



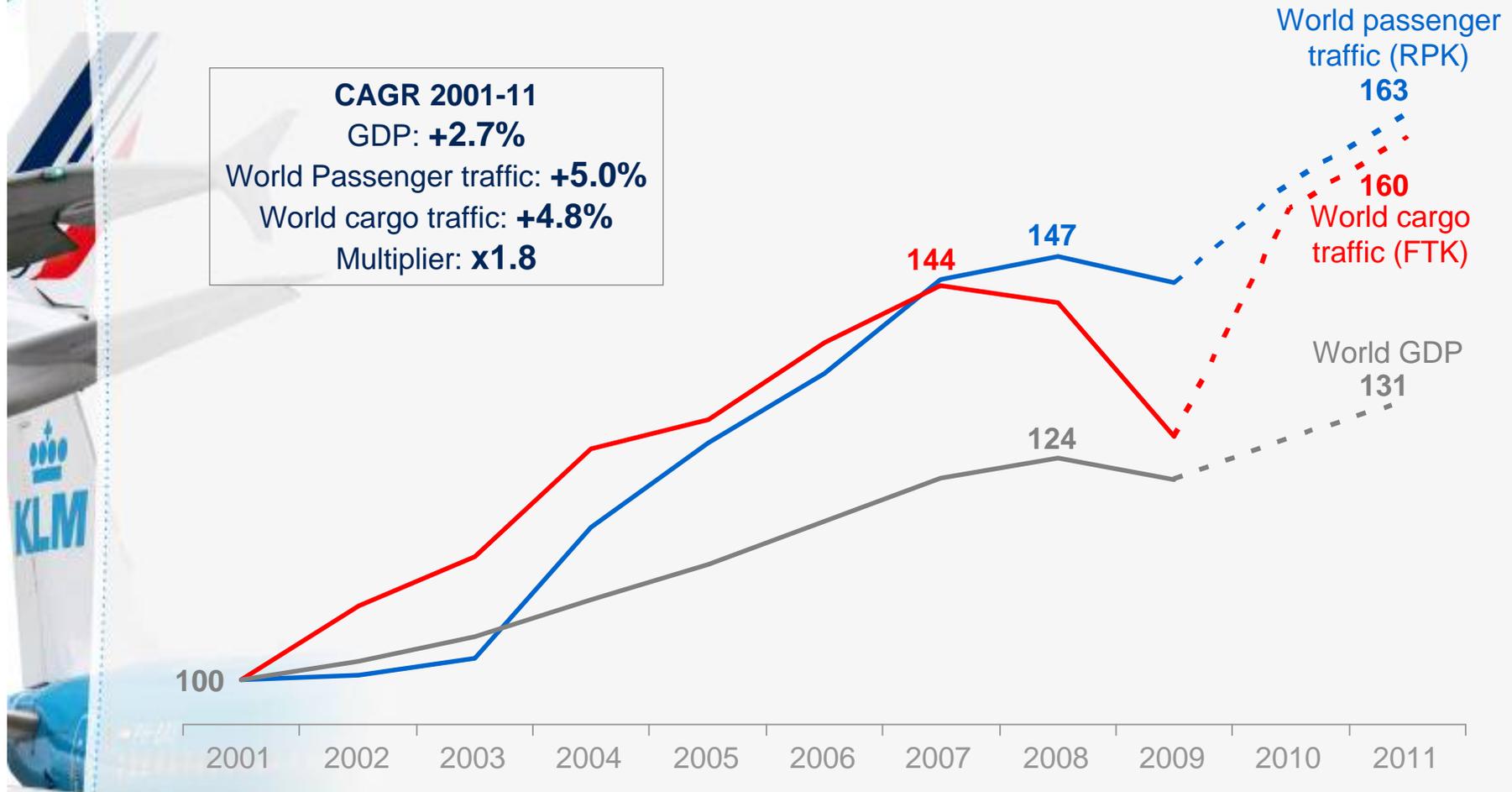
AIRFRANCE **KLM**

Information meeting

Cheuvreux Conference
September 2010

Philippe Calavia
CFO, Air France-KLM

Air transportation: a growth industry



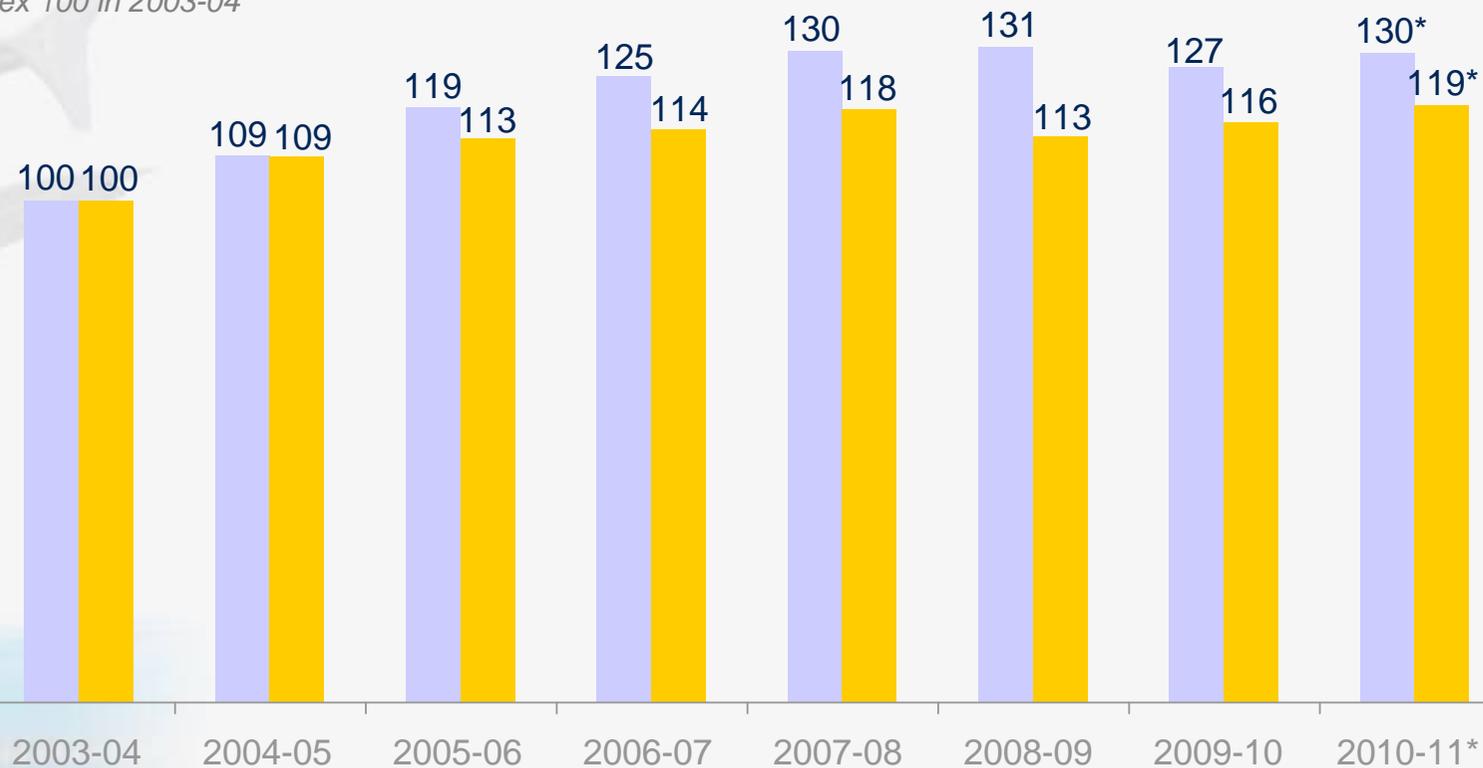
Sources: ICAO, Global Insight. Forecasts: IATA, Global Insight

Air France-KLM: strong growth in traffic

■ Group passenger traffic (RPK)

■ Group cargo traffic (RTK)

Index 100 in 2003-04



(*) Trend of first 5 months excluding April (European airspace closure)

Our strategy

- ✦ Return to profitability
- ✦ Reinforce our leadership

2009-10: strong response to a difficult environment

- ✦ Crisis triggers a sharp decline in business traffic and cargo
 - ▶ Revenues down 15% to 20.99 billion euros
- ✦ Operating result penalized by fuel hedges
 - ▶ Underlying loss: 648 million euros
 - ▶ Operating loss: 1.28 billion euros
- ✦ Strong response in terms of cost control...
 - ▶ Costs reduced by 1.2 billion euros
- ✦ ...accompanied by strategic measures
 - ▶ Medium-haul transformation
 - ▶ Cargo restructuring

Q1 results reflect the economic recovery and the first fruits of our strategic actions

	Q1 2010-11	Q1 2009-10
+ Sales	€5.7bn	€5.2bn
+ EBITDAR	€484m	€112m
+ Operating result excluding impact of air space closure (€158m)	- €132m €26 m	- €496m - €496m
+ Income/(loss) from operating activities (including Amadeus))	€736m	- €426m
+ Operating cash flow	€570m	- €373m
+ Free cash flow	€285m	- €515m

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 both in terms of product and fares
 - ▶ Network adaptation, with reduced frequencies
 - ▶ New e-services
 - ▶ New seats on domestic flights, lighter and more comfortable
 - ▶ Cost-savings and enhanced productivity



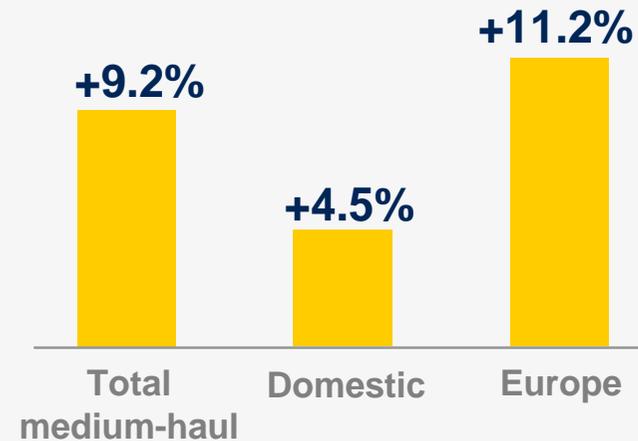
New medium-haul offer shows promising results

- + 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

EBIT improvement of €500m
by 2011-12 of which
€350m in 2010-11

Q1 2010-11

Change in unit revenue per ASK*



(*) Excluding currency

Benefits of cargo restructuring...

- ✦ Integration of Martinair
- ✦ Capacity reduction, mainly via full freighters
 - ▶ From 25 to 14 full freighters in 18 months
 - ▶ Rationalization of the network and specialization by carrier
- ✦ Priority on bellies
 - ▶ Unit cost for bellies 30% less than for full freighters
- ✦ Cost reductions



...starting to feed through

- + Increase in traffic while capacities decrease: load factor up 6.4 points
- + Focus on bellies: load factor up 7.0 points
- + Sharp rise in unit revenues: +50% excl. currency

Operating loss reduced by at least two thirds from €436m in 2009-10

In €m



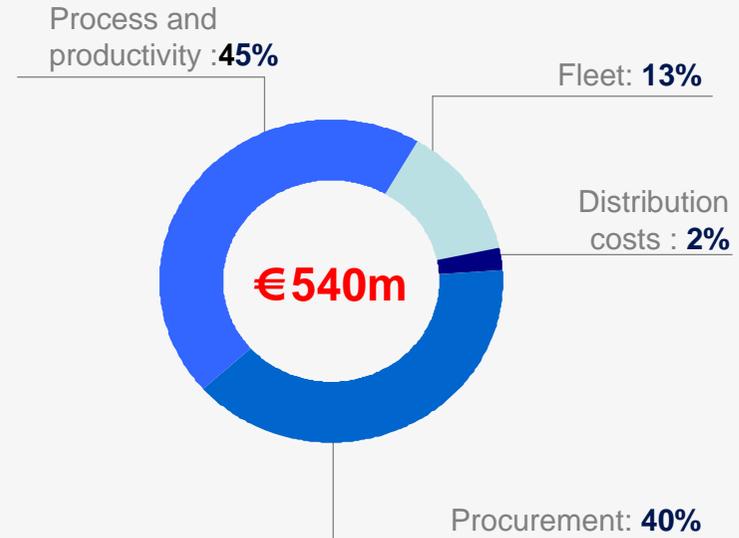
Ongoing cost reduction programme

In €m



- Cumulative savings from previous years
- Initial plan for the year
- Revised plan

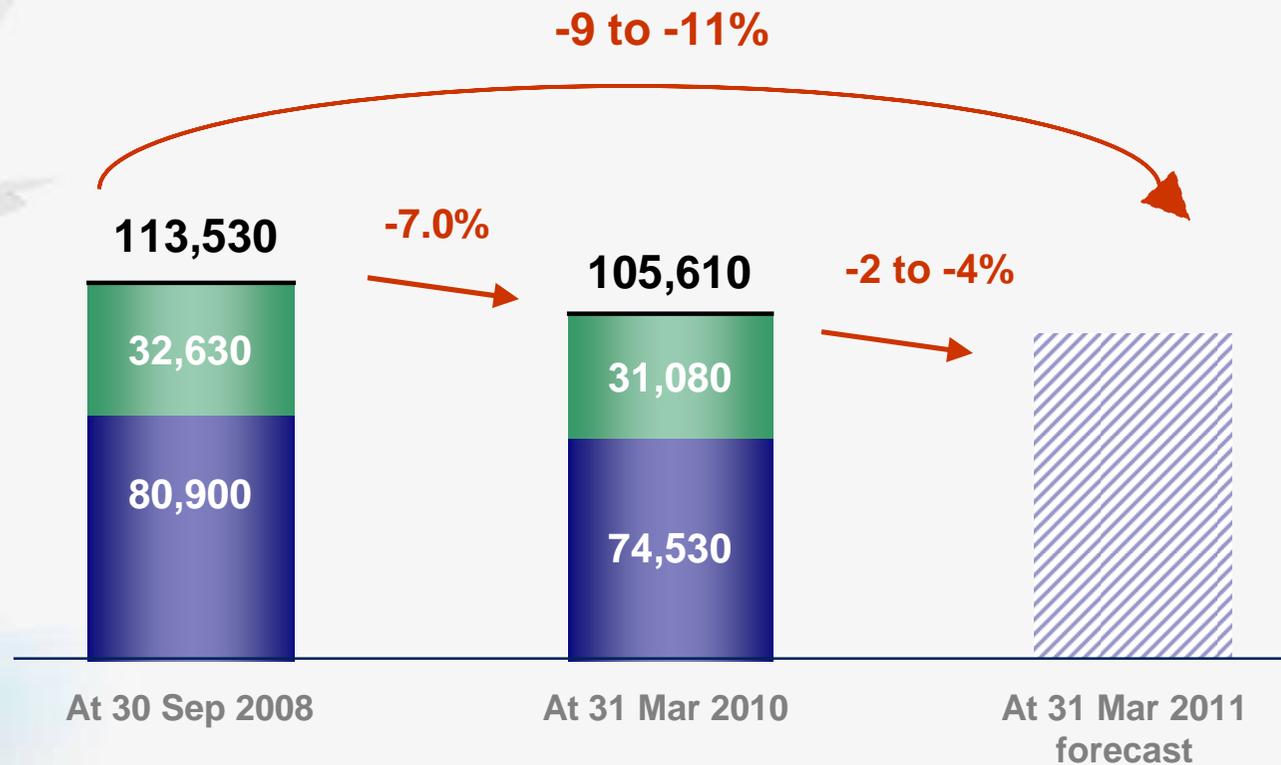
Breakdown of savings FY 2010-11



Significant reduction in headcount since onset of the crisis

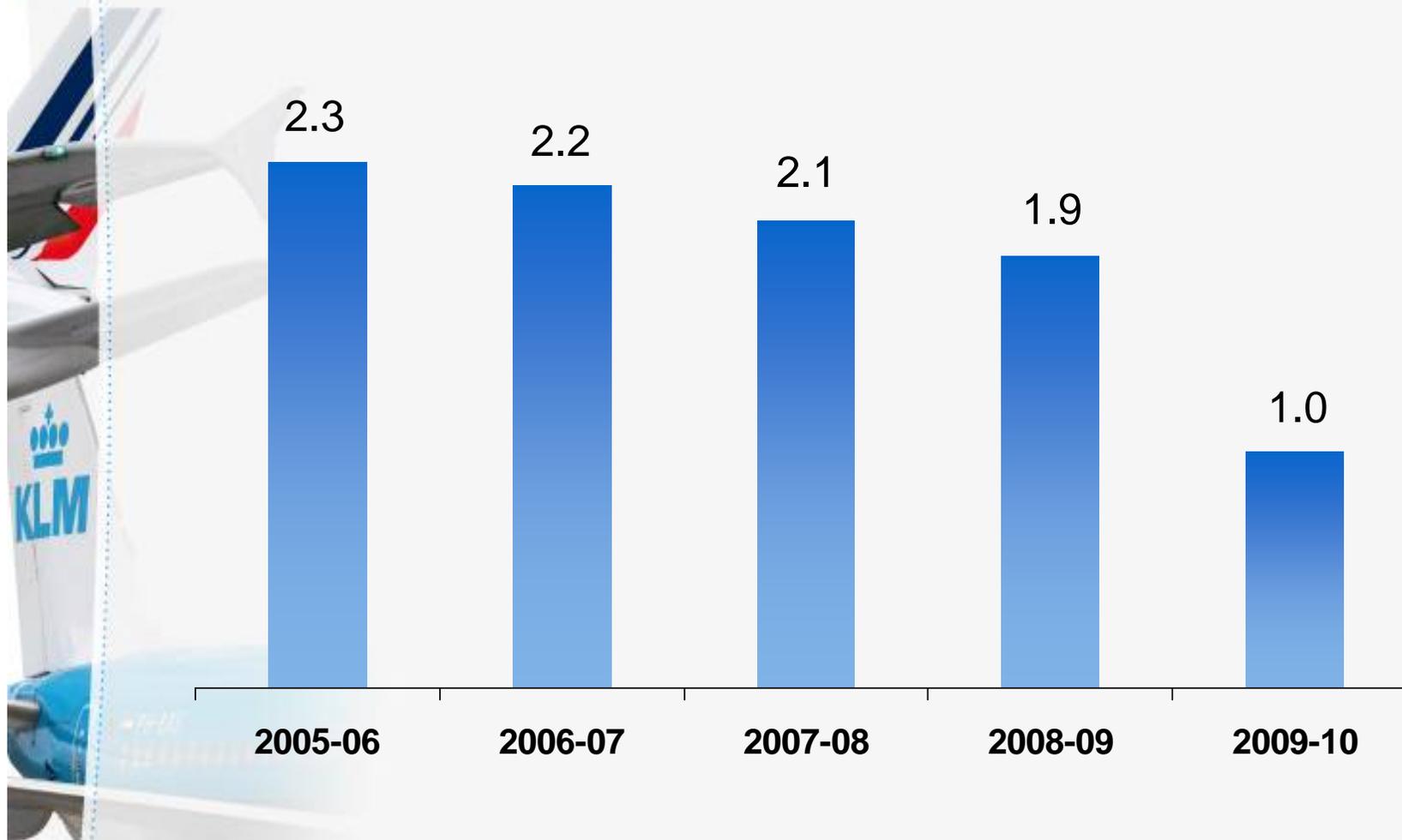
Equivalent full time employees (end of month)

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



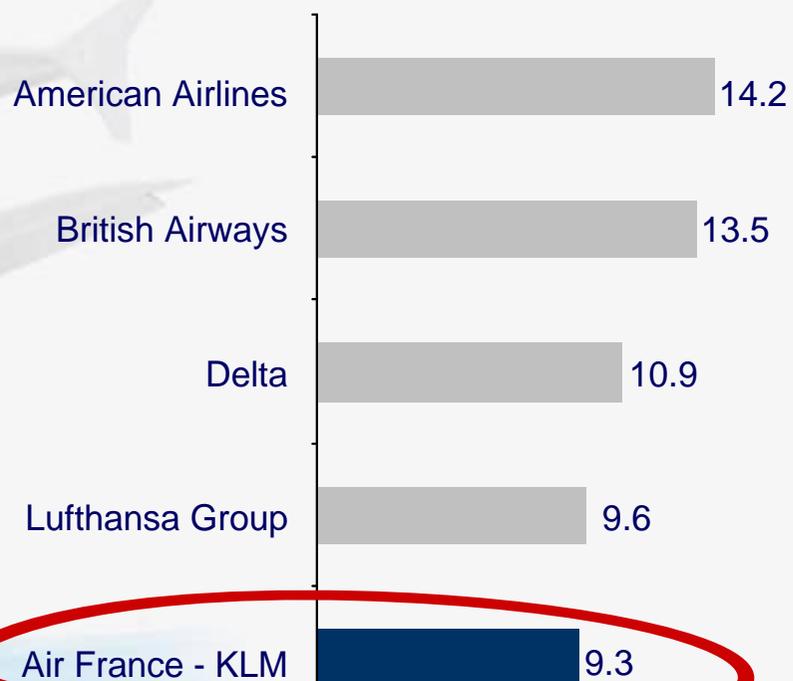
Investment plan adjusted...

In €bn



...thanks to one of the youngest fleets in the industry

Average long-haul fleet age*



Air France–KLM fleet

✦ 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

(*) In years. Source: Ascend, as of June 30 2010

Solid financial structure

Net debt
(€billions)

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



Shareholders' funds
(€billions)

- Shareholders' funds
- / Hedging instruments



Favorable cash position

- + Cash equal to 20% of annual revenues
 - ▶ €4.8bn at June 30, 2010
- + Available credit facility: €1.1bn
- + A recognized signature
 - ▶ Issuance of €1.4bn of non-rated bonds in 2009

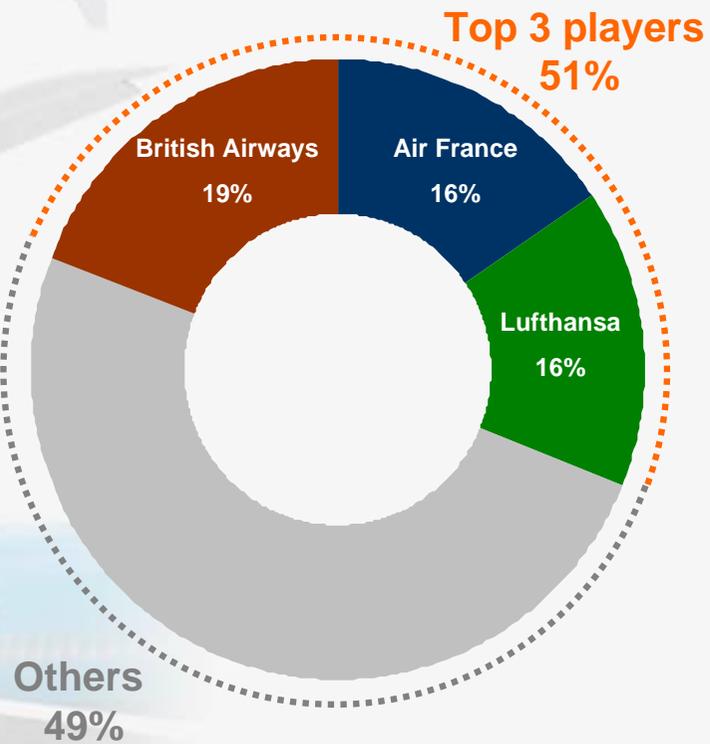
Our strategy

- + Return to profitability
- + Reinforce our leadership

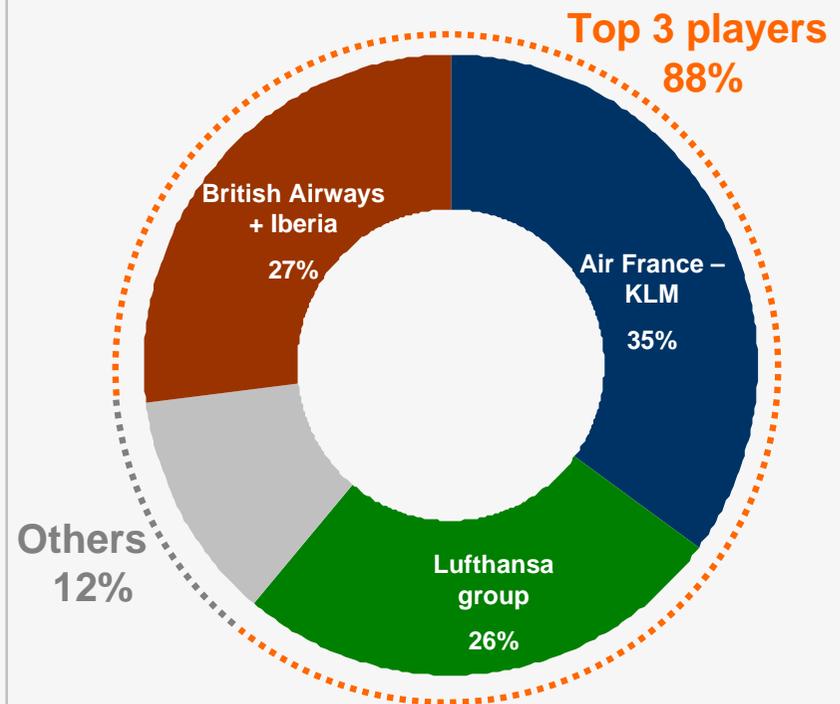
Air France-KLM: a leading position in a consolidating industry

Long-haul traffic in RPK within the AEA

2000

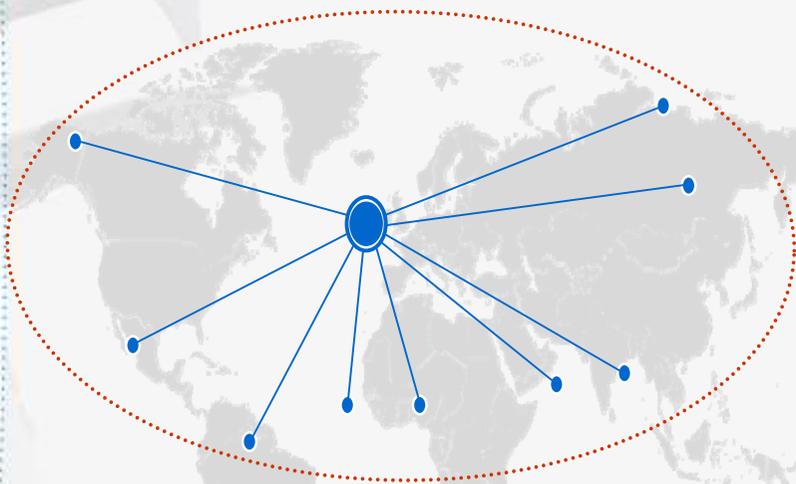


2009



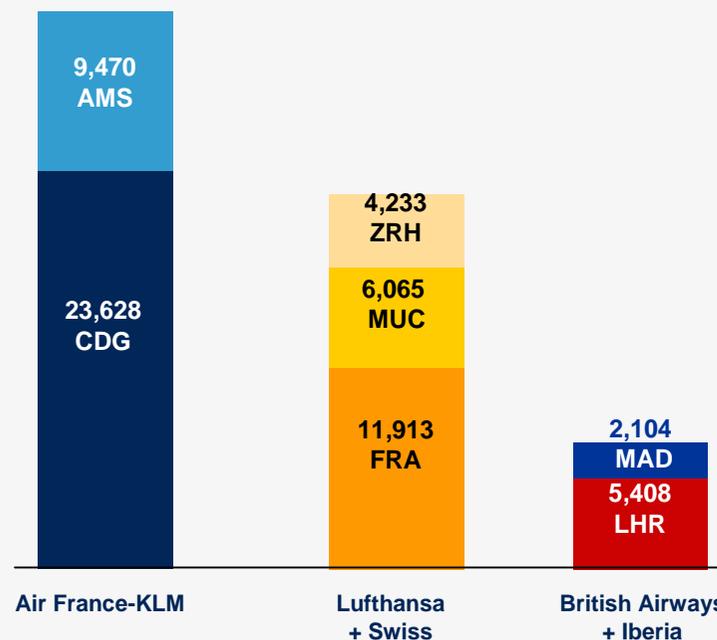
The strongest long-haul network to and from Europe...

A wide and balanced network



111 long-haul destinations
of which 30 not served by Lufthansa nor BA-Iberia

From two key hubs

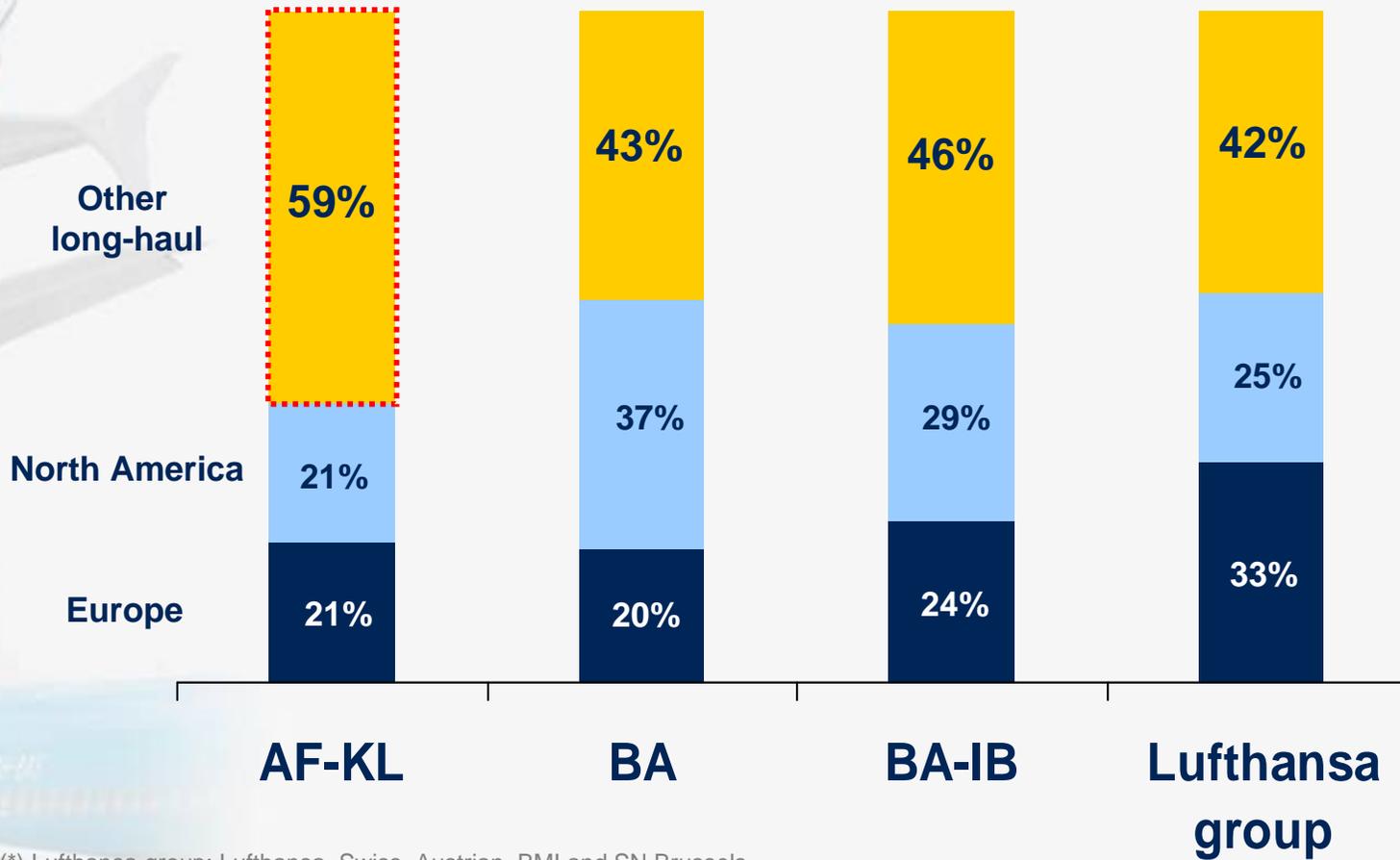


Weekly medium to long-haul connections
within 2 hours (Summer 2010)

...with the broadest exposure to long-haul emerging markets

2009 civil year capacity

ASK



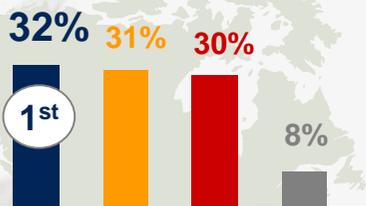
(*) Lufthansa group: Lufthansa, Swiss, Austrian, BMI and SN Brussels

Source: AEA

Air France-KLM: No.1 on long-haul markets...

FY 2009-10 market share
within AEA in RPK

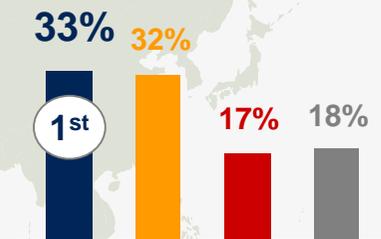
North America*



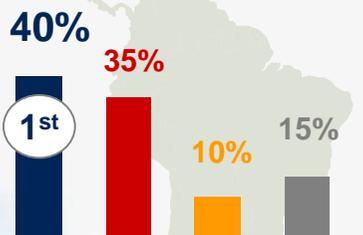
Europe and North Africa



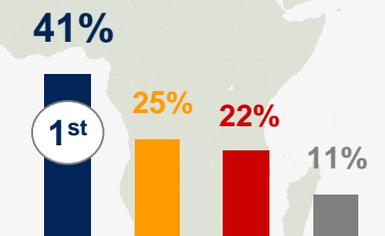
Asia-Oceania



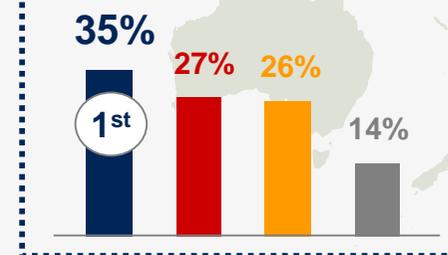
Latin America and Caribbean



Africa and Middle East



Total long-haul



Air France-KLM
*including Alitalia

Lufthansa Group

British Airways + Iberia

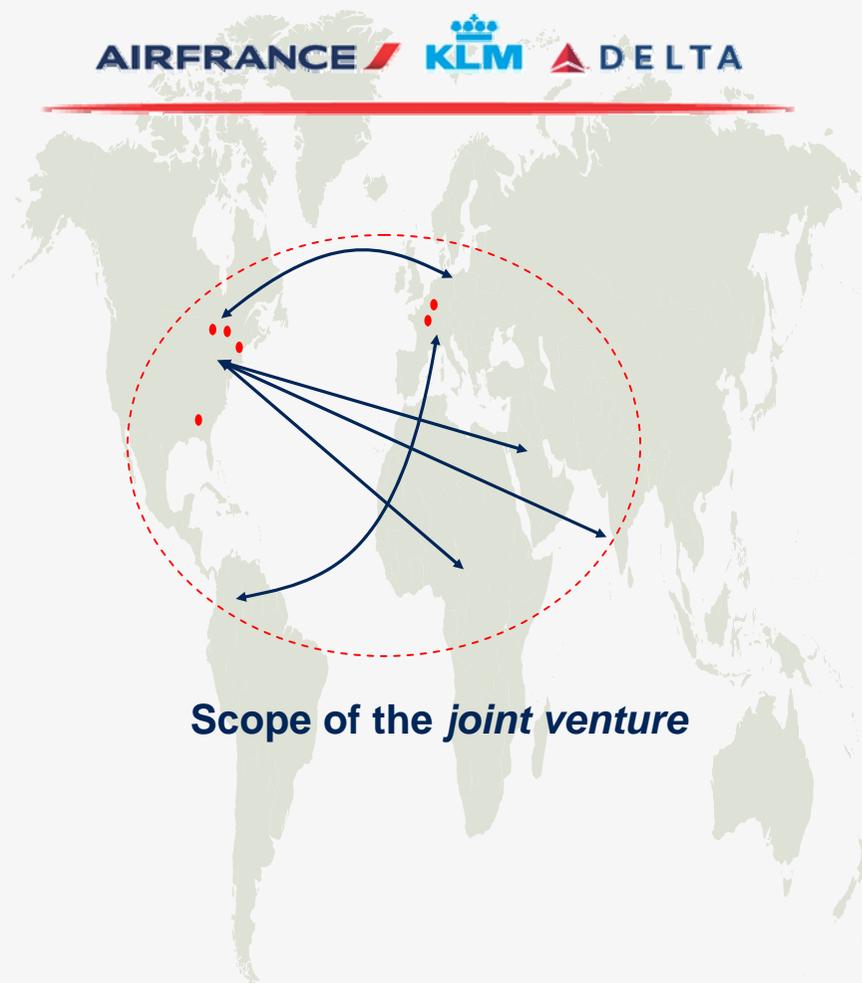
Source: AEA

...underpinned by unique organization on the North Atlantic...

- ✦ Largest operator on North Atlantic
 - 28% of capacity
 - 250 flights every day
- ✦ 50-50 share of revenues and costs
- ✦ Joint capacity management
- ✦ Single Revenue Management team
- ✦ Integrated sales teams
- ✦ Common contracts with 4,000 companies and 1,400 travel agents
- ✦ Alitalia joining since April 1st, 2010

€150m contribution in three years of which €50m in 2010-11

AIRFRANCE / KLM / DELTA



...SkyTeam in Asia...

- + **Korean Air**, one the founding members of SkyTeam
 - ▶ Based in Seoul
 - ▶ 14 domestic destinations and 62 en Asia
- + **China Southern**, largest Chinese domestic carrier
 - ▶ Based in Guangzhou
 - ▶ 96 domestic destinations
- + **Vietnam Airlines** since June 2010
 - ▶ 20 domestic destinations
- + **China Eastern** in 2011
 - ▶ Based in Shanghai
 - ▶ 25 additional destinations in China
- + **China Airlines**, largest Taiwanese carrier, in 2011
 - ▶ Based in Taiwan
 - ▶ Largest carrier between Taiwan and China

SkyTeam: number one alliance in China



...and other strategic partnership agreements



To sum up

- ✦ Strong mobilization by the group to emerge from the crisis with an adapted business model
- ✦ Strategic measures underpinned by a rebound in passenger traffic both in terms of volumes and prices
- ✦ Quicker than expected turnaround in cargo



FY 2010-11: Objective of operating break-even in excluding impact of air space closure