

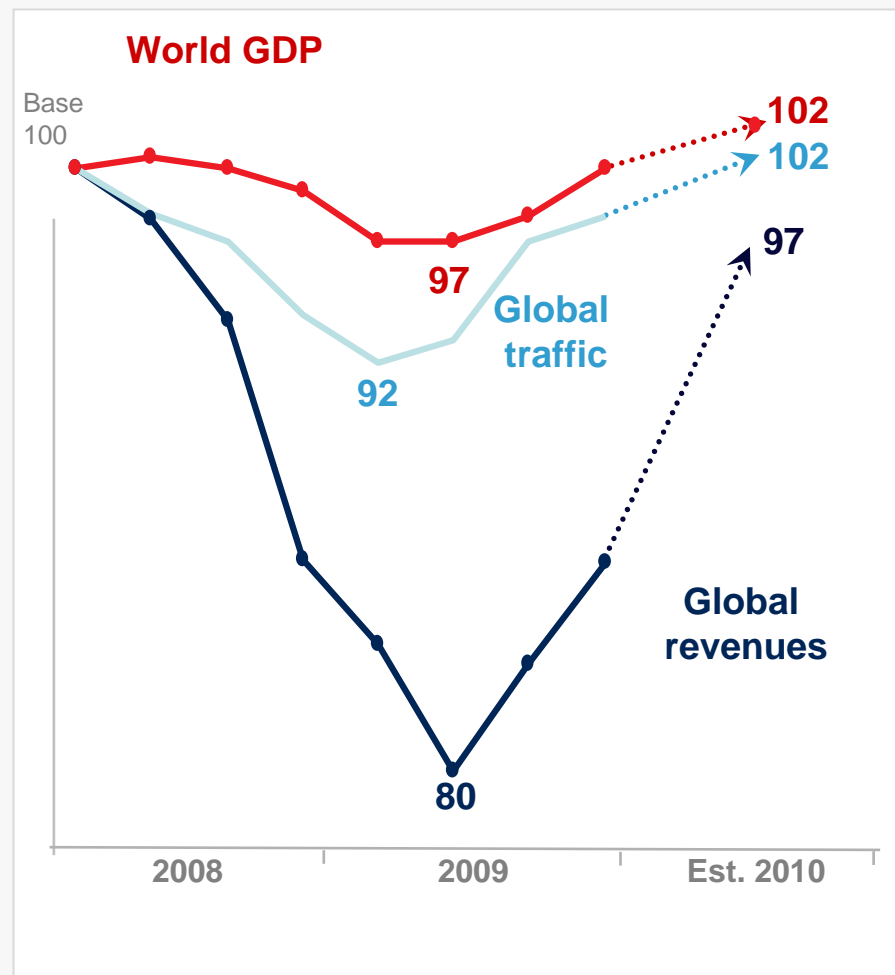
# UBS Transport Conference 2010

Pierre-Henri Gourgeon

CEO, Air France-KLM

# A cyclical but growing sector

- ✦ Declining demand for air transport due to drop in global GDP...
- ✦ ...accentuated by restrictive travel policies implemented by the corporate sector...
- ✦ ...but air traffic has always recovered and exceeded previous growth rates, especially in long-haul



Sources: FMI, IATA. 2010 forecasts: Global Insight, IATA

# Air France-KLM strategy

- ✦ Return to profitability
- ✦ Reinforce our leadership

# Q1 results show solid recovery

|   | First Quarter<br>2010-11 | First Quarter<br>2009-10 |
|---|--------------------------|--------------------------|
| ✦ Revenues                                    | €5.7bn                   | €5.2bn                   |
| ✦ EBITDAR                                     | €484m                    | €112m                    |
| ✦ Operating result                            | -€132m                   | -€496m                   |
| excluding impact of air space closure (€158m) | €26m                     | -€496m                   |
| ✦ Net result (including Amadeus)              | €736m                    | -€426m                   |

# Air France-KLM responds to evolving customer expectations

## ✦ Adaptation of long-haul product

- ▶ 'Premium Voyageur' at Air France
- ▶ and 'Economy Comfort' at KLM
- ▶ Schedule rationalization with A380



## ✦ New medium-haul offer launched in April 2010

- ▶ Overhaul of medium haul offer :
  - ▶ Product
  - ▶ Fares
- ▶ Network adaptation, with reduced frequencies
- ▶ New e-services
- ▶ New seats on domestic flights, lighter and more comfortable
- ▶ Cost-savings and enhanced productivity

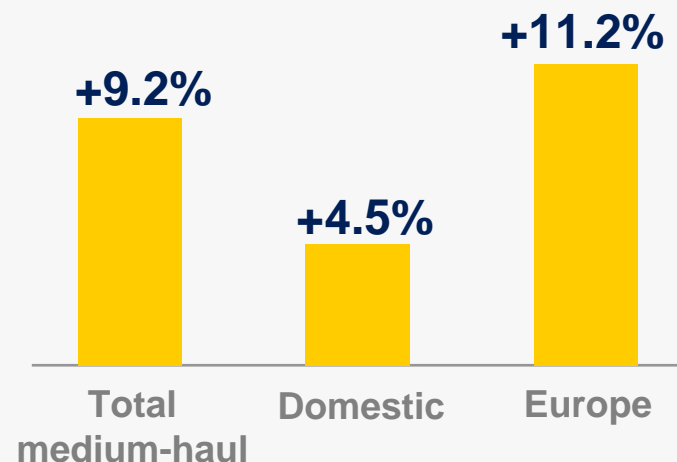


# New medium-haul offer shows promising results

Q1 2010-11

- ★ Positive customer feedback on product changes:
  - ▶ 'Premium eco' for business travelers
  - ▶ New seats on domestic routes
- ★ Increasing RASK, especially on routes offering 'Premium eco' service
- ★ Schedule adaptation and cost reduction on track

Change in unit revenue per ASK\*



(\*) Excluding currency

# Benefits of cargo restructuring...

## ✦ Restructuring actions

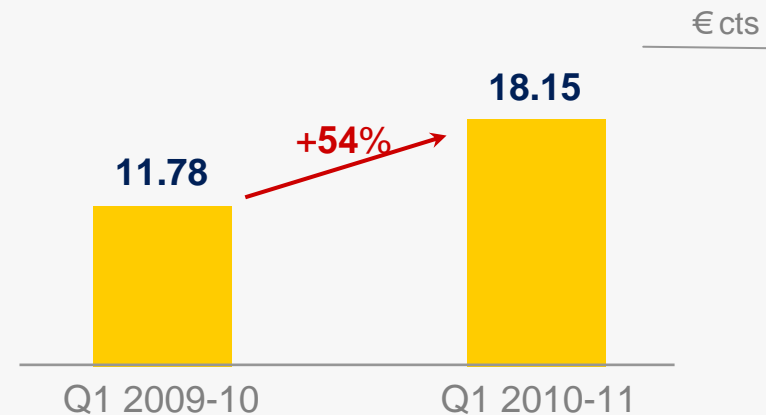
- ▶ Integration of Martinair
- ▶ Capacity reduction, mainly via full freighters
  - ▶ From 25 to 14 full freighters in 18 months
- ▶ Priority to belly
  - ▶ Unit cost for bellies 30% less than for full freighters
- ▶ Full freighter network rationalized and specialized to reduce overlap in destinations served by all three carriers
- ▶ Cost reduction

## ✦ Losses to be reduced by two thirds in 2010-11

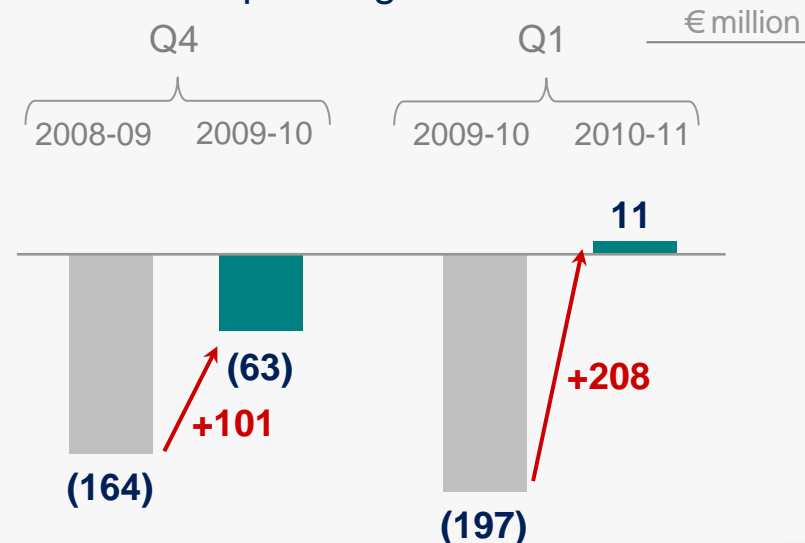
# ...lead to significant improvement in operating result

- ✦ Strong rise in unit revenues
- ✦ Unit costs rise in line with jet fuel price
- ✦ Significant improvement in operating result => return to profitability

Unit revenue per ATK



Operating result

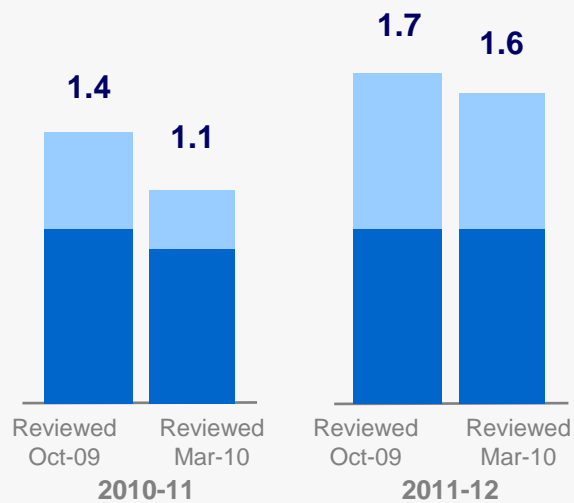




# Investment program and costs reduced

## Investments reduced

- 400 million euros over the next 2 years



- Fleet: investments net of disposals
- Other investments

## Cost savings plan

### 'Challenge 12'

Breakdown of savings target in FY 2010-11

Process and productivity: 45%

Fleet: 13%

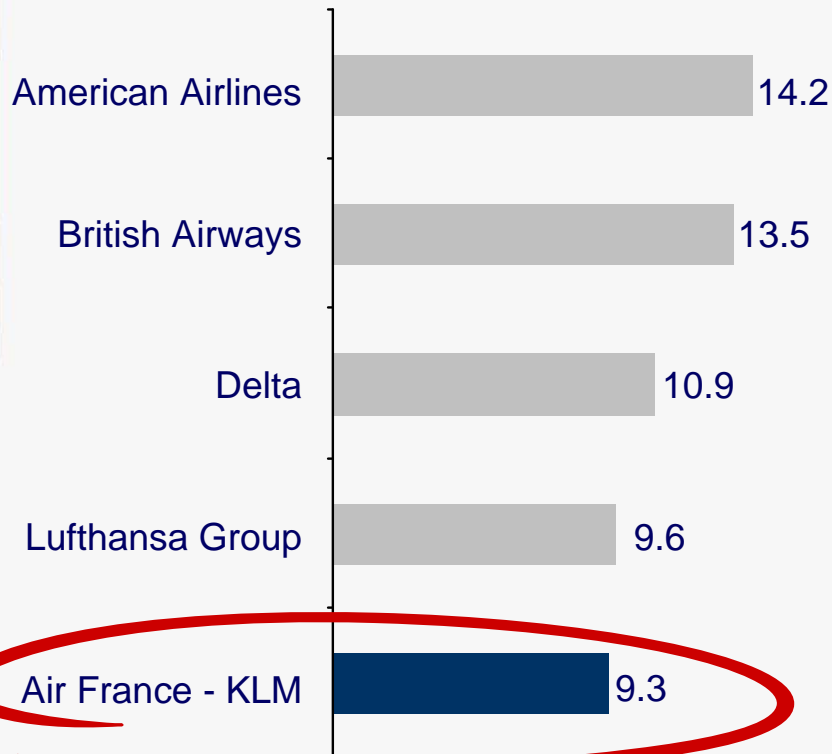
Distribution costs: 2%

€540m

Procurement: 40%

# One of the youngest fleets in the industry

## Average long-haul fleet age<sup>1</sup>



## Air France – KLM fleet<sup>2</sup>

- ✦ 163 long-haul aircraft in service including:
  - ▶ 4 x A380 (8 on order)
  - ▶ 43 x A330/340
  - ▶ 74 x B777
- ✦ Total fleet : 598 aircraft in service

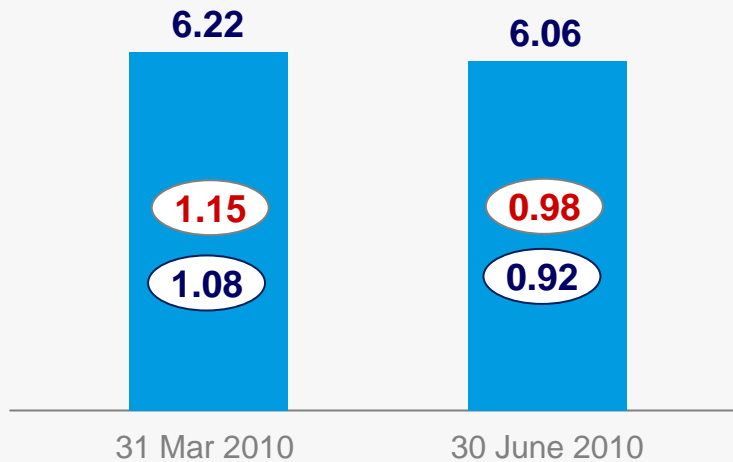
<sup>1</sup> in years. Source : Ascend On line, as of June 30 2010

<sup>2</sup> as of August 31 2010

# A solid financial position

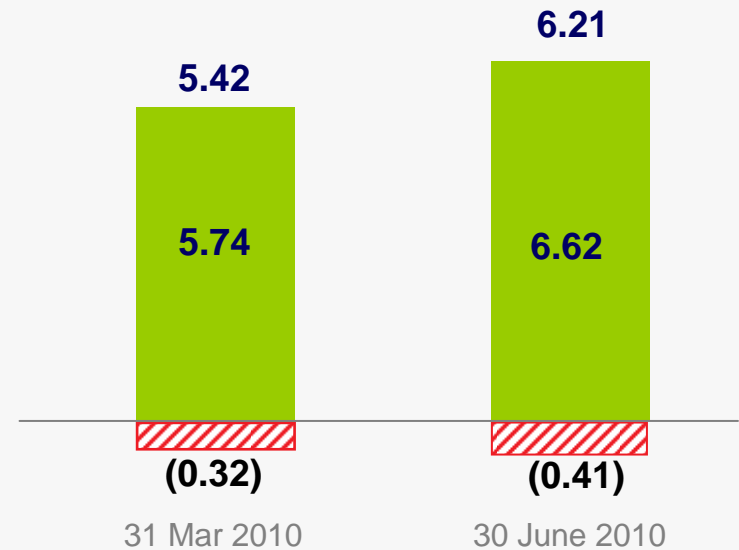
Net debt  
(€billions)

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



Shareholders' funds  
(€billions)

- Shareholders' funds
- / Hedging instruments



- Cash of €4.680m at June 30 2010, up €405m since March 31
- Undrawn credit lines : €1.1 bn

# Outlook for the full year 2010-11

- ✦ 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

# Air France-KLM strategy

- ✦ Return to profitability
- ✦ Reinforce our leadership

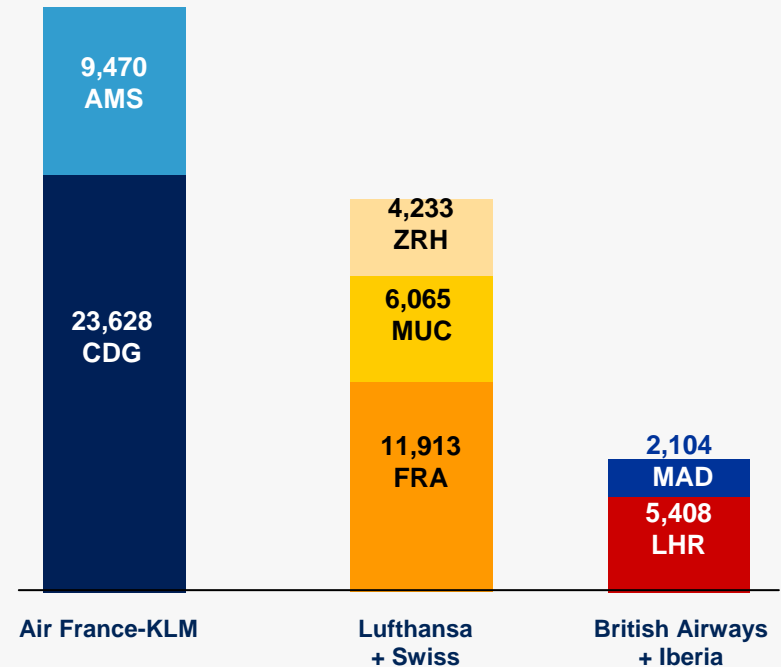
# The strongest long-haul network to and from Europe

## Powerful combination of two global networks

Air France KLM : 111 long-haul destinations  
62% out of a total of 180 destinations from Europe



## Most efficient hub system

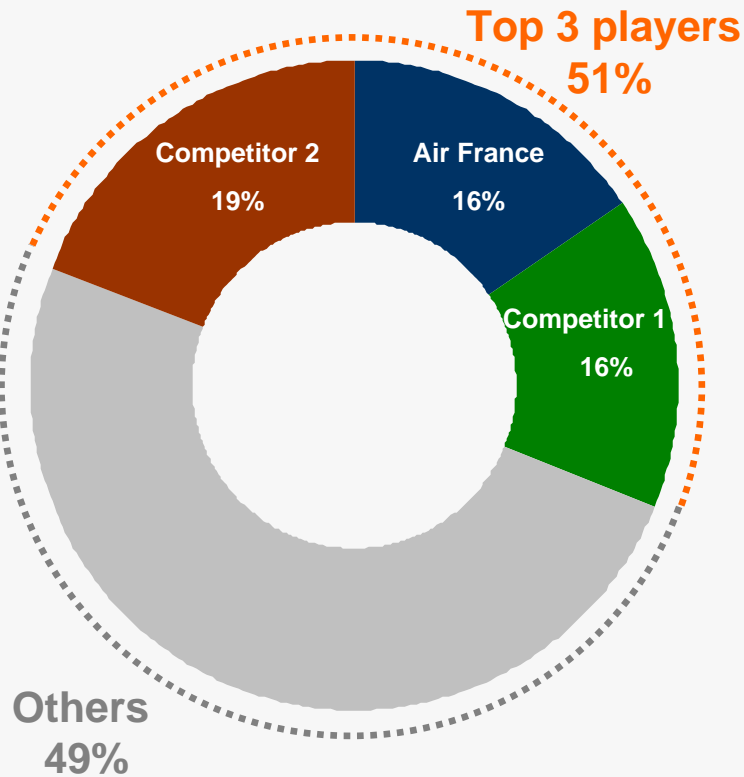


Weekly medium & long haul connections within 2hours  
(Summer10)

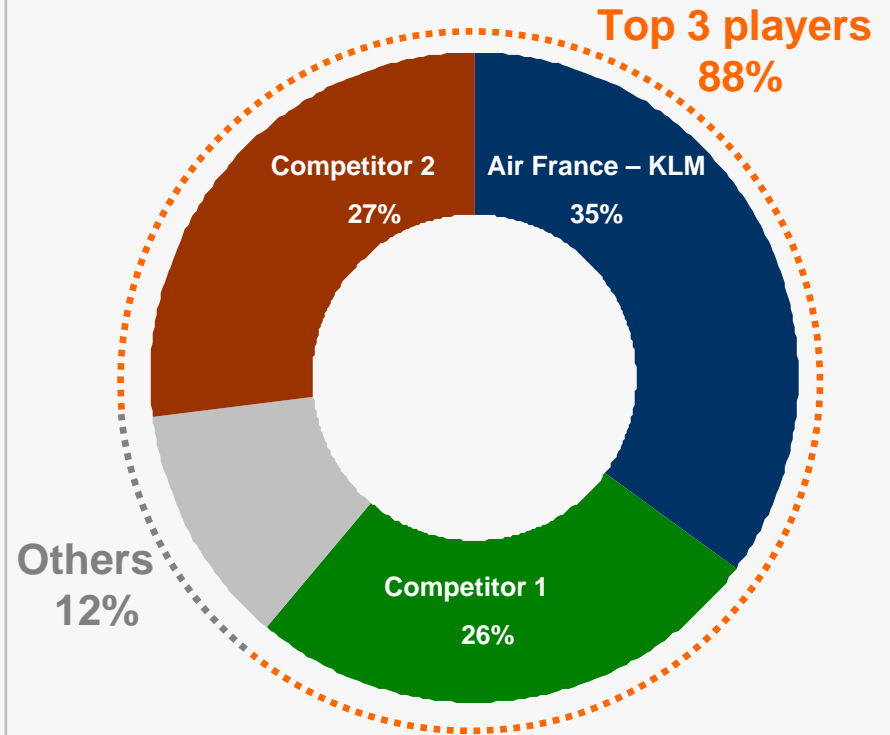
# With a leading position in a consolidating industry...

## Long-haul traffic in RPK within the AEA

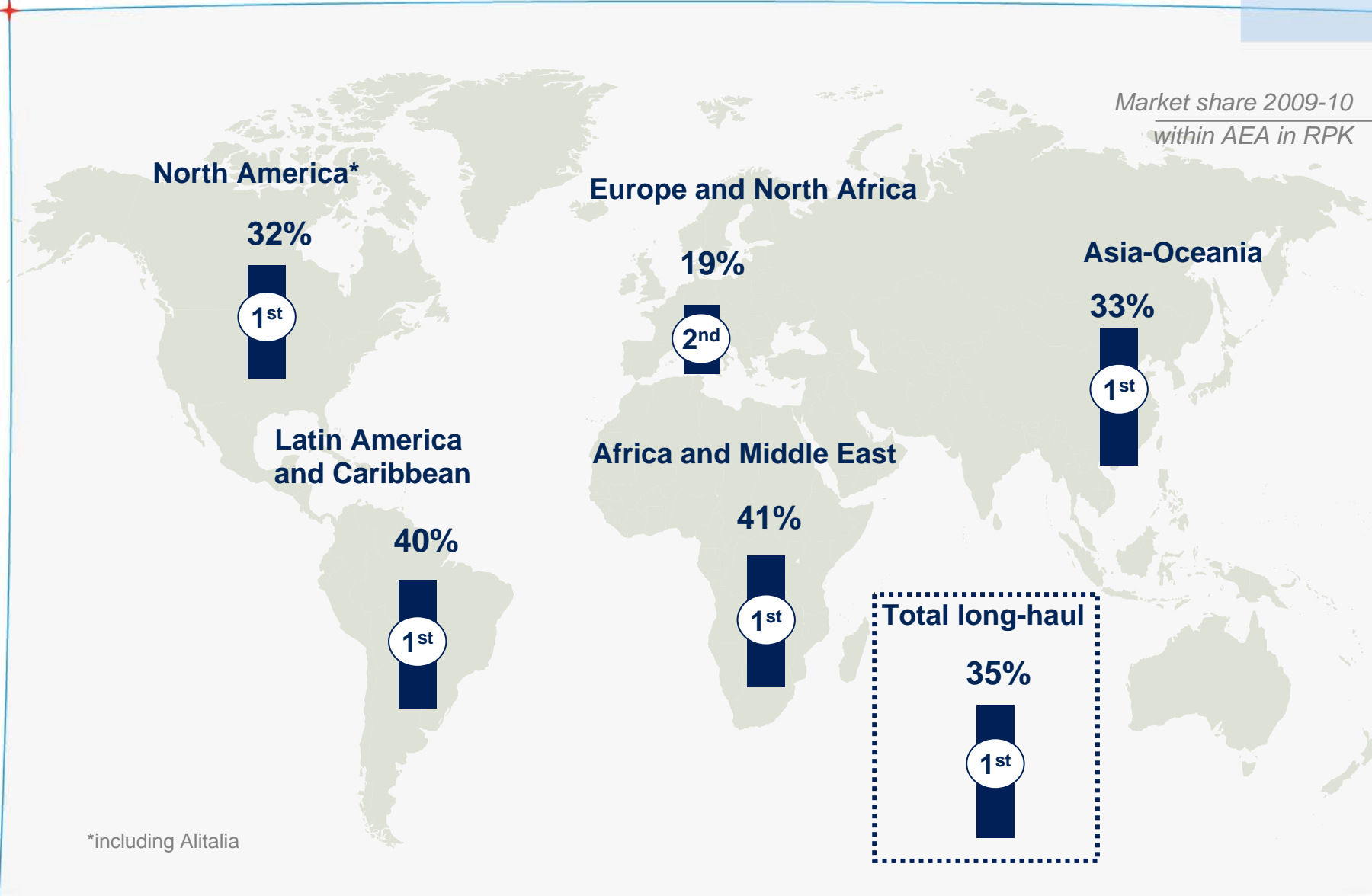
2000



2009



# ...Air France-KLM is No.1 on long-haul markets...





# ...supported by our JV on the North Atlantic...



- + 50-50 share of revenues and costs
- + Co-ordinated capacity management
- + Integrated Revenue Management
- + Integrated Marketing teams
- + Common contracts with 4,000 companies and 1,400 travel agents

## Scope of the *joint venture*



€150m contribution in three years  
€50m in 2009-10

- ▶ Alitalia joined on July 5th
- ▶ 250 daily flights
- ▶ 8 main hubs

## ...and by the development of SkyTeam in Asia

- ✦ China Southern, #1 Chinese domestic carrier
  - ▶ Based in Guangzhou
  - ▶ 96 domestic destinations
- ✦ China Eastern in 2011
  - ▶ Based in Shanghai
  - ▶ 25 additional destinations in China
- ✦ Vietnam Airlines since June 2010
  - ▶ #1 carrier in South East Asia
  - ▶ 20 domestic destinations

### SkyTeam: the number one Alliance in China



# Developing strategic partnership agreements



## To sum up

- ✦ Air France-KLM took appropriate and immediate measures to face the 2009 economic crisis
  - ▶ Strong recovery in Q1 2010
- ✦ The airline industry will keep consolidating
- ✦ The future of airline companies is founded on alliances and joint venture agreements