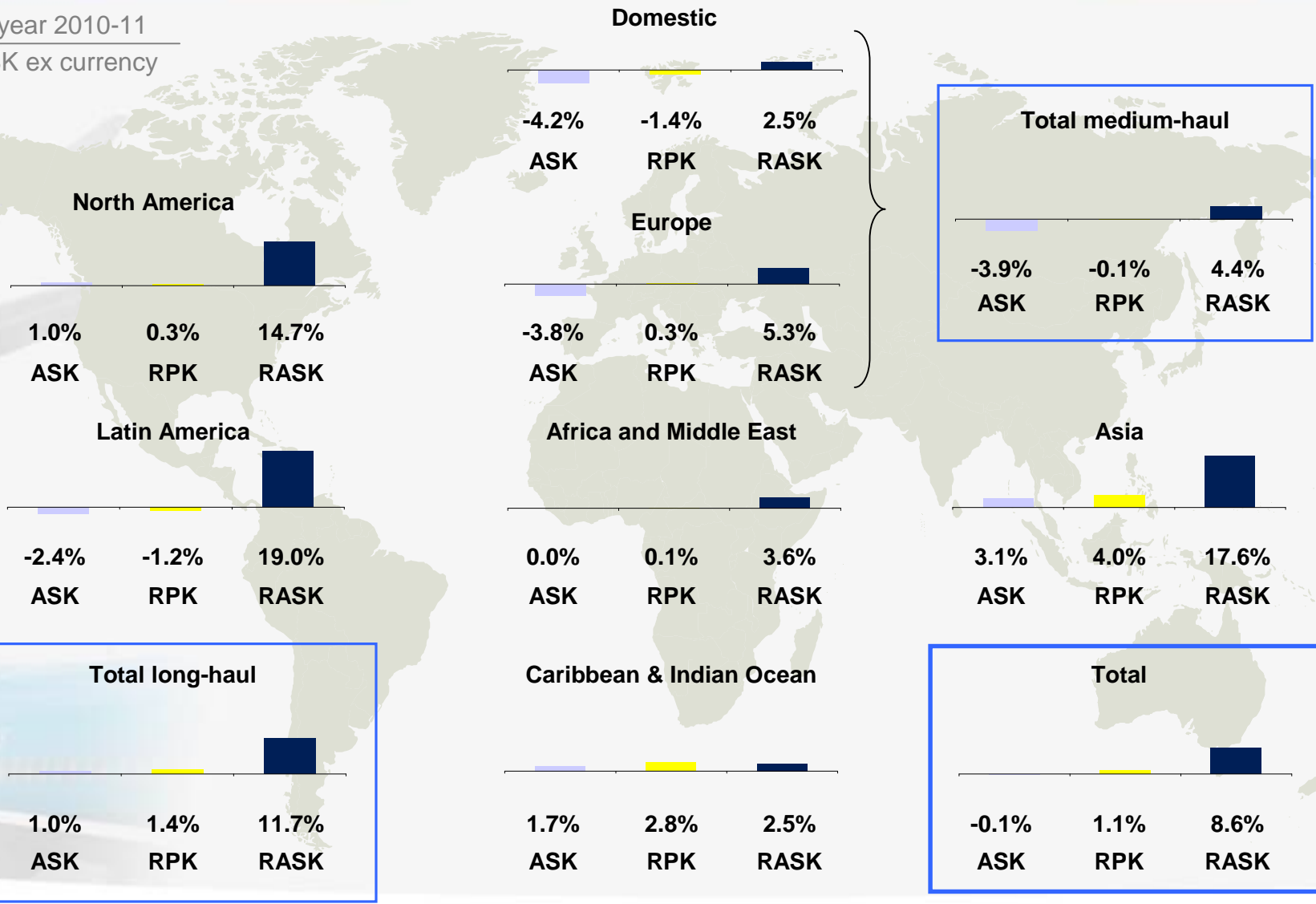
# Passenger: a strong recovery

- + Satisfactory level of activity despite numerous crises and high fuel prices
  - Long-haul revenues: +17.5%
  - Medium-haul revenues: +2.1%
- + Long-haul: recovery in long-haul premium unit revenues
  - Premium RASK: +17.0%
  - Economy RASK: +15.5%
- + Medium-haul: roll-out of new Air France offer
  - In line with €350m target for full year



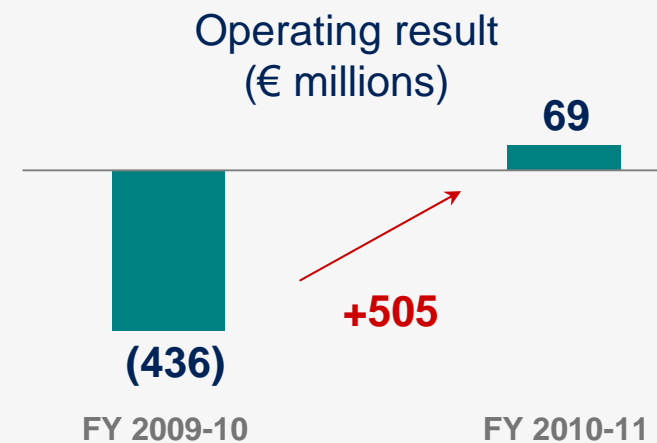
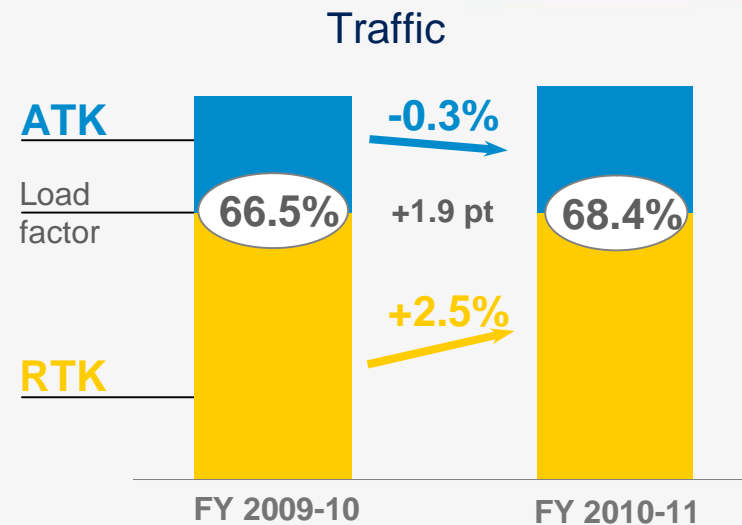
# Robust activity, especially in Asia and the Americas

Full year 2010-11  
RASK ex currency



# Cargo: successful restructuring a year ahead of schedule

- ✦ Recovery in global trade
- ✦ Rigorous management of capacity
  - Below 2008-09 levels
  - Full freighter fleet cut from 25 to 14 aircraft
- ✦ Priority to bellies and combis
  - Bellies and combis: 67% of capacity, up from 56% in 2008-09
- ✦ Strong rise in unit revenue
  - RATK: +29.9%
  - RRTK: +26.3%
- ✦ Positive operating result of €69m
  - Initial objective: halving of losses



# Strong improvement in profitability

	FY 2010-11	Change
<b>Revenues</b>	<b>23,615</b>	<b>12.5%</b>
Operating costs	(23,493)	5.4%
<b>EBITDAR</b>	<b>2,629</b>	<b>+1,518</b>
<i>EBITDAR margin</i>	11.1%	+5.8 pts
<b>Operating result</b>	<b>122</b>	<b>+1,407</b>
Adjusted operating result*	405	+1,445
<i>Adjusted operating margin</i>	1.7%	+6.7 pts
Non current income and expenses	764	+1,111
<b>Result from operating activities</b>	<b>886</b>	<b>+2,518</b>
Net interest charge	(371)	-67
Other financial income and expenses	(78)	+115
Income taxes	196	-390
Other	(20)	-4
<b>Net result, group share</b>	<b>613</b>	<b>+2,172</b>

\* Adjusted for the portion of operating leases corresponding to financial costs (34%)

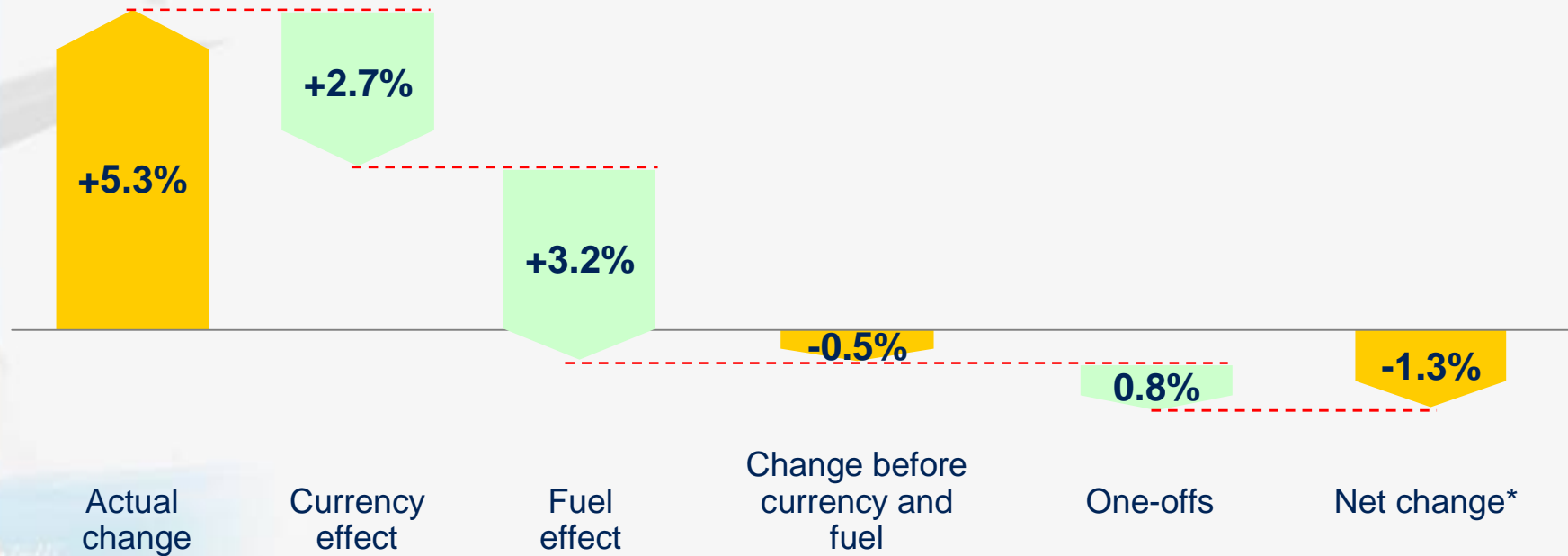


# Full year operating costs down

April 2010- March 2011

Unit cost per EASK: €6.58 cts

Capacity in EASK: **-0.1%**



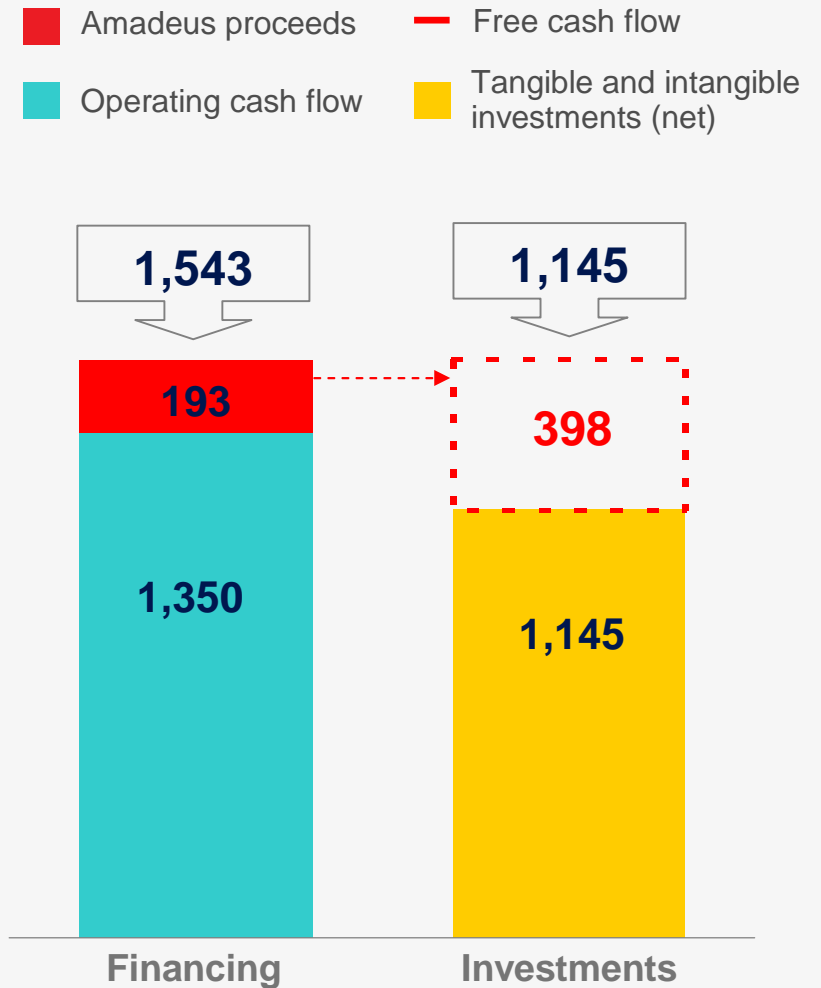
(\*) Corrected for the impact of Premium Voyageur/Economy comfort: -2.8%



# €400m free cash flow for the full year

- ✦ Operating cash flow of €1.35bn, including €153m of non-recurrent cash outflows:
  - Voluntary Departure plan: -€80m
  - US cargo claims: -€73m
- ✦ Free cash flow of €398m
  - Including €193m from Amadeus operation

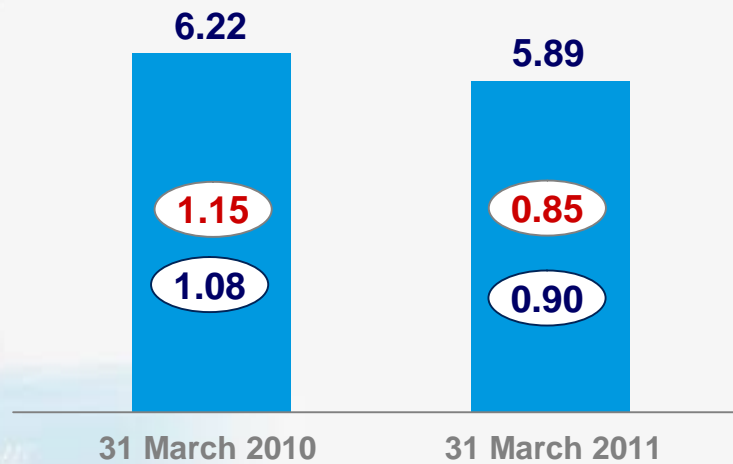
Full year 2010-11  
€ millions



# Reduction in debt...

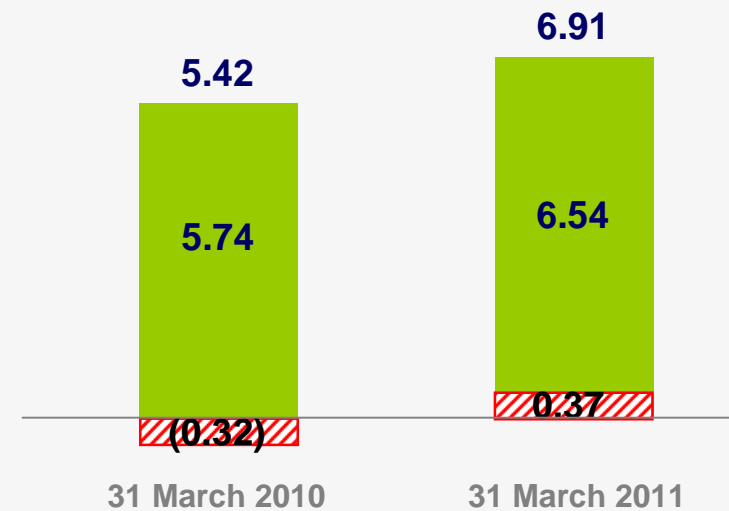
Net financial debt  
(€ billions)

- Net debt
- X Gearing ratio
- X Gearing ratio ex-derivatives



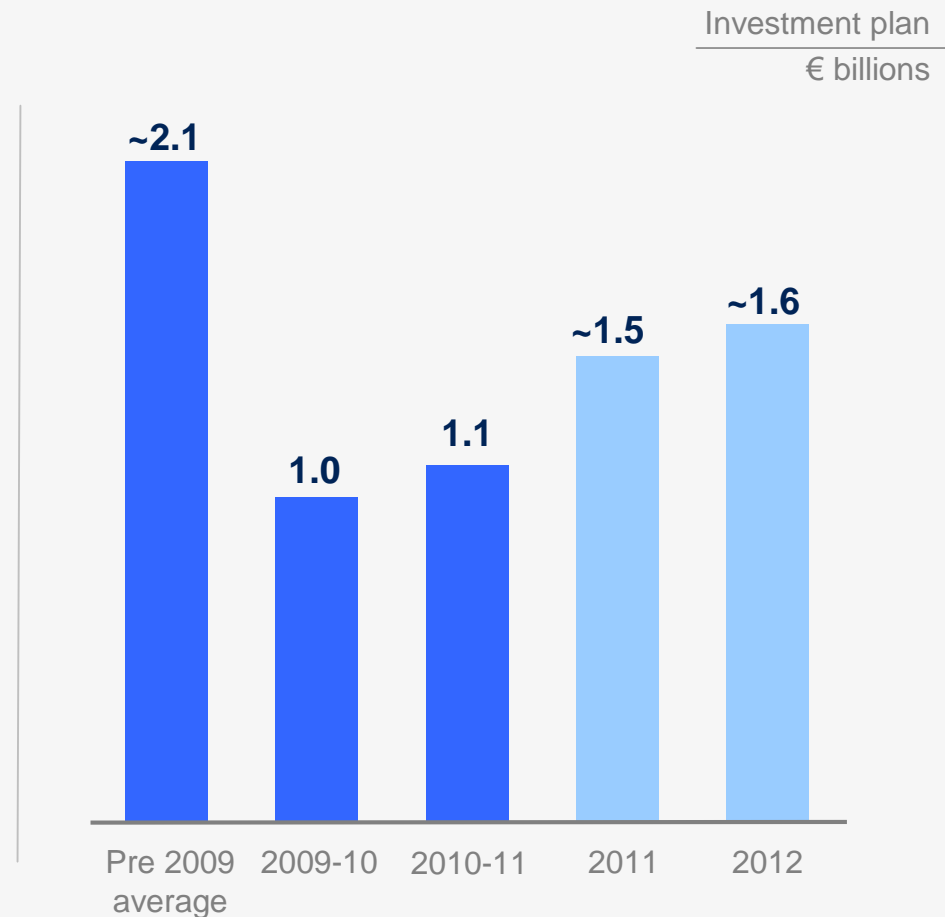
Shareholders' equity  
(€ billions)

- Shareholders' equity
- / Derivative instruments



...with the target of reducing gearing ratio to 0.5

- ✦ Adapted investment plan
  - Replacement of 13 aircraft postponed after 2016
  - Young fleet (average age: 10 years)
- ✦ Debt reduction will be the primary use for cash

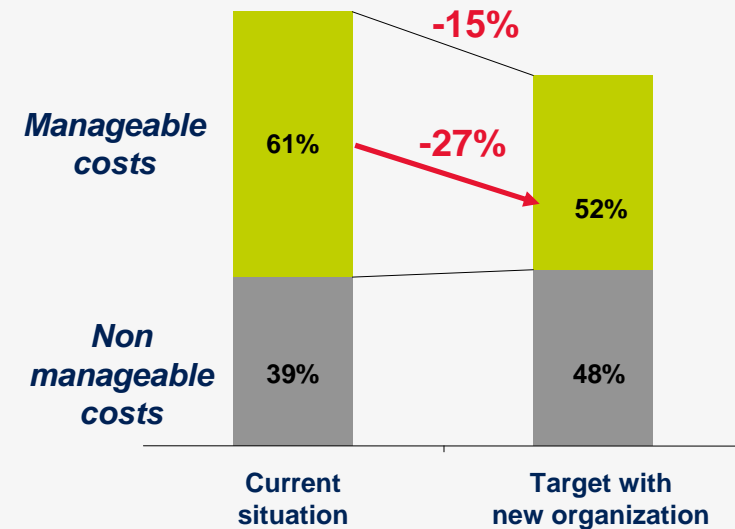


# Agenda

- ✦ 2010-11: Recovery in activity and return to profitability
- ✦ 2011: Ongoing actions and reinforced strategic advantages

# Medium-haul: ongoing transformation

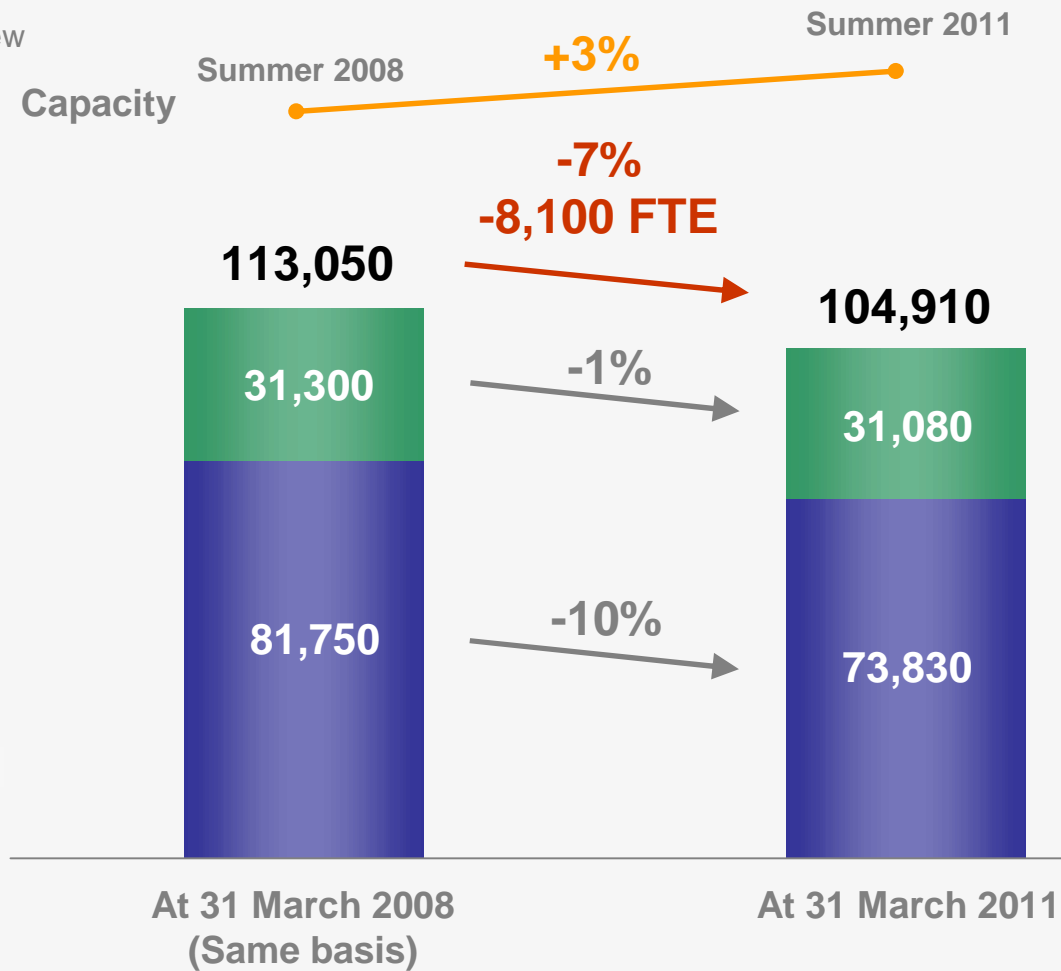
- ✦ Product adapted to customer expectations
  - ▶ Second year of product overhaul project
  - ▶ New product launched at KLM
- ✦ Provincial base program: a new model
  - ▶ Cost reduction
  - ▶ Regaining market share in regional cities
  - ▶ Strong rise in capacity from the regions
  - ▶ Planned launch with Marseilles in October



# Lower headcount...

Equivalent full time employees (end of month)

- Ground staff (incl. temps)
- Pilots and cabin crew



## ...underpinning our cost reduction target

- ✦ Challenge 12 objective for calendar year 2011: €470m
- ✦ Further sources of savings
  - ▶ Use of larger aircraft
  - ▶ “Provincial bases” project
  - ▶ De-peaking of hub in Amsterdam
  - ▶ New IT systems



Target: unit costs reduced by  
3%\* in 3 years

\* At constant fuel price and currencies



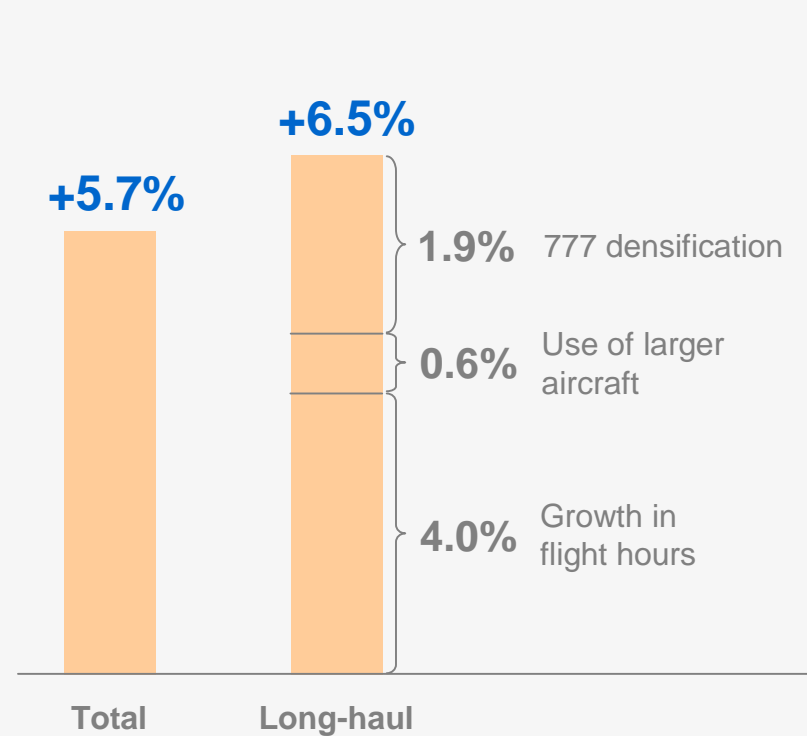
# Productive capacity growth...

## Productive growth

- ▶ Densification of selected 777s
- ▶ Use of larger aircraft (fifth and sixth A380, B777-300)

Growth may be revised down if demand is affected by the rise in fuel surcharges

## Summer 2011 capacity growth



NB: Reported growth will be higher due to closure of European airspace in April 2010

...focused on high growth regions

**125 long-haul destinations, 7 more than Summer 2010**  
**38 destinations served from both hubs, 7 more than Summer 2010**



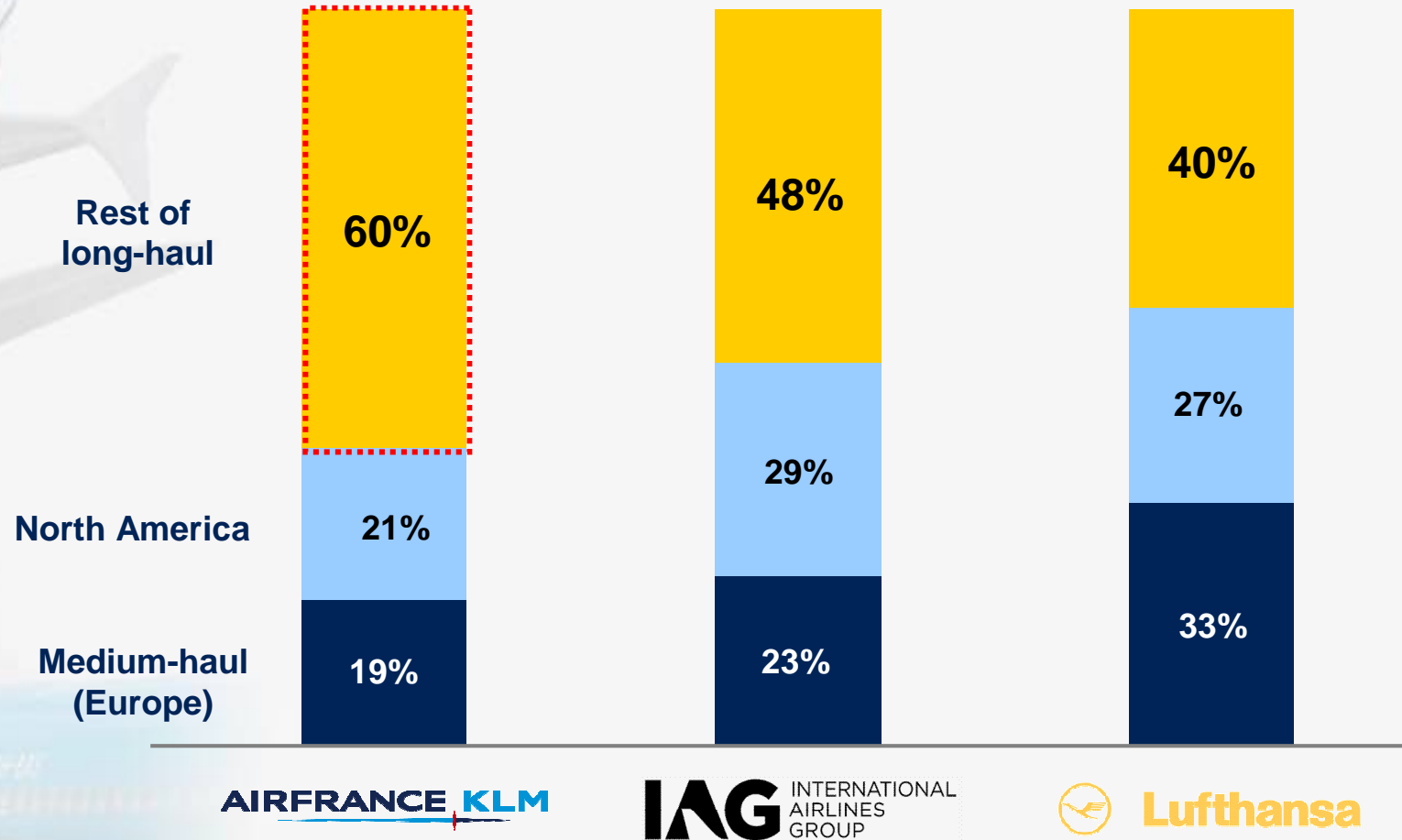
- ● New Air France-KLM long-haul destinations (launched at Summer or Winter 2011)
- ● New destinations served from both hubs (launched at Summer or Winter 2011)

# Transatlantic Joint Venture with Delta: a unique asset

- ✦ The number one operator on the North Atlantic
  - ▶ Revenues of €8.5 billion
  - ▶ 27% of capacity
  - ▶ 266 daily flights
  - ▶ 27 gateways in North America and Mexico, 33 in Europe
  
- ✦ KLM 'economy comfort' product adopted by Delta
  
- ✦ Reinforced governance
  - ▶ Coordinated 7 to 9% year-on-year reduction in capacity for Winter 2011

# Air France-KLM: leading exposure to high growth markets...

Capacity in ASK  
2010 calendar year



**AIRFRANCE KLM**

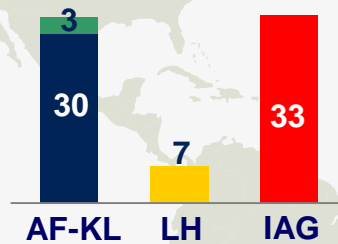
**IAG** INTERNATIONAL AIRLINES GROUP

 **Lufthansa**

...with strong positions in many countries

### Latin America & Caribbean

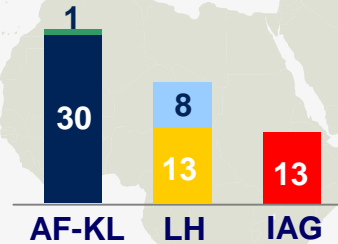
33 daily flights  
23 gateways  
in 17 countries



Brazil: 6 daily flights  
Mexico: 4 daily flights  
Caribbean: 14 daily flights

### Africa

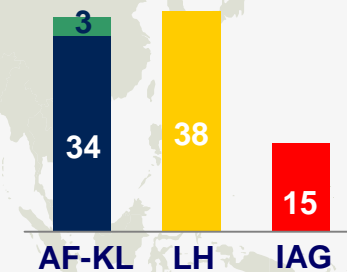
31 daily flights  
39 gateways  
in 31 countries



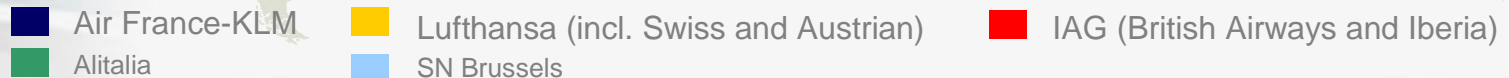
Nigeria: 4 daily flights  
South Africa: 3 daily flights  
Kenya: 1 daily flight  
(+2 operated by partner Kenya Airways)

### Asia

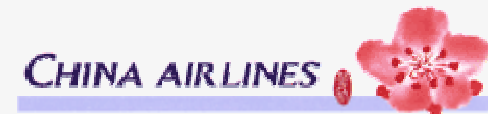
37 daily flights  
25 gateways  
in 13 countries



China: 13 daily flights  
Japan: 8 daily flights  
India: 5 daily flights



# SkyTeam: Seven new members, all in high growth markets



**20 members by end 2012**

# Unique position in China

Own network

2001



Four gateways

SkyTeam member partners

2011



Eight gateways



Joint ventures

2014



Over 12 gateways





# Strengthening of customer service culture...

The customer: one of the 5 domains of the 'Embark' enterprise project



*Be the number one in service recovery*

*Enhance our Flying Blue loyalty program*

*Be a leader in mobile phone applications*

**Further differentiate and personalize our offers**

*Provide a seamless service with our partners*

*Be attentive to and present on social media*



**Benefits for the customer**

**More autonomy**

**Improved real time information**

**Better customer relations**

# ... and ongoing improvement in our product offer

2009

2010

2011



## New business class seat at Air France



- + 90% of customers rate sleeping comfort 'good to excellent'
- + 64% say it is better than the competition

## New business class catering at KLM



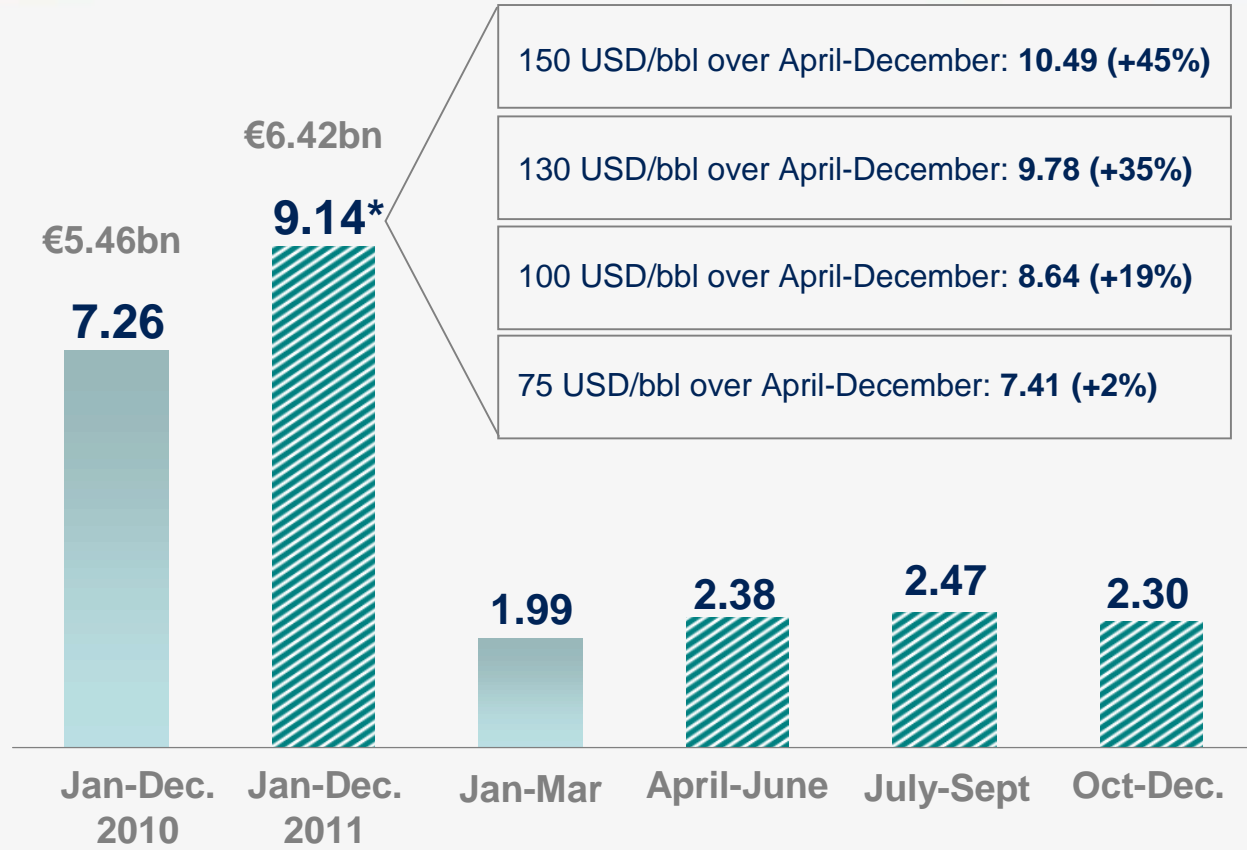
Economy  
Comfort



First class: exclusive  
ground services

# Calendar year 2011 fuel bill up €1bn

Fuel cost after hedging  
\$ billions



	Jan-Dec. 2010	Jan-Dec. 2011	Jan-Mar	April-June	July-Sept	Oct-Dec.
Market price (USD/bbl)	80	111	105	117	112	111
Percentage of consumption hedged	59%	53%	52%	49%	55%	58%

(\*) Forward curve at 13 May 2011 (exchange rate for the year: 1,43 USD/EUR)

# Outlook for calendar year 2011\*

- ✦ Challenging current environment
  - ▶ Oil price
  - ▶ Volatility of major currencies
  - ▶ Widespread geopolitical unrest
  - ▶ Impact of Japanese disaster on economic growth
- ✦ Positive trend in forward bookings for the coming months
- ✦ Objective of a higher operating result than in 2010

\* January to December 2011, due to change in financial year end date



# Appendices



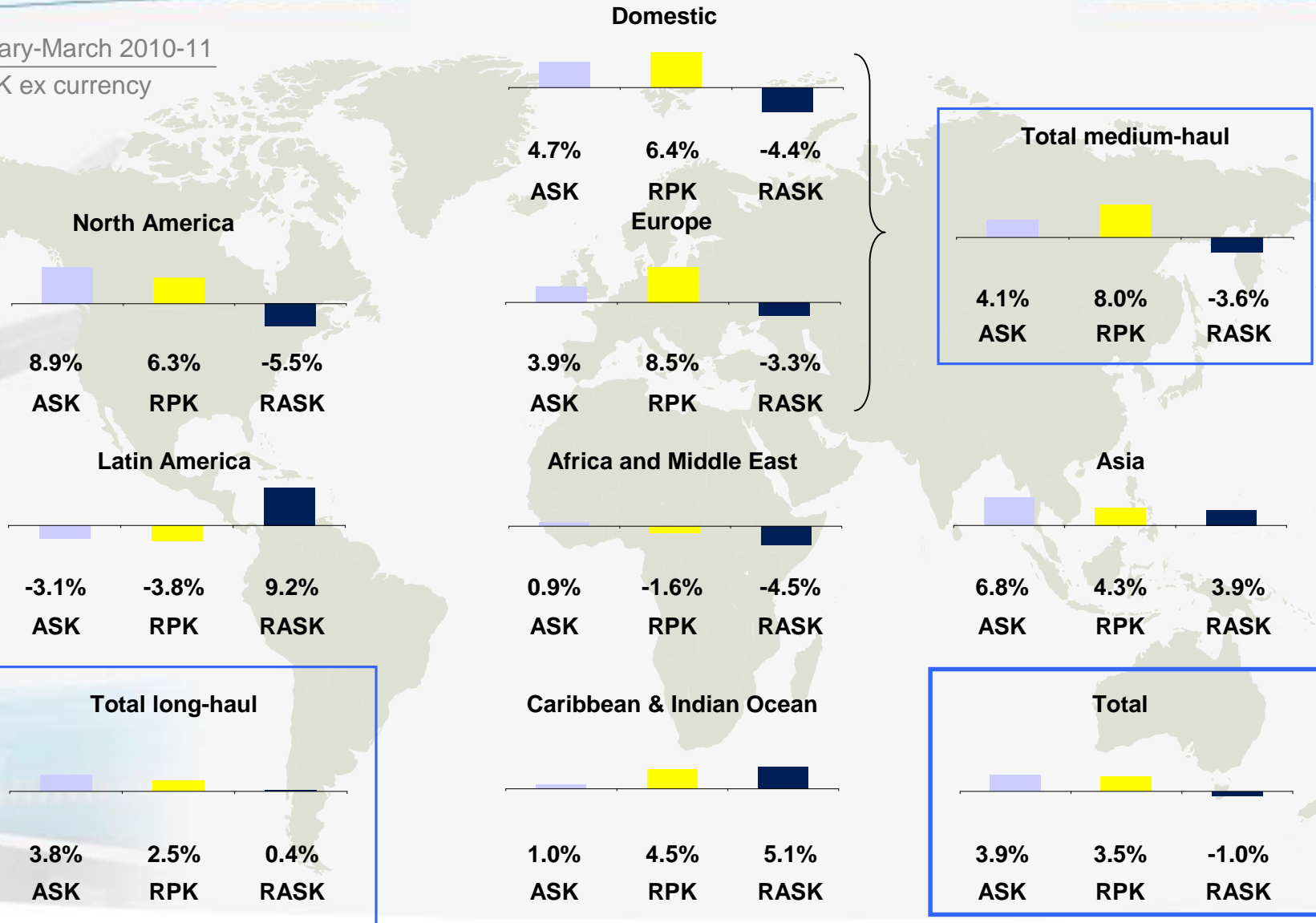
# Revenue and operating result by activity

Full year 2010-11

		Revenues in € billions	Operating result in € millions
		<b>18.10</b> <b>+11.3%</b>	<b>-44</b> <b>+874</b>
		<b>3.16</b> <b>+29.5%</b>	<b>+69</b> <b>+505</b>
		<b>1.03</b> <b>+7.6%</b>	<b>+143</b> <b>+62</b>
		<b>1.32</b> <b>-0.6%</b>	<b>-46</b> <b>-34</b>

# Q4 2011-11 unit revenues

January-March 2010-11  
RASK ex currency





## Past results on a calendar basis

- Air France-KLM proposes to align its year end with the majority of companies in the sector

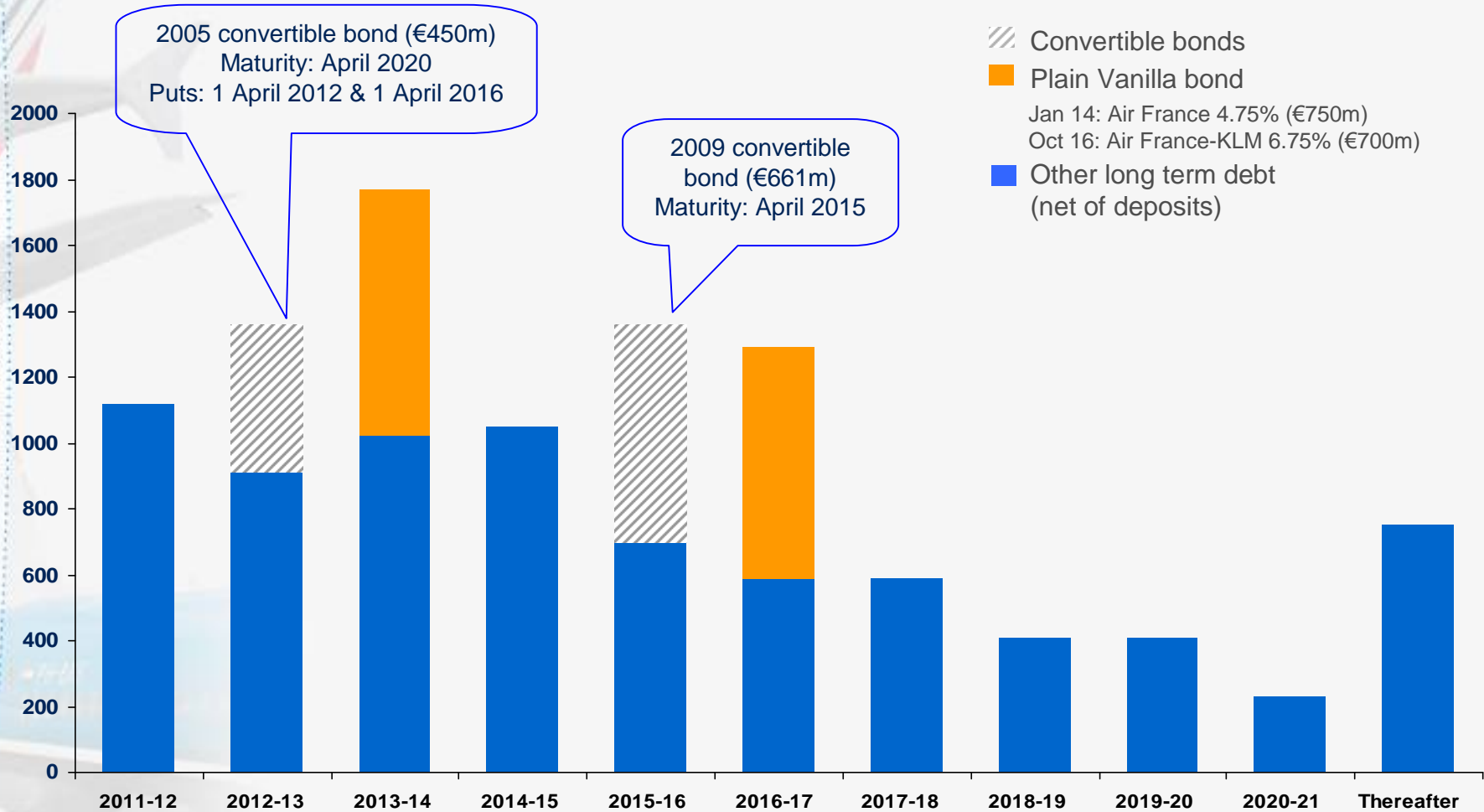
	FY 2008-09*	FY 2009-10	FY 2010-11
<b>Revenues</b>	<b>24,693</b>	<b>20,994</b>	<b>23,615</b>
<b>EBITDAR</b>	<b>2,275</b>	<b>1,111</b>	<b>2,629</b>
<b>Operating result</b>	<b>(186)</b>	<b>(1,285)</b>	<b>122</b>
<b>Net result, group share</b>	<b>(811)</b>	<b>(1,559)</b>	<b>613</b>

<i>Unaudited</i>	Calendar year 2008**	Calendar year 2009	Calendar year 2010
<b>Revenues</b>	<b>24,660</b>	<b>21,032</b>	<b>23,310</b>
<b>EBITDAR</b>	<b>2,696</b>	<b>1,094</b>	<b>2,503</b>
<b>Operating result</b>	<b>399</b>	<b>(1,324)</b>	<b>28</b>
<b>Net result, group share</b>	<b>(851)</b>	<b>(1,347)</b>	<b>289</b>

(\*) Pro forma Martinair (\*\*) Without Martinair

# Debt repayment schedule

## Debt repayment schedule at 1 April 2011\*



\* In € millions, net of deposits on financial leases

# Calculation of net debt

€ millions

	31 March 2011	31 March 2010
Current and non current financial debt	10,788	11,047
Deposits on leased aircraft	(455)	(471)
Currency hedges on debt	36	39
Interest not yet due	(119)	(115)
<b>= Total financial debt</b>	<b>10,250</b>	<b>10,500</b>
Cash and cash equivalents	3,717	3,751
Investments of over three months	574	343
Triple A deposits	197	297
Bank overdrafts	(129)	(116)
<b>= Net cash</b>	<b>4,359</b>	<b>4,276</b>
<b>Net financial debt</b>	<b>5,891</b>	<b>6,224</b>
<b>Consolidated shareholders' funds</b>	<b>6,906</b>	<b>5,418</b>
<b>Net debt / Shareholders' funds</b>	<b>0.85</b>	<b>1.15</b>
<b>Net debt / Shareholders' funds ex hedging instruments</b>	<b>0.90</b>	<b>1.08</b>