



AIRFRANCE **KLM**

# Full Year 2010-11 Results

# Agenda

Introduction

Pierre-Henri Gourgeon

Activity

Peter Hartman

Results

Philippe Calavia

Strategy and Outlook

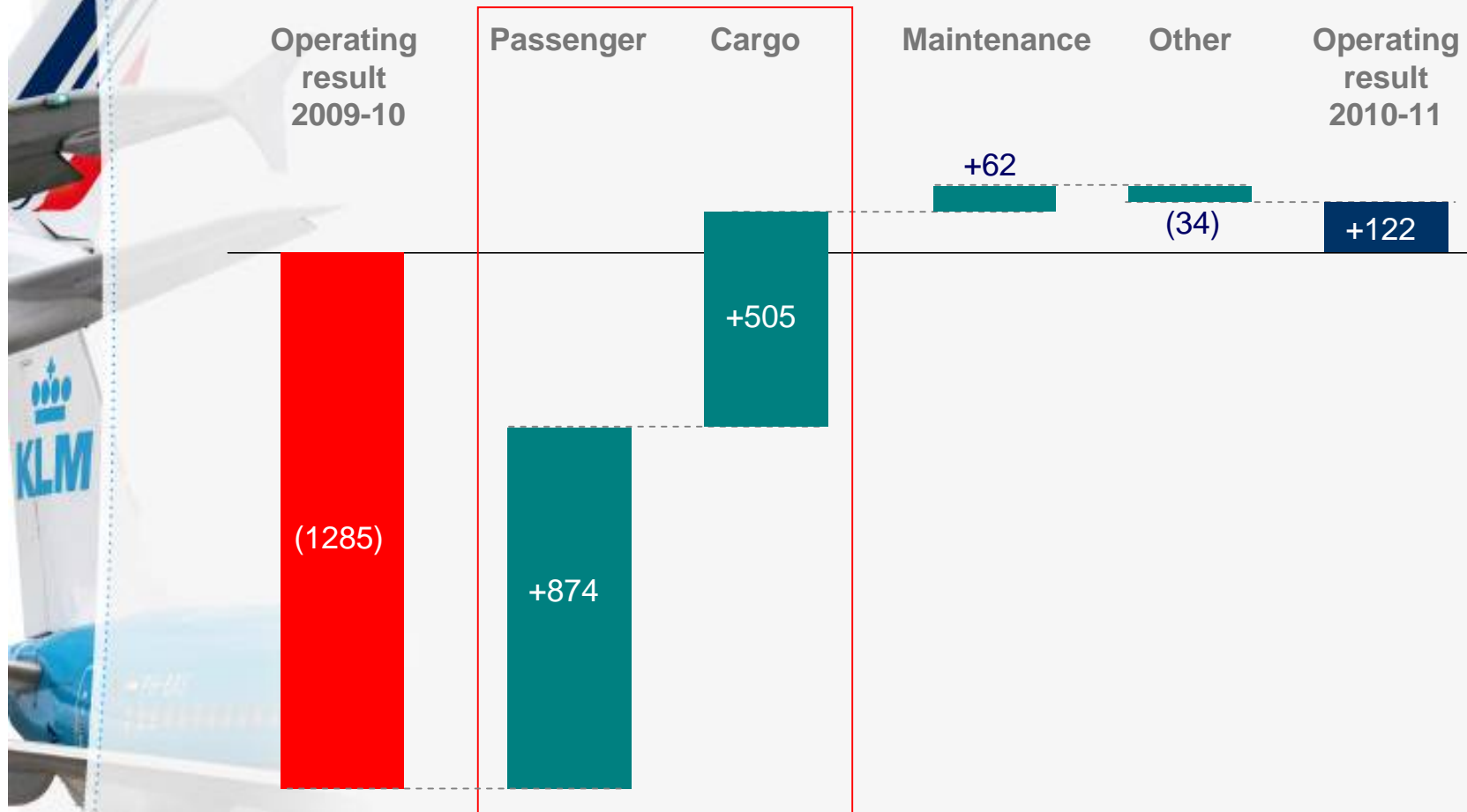
Pierre-Henri Gourgeon

## 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

# Significant recovery in all air transport activities...

€ millions

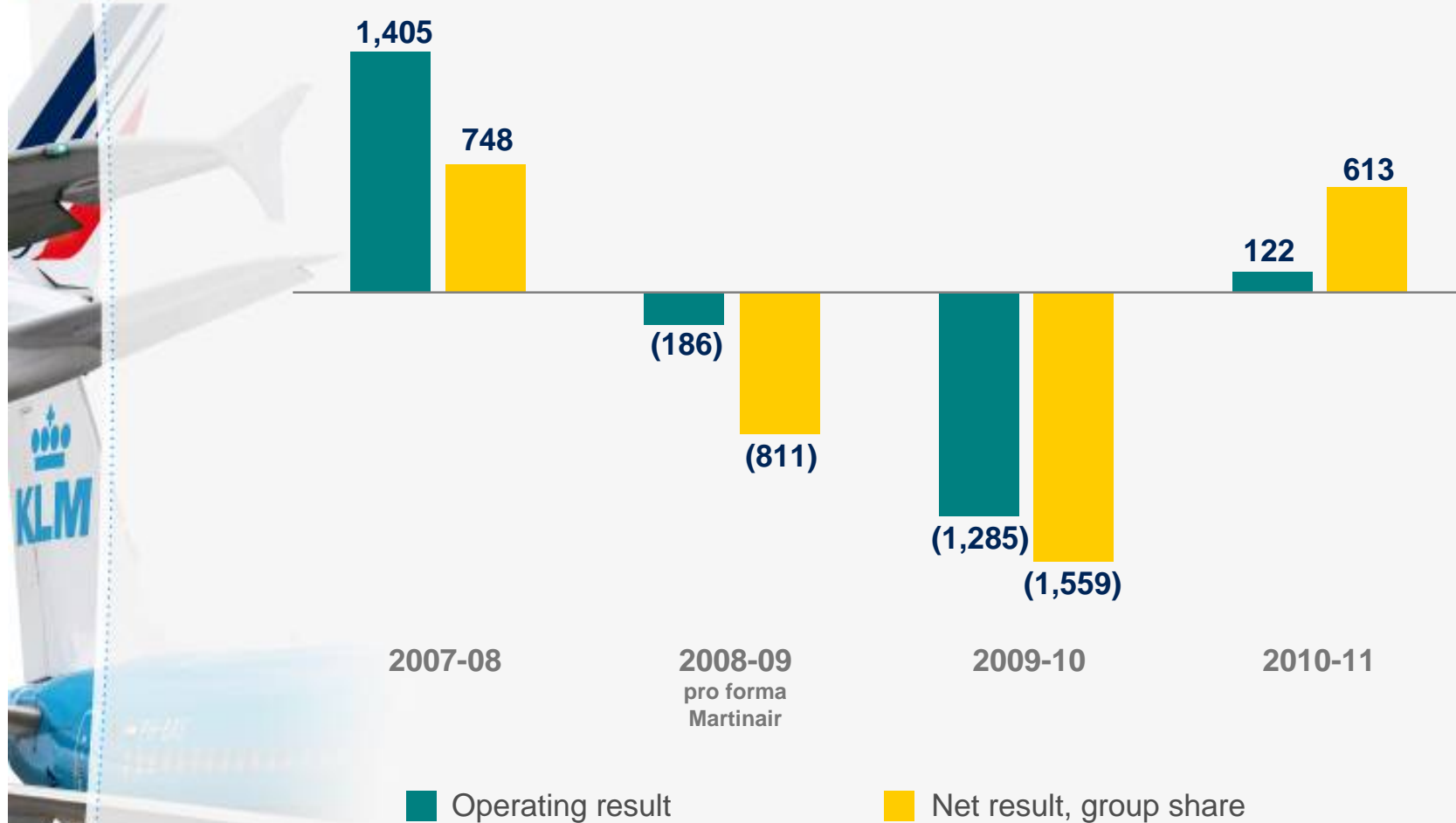


## ...leading to strong improvement in results

	<u>Full Year 2010-11</u>	
+ Revenues	€23.62bn	+12.5%
+ EBITDAR	€2,629m	+137%
+ Operating result	€122m	+€1,407m
+ Adjusted operating result*	€405m	+€1,444m
+ Net result, group share	€613m	+€2,172m
+ Operating cash flow	€1,350m	+€2,148m

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

## A marked recovery after two years of losses





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# Activity

Peter Hartman



# Operating income improvement in all the main activities

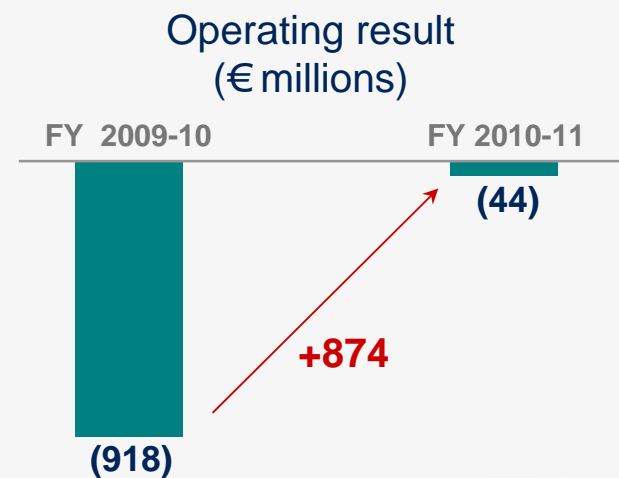
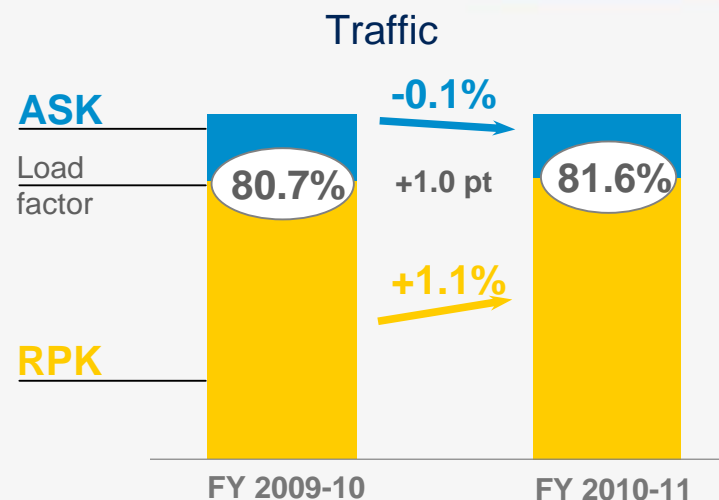
Full year 2010-11

		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>



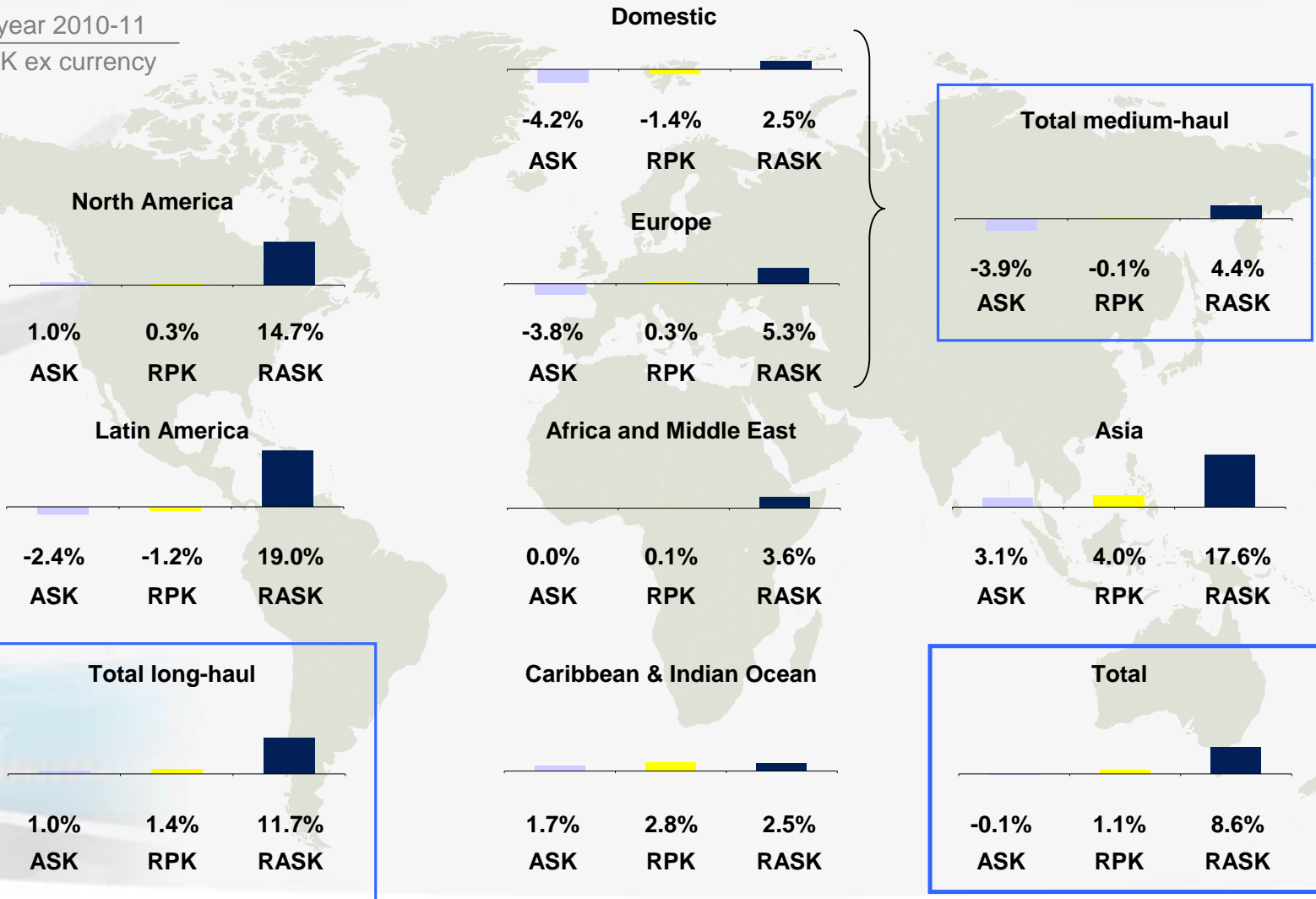
# Passenger: a strong recovery

- + 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



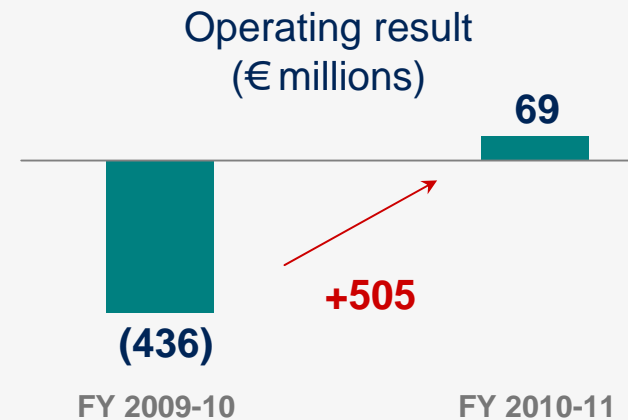
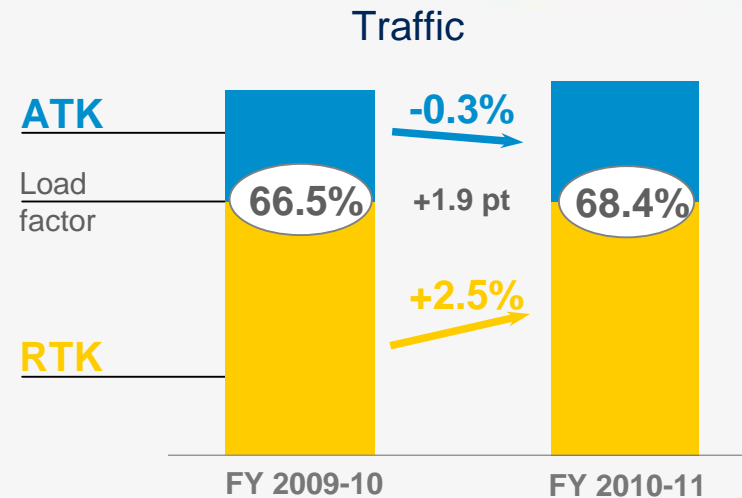
# Robust activity in Asia and the Americas

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
  - Full freighters: 33%
- + Strong rise in unit revenue
  - RATK: +29.9%
  - RRTK: +26.3%
- + Positive operating result of €69m
  - Initial objective: halving of losses



# Maintenance: solid profitability in a less cyclical business

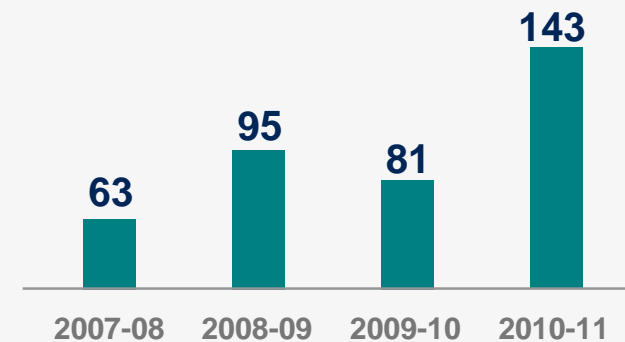
Full Year 2010-11

- + Good level of activity
  - ▶ Third-party revenues up 8%
  - ▶ Operating result up 76%
- + Improved profitability on every segment
  - ▶ Engines
  - ▶ Components
  - ▶ Airframe services
- + Ongoing investments
  - ▶ Own network: in the US, North Africa and Dubai
  - ▶ Via joint ventures
- + Good order backlog: visibility over next years

Revenue break-down



Operating result (€ millions)

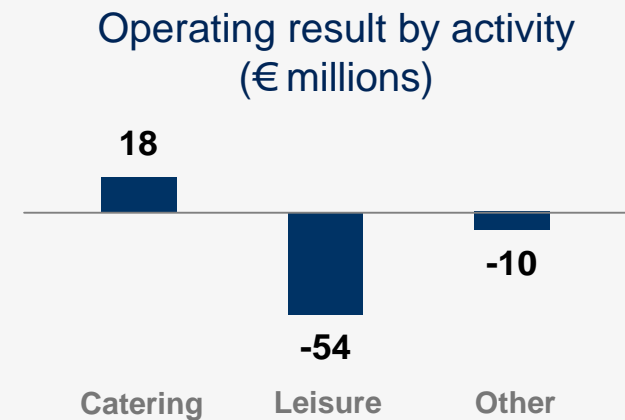
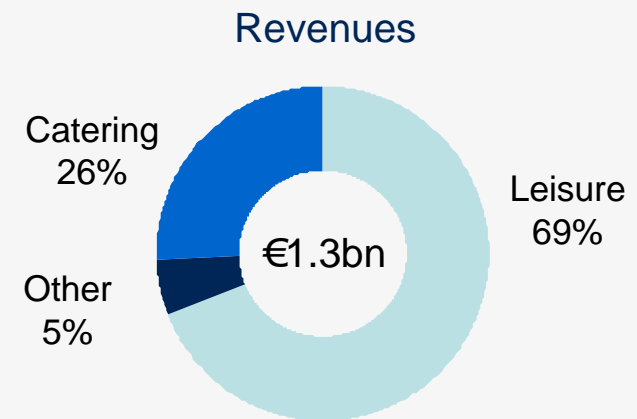


# Other activities

Full Year 2010-11

- + Catering
  - ▶ Stable revenues and operating result

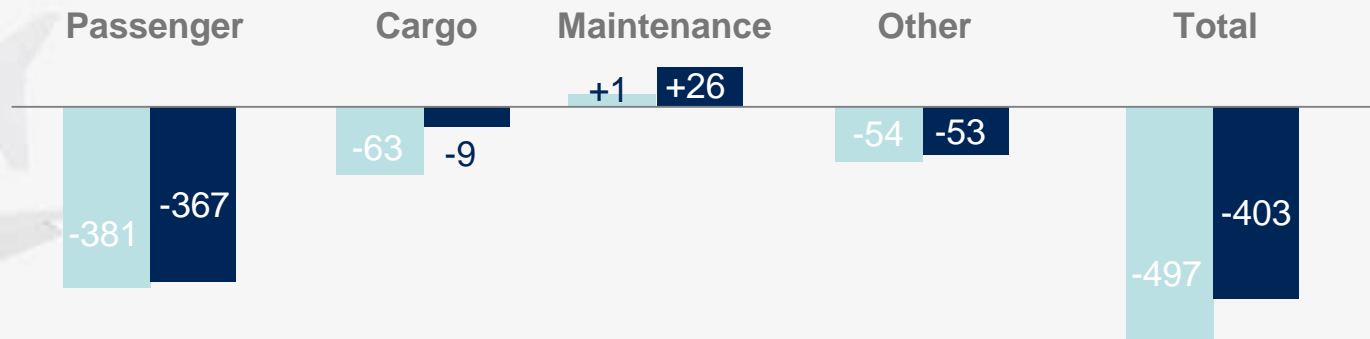
- + Leisure
  - ▶ Activity impacted by European air space closure and political unrest in North Africa
  - ▶ Stable traffic and capacity relative to 2009-10, combined with slight deterioration in unit revenues means impact of higher fuel price unable to be absorbed
  - ▶ Martinair long-haul leisure activities to cease in October 2011



## Fourth quarter impacted by numerous external events...

Operating result  
In € millions

■ Q4 2009-10 ■ Q4 2010-11



### + Passenger

- ▶ RASK increase limited to 1.5% by political instability in Africa and the Middle-East, the earthquake in Japan, and overcapacity on the North Atlantic

### + Cargo

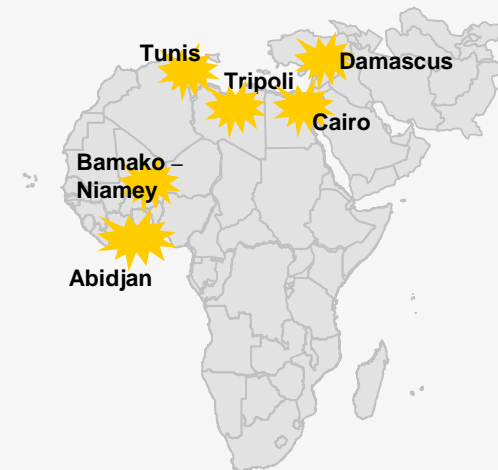
- ▶ Significant rise in unit revenues (RATK: +14.3%)

### + Maintenance

- ▶ Good performance by engine and component activities

## ...whose impact was reduced thanks to our flexibility and balanced network

- + Network diversification is a considerable asset...
  - ▶ Natural hedging against one-off events
  - ▶ 76 countries served in long-haul network, 20 more than our immediate European competitor
- + ...even though it exposes us to almost all the crisis-hit areas
  - ▶ 2010-11 was particularly challenging
- + Ongoing adaptation of our business
  - ▶ All Tokyo flights maintained, with stop-overs where necessary
  - ▶ Constant adaptation of West Africa schedule to ensure that some level of service maintained
- + Exceptional mobilization by all our teams







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# Results

Philippe Calavia

# Results

- + Change to financial year end\*
- + Improvement in profitability
- + Cost reduction
- + Reinforced financial position

\* See appendix

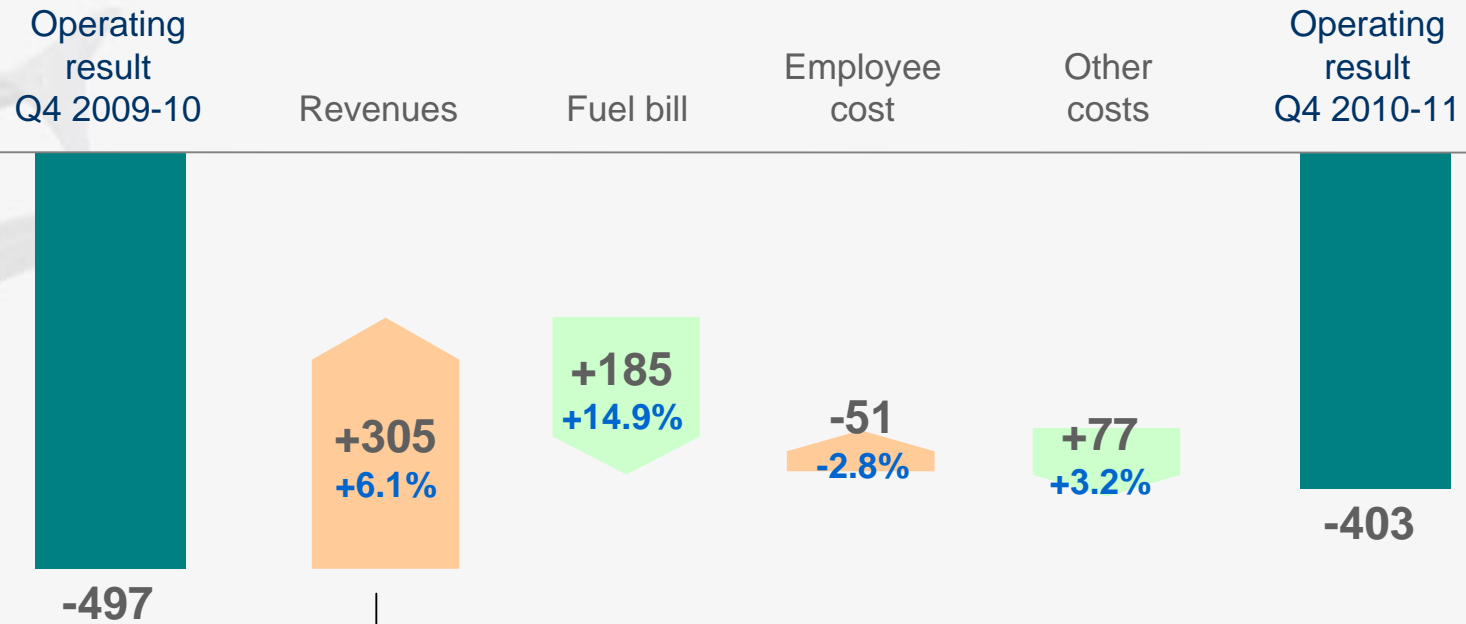
## Further improvement in profitability

	Q4 2010-11	Change	FY 2010-11	Change
<b>Revenues</b>	<b>5,326</b>	<b>6.1%</b>	<b>23,615</b>	<b>12.5%</b>
Operating costs	(5,729)	3.8%	(23,493)	5.4%
<b>EBITDAR</b>	<b>205</b>	<b>+128</b>	<b>2,629</b>	<b>+1,518</b>
<b>Operating result</b>	<b>(403)</b>	<b>+94</b>	<b>122</b>	<b>+1,407</b>
Adjusted operating result*	(333)	+102	405	+1,445
<i>Adjusted operating margin</i>	<i>(6.2)%</i>	<i>+2.5 pts</i>	<i>1.7%</i>	<i>+6.7 pts</i>
Non current income and expenses	(103)	+158	764	+1,111
<b>Result from operating activities</b>	<b>(506)</b>	<b>+252</b>	<b>886</b>	<b>+2,518</b>
Net interest charge	(91)	0	(371)	-67
Other financial income and expenses	67	+161	(78)	+115
Income taxes	170	-79	196	-390
Other	(7)	-10	(20)	-4
<b>Net result, group share</b>	<b>(367)</b>	<b>+324</b>	<b>613</b>	<b>+2,172</b>

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

# Change in Q4 operating result

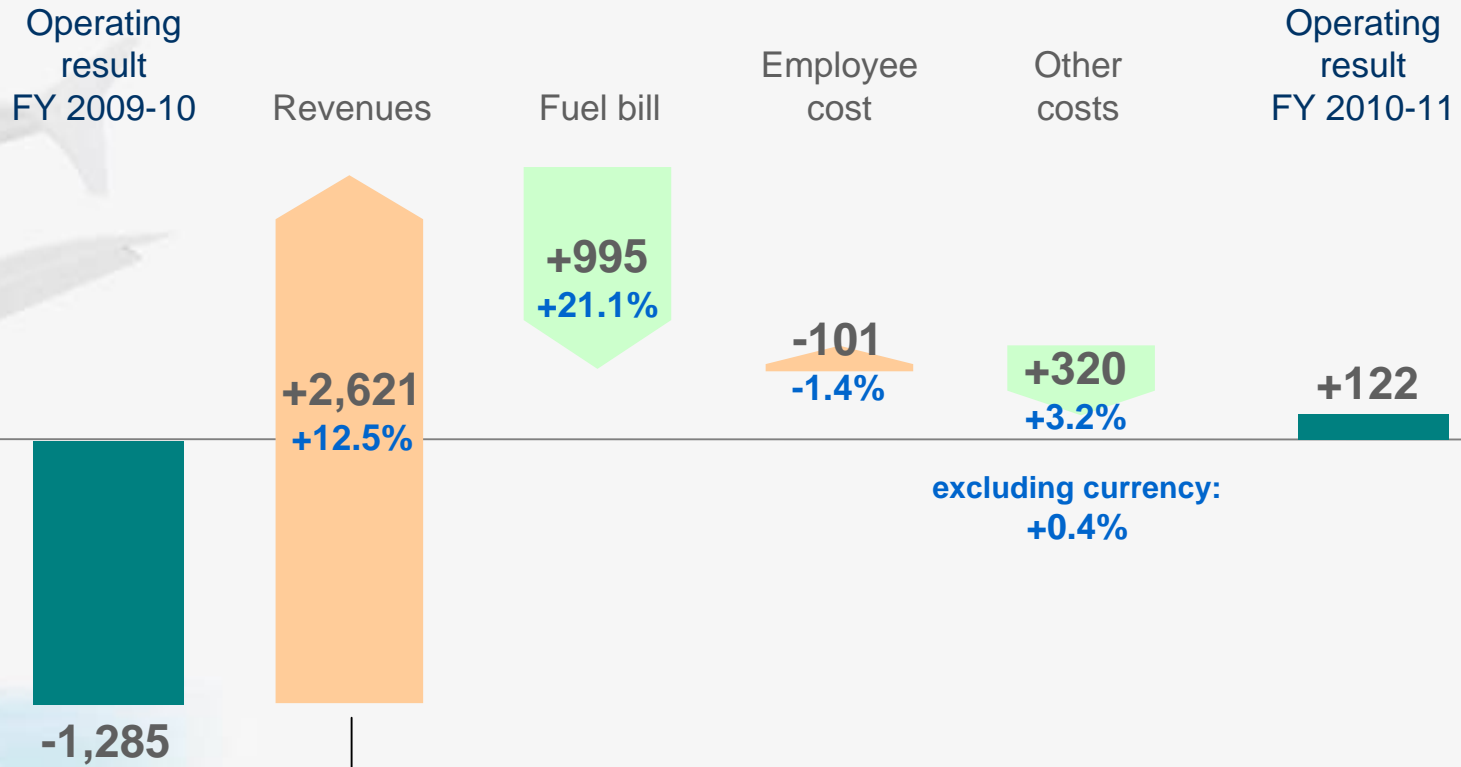
€ millions



O/w	Passenger:	+193
	Cargo:	+96
	Other:	+16

# Breakdown of 12m operating result

€ millions



O/w	Passenger:	+1,836
	Cargo:	+720
	Other:	+65

# Results

- + Change to financial year end\*
- + Improvement in profitability
- + **Cost reduction**
- + Reinforced financial position

\* See appendix

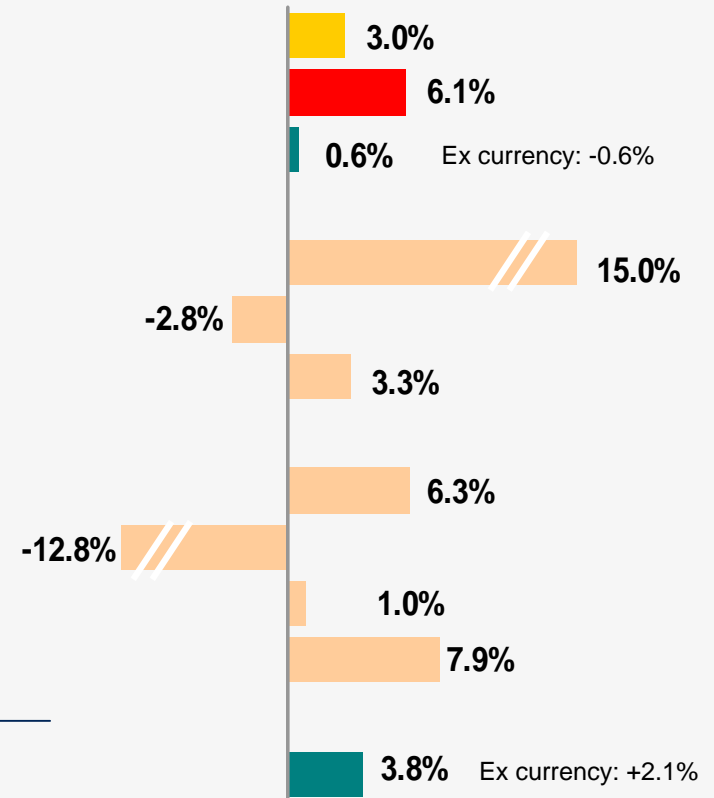
# Fourth quarter operating costs

January-March 2011

€ millions

## Capacity in EASK Revenues Operating costs ex-fuel

Fuel	1,426
Employee costs	1,802
Aircraft costs (amortization and provisions, maintenance costs, operating leases and chartering)	1,003
Landing fees and route charges	419
Commercial and distribution costs	177
Handling charges	314
Other	588
<b>Total operating costs</b>	<b>5,729</b>



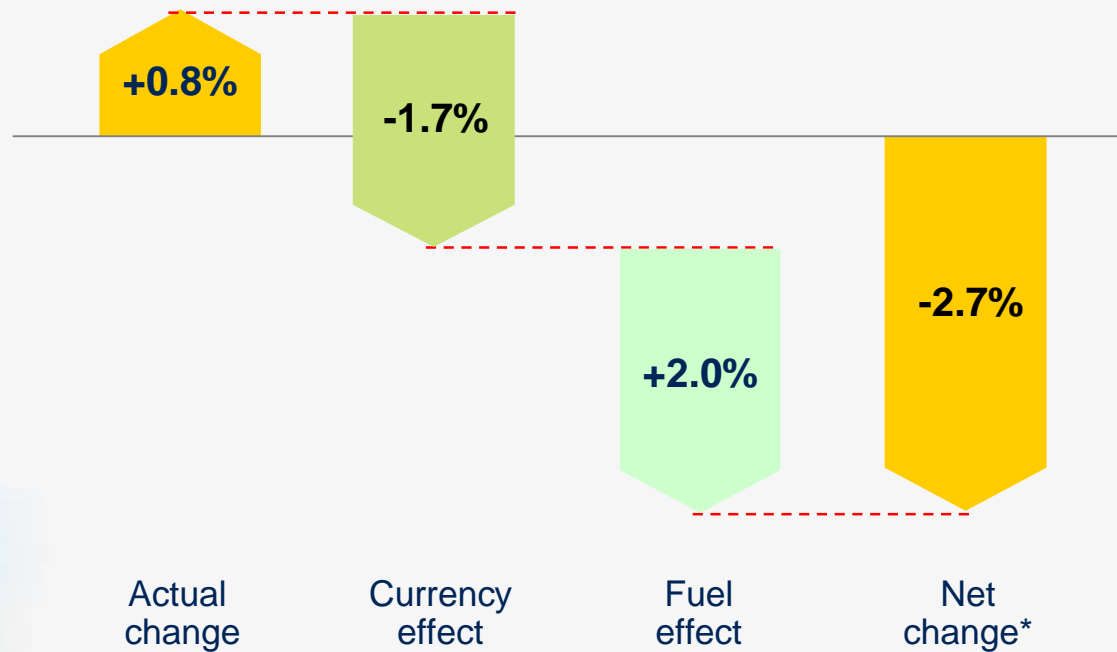


# Reduction in unit costs in Q4

January-March 2011

Unit cost per EASK: €6.74 cts

Capacity in EASK: **+3.0%**



(\*) Corrected for the impact of Premium Voyageur/Economy comfort: -3.9%

# Breakdown of full year operating costs

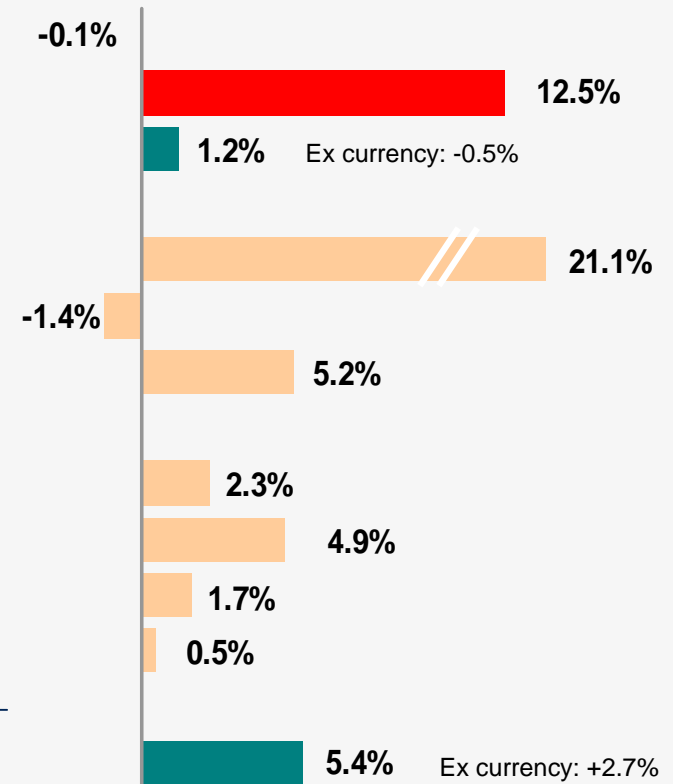
April 2010-March 2011

€ millions

## Capacity in EASK Revenues Operating costs ex-fuel

Fuel	5,720
Employee costs	7,333
Aircraft costs (amortization and provisions, maintenance costs, operating leases and chartering)	4,159
Landing fees and route charges	1,747
Commercial and distribution costs	896
Handling charges	1,303
Other	2,335

**Total operating costs 23,493**

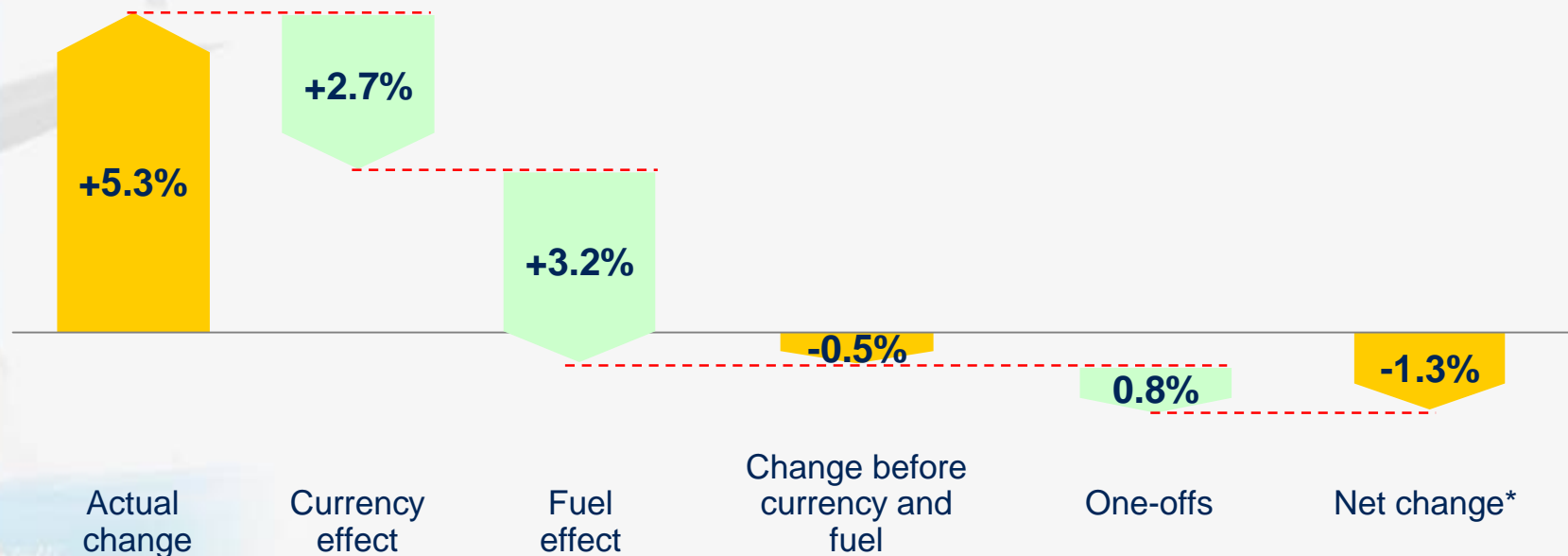


# Full year operating costs slightly down

April 2010- March 2011

Unit cost per EASK: €6.58 cts

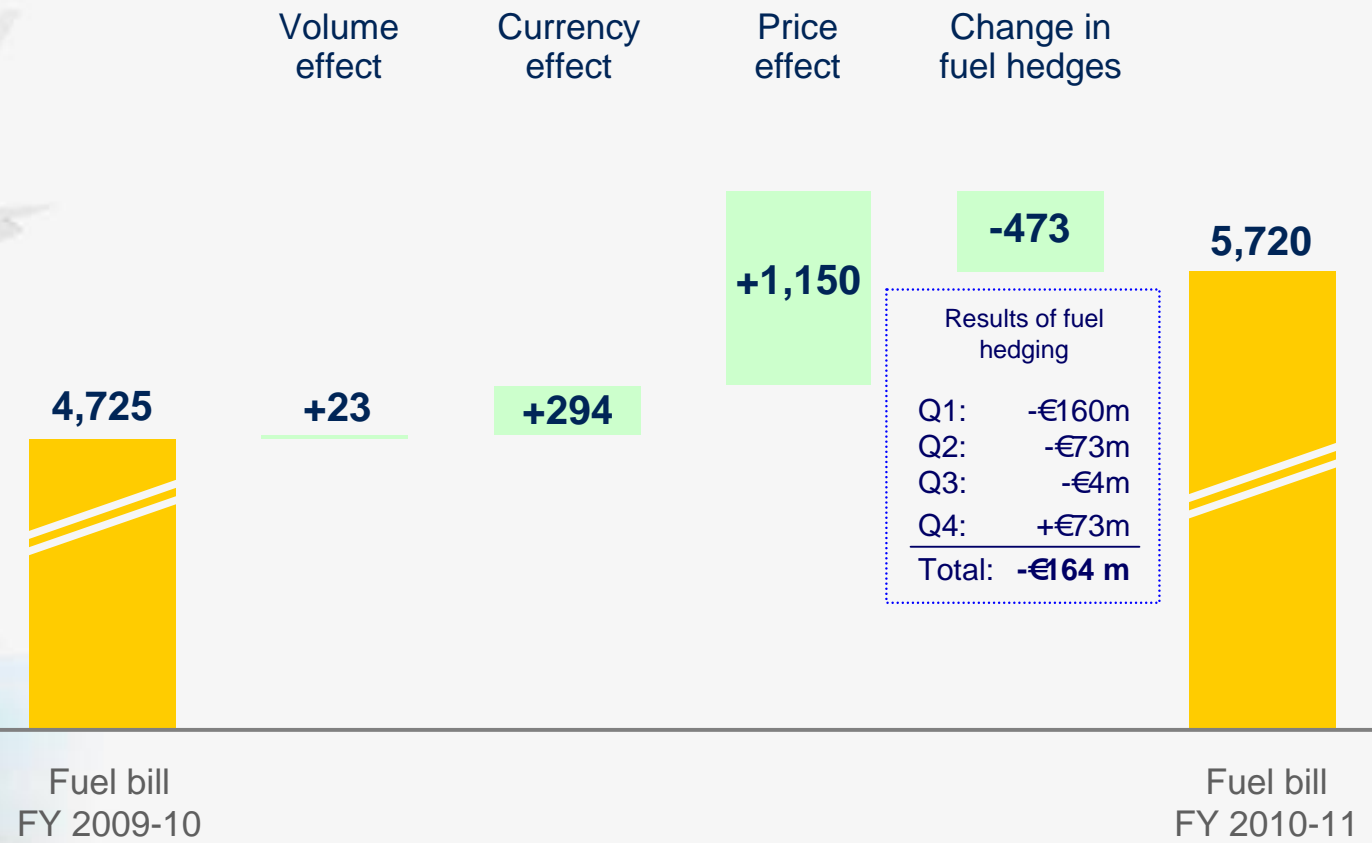
Capacity in EASK: **-0.1%**



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

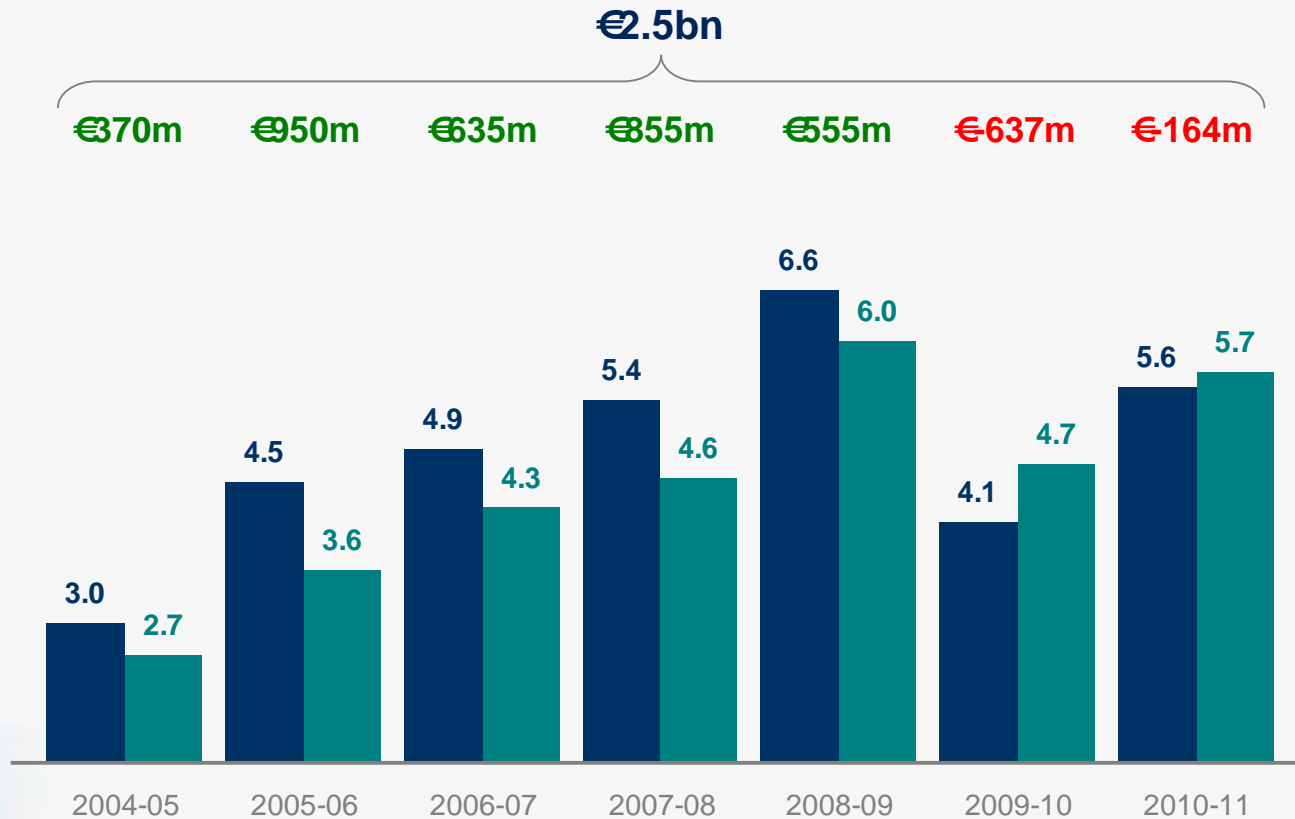
# Hedges move back into positive territory in Q4

FY 2010-11  
€ millions



# An efficient hedging policy over the long-term

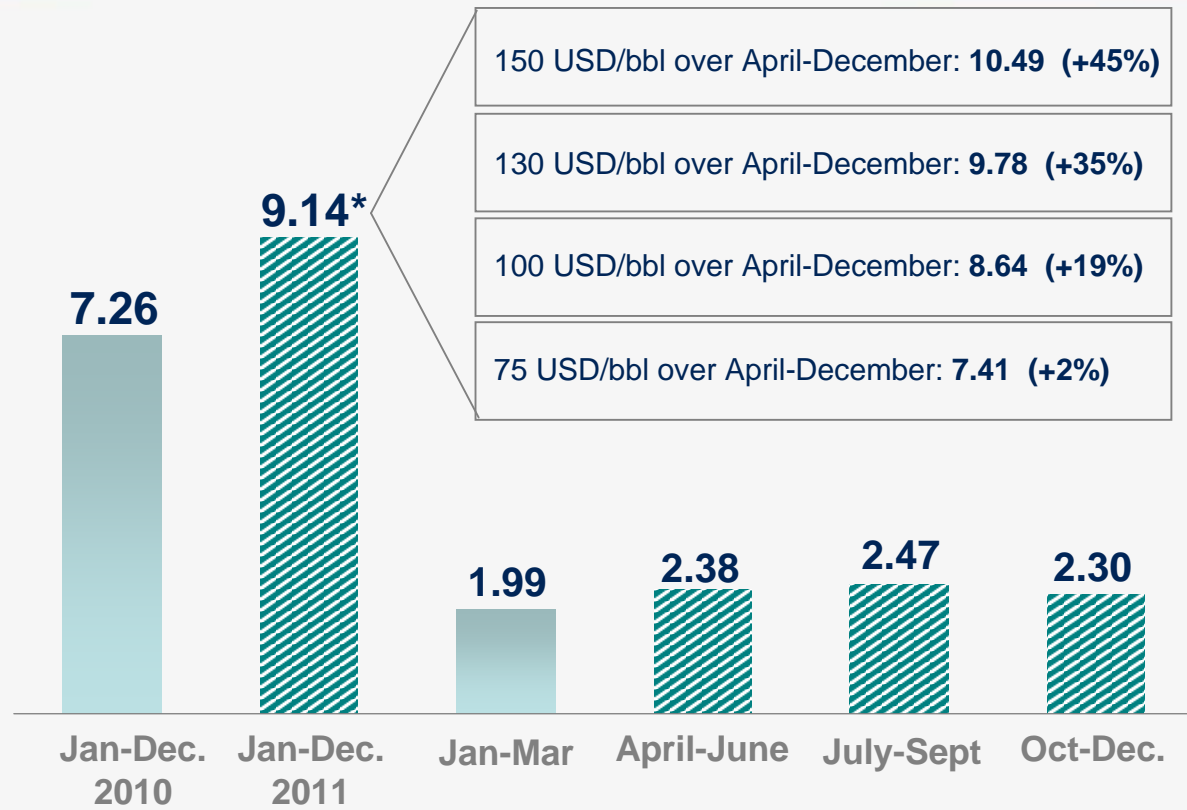
Fuel hedging gains



■ Fuel bill before hedging, in billion euros  
■ Fuel bill after hedging, in billion euros

# Calendar year 2011 fuel bill

Fuel cost after hedging  
\$ billions



Market price (USD/bbl)

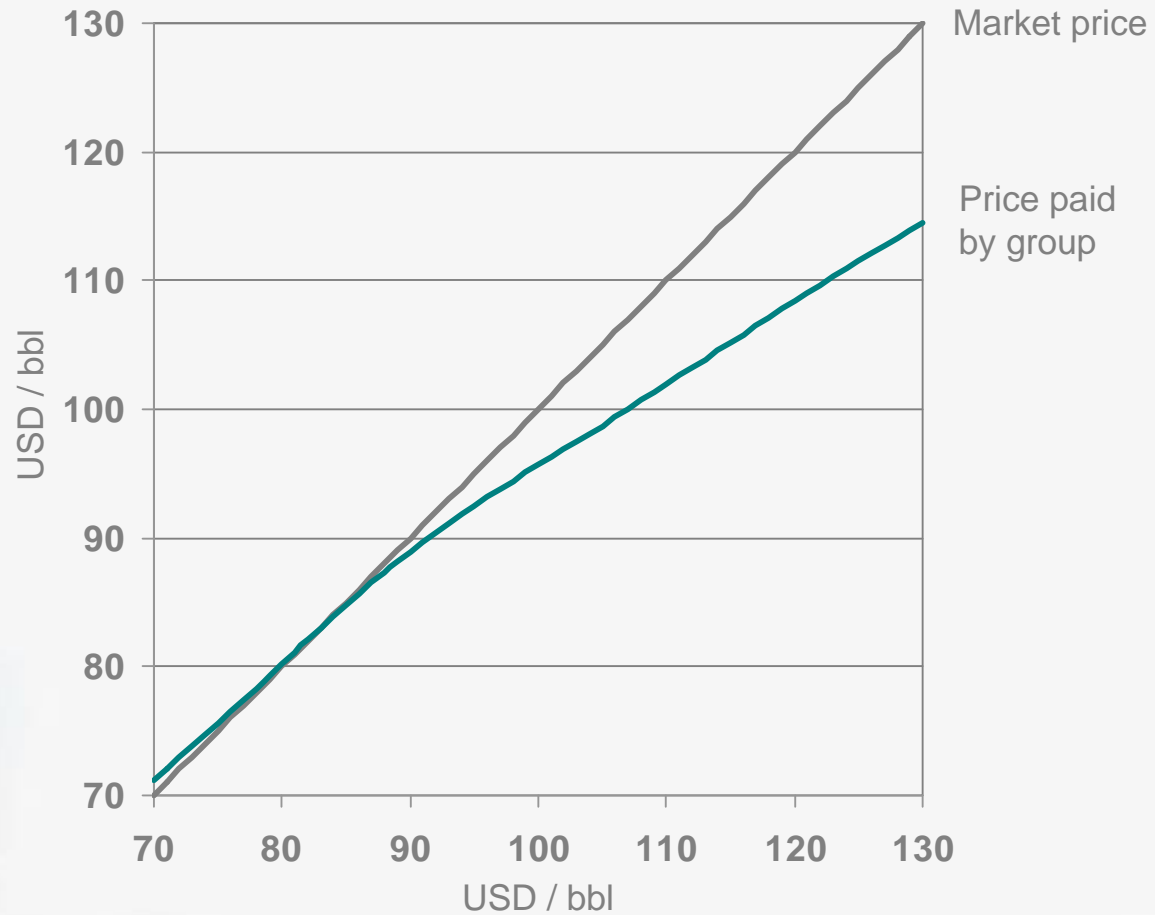
Percentage of consumption hedged

80	111	105	117	112	111
59%	53%	52%	49%	55%	58%

(\*) Forward curve at 13 May 2011

# Efficient hedges in the second half

## Impact of hedging on price paid by group, July-December 2011





# 'Challenge 12' delivers c. €600m in savings

April 2010-March 2011

+ €595m savings realized in FY 2010-11, including €159m in Q4, versus initial target of €510m

+ Contributions across the board:

- ▶ Procurement: €114m
- ▶ Maintenance\*: €105m
- ▶ Cargo action plan: €85m
- ▶ Stations: €80m
- ▶ Commercial departments: €78m
- ▶ Fleet modernization: €64m

## Breakdown of savings in 2010-11

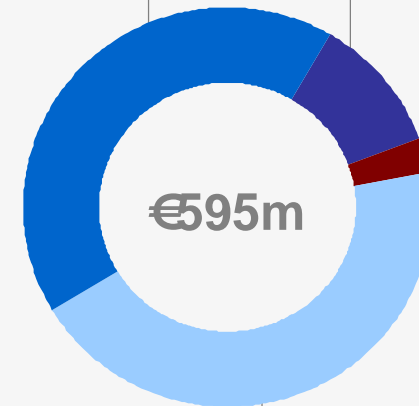
Processes and productivity: **42%**

Fleet: **11%**

Commercial costs: **3%**

€595m

Procurement: **44%**



(\*) Excluding maintenance savings due to fleet modernization

# Results

- + Change to financial year end\*
- + Improvement in profitability
- + Cost reduction
- + Reinforced financial position

\* See appendix

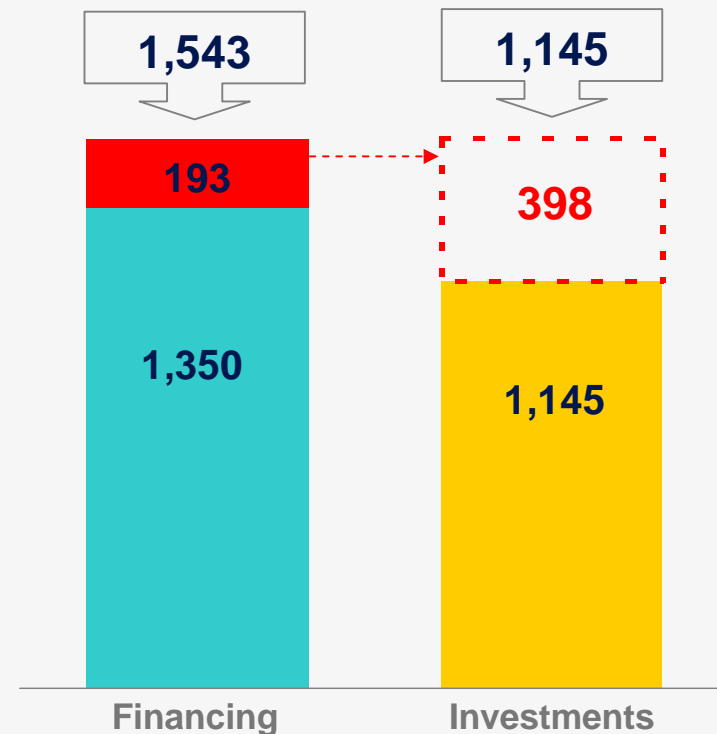
# €400m free cash flow for the full year

- ✦ Fourth quarter: operating cash flow of €378m and free cash flow of €123m
- ✦ Full year 2010-11: operating cash flow of €1.35bn, including €153m of non-recurrent cash outflows:
  - Voluntary Departure plan: -€80m
  - US cargo claims: -€73m
- ✦ Full year 2010-11 free cash flow of €398m
  - Including €193m from Amadeus operation

Full year 2010-11

€ millions

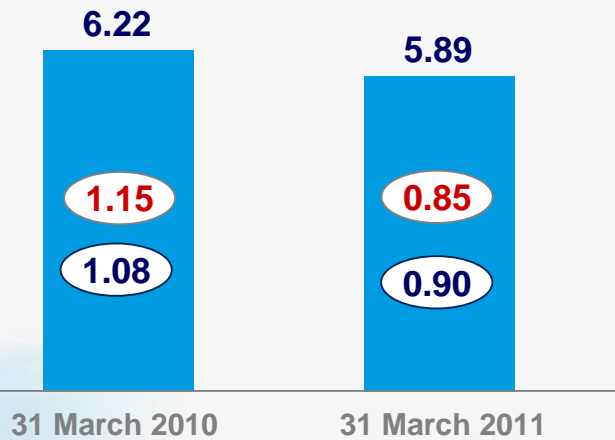
- Amadeus proceeds
- Free cash flow
- Operating cash flow
- Tangible and intangible investments (net)



# Reduction in debt

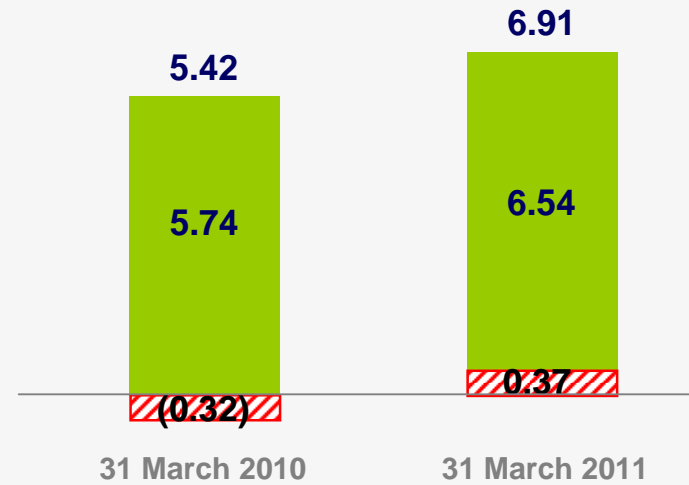
Net financial debt  
(€ billions)

- Net debt
- x Gearing ratio
- x Gearing ratio ex-derivatives



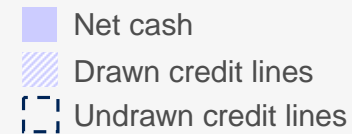
Shareholders' equity  
(€ billions)

- Shareholders' equity
- / Derivative instruments



# Healthy cash position

- + Good level of cash
  - ▶ Cash of €3.86bn after repayment of €500m on credit line
  - ▶ Undrawn credit lines of €1.84bn
  
- + Balanced debt structure
  - ▶ 75% secured by assets, 25% bonds
  - ▶ €566m of perpetual debt
  - ▶ 71% of debt at fixed rate
  
- + Holding in Amadeus
  - ▶ Current market value close to one billion euros



# Financial ratios

EBITDAR / net adjusted interest costs\*

4.0x

2010-11

EBITDA / net interest cost

4.8x

2010-11

Adjusted net debt\*\* / EBITDAR

4.5x

2010-11

Net debt / EBITDA

3.3x

2010-11

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

\*\* Adjusted for the capitalization of operating leases (7x the annual charge)



AIRFRANCE **KLM**

# Strategy and outlook

Pierre-Henri Gourgeon



# 2010: delivering on our commitments

## + Cargo restructuring

- Reduced losses in 2010-11

Objective	Achieved
- €200-250m	+ €69m <input checked="" type="checkbox"/>

## + Repositioning of medium-haul

- Project objectives for 2010-11

€350m	€360m <input checked="" type="checkbox"/>
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## + Adaptation of long-haul

- Success of new travel classes
- Introduction of A380
- Reinforcement of transatlantic JV

-	- <input checked="" type="checkbox"/>
-	- <input checked="" type="checkbox"/>
-	- <input checked="" type="checkbox"/>

## + Cost reduction

- Challenge 12 program savings

€510m	€595m <input checked="" type="checkbox"/>
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## 2011: ongoing actions and reinforced strategic advantages

- ✦ Ongoing actions
  - ▶ Medium-haul transformation
  - ▶ Cost reduction
- ✦ Productive capacity growth
- ✦ Strengthening of our strategic advantages
  - ▶ Positions in high growth markets
  - ▶ Transatlantic JV
  - ▶ The customer, at the heart of our new enterprise plan, “Embark”

## Medium-haul: ongoing transformation

- ✦ Product adapted to customer expectations

- ▶ Second year of product overhaul project
- ▶ New product launched at KLM



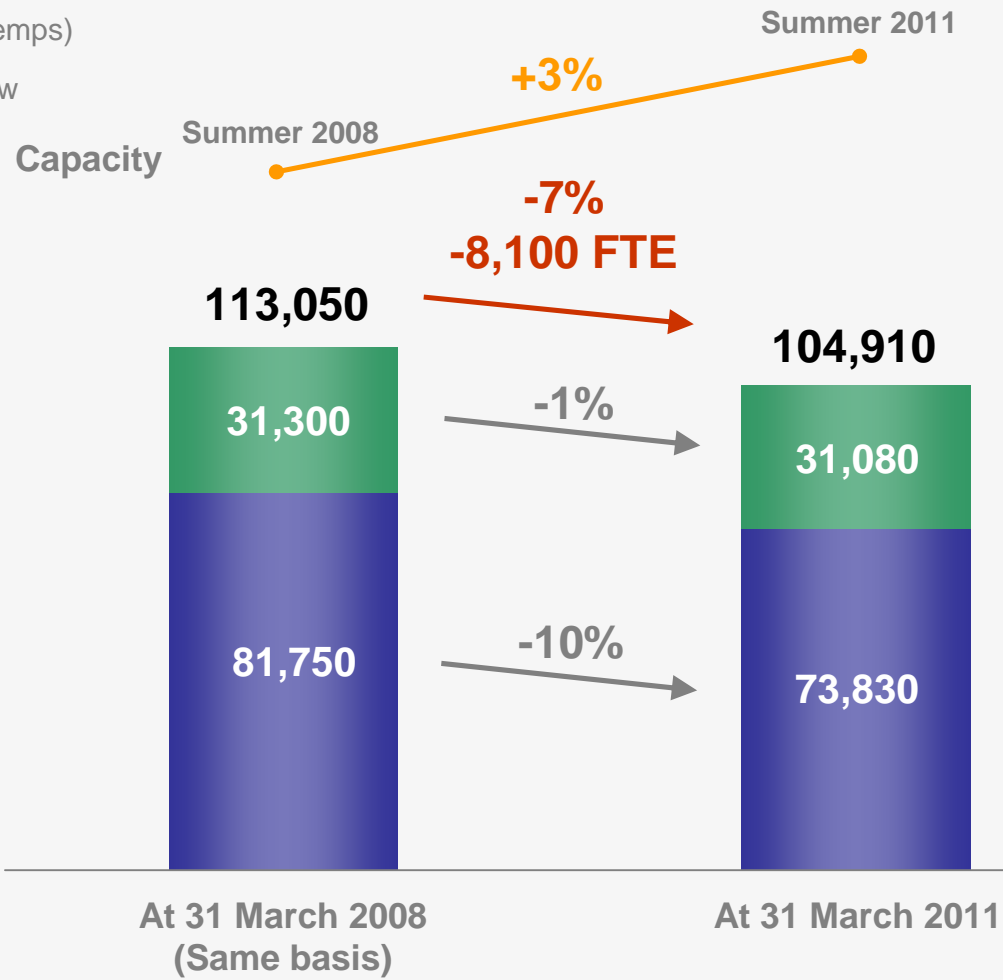
- ✦ Provincial base program: a new model

- ▶ 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

# 2011: ongoing actions and reinforced strategic advantages

- 
- ✦ Ongoing actions
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  - ✦ Productive capacity growth
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    - ▶ The customer, at the heart of our new enterprise plan, “Embark”

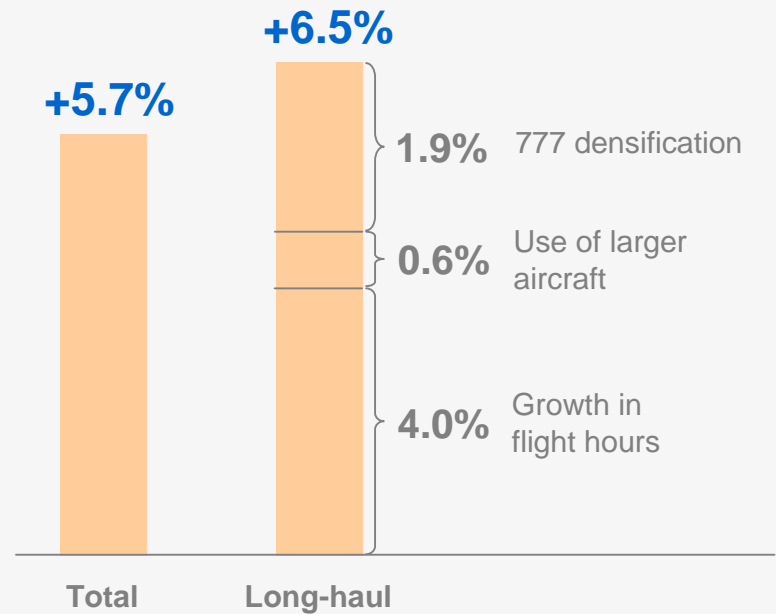
# Productive capacity growth...

## Productive growth

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

Productive 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**  
**37 destinations served from both hubs, 6 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)

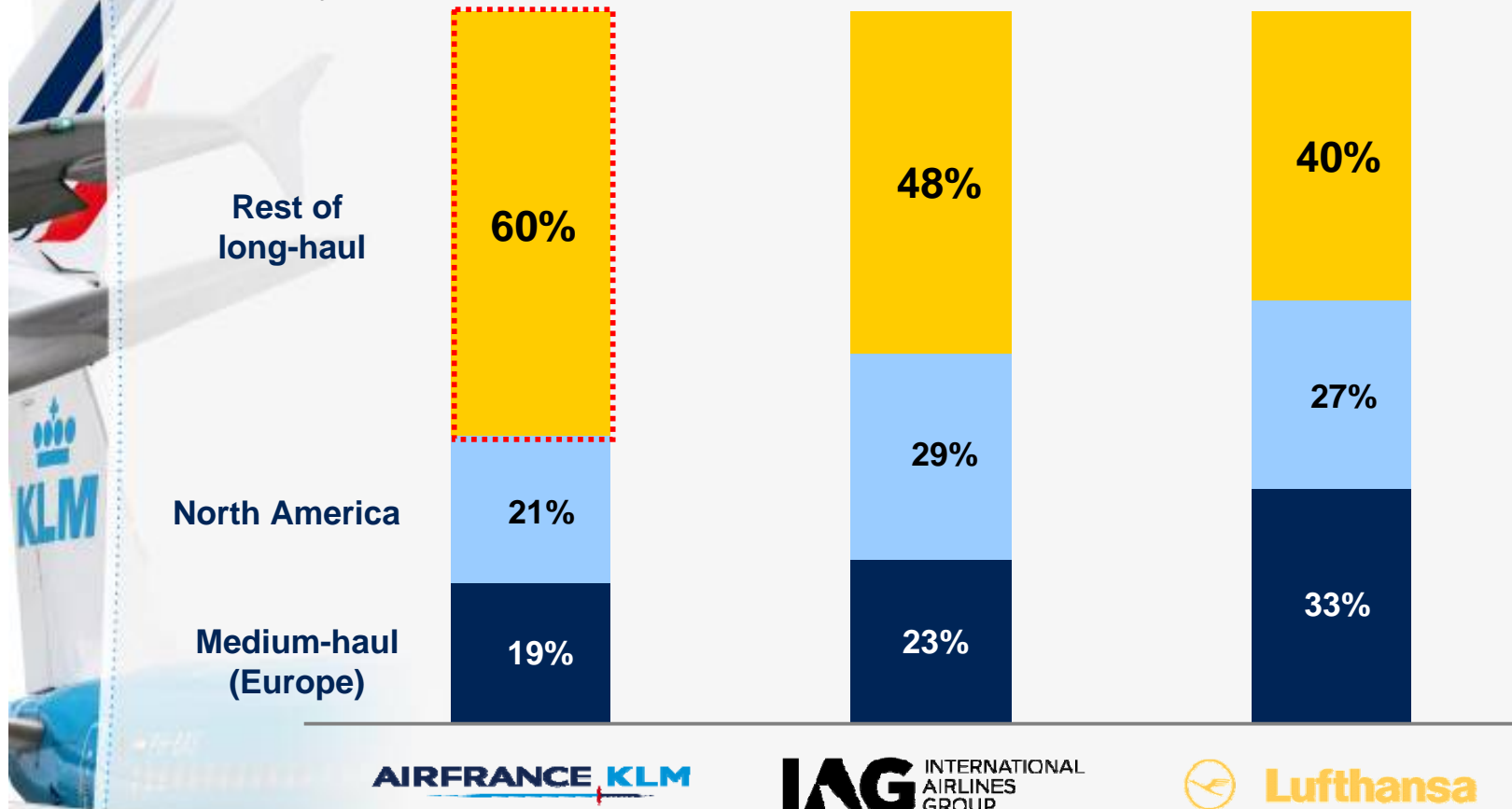


# 2011: ongoing actions and reinforced strategic advantages

- ✦ Ongoing actions
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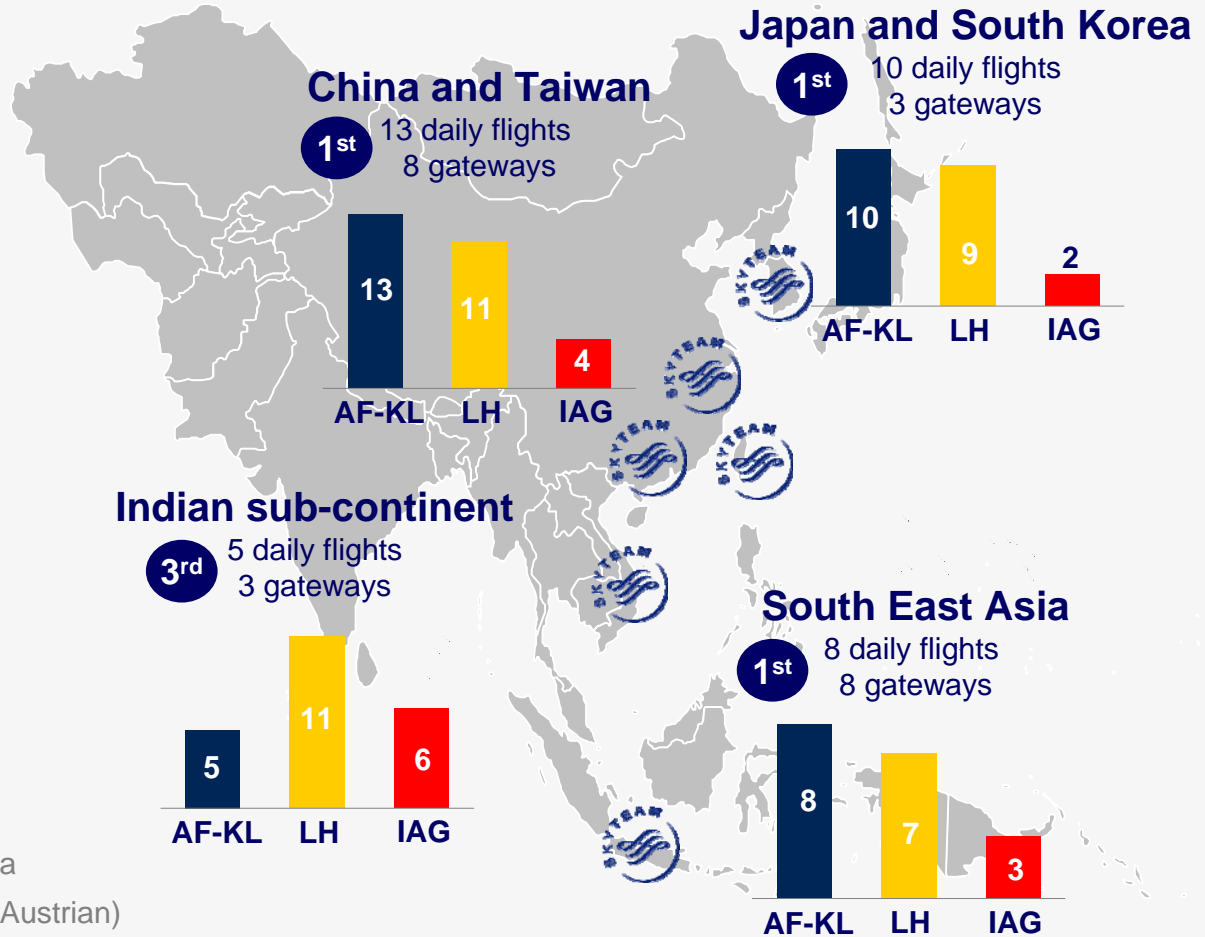
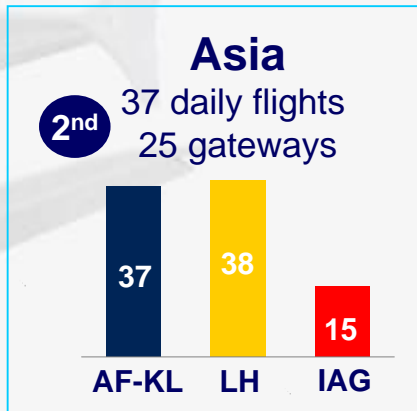
# Air France-KLM: the strongest presence in high growth markets

Capacity in ASK  
2010 calendar year



# Asia: strong positions

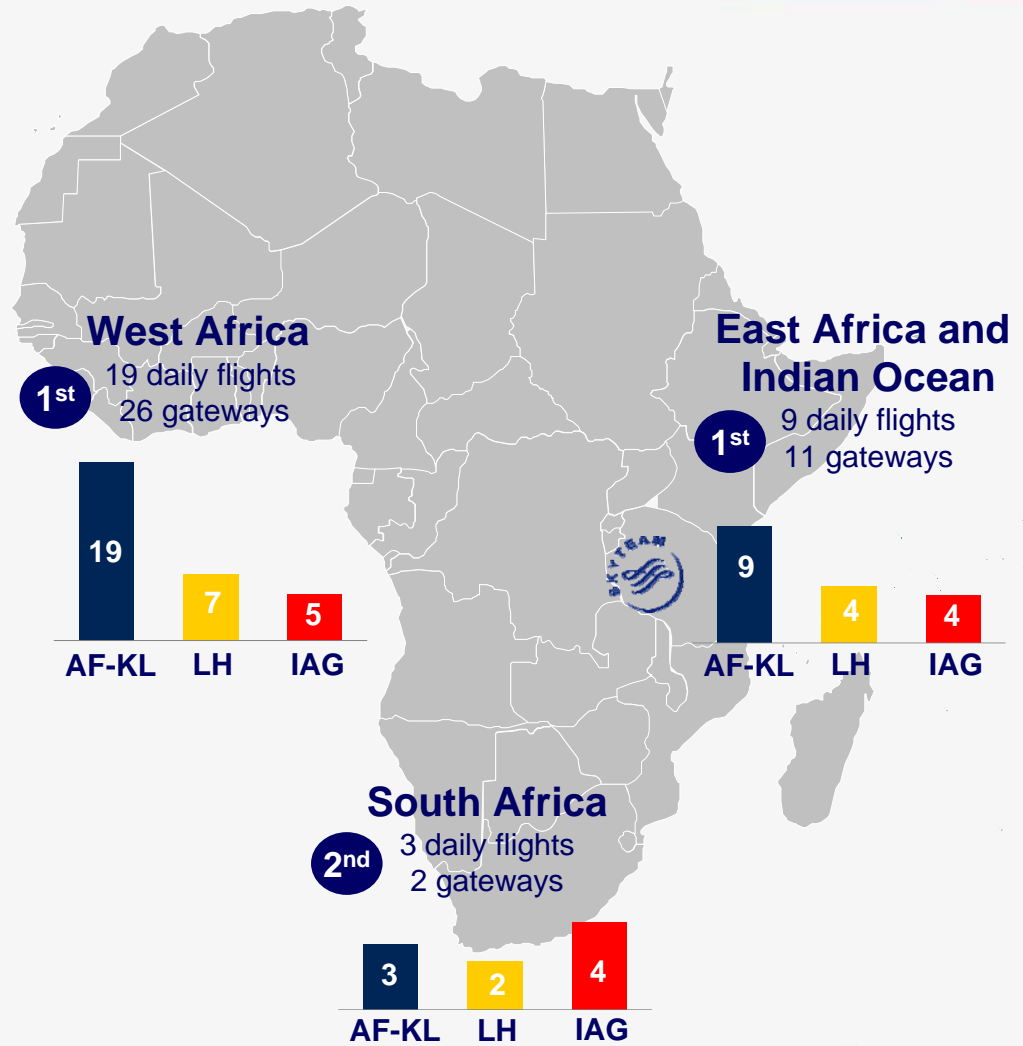
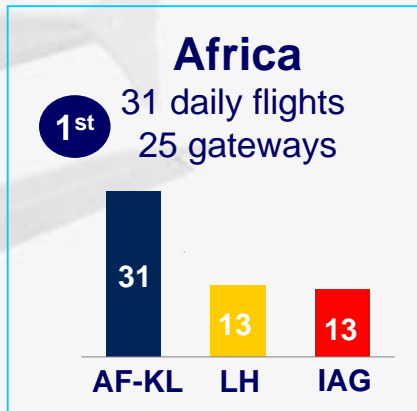
OAG Summer 2011  
Passenger flights only



- Air France-KLM and Alitalia
- Lufthansa (incl Swiss and Austrian)
- IAG (British Airways and Iberia)

# Africa: reinforcing our leadership

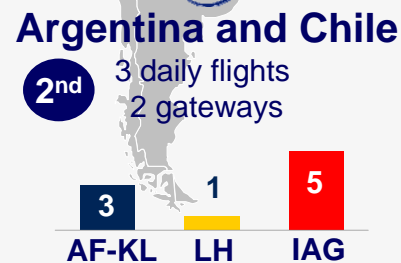
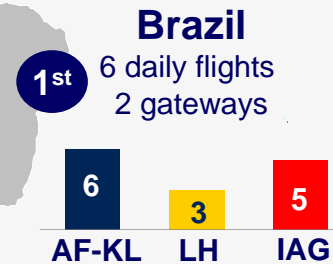
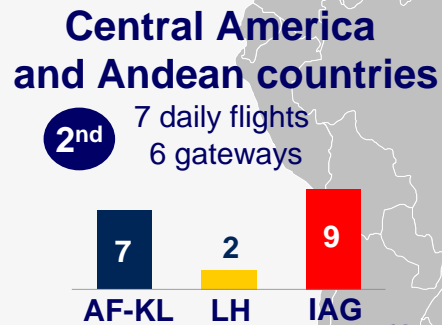
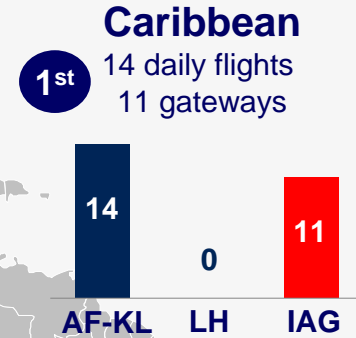
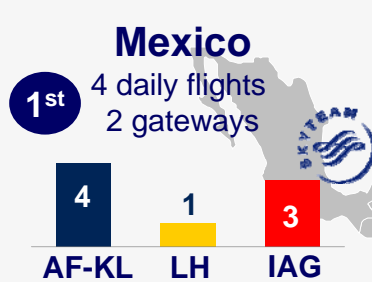
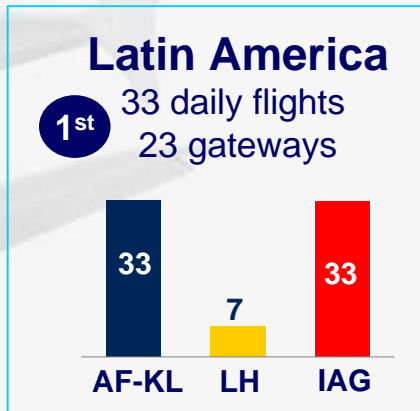
OAG Summer 2011  
Passenger flights only



■ Air France-KLM and Alitalia  
■ Lufthansa (incl Swiss and Austrian)  
■ IAG (British Airways and Iberia)

# Latin America: strengthening our market presence

OAG Summer 2011  
Passenger flights only



■ Air France-KLM and Alitalia  
■ Lufthansa (incl Swiss and Austrian)  
■ IAG (British Airways and Iberia)

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



*20 members by end 2012*

## Transatlantic Joint Venture

- ✦ 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 reduction in capacity for Winter 2011



# 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**



# Air France-KLM: reinforced position to face current challenges

- + Strategic advantages strengthened
- + Significant operational flexibility
- + Healthy financial position
- + Debt reduction will be the primary use for cash, with the target of reducing our gearing ratio to 0.5

# 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

AIRFRANCE **KLM**

# Appendices

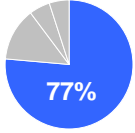

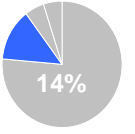

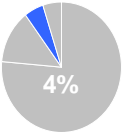

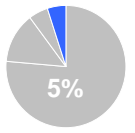



# Fourth quarter by activity

Fourth quarter  
January-March 2011

**Revenues**  
in € billions

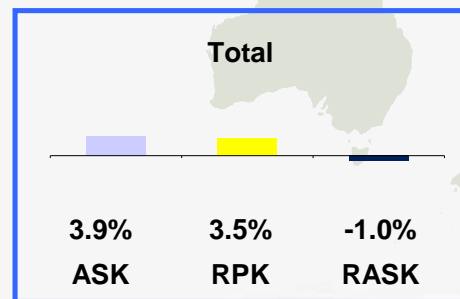
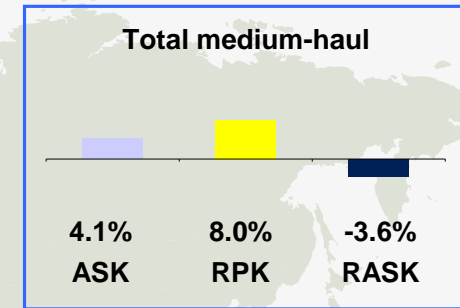
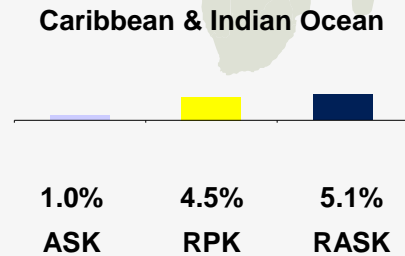
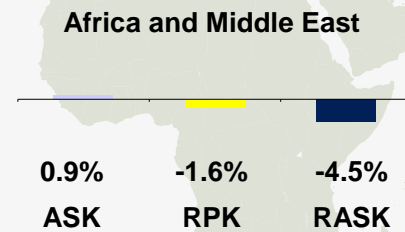
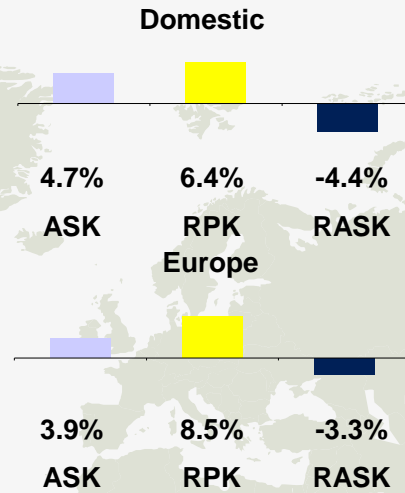
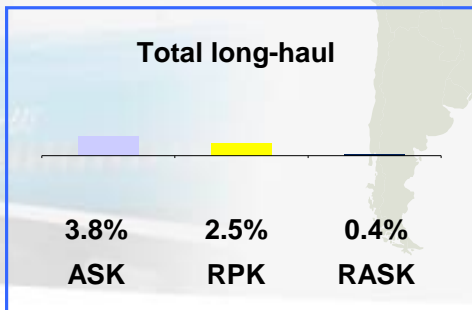
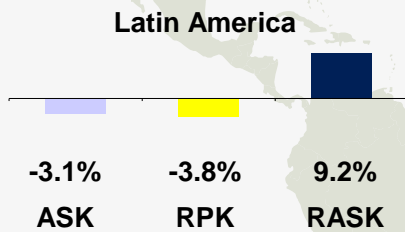
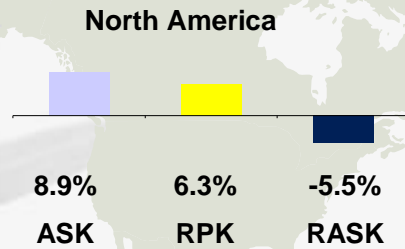
**Operating result**  
in € millions

 <p>77% Passenger</p> 	<p>4.07 +5.0%</p>	<p>-367 +14</p>
 <p>14% Cargo</p> 	<p>0.77 +14.4%</p>	<p>-9 +54</p>
 <p>4% Maintenance</p> 	<p>0.23 +0.1%</p>	<p>+26 +25</p>
 <p>5% Other</p> 	<p>0.25 +6.8%</p>	<p>-53 +1</p>

# Q4 unit revenues

Q4 2010-11

RASK ex currency

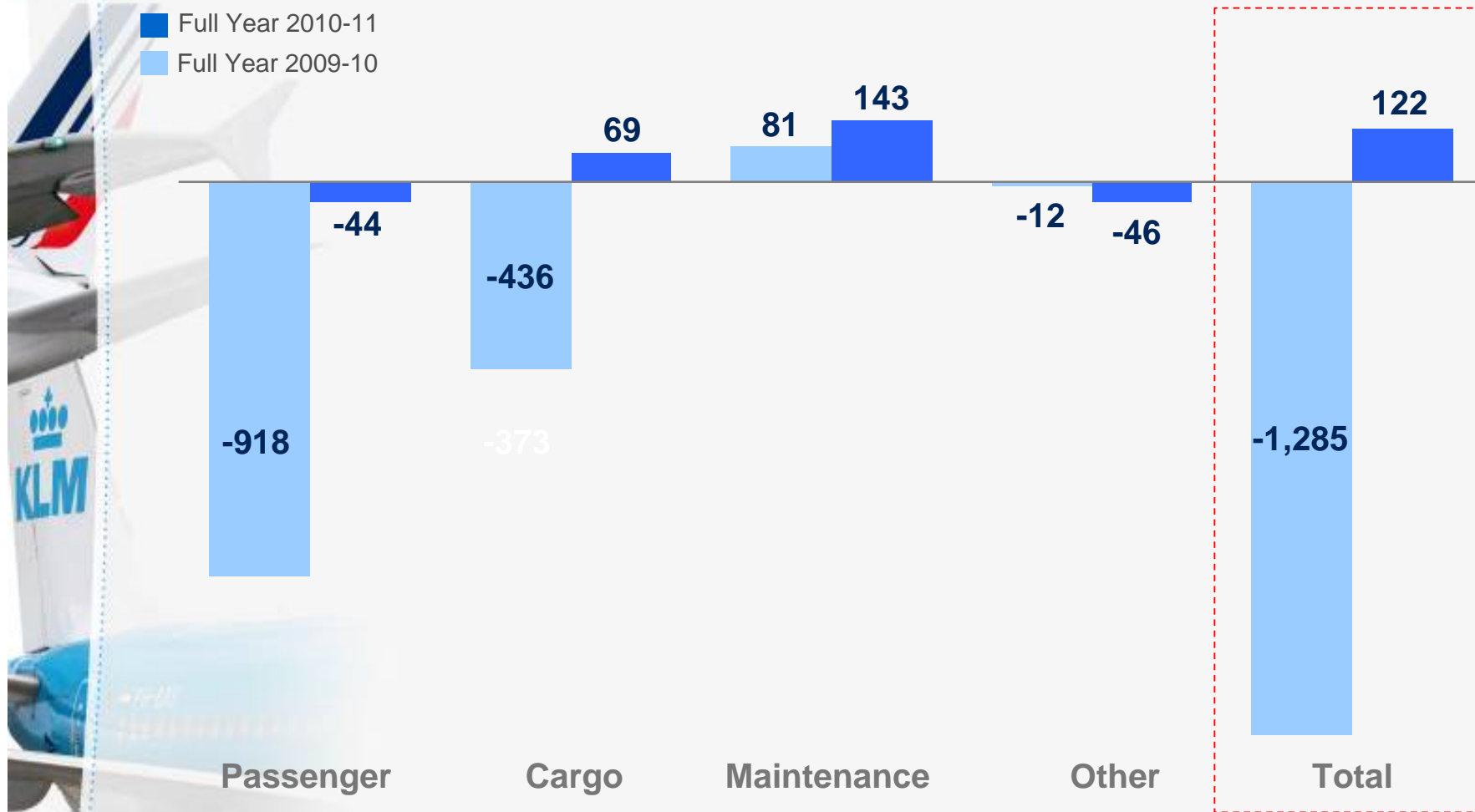




# Breakdown of operating result by business

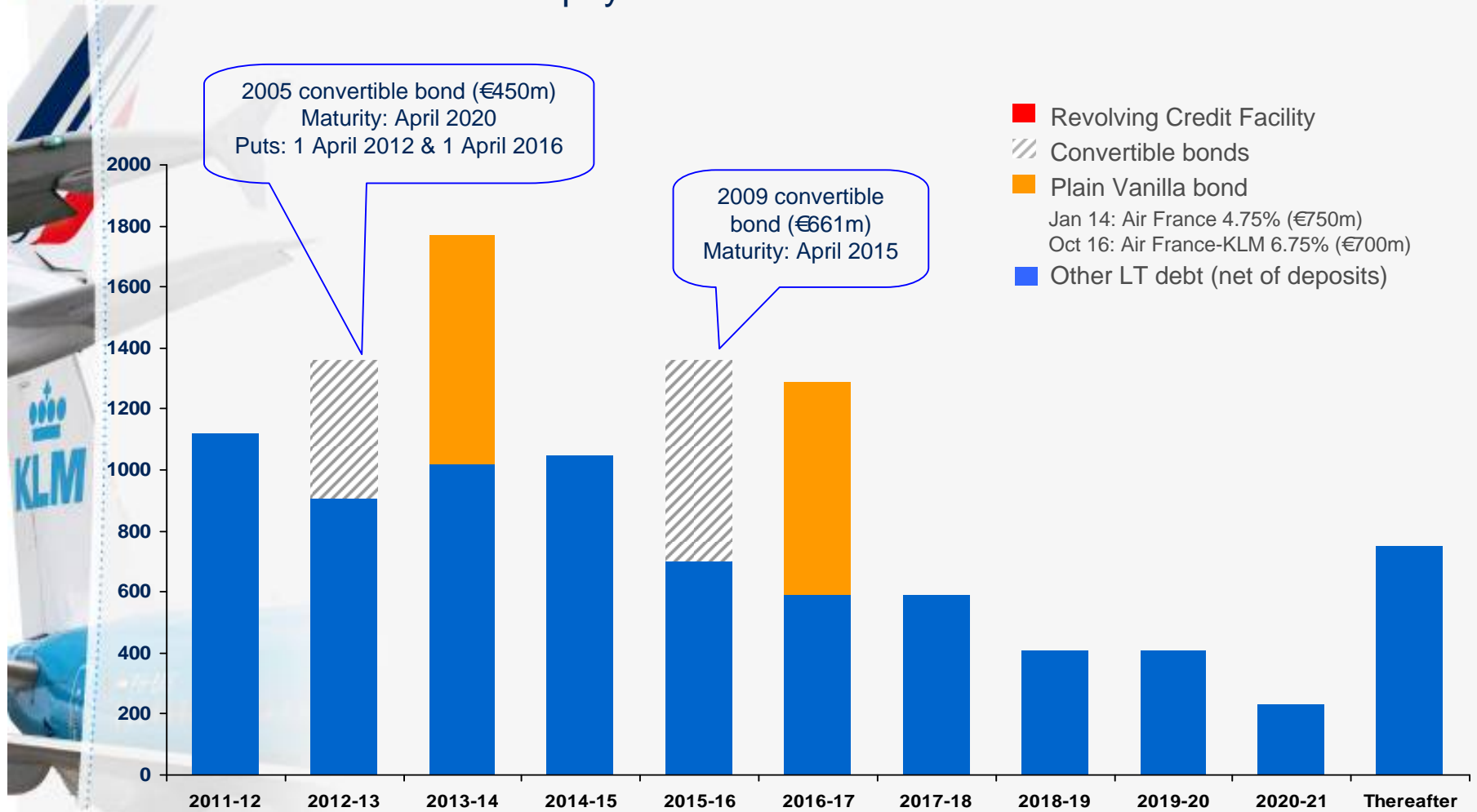
€ millions

■ Full Year 2010-11  
■ Full Year 2009-10



# Debt repayment schedule

## Debt repayment schedule at 1/04/2011\*



\* 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>

# Restated net result

€ millions

	Q4 2010-11	Q4 2009-10	Full Year 2010-11	Full Year 2009-10
<b>Net result, group share</b>	<b>(367)</b>	<b>(691)</b>	<b>613</b>	<b>(1,559)</b>
+ income tax	(170)	(249)	(196)	(586)
<b>= net result, group share, before income tax</b>	<b>(537)</b>	<b>(940)</b>	<b>417</b>	<b>(2,145)</b>
+ non recurring items*	103	261	(764)**	346
+ non monetary part of value of hedging instruments	(20)	(19)	(25)	(8)
<b>= restated net result, group share before income tax</b>	<b>(454)</b>	<b>(698)</b>	<b>-372</b>	<b>(1,807)</b>
- income tax	148	221	138	575
<b>= restated net result, group share</b>	<b>(306)</b>	<b>(477)</b>	<b>(234)</b>	<b>(1,232)</b>

\* Non recurring items: income and charges accounted for between the current operating result and the result of operating activities

\*\* Of which capital gain of 1.03 billion euros from the revaluation of Amadeus following its listing, and additional cargo provision (€127m)

## 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