

# First Quarter 2010-11 results

# Highlights of the First Quarter

## Environment

- ✦ Recovery in air traffic demand
- ✦ Five day closure of European air space following Icelandic volcano eruption
- ✦ Jet fuel price up 35% compared with Q1 2009-10

## Air France-KLM

- ✦ Faster than expected improvement in unit revenues, especially in cargo
- ✦ Benefits of strategic adaptation measures feeding through in all businesses
- ✦ Significant improvement in operating result
- ✦ Results impacted by European air space closure

## Key data

	First Quarter 2010-11	First Quarter 2009-10
✦ Revenues	€5.7bn	€5.2bn
✦ EBITDAR	€484m	€112m
✦ Operating result	-€132m	-€496m
✦ Operating result excluding effect of air space closure	€26m	-€496m
✦ Net result	€736m	-€426m

AIRFRANCE KLM

# Activity

Pierre-Henri Gourgeon

# Results impacted by European air space closure

## Impact on activity

- + Activity halted for five days
- + Around 10,000 flights cancelled, one million passengers affected
- + Passenger activity
  - 2 807 million cancelled ASKs
- + Cargo activity
  - 132 million cancelled ATKs

## Impact on results

- + Loss of revenues: **€268m**
  - Passenger: -€226m
  - Cargo: -€18m
  - Other activities: -€24m
- + Reduction in variable costs: **€119m**
  - Passenger : -€89m
  - Cargo: -€15m
  - Other activities: -€15m
- + Miscellaneous additional charges: **€9m**  
(mostly linked to passenger activity)
- + Impact on operating result: **-€158m**

# Sharp rebound in revenues

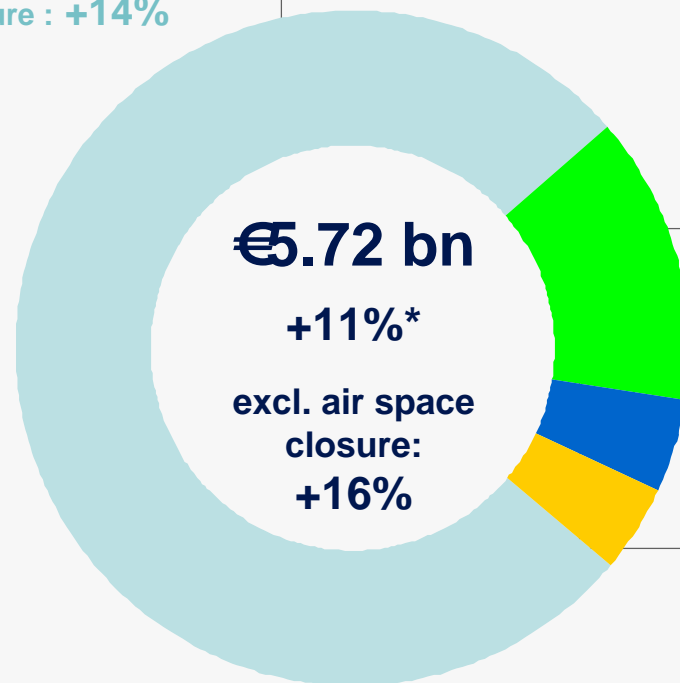
April-June 2010

€ billion

Passenger: 4.37

**+9%**

Excl. air space closure : **+14%**



Cargo: 0.77

**+42%**

Excl. air space closure: **+46%**

Maintenance: 0.24

**-1%**

Other: 0.34

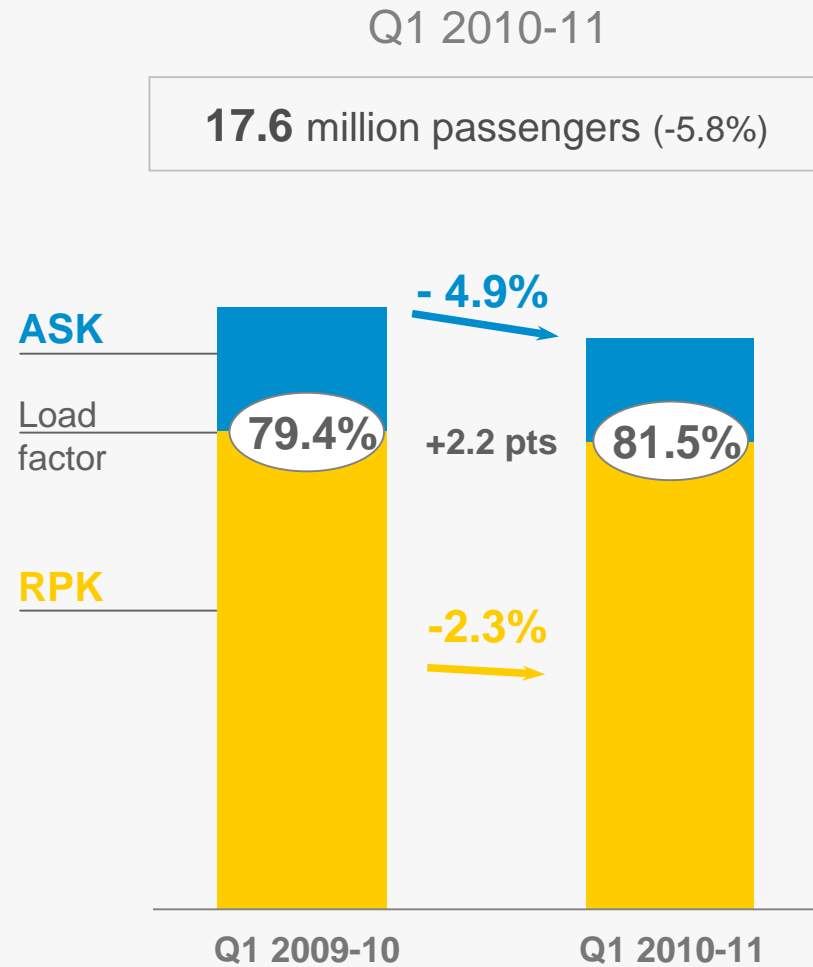
**-8%**

Excl. air space closure: **-2%**

(\*) After positive currency effect of 1.7%

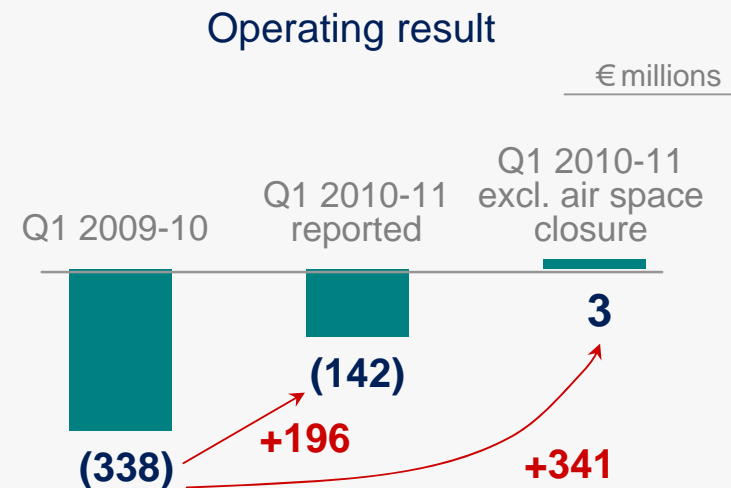
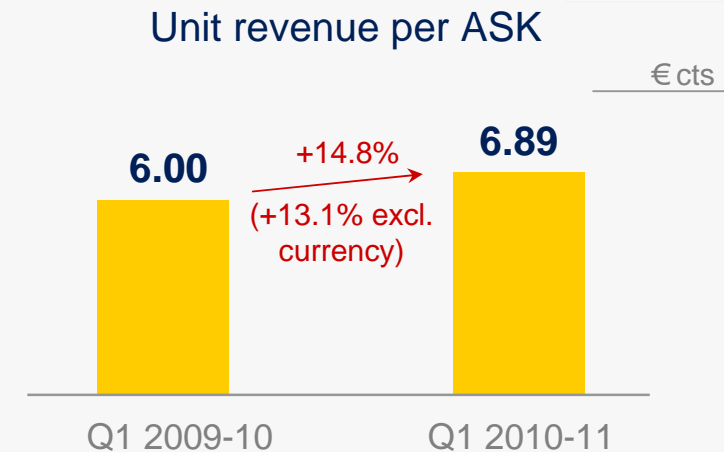
# Passenger: rise in traffic masked by air space closure impact

- ✦ Traffic down by 2.3%
  - ▶ April: -16%
  - ▶ May: +4%
  - ▶ June: +5%
- ✦ Dynamic traffic and high load factors on Americas (87%) and Asia (85%) networks



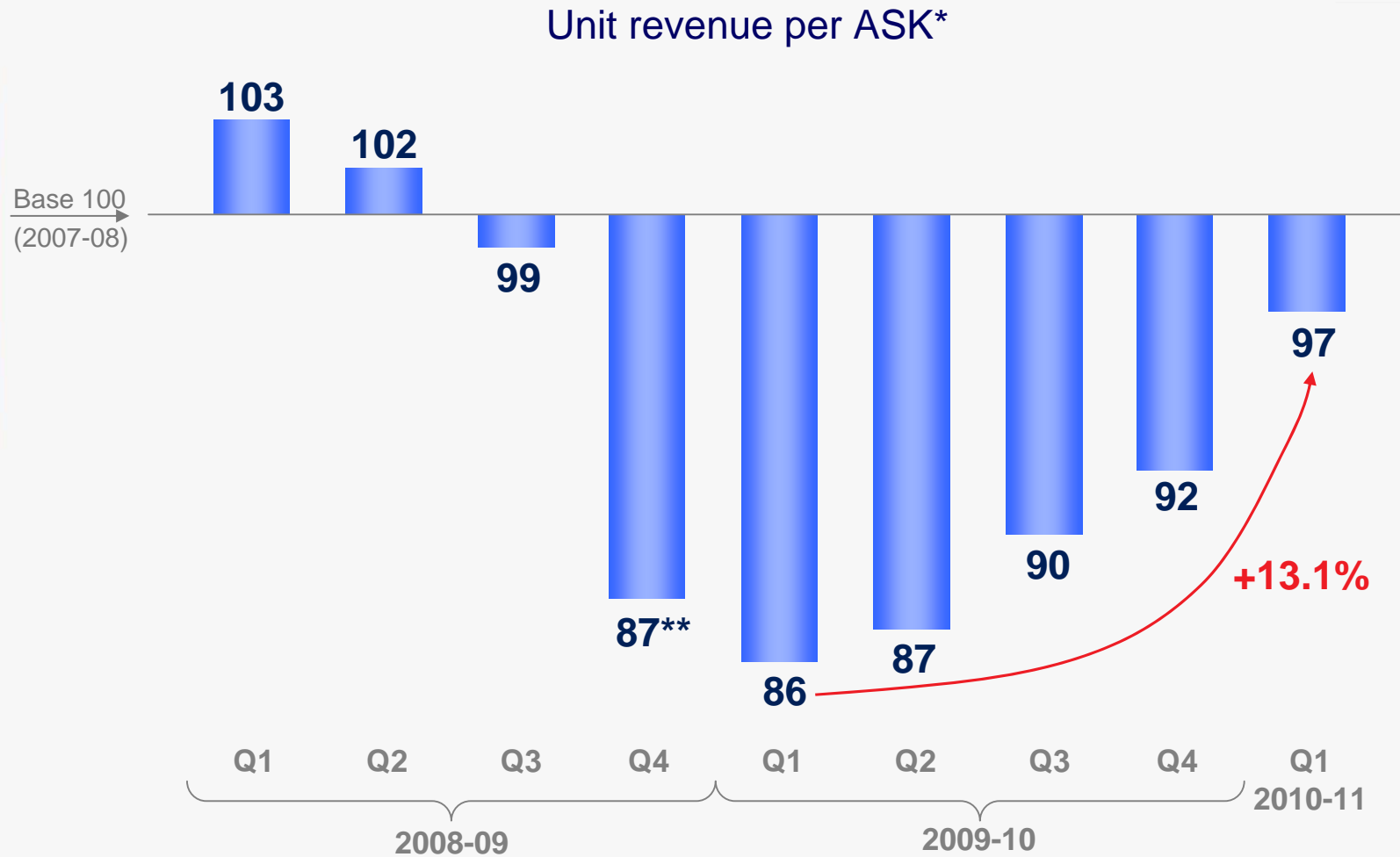
# Losses sharply reduced despite rise in jet fuel price and air space closure

- ✦ Passenger unit revenues recover close to 2007-08 levels
- ✦ Strong rise in fuel bill
- ✦ Marked improvement in operating result
- ✦ At breakeven excluding impact of air space closure





# Accelerating improvement in unit revenues...



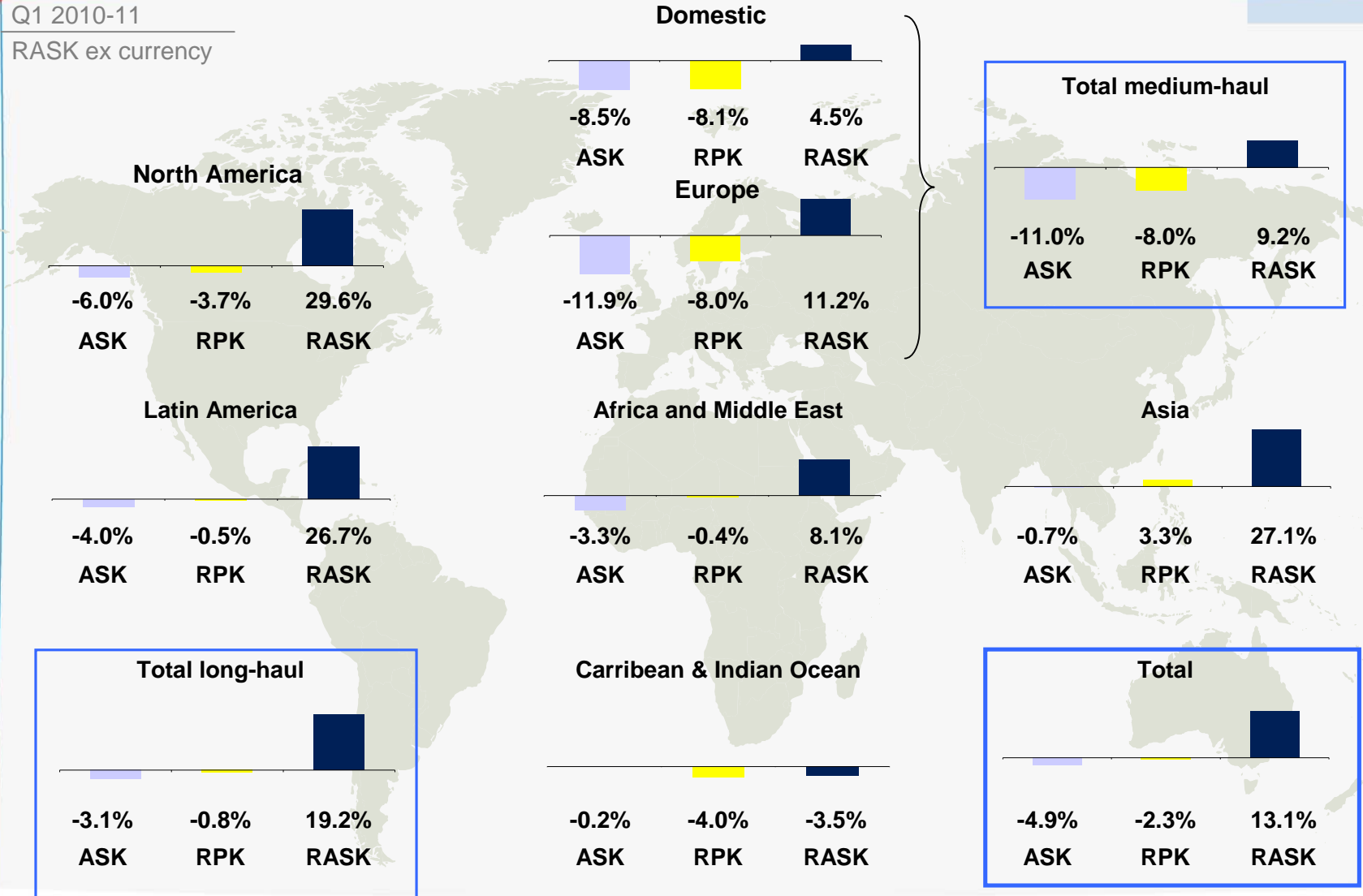
(\*) Excluding currency, compared to 2007-08

(\*\*) Excluding impact of new Flying Blue redemption conditions

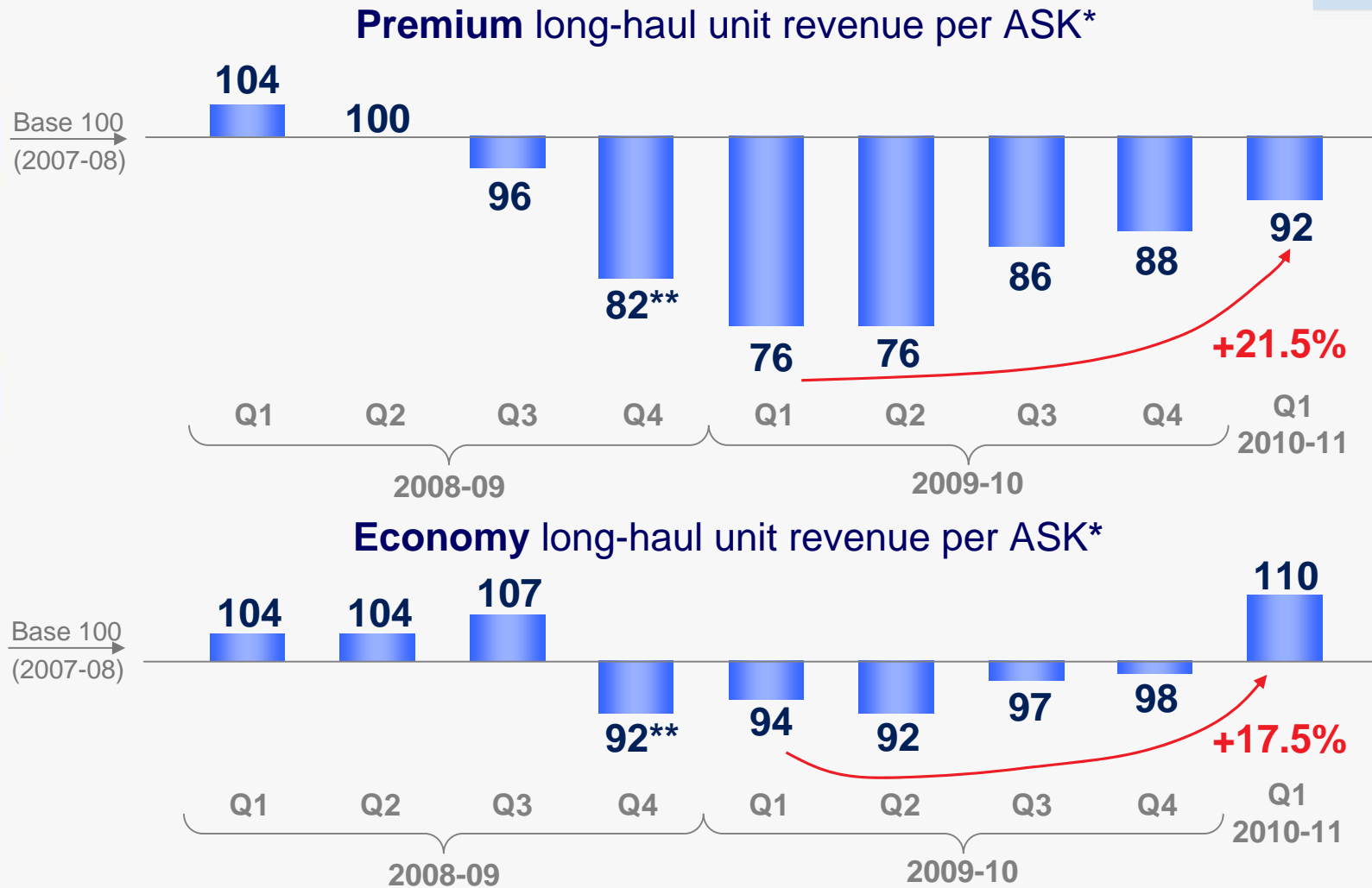
# ...driven by long-haul...

Q1 2010-11

RASK ex currency



...in both premium and economy



(\*) Excluding currency, compared to 2007-08

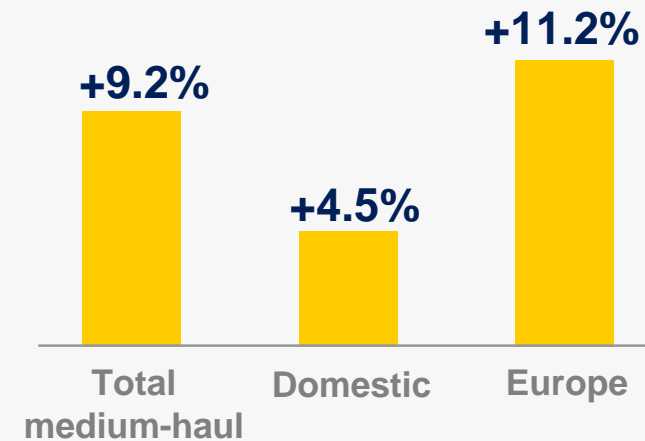
(\*\*) Excluding impact of new Flying Blue redemption conditions

# Medium-haul transformation measures starting to bear fruit

- ✦ Positive customer feedback on product changes recently implemented:
  - ▶ 'Premium eco' for business travelers
  - ▶ New seats on domestic routes
- ✦ Rise in medium-haul unit revenues per ASK, especially on routes offering 'Premium eco' service
- ✦ Schedule adaptation and cost reduction on track

Q1 2010-11

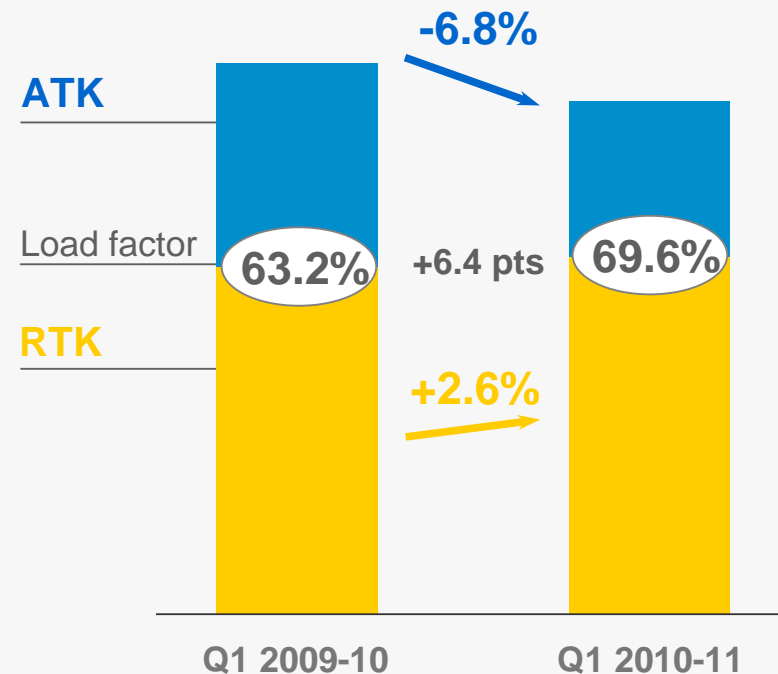
Change in unit revenue per ASK\*



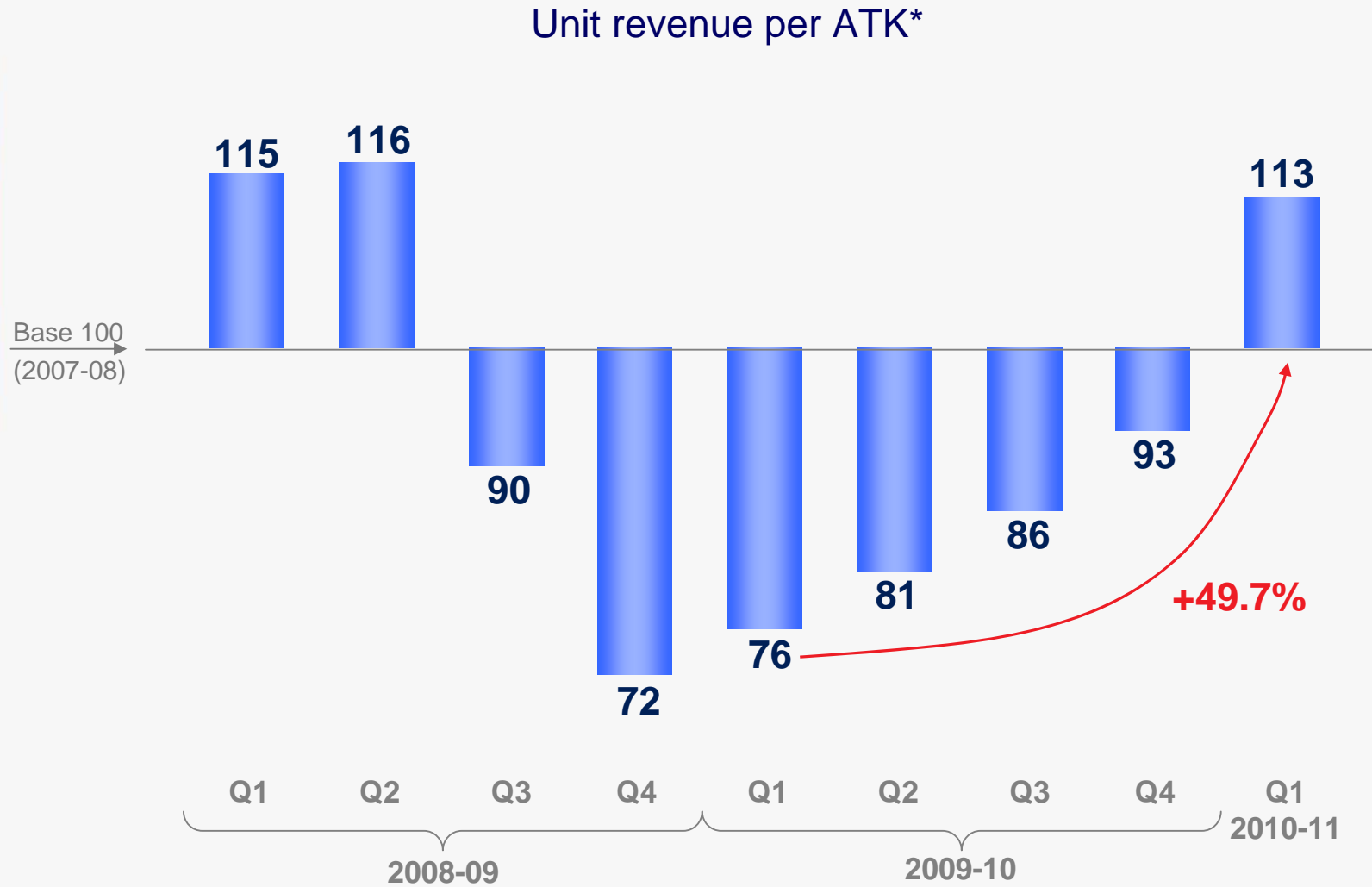
(\*) Excluding currency

# Cargo: Strong improvement in load factor in the First Quarter...

- ✦ Limited impact on traffic from air space closure
  - ▶ April: -2%
  - ▶ May: +9%
  - ▶ June: +1%
- ✦ Dynamic traffic and high load factors on the Americas (70%, +8 points) and Asia (81%, +8 points) networks
- ✦ Focus on bellies (load factor up 7.0 points) and combis (load factors up 8.6 points)



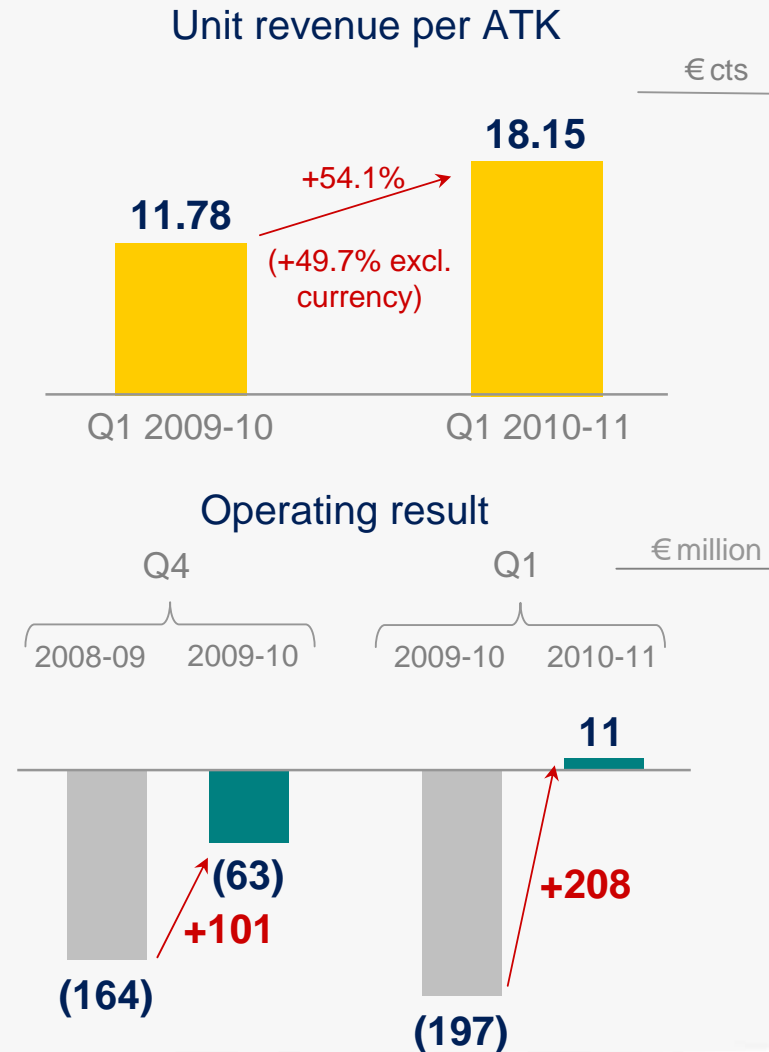
# ...underpinning a strong rebound in unit revenues



(\*) Excluding currency, compared to 2007-08  
www.airfranceklm-finance.com

# Cargo restructuring leads to significant improvement in operating result

- ✦ Strong rise in unit revenues
- ✦ Unit costs rise in line with jet fuel price
- ✦ Significant improvement in operating result, which returns to profit



# Results

Philippe Calavia



# First Quarter results

April-June 2010

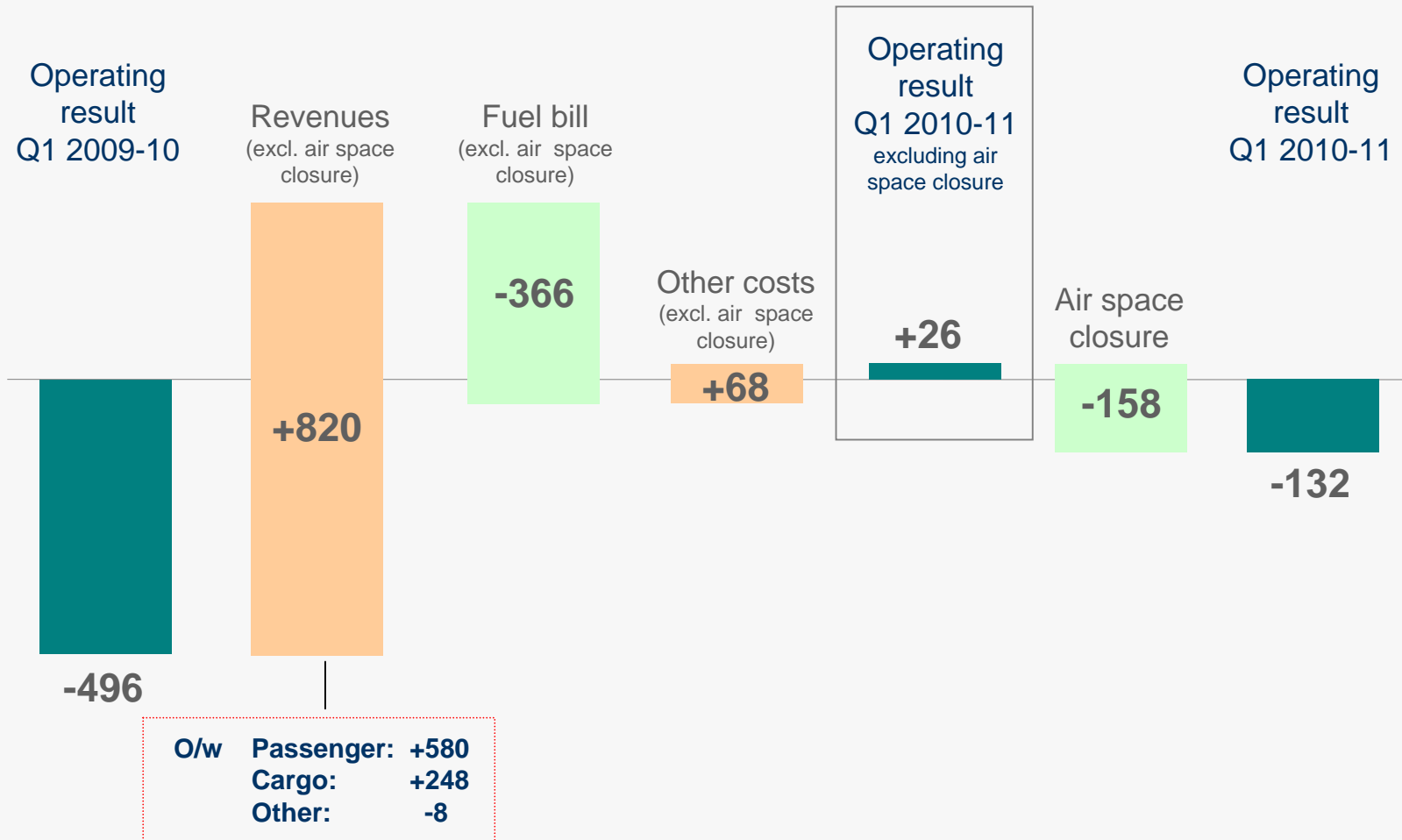
€ millions

	Q1 2010-11	Q1 2009-10	% change
<b>Revenues</b>	<b>5,721</b>	<b>5,169</b>	<b>10.7</b>
Operating costs	(5,853)	(5,665)	3.3
EBITDAR	484	112	332.1
<b>Operating income/(loss)</b>	<b>(132)</b>	<b>(496)</b>	<b>nm</b>
<i>Adjusted operating income/(loss)**</i>	<i>(64)</i>	<i>(434)</i>	<i>nm</i>
Non current income and expenses	1,010	-	
o/w Amadeus operation	1,030	-	
o/w Voluntary Departure Plan	(20)	-	
<b>Income/(loss) from operating activities</b>	<b>878</b>	<b>(496)</b>	<b>nm</b>
Net interest charge	(96)	(56)	71.4
Other financial income and expenses	(113)	(60)	88.3
Income taxes	93	195	-52.3
Other	(26)	(8)	-
<b>Net income/(loss), group share</b>	<b>736</b>	<b>(426)</b>	<b>nm</b>

(\*) Adjusted for the share of financial costs within operating leases (34%)

# Sharp improvement in operating result...

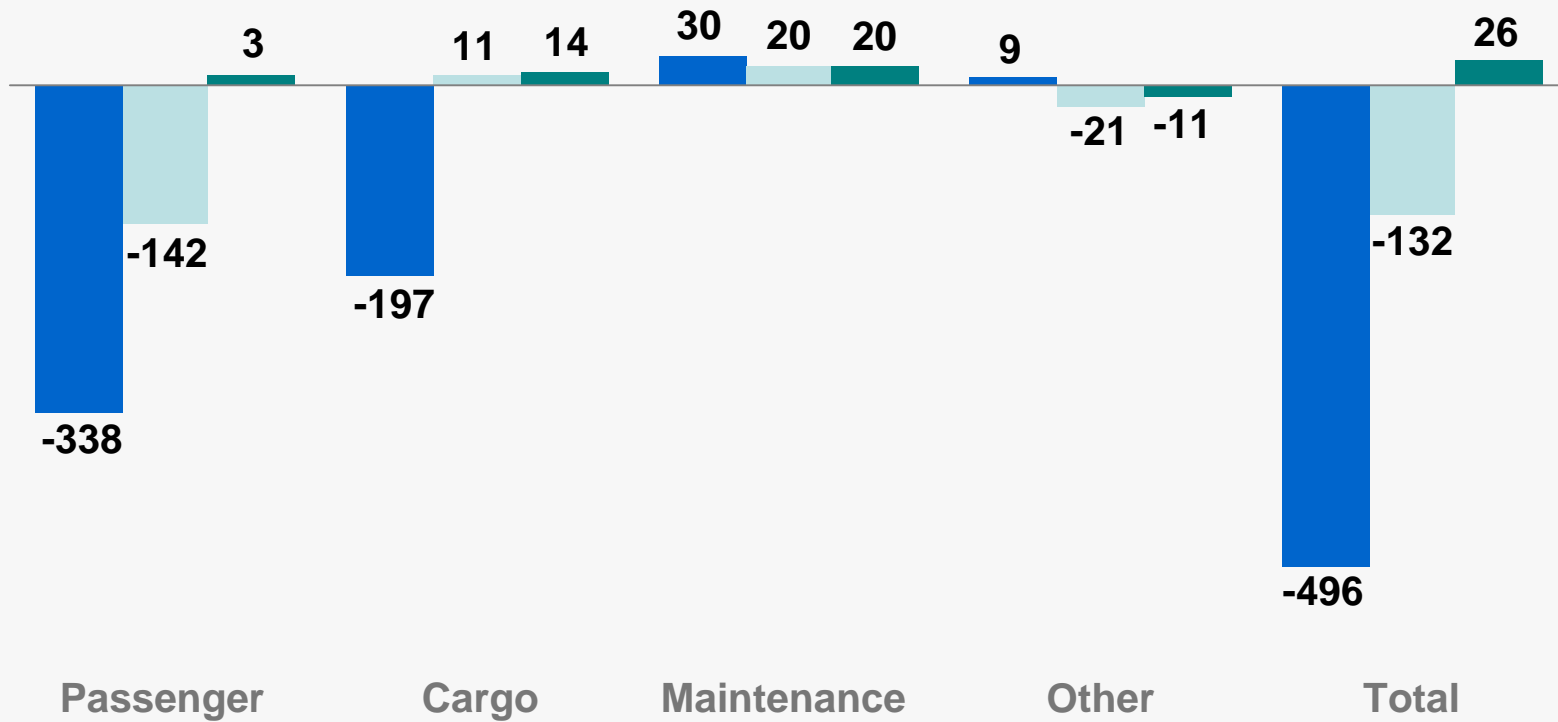
€ millions



# ...especially in passenger and cargo

€ millions

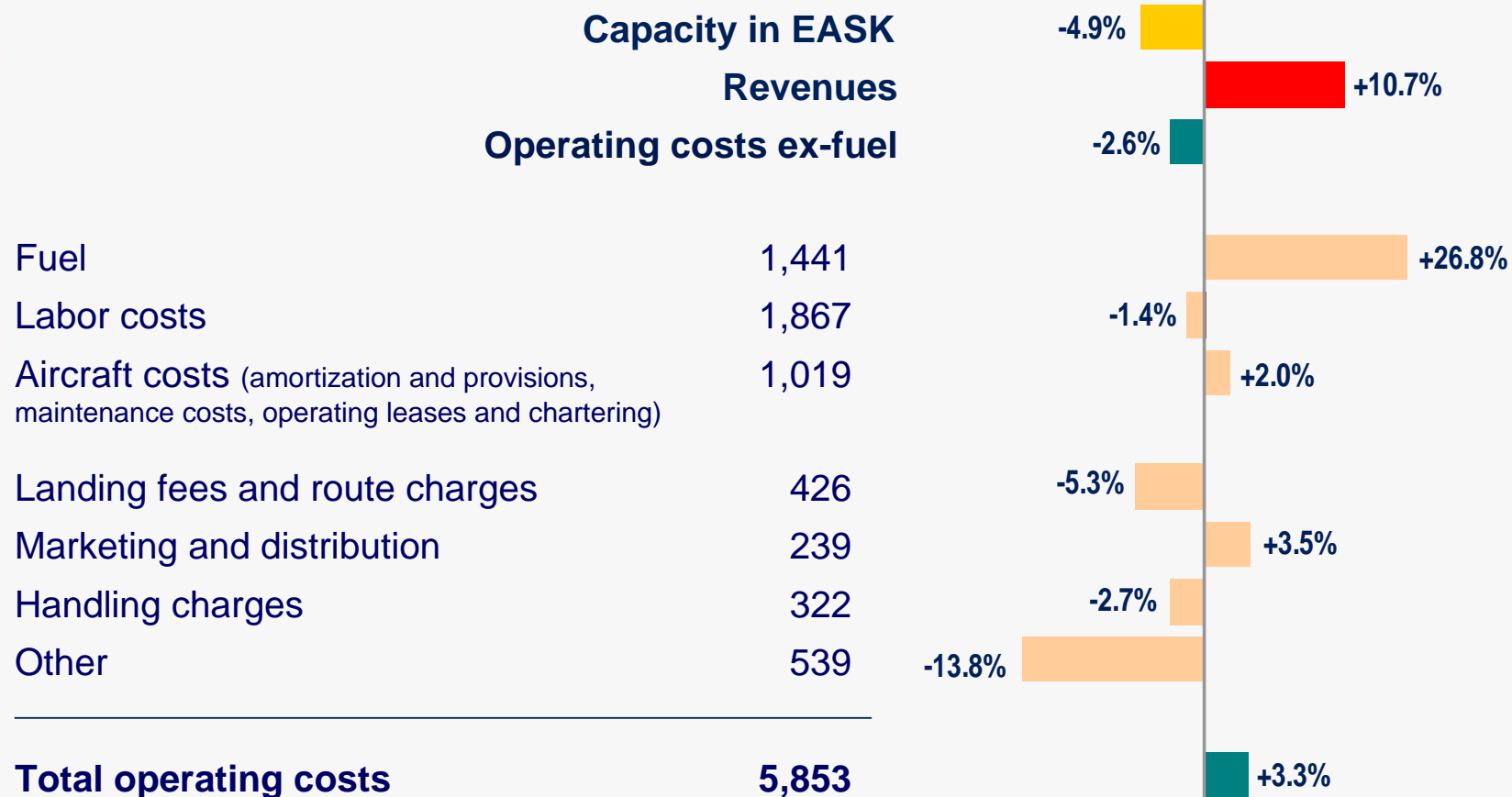
- Q1 2009-10
- Q1 2010-11
- Q1 2010-11 excl. air space closure



# Breakdown of Q1 operating costs

April-June 2010

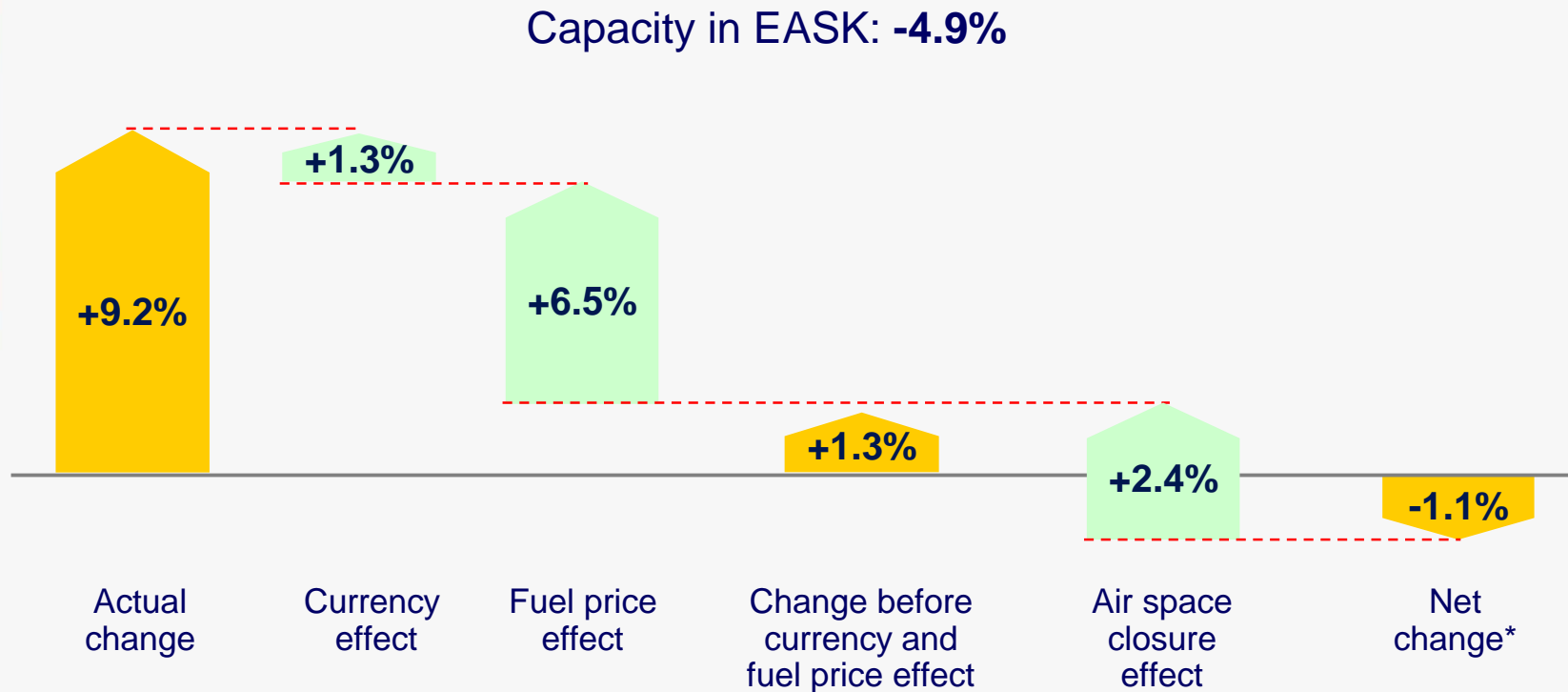
€ millions



# Unit costs under control

April-June 2010

Unit cost per EASK: €6.77 cts

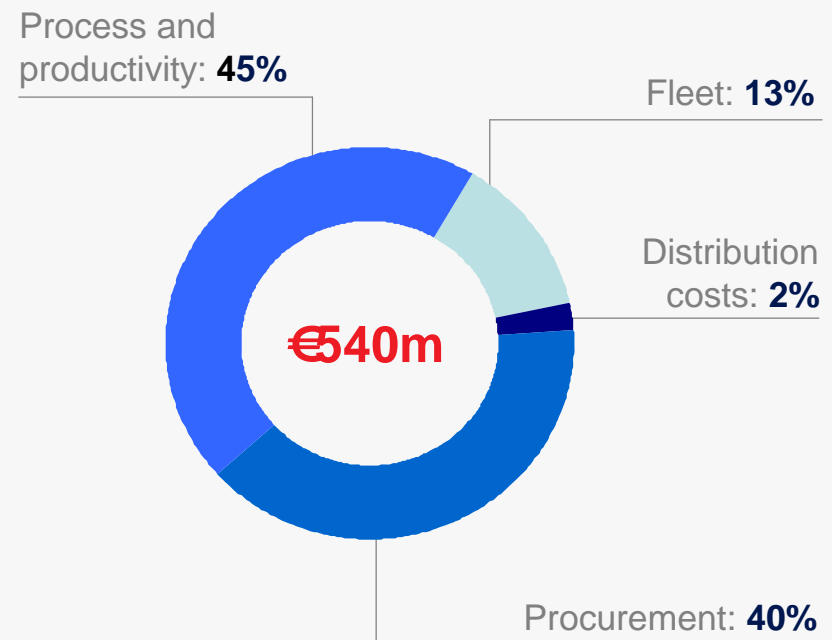


(\*) Corrected for Premium Voyageur/Economy comfort effect: -2.6%

## 'Challenge 12' savings plan: objective raised

- ✦ **€131m** in savings in the First Quarter
- ✦ Initial objective of **€10m** for FY 2010-11 raised to **€40m**
- ✦ Voluntary departure plan extended to 1,900 staff at Air France

Breakdown of savings target in FY 2010-11



# Impact of Amadeus operation

## ✦ P&L account

- ▶ Non current income: €1,030m
- ▶ Tax expense: €15m

## ✦ Shareholder's funds up €1,149m

- ▶ Capital gain as of 29 April 2010, net of taxes: €1,015m
- ▶ Revaluation of remaining shareholding (15.2%) at 30 June 2010, net of taxes: €134m

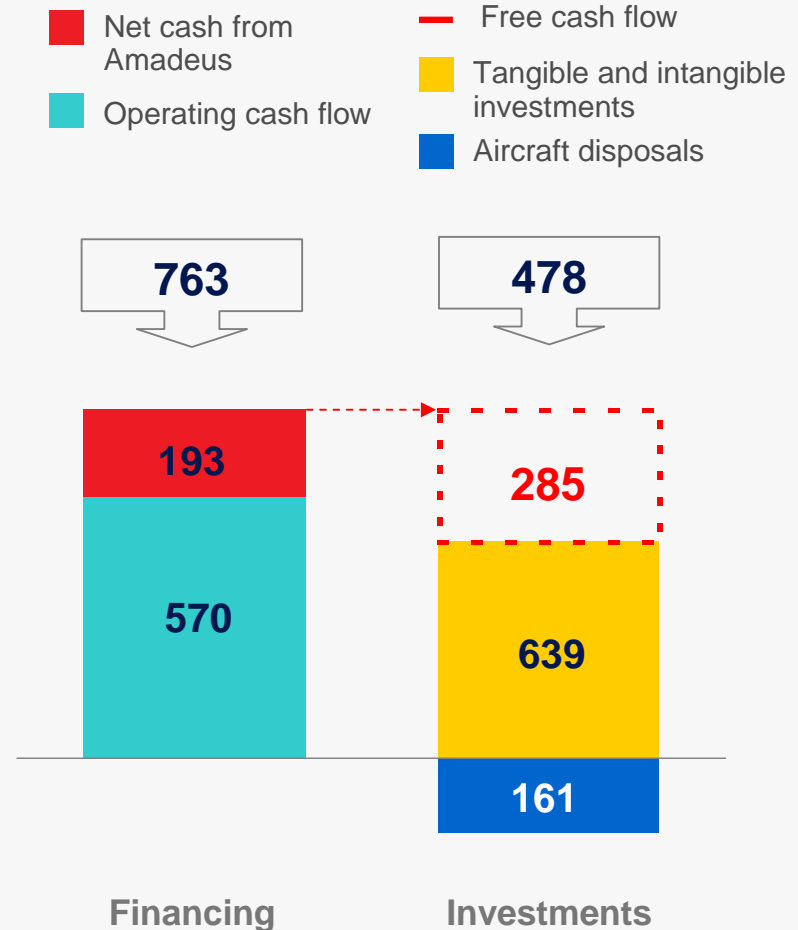
## ✦ Cash flow statement

- ▶ Net cash received: €193m

# Free cash flow of €285m

- ✦ Operating cash flow: €570m, including strong improvement in WCR: +€482m vs. -€102m in Q1 last year
- ✦ €193m in cash from Amadeus operation
- ✦ Cash of €4,680m at 30 June 2010, up €405m since 31 March 2010
- ✦ Undrawn credit lines: €1.1bn

€ million

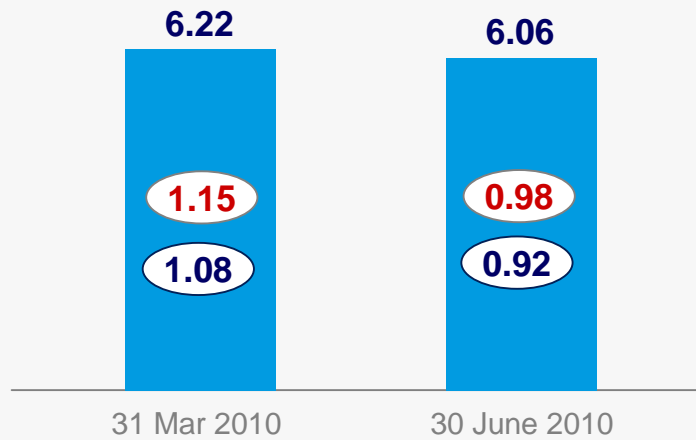




# Gearing ratio below 1

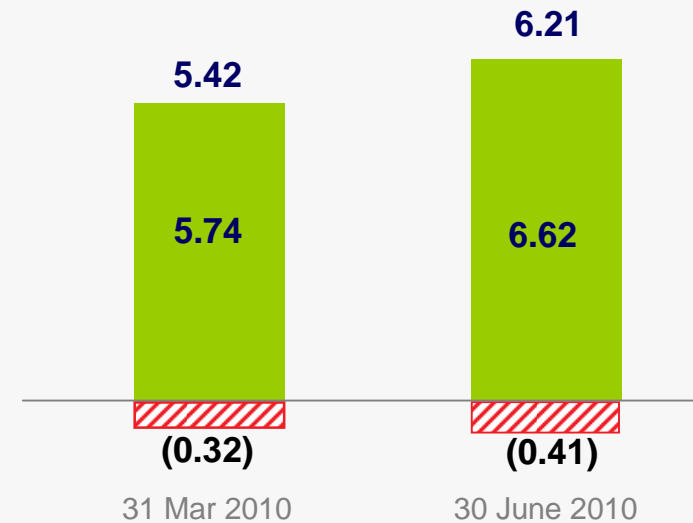
Net debt  
(€billions)

- Net debt
- X Gearing ratio
- X Gearing ratio excl. hedging instruments



Shareholders' funds  
(€billions)

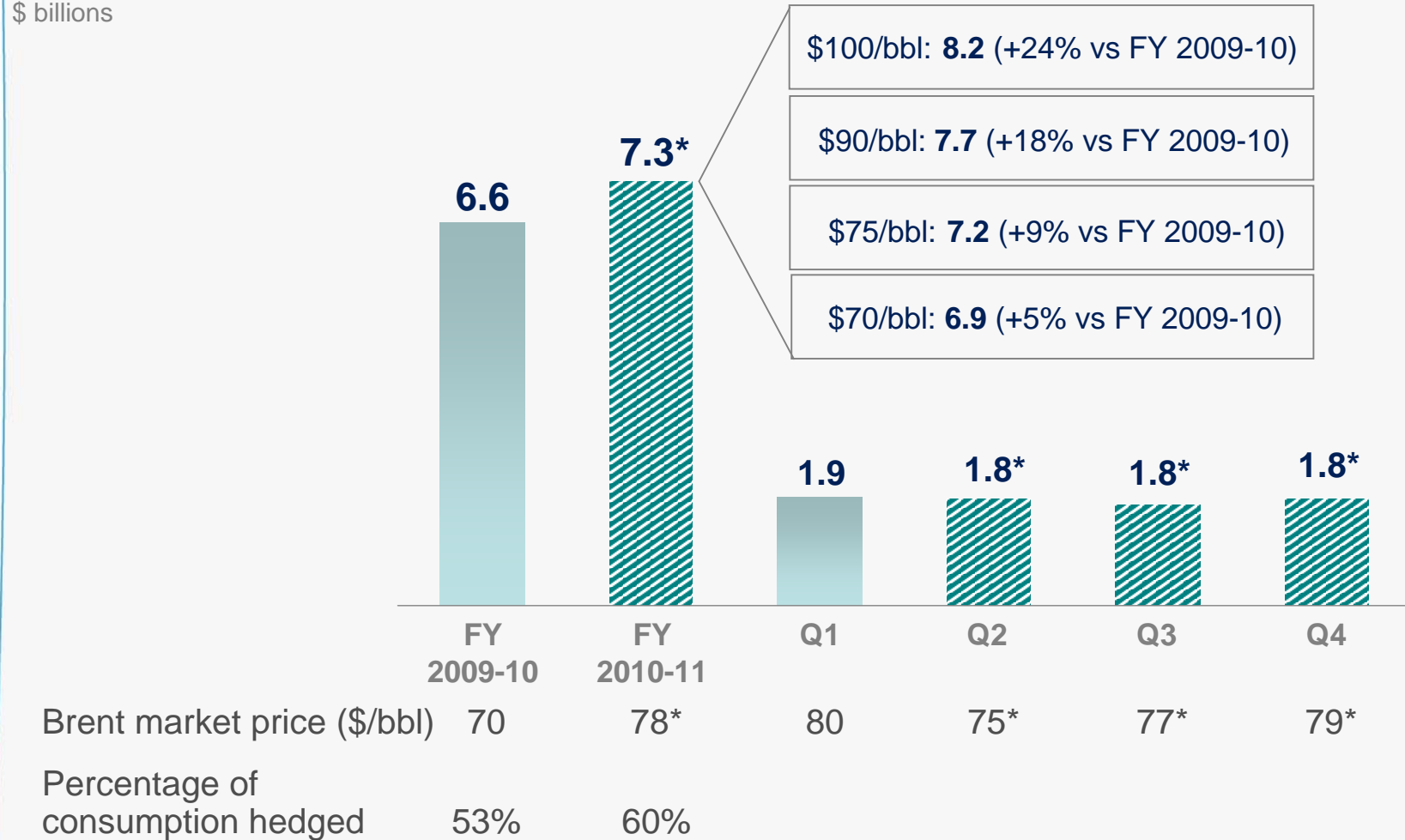
- Shareholders' funds
- Hedging instruments



# 2010-11 fuel bill likely to exceed 2009-10

Fuel bill after hedging

\$ billions



(\*) Based on 16 July 2010 forward curve

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# Outlook

Pierre-Henri Gourgeon

## Outlook for the full year

- ✦ Solid forward bookings for the second quarter
- ✦ Promising results from medium-haul transformation
- ✦ Quicker than expected turnaround in cargo



Objective of operating break-even excluding  
impact of air space closure in April

# Appendices

# Calculation of net debt

€ millions

	30 June 10	31 March 10
Current and non-current financial debt	11,213	10,932
Deposits on leased aircraft	(494)	(471)
Currency hedging instruments	22	39
<b>= Gross financial debt</b>	<b>10,741</b>	<b>10,500</b>
Cash and cash equivalents	4,092	3,751
Cash deposits of over three months	374	343
Triple A deposits	317	297
Bank current accounts	(103)	(116)
<b>= Net cash</b>	<b>4,680</b>	<b>4,275</b>
<b>Net financial debt</b>	<b>6,061</b>	<b>6,225</b>
<b>Consolidated shareholders' funds</b>	<b>6,213</b>	<b>5,418</b>
<b>Net debt / Equity</b>	<b>0.98</b>	<b>1.15</b>
<b>Net debt / Equity excl. hedging instruments</b>	<b>0.92</b>	<b>1.08</b>

# Restated net income/(loss)

€ millions

	Q1 2010-11	Q1 2009-10
Net income/(loss), Group share	736	(426)
Income taxes	(93)	(195)
<b>= Net income/(loss), Group share, before tax</b>	<b>643</b>	<b>(621)</b>
Non-recurring items*	1,010	0
Non-cash portion of the change in fair value of hedging instruments	(5)	(5)
<b>= Restated net income/(loss), before tax</b>	<b>(372)</b>	<b>(626)</b>
Income taxes	120	195
<b>Restated net income/(loss)</b>	<b>(252)</b>	<b>(431)</b>

(\*) Non-recurring items: income and expenses accounted for between income from current operations and income from operating activities