

# First Half 2009-10 Results

## Highlights of the First Half

- ✦ Very difficult First Quarter followed by a much better performance in the Second...
- ✦ ... with underlying results masked by negative impact of pre-2009 fuel hedging
- ✦ Excellent progress achieved in cost reduction
- ✦ Funding secured via €661m convertible in June, followed by €700m bond issue in October

## Key data

	Q2 2009-10	H1 2009-10
+ Revenues: <i>Change on same consolidation basis*</i>	€5.61bn (-19.2%) (-16.1%)	€10.78bn (-19.9%) (-16.9%)
+ EBITDAR:	€555m (-42.5%)	€667m (-63.5%)
+ Operating income/(loss):	€(47)m (nm)	€(543)m (nm)
+ Adjusted operating income/(loss):	€15m (-96.6%)	€(419)m (nm)
+ Net income/(loss):	€(147)m (nm)	€(573)m (nm)

\* Excluding Martinair in 2008-09

# Activity

Peter Hartman

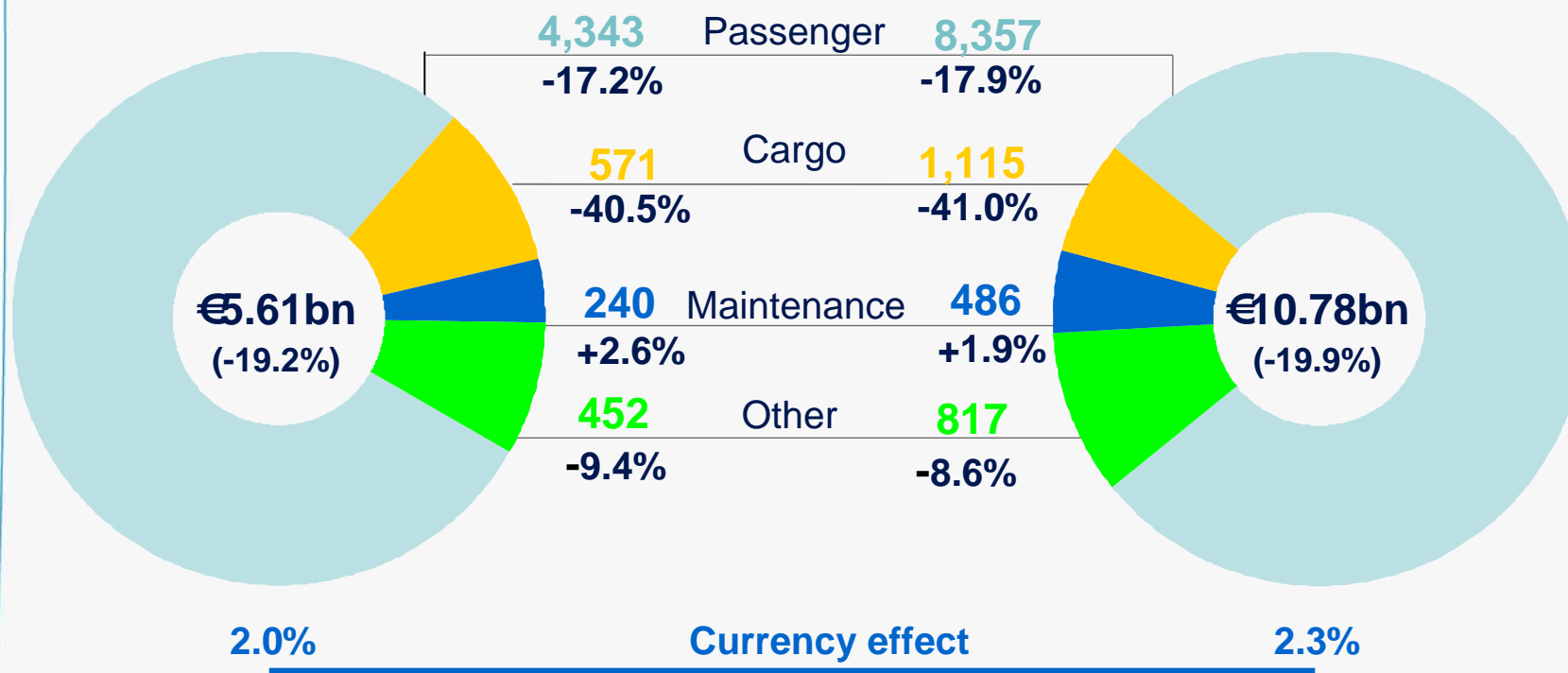
# Revenues

Second Quarter 2009-10

First Half 2009-10

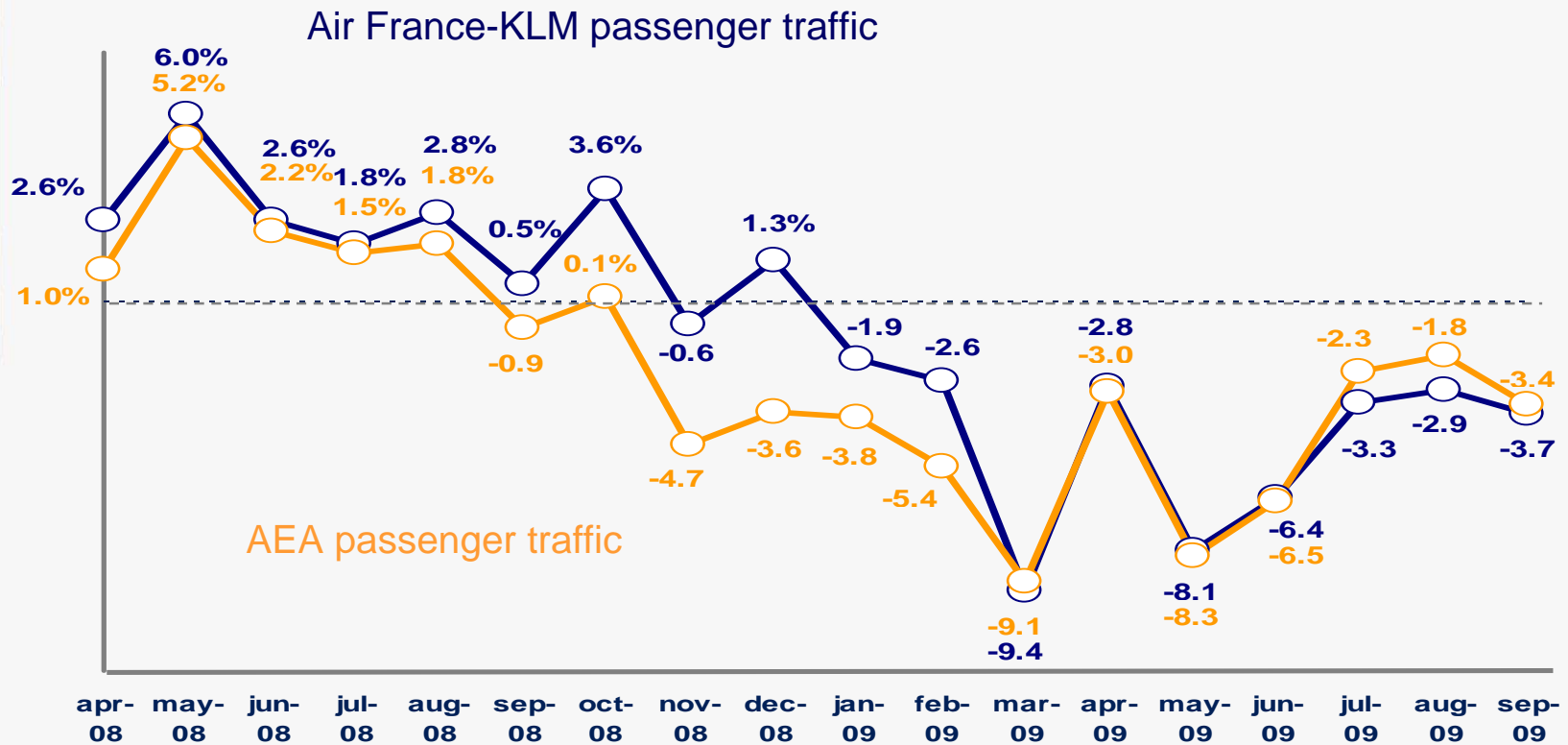
€ millions

€ millions



# Passenger market remains challenging

RPK variation %

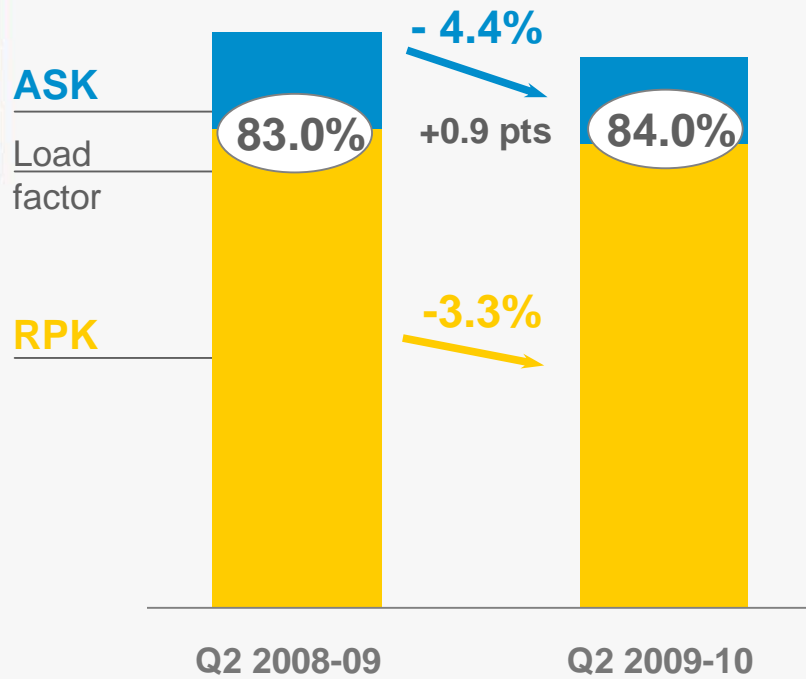


\* Based on same number of days

# Air France-KLM: improved load factor in Q2

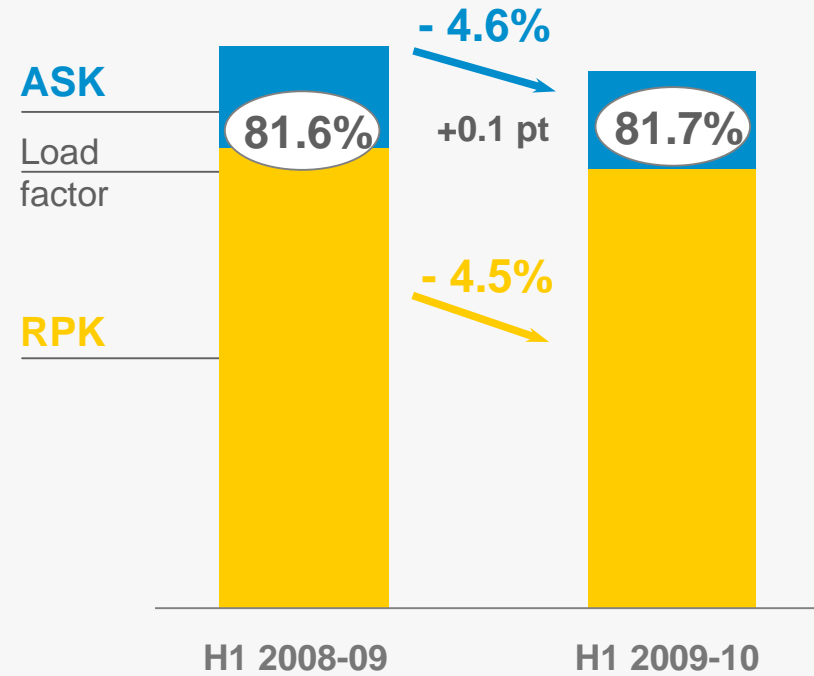
## Second Quarter

19.7 million passengers (-4.5%)



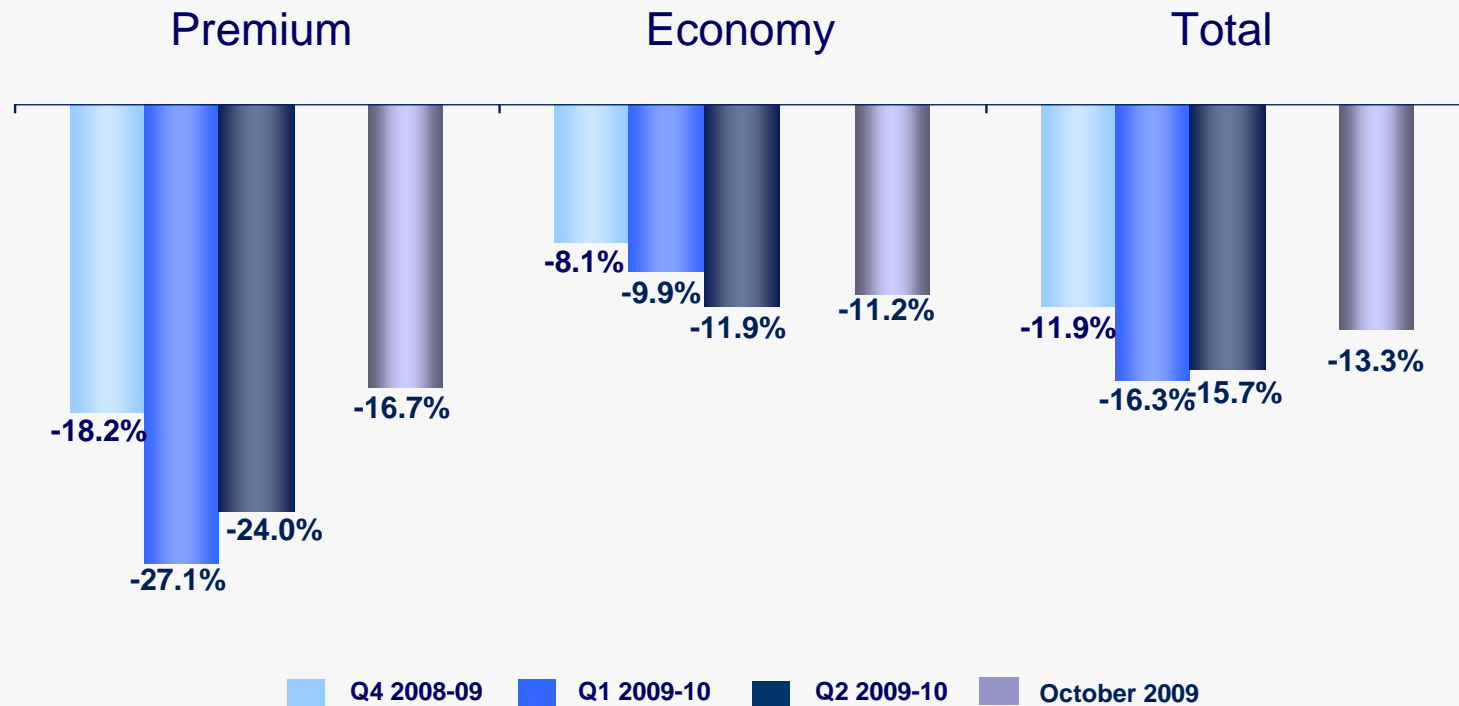
## First Half

38.4 million passengers (-5.3%)



# Unit revenues still under pressure...

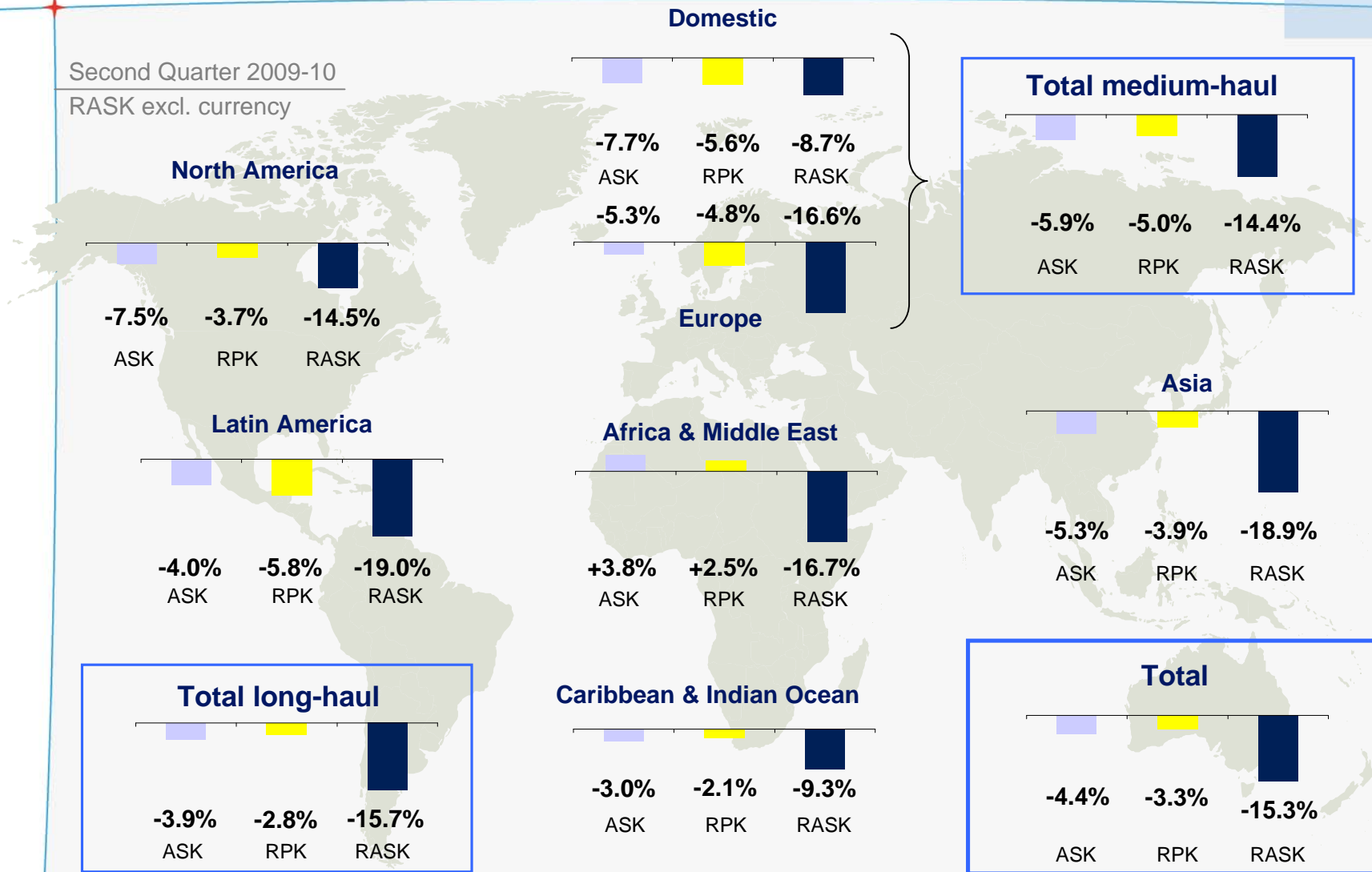
Long-haul RASK  
(excl. currency impact)





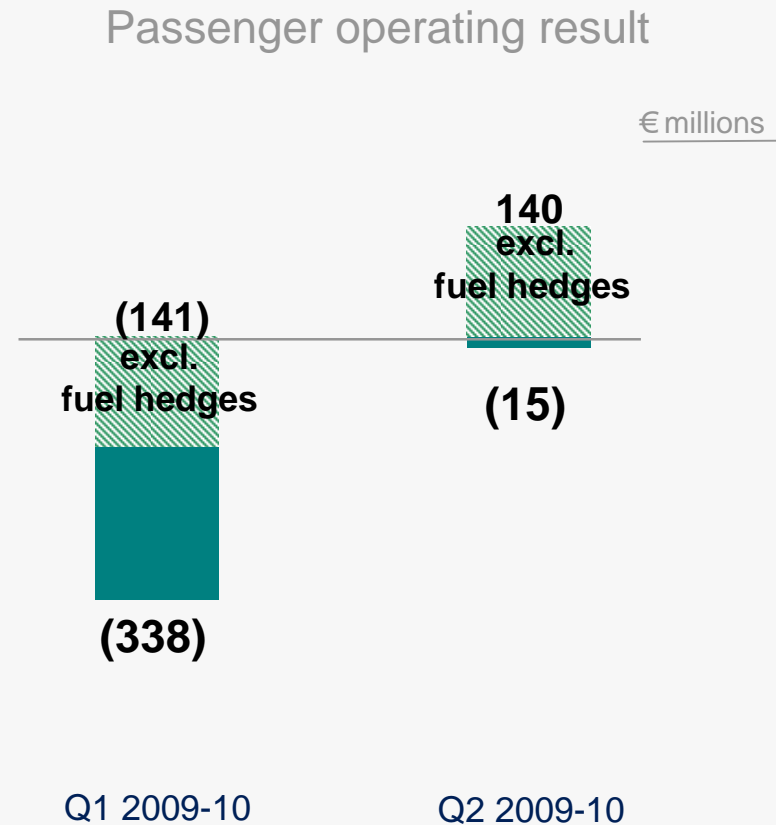
# ...on all networks

Second Quarter 2009-10  
RASK excl. currency



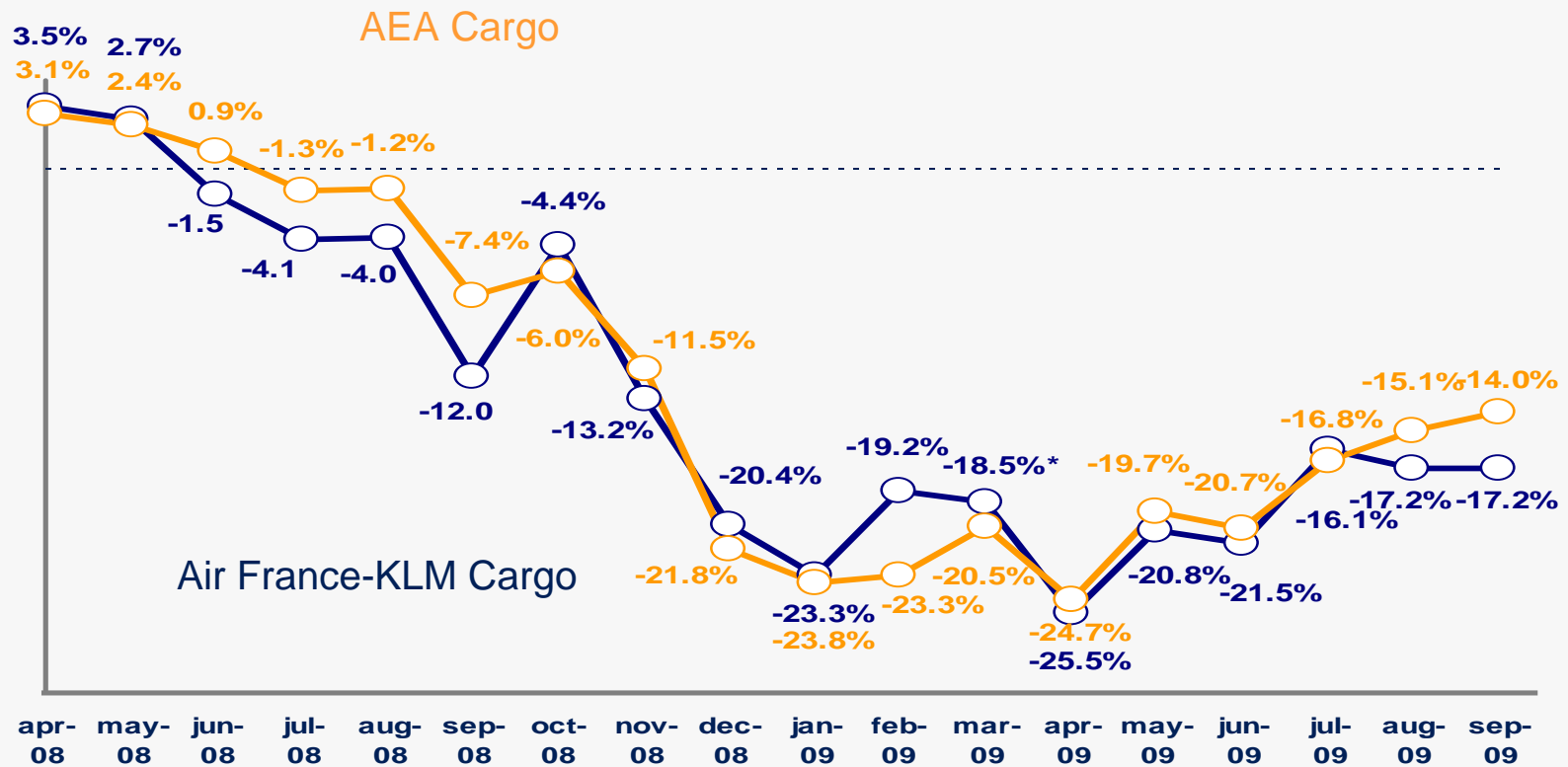
# Passenger: Q2 almost at break-even

- ✦ Decline in unit revenues partly offset by:
  - ▶ Better volumes
  - ▶ Significant reduction in operating costs
- ✦ In profit excluding hedging impact



# Cargo market: stabilisation at a low level

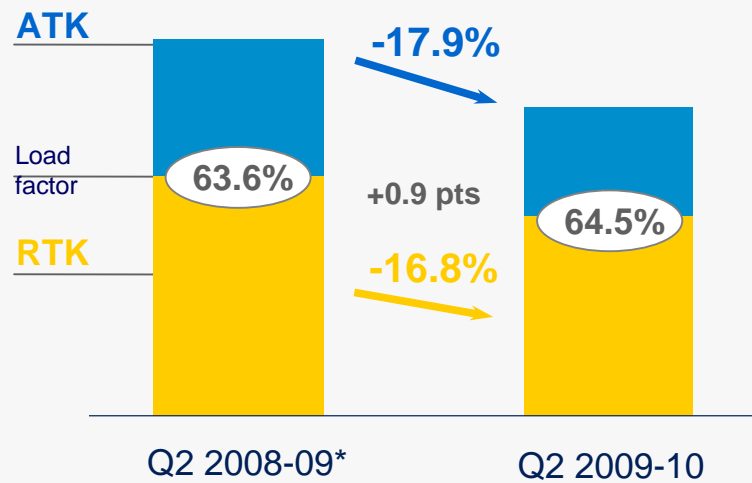
RTK variation %



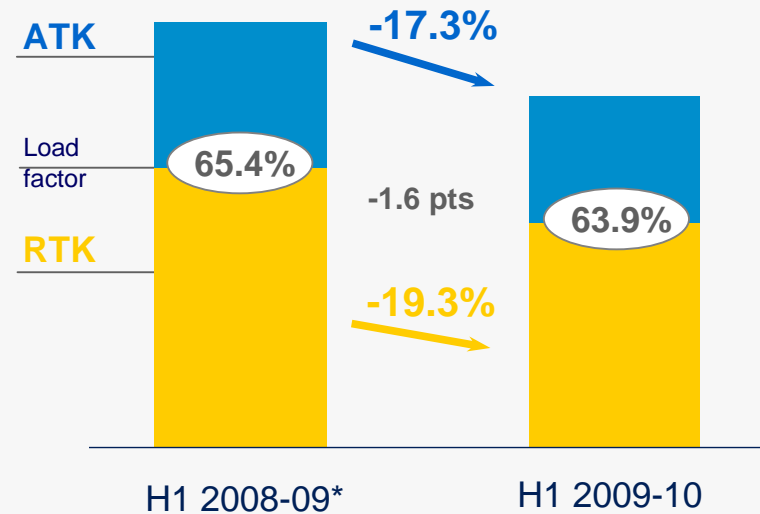
\* Based on same number of days

# Air France-KLM: Firmer cargo volumes in Q2

## Second Quarter

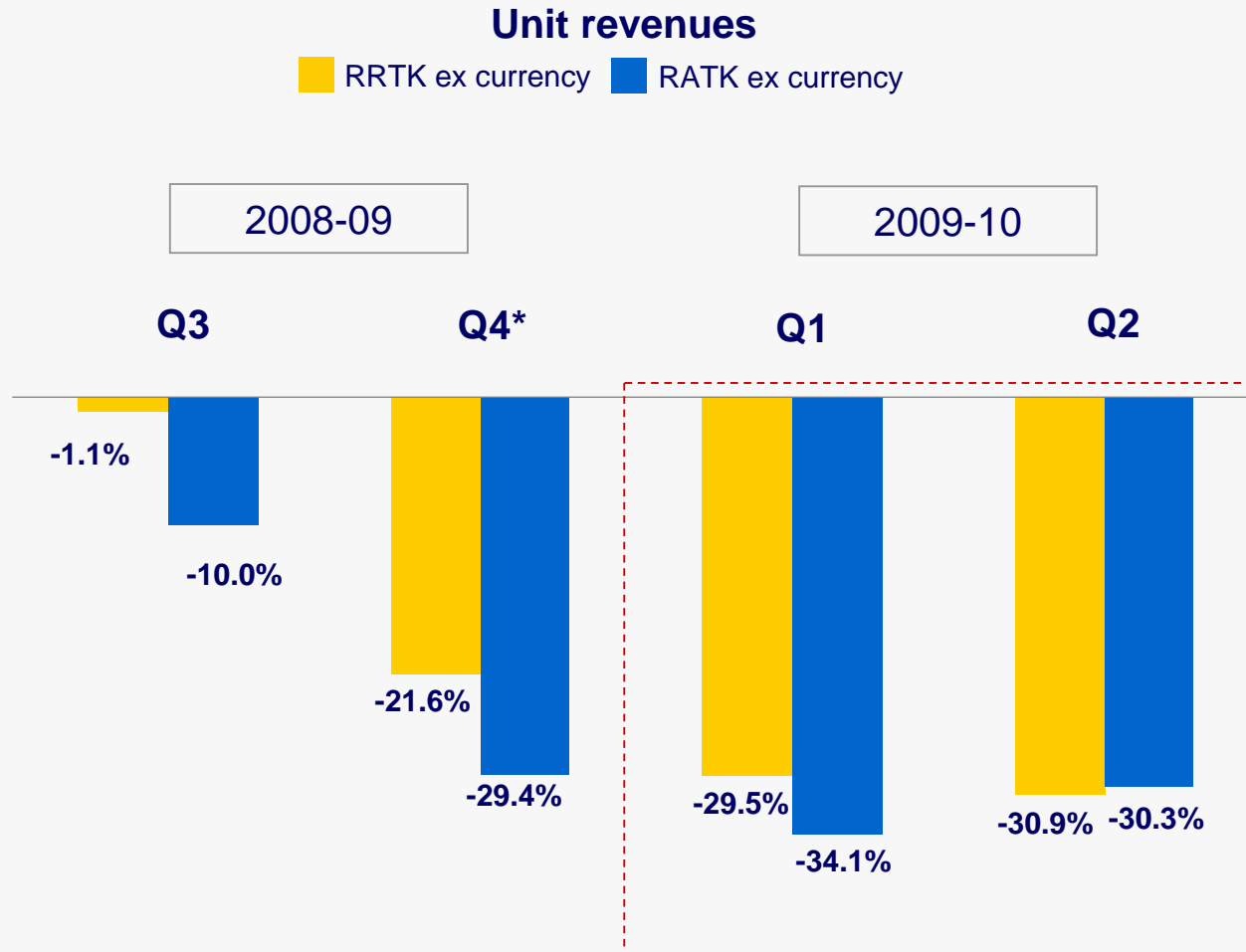


## First Half



\* Including Martinair

# Unit revenues bottom out



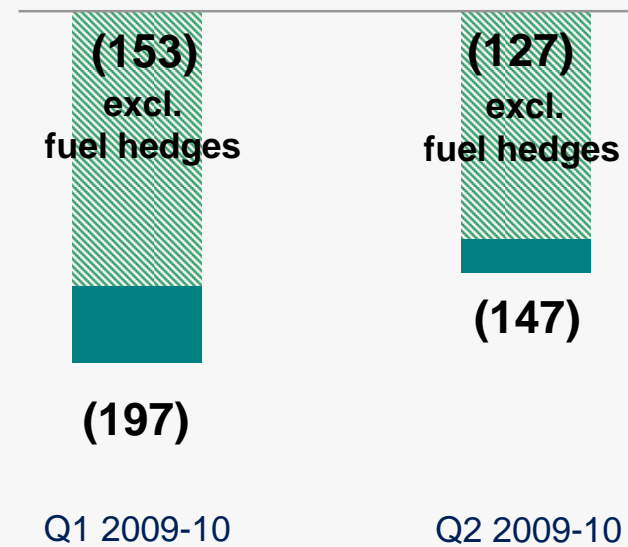
\* Including Martinair

# Cargo environment remains challenging

- ★ Slight improvement in operating result in Q2 compared with Q1
  - ▶ Higher volumes
  - ▶ Lower fuel costs
  - ▶ Ongoing reduction in other operating costs

## Cargo operating result

€ millions



# Maintenance and other activities: a solid First Half

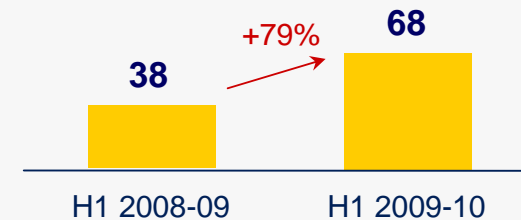
## ✦ Strong performance from maintenance

- ▶ Revenues up 1.9% to €486m
- ▶ Dynamic engines and components activities

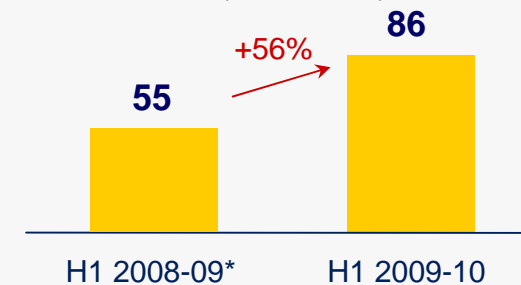
## ✦ Other businesses

- ▶ Leisure resilient: operating income up 12% to €64m (€78m excluding fuel hedging)
- ▶ Good performance in catering: stable operating income of €18.5m despite 6.8% drop in revenues

Maintenance operating income  
(€ millions)



Other businesses operating income  
(€ millions)



\* Including Martinair leisure business

# Results

Philippe Calavia



# Second Quarter results

€ millions

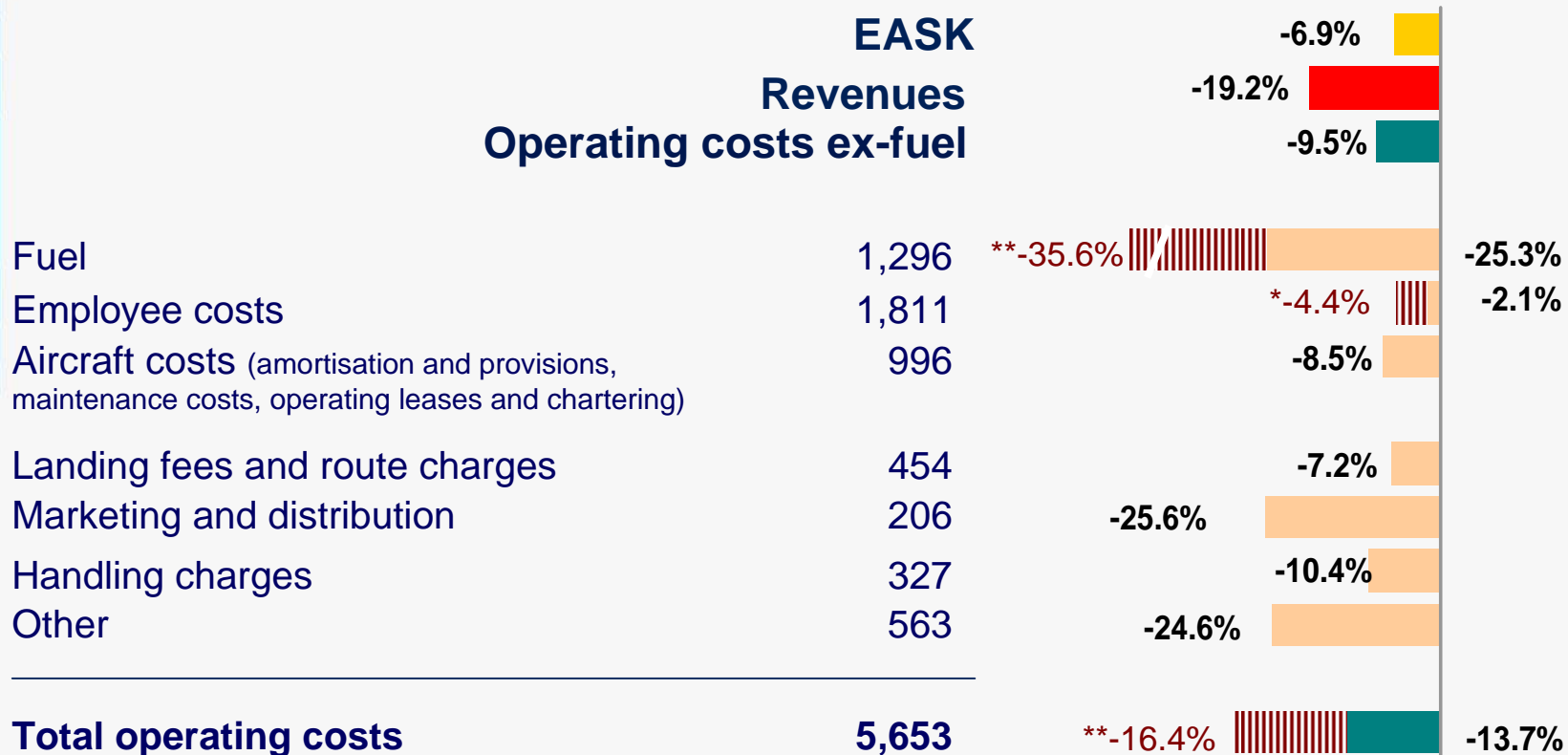
	Q2 2009-10	Q2 2008-09 Pro forma*	% ch
<b>Revenues</b>	<b>5,606</b>	<b>6,940</b>	<b>(19.2)</b>
Operating costs	(5,653)	(6,549)	(13.7)
EBITDAR	555	1,012	(45.2)
<b>Operating income/(loss)</b>	<b>(47)</b>	<b>391</b>	<b>nm</b>
<i>Adjusted operating income/(loss)**</i>	15	445	(96.6)
<b>Income/(loss) from operating activities</b>	<b>(122)</b>	<b>415</b>	<b>nm</b>
Net interest charge	(70)	(11)	nm
Other financial income and costs	9	(441)	nm
Income tax	46	62	nm
Other	(10)	2	nm
<b>Net income/(loss), group share</b>	<b>(147)</b>	<b>27</b>	<b>nm</b>

\*Restated for application of IFRIC 13 and Martinair proforma

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

# Breakdown of Q2 operating costs

Second Quarter 2009-10  
€ millions



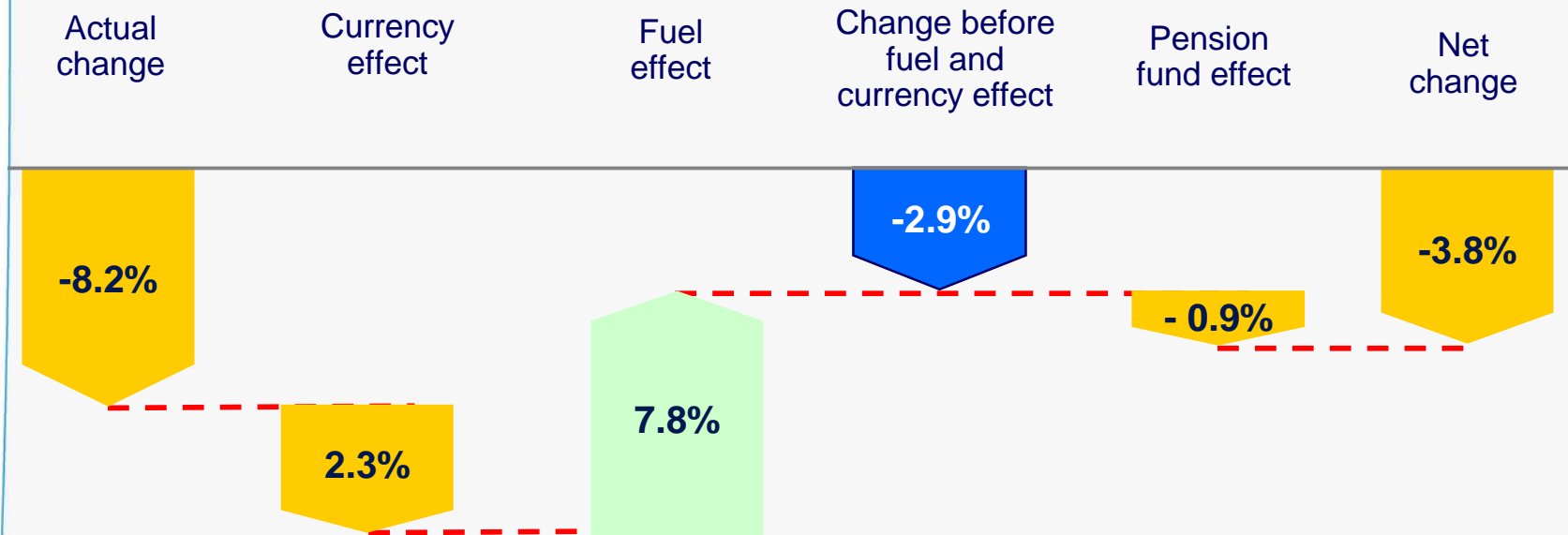
\* Excl; pension funds impact

\*\* Excl; fuel hedge impact

# Unit costs lowered as capacity is reduced

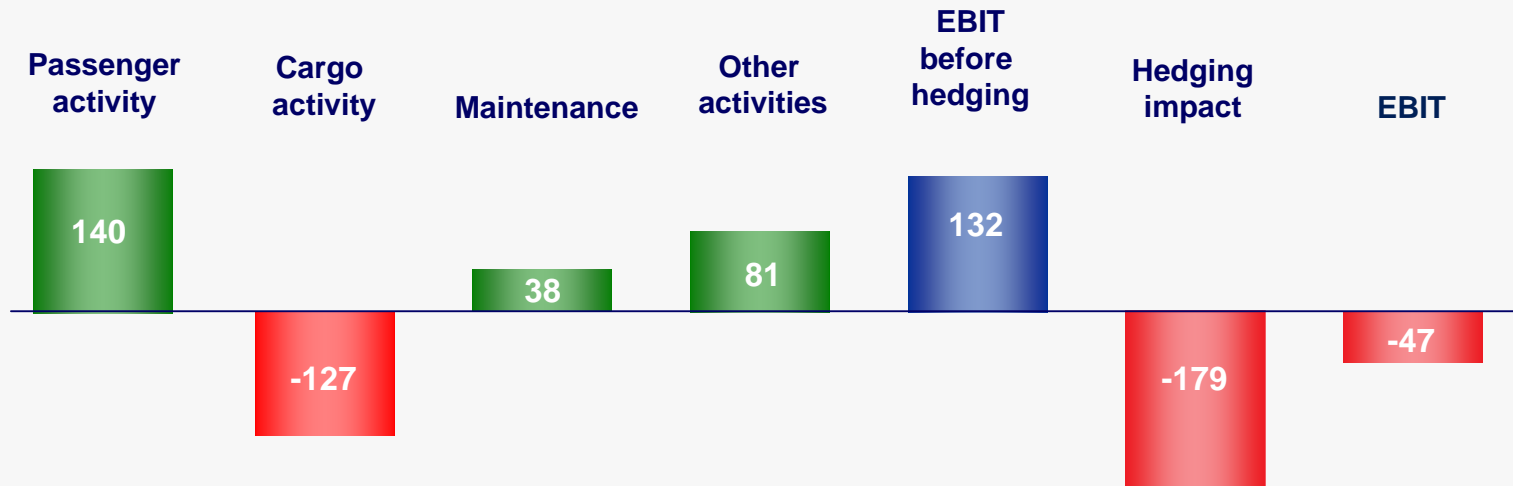
Second Quarter 2009-10  
Unit cost per EASK: 5.87 €cts

**EASK: -6.9%**



# Analysis of Q2 operating result

Second Quarter 2009-10  
€ millions



# First Half results

€ millions

	H1 2009-10	H1 2008-09 Pro forma*	% ch
<b>Revenues</b>	<b>10,775</b>	<b>13,445</b>	(19.9)
Operating costs	(11,318)	(12,851)	(11.9)
EBITDAR	667	1,826	(63.5)
<b>Operating income/(loss)</b>	<b>(543)</b>	<b>592</b>	<b>nm</b>
<i>Adjusted operating income/(loss)**</i>	<i>(419)</i>	<i>701</i>	<i>nm</i>
<b>Income/(loss) from operating activities</b>	<b>(618)</b>	<b>632</b>	<b>nm</b>
Net interest charge	(126)	(22)	nm
Other financial income and costs	(51)	(436)	nm
Income tax	241	(2)	nm
Other	(19)	4	nm
<b>Net income/(loss), group share</b>	<b>(573)</b>	<b>176</b>	<b>nm</b>

\* Restated for application of IFRIC 13 and Martinair proforma

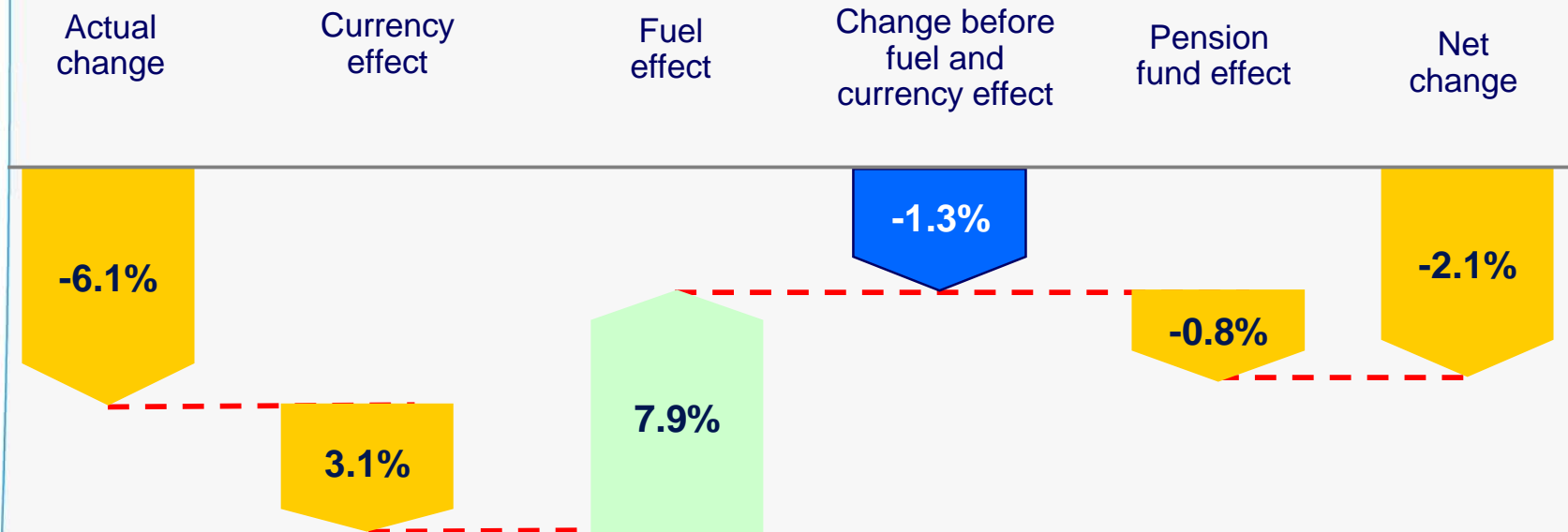
\*\* Adjusted for the share of financial charges within operating leases (34%)



# Unit costs contained as capacity is reduced

First Half 2009-10  
Unit cost per EASK: 6.03 €cts

**EASK: -7.0%**



# Analysis of change in employee costs

First Half 2009-10

€ millions

Employee costs  
(including temporary employees)

Salaries,  
related charges  
and temps

Profit  
sharing

Other

Change before  
pension fund  
effect

Pension  
fund effect

Change after  
pension fund  
effect

-2.8%

- 1.0%

- 1.2%

- 5.0%

+2.0%

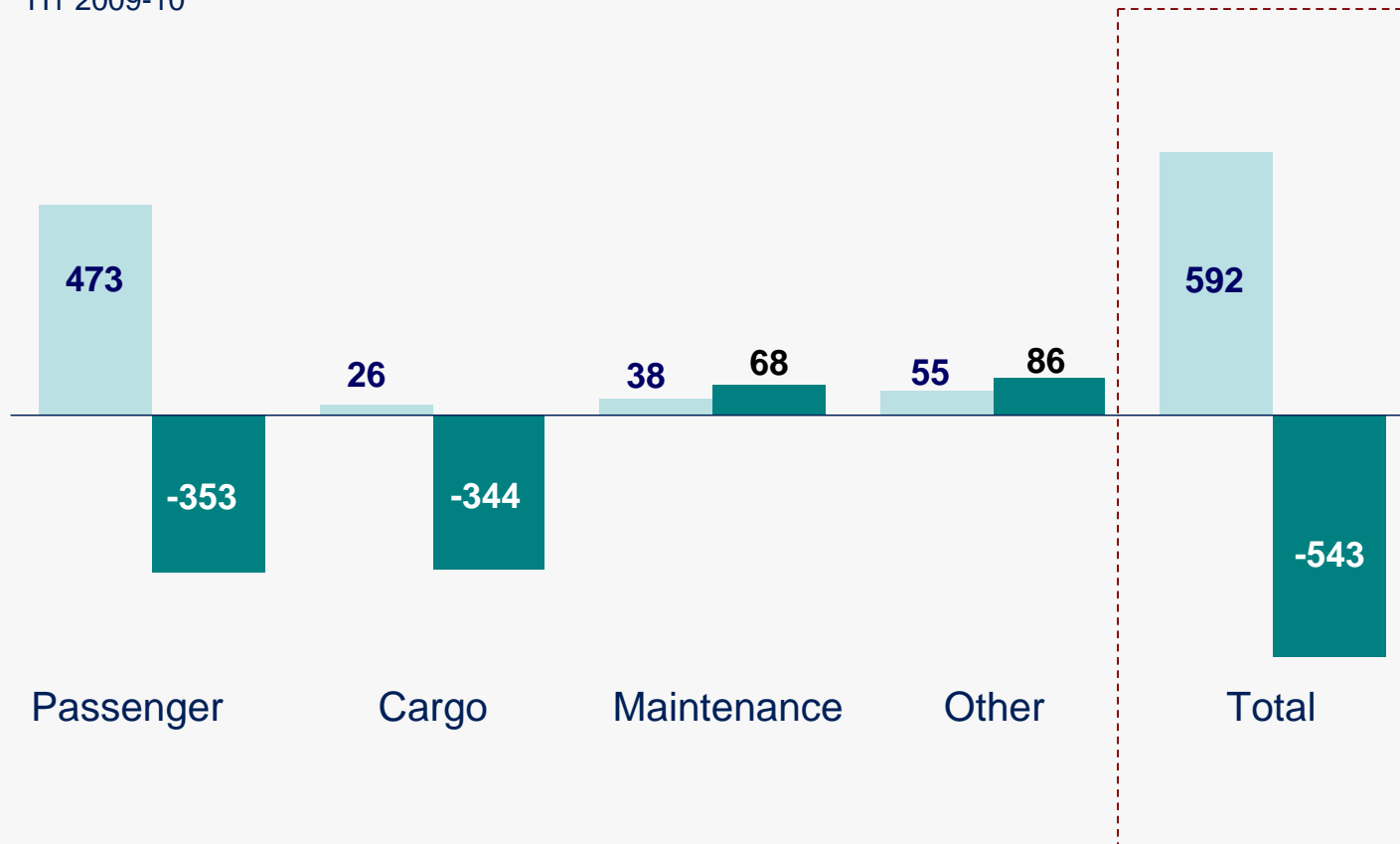
-3.0%



# Breakdown of H1 operating result by business

€ millions

■ H1 2008-09\*  
■ H1 2009-10

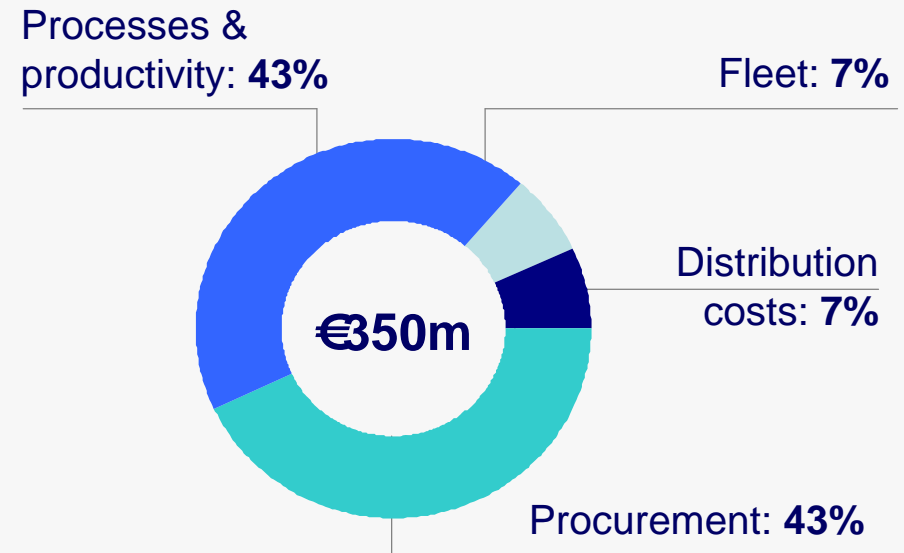


\* H1 2008-09 restated for the application of IFRIC 13 and proforma Martinair

## Update on 'Challenge 12'

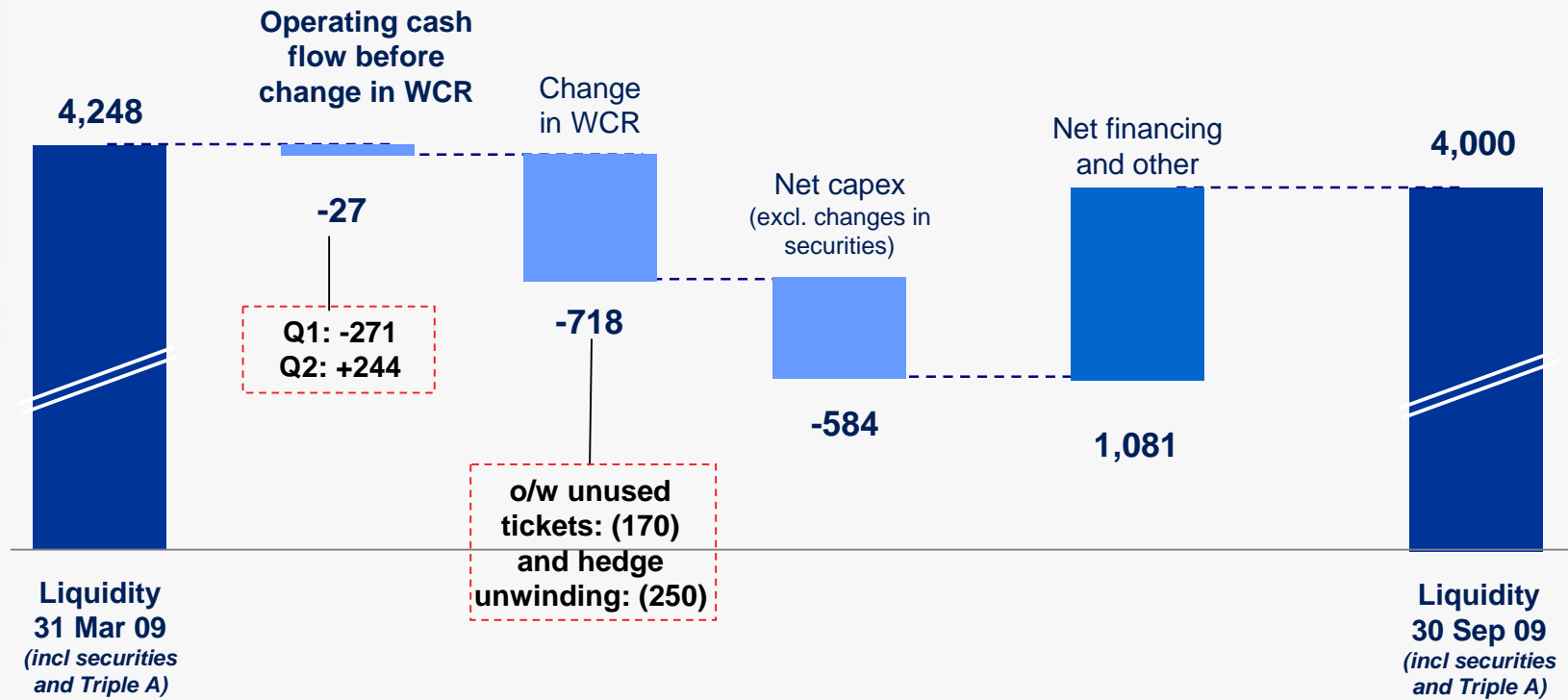
- ✦ **€202m** in savings achieved in Second Quarter
- ✦ **€350m** in savings achieved in the First Half

Breakdown of savings  
at 30<sup>th</sup> September 2009

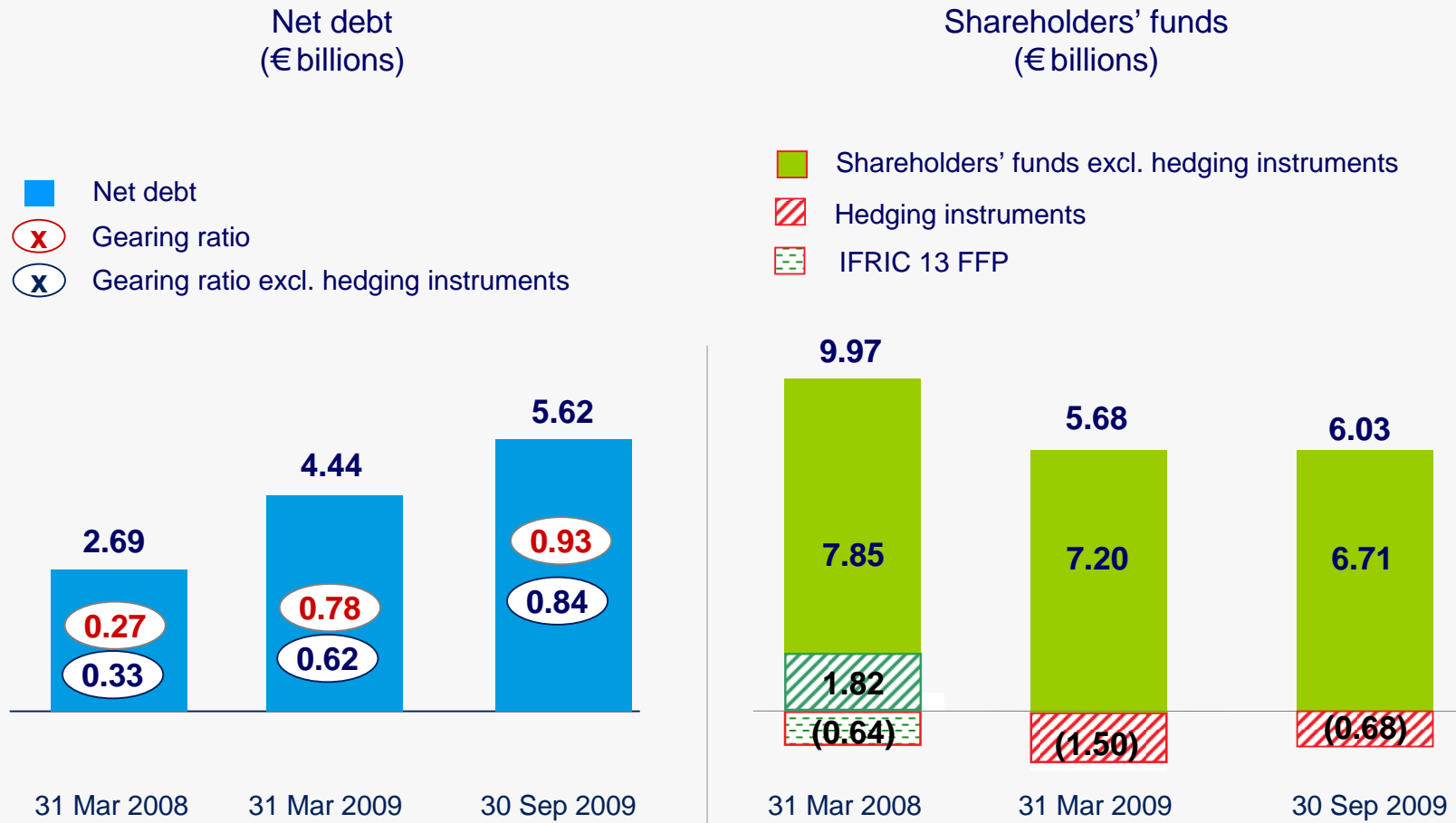


# High level of liquidity

€ millions

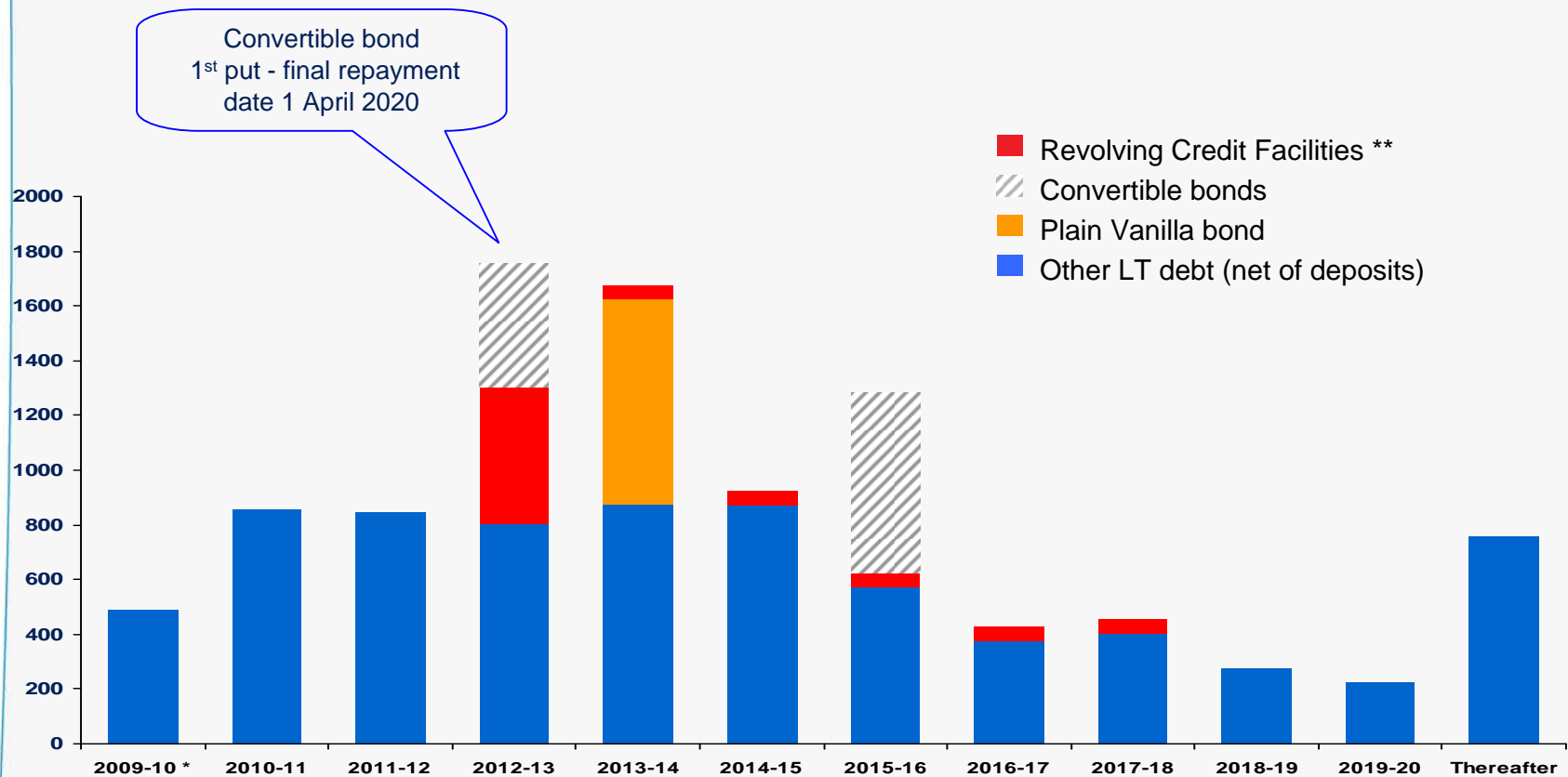


# Gearing ratio



# Debt repayment schedule

AF-KLM debt repayment schedule at 30/09/09  
in €m, net of financial lease deposits



\* as at 30 September 2009

\*\* Drawn portion of the liquidity facilities, final repayment date

## High level of financial resources

- ✦ Cash of 4.0 billion euros at 30 September 2009
- ✦ Available credit facilities of 1.2 billion euros
- ✦ Debt repayment schedule: 800 million euros per annum in current and next two years
- ✦ Successful 700 million euros bond issue in October 2009

# Strategy and Outlook

Pierre-Henri Gourgeon

## Our priorities

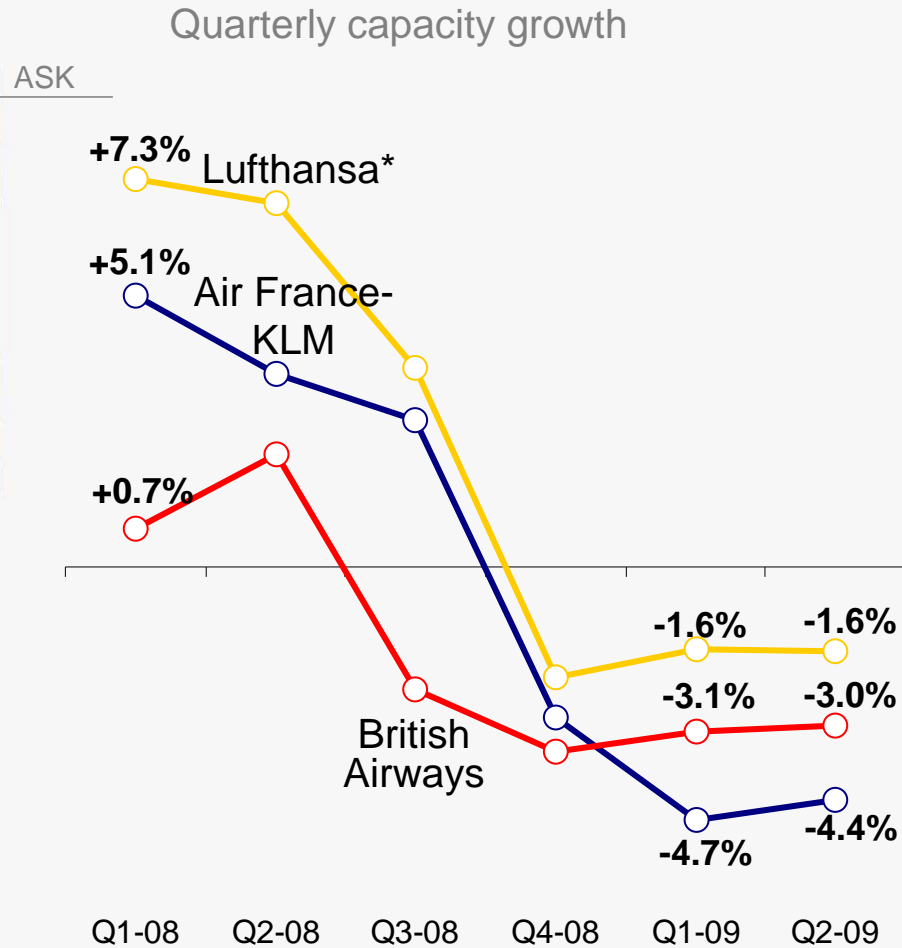
- ✦ Continue to respond to the crisis
- ✦ Reduce our costs
- ✦ Align our businesses with the new environment
- ✦ Leverage our strengths
- ✦ Focus on our customers



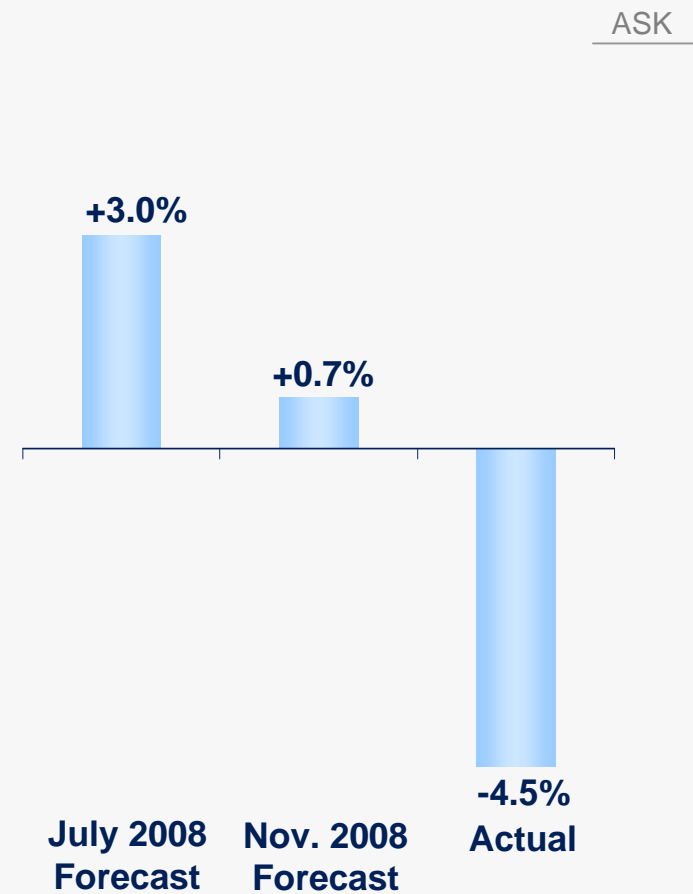
## Our priorities

- ✦ Continue to respond to the crisis
- ✦ Reduce our costs
- ✦ Align our businesses with the new environment
- ✦ Leverage our strengths
- ✦ Focus on our customers

# Capacity: early and rapid adjustment...



Revision of Summer 2009 long-haul capacity growth forecasts

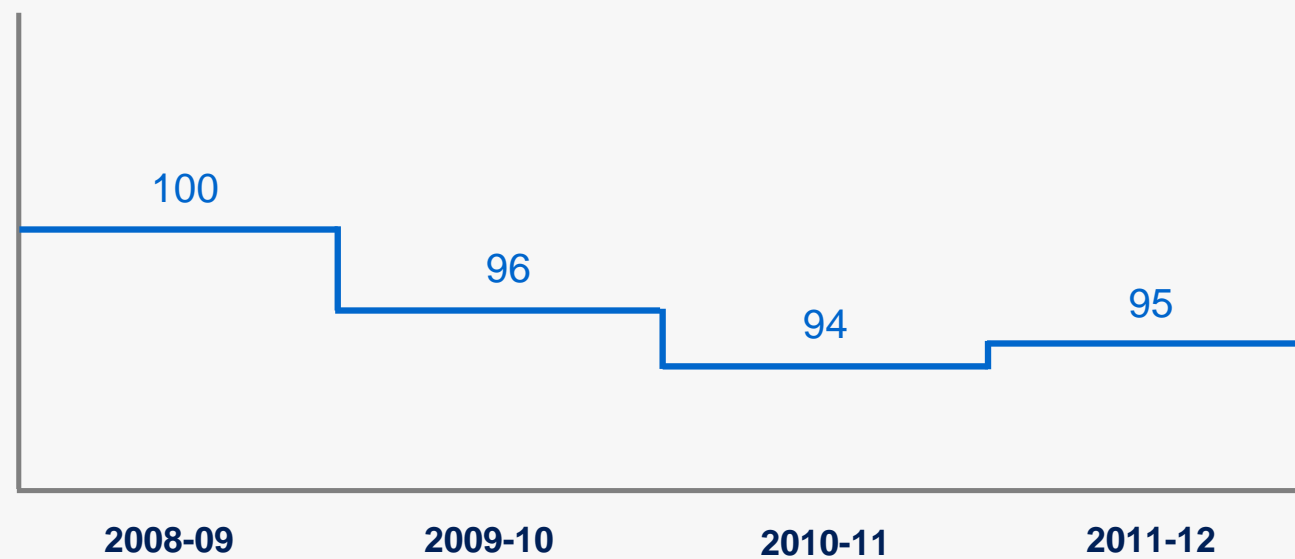


Source: companies - \* Lufthansa including Swiss

...continues into 2010 and beyond

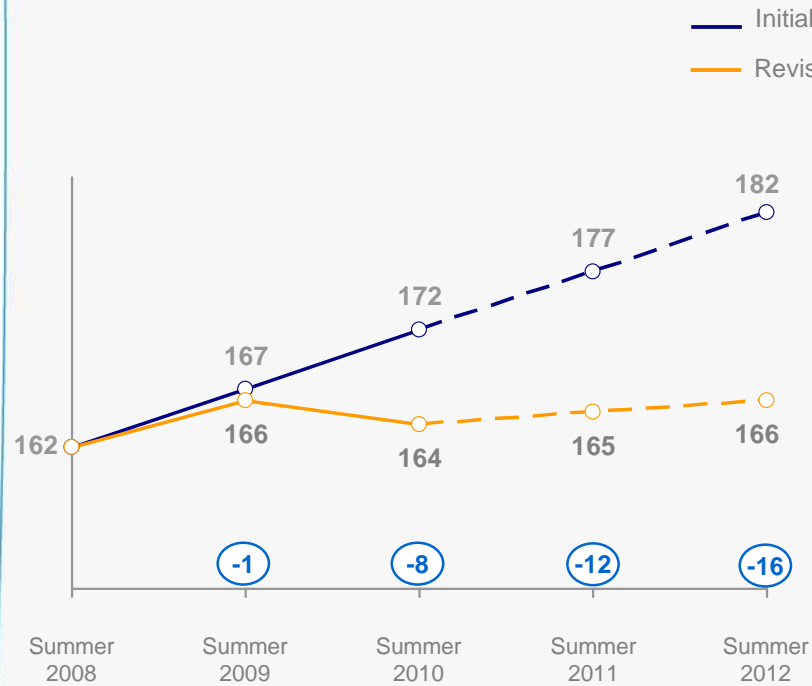
ASK Summer season

Base 100

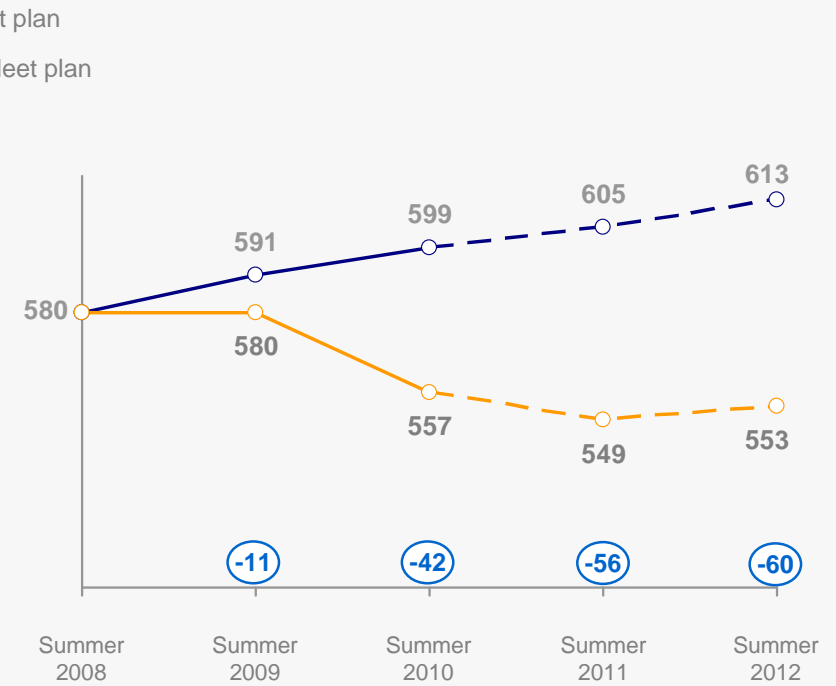


# Investments: aircraft delivery program adjusted...

## Long-haul passenger fleet



## Total Air France-KLM fleet\*



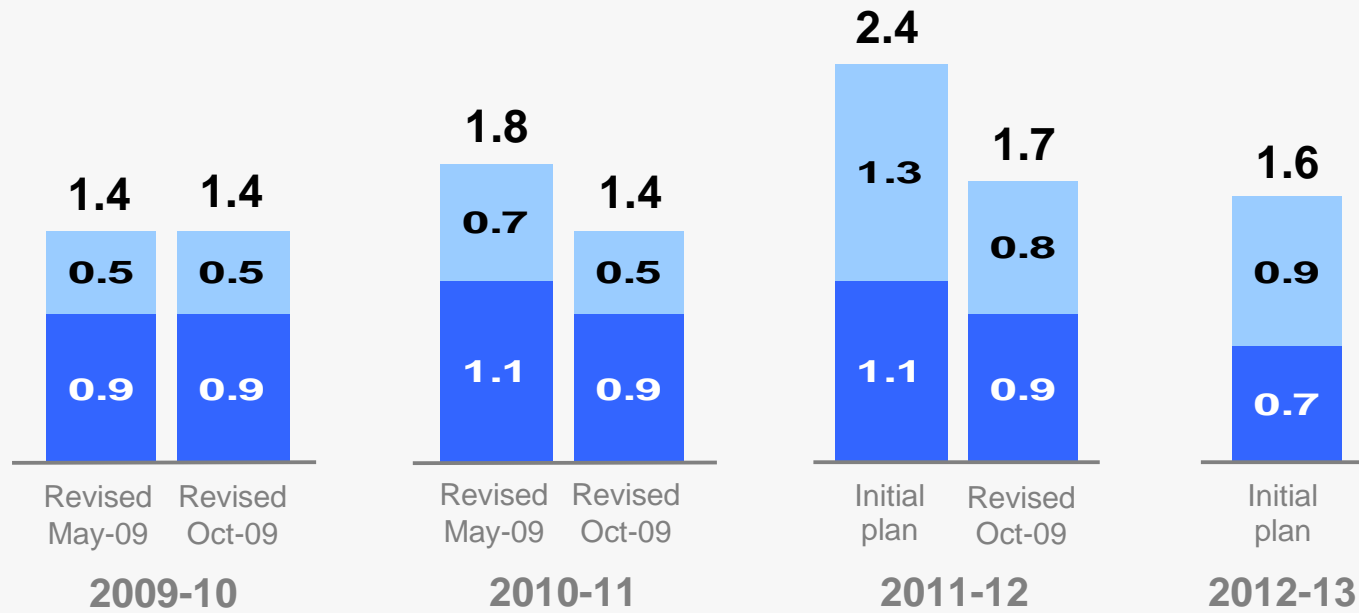
\* Excl. Transavia

# ...and investment plan revised down further

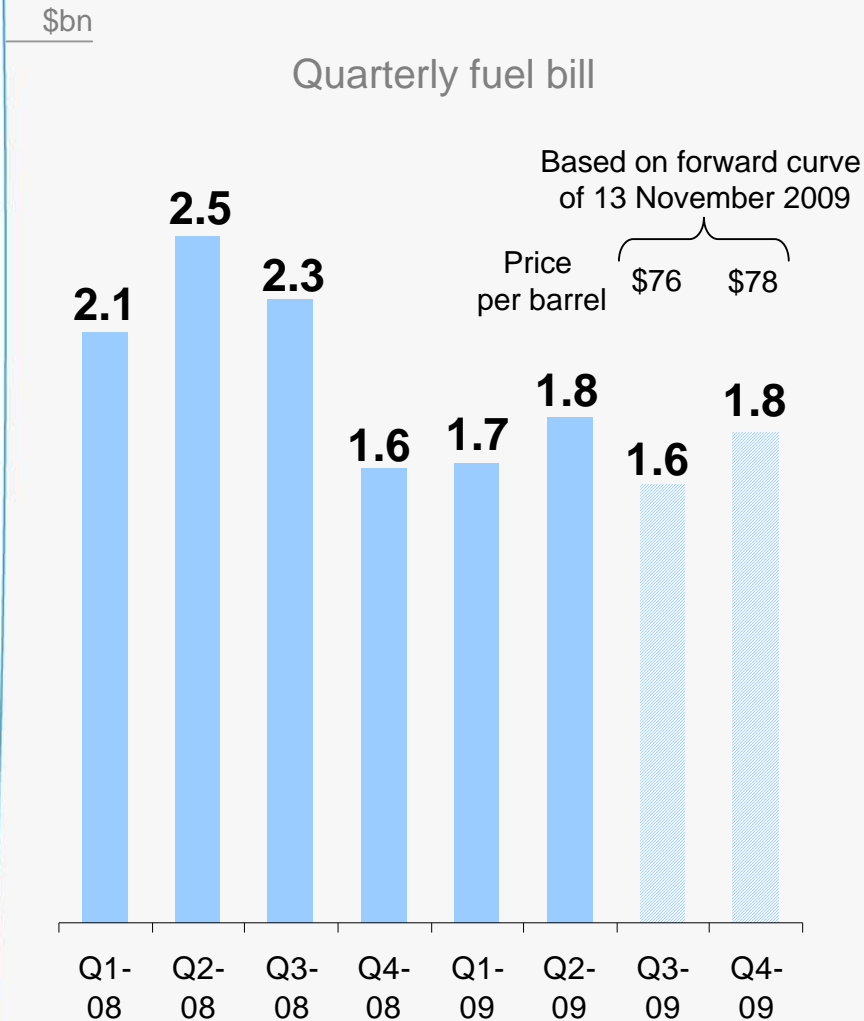
€ millions

- Fleet investments net of disposals
- Other investments

**- 1.1** billion euros over the next two years  
for a total of **- 4.2** billion euros since 2008



# Fuel hedging: new policy adapted to a more volatile oil market

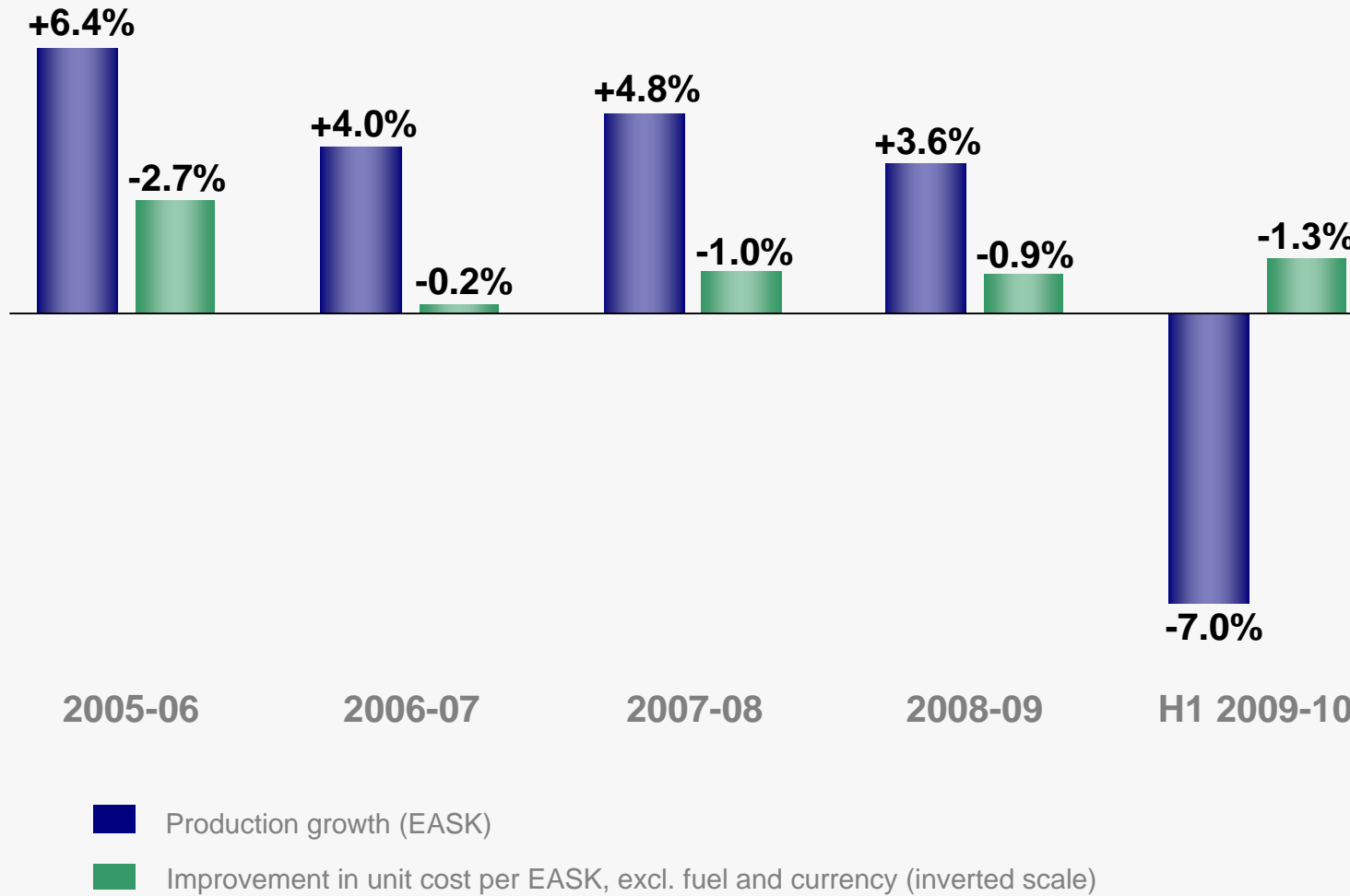


- ✦ Smaller volumes (80% of annual consumption)
- ✦ Shorter time horizon (2 years)
- ✦ Simpler products
- ✦ Dynamically managed, based on theoretical 'maximum loss' level, maximum mark-to-market gain, and 'value at risk' measure
- ✦ Effective September 2009

## Our priorities

- ✦ Continue to respond to the crisis
- ✦ Reduce our costs
- ✦ Align our businesses with the new environment
- ✦ Leverage our strengths
- ✦ Focus on our customers

## Costs decline, even in a context of lower capacity

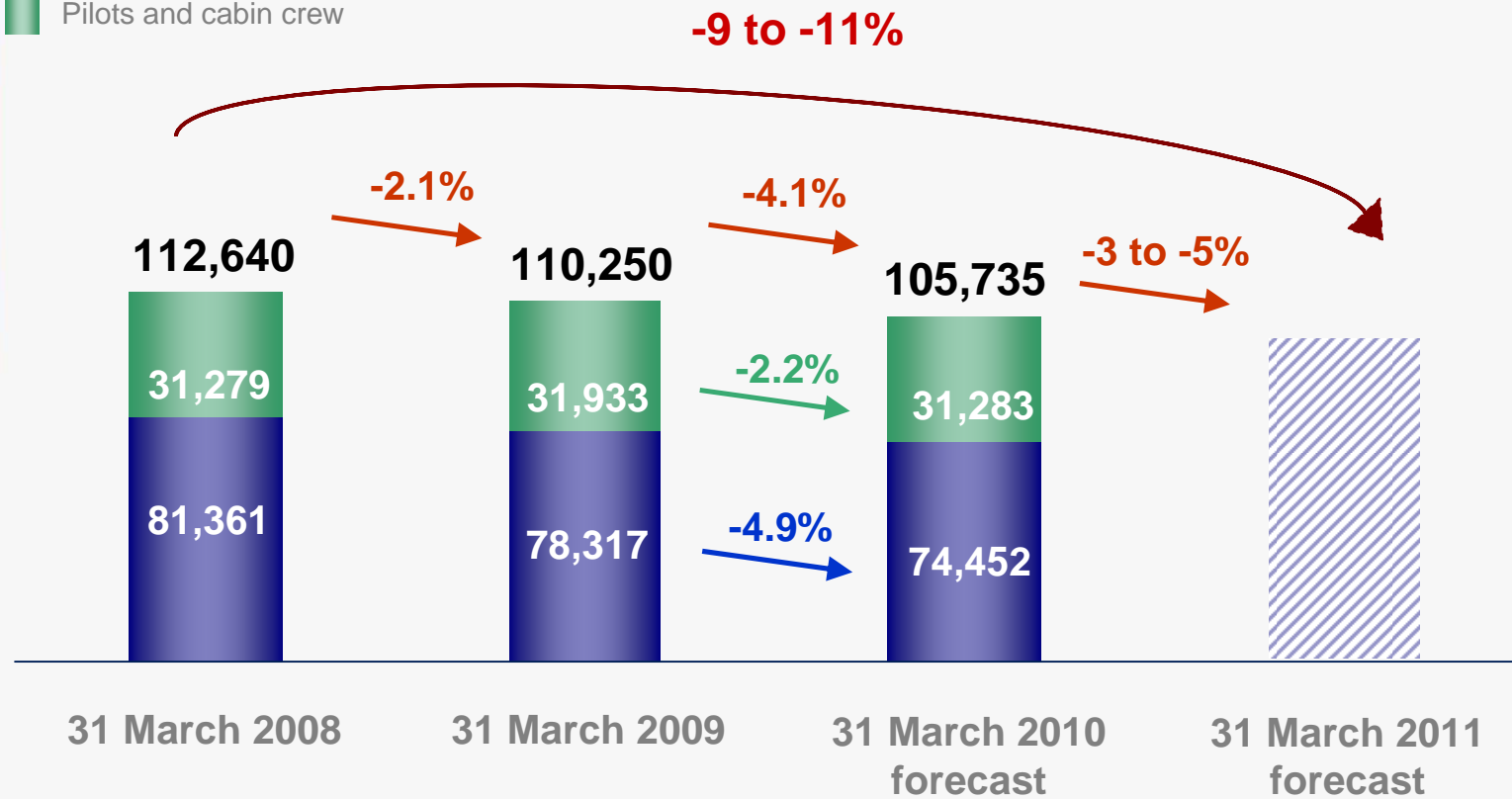




# Headcount reduced further

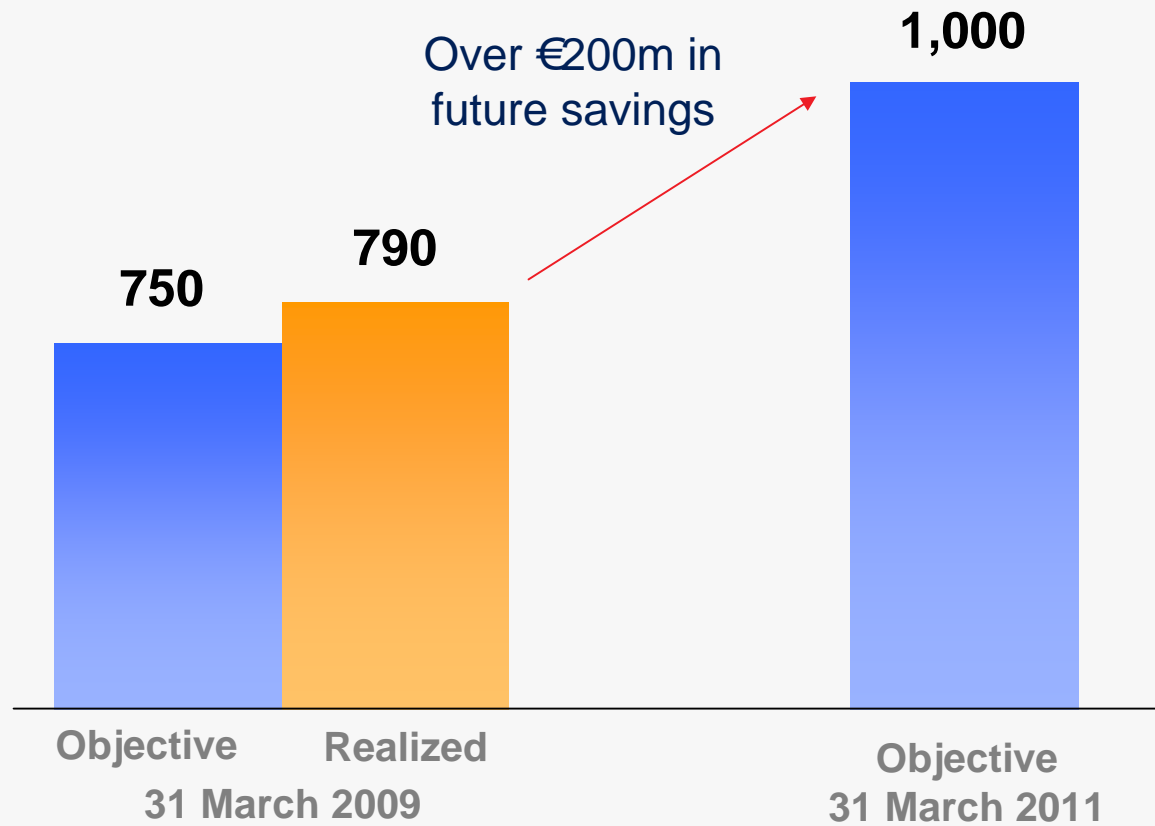
Equivalent full time employees

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



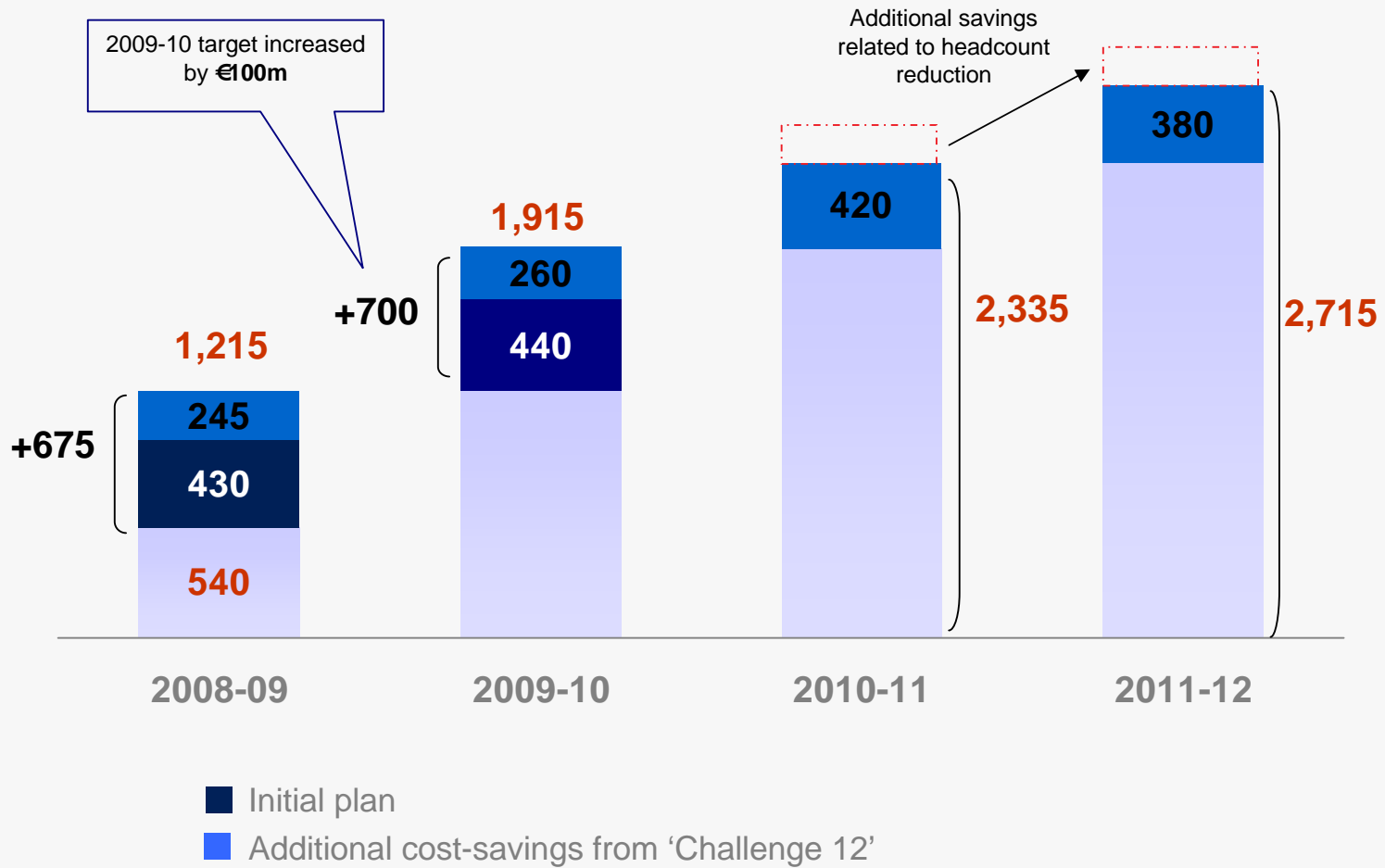
# Synergies: further benefits from integration...

Total synergies since merger (€millions)



# ...will boost 'Challenge 12' cost savings program

€ millions



## Our priorities

- ✦ Continue to respond to the crisis
- ✦ Reduce our costs
- ✦ **Align our businesses with the new environment**
- ✦ Leverage our strengths
- ✦ Focus on our customers

## Long-haul adaptation

- ✦ Reduction in capacity
- ✦ Schedules rationalized
  - ▶ North Atlantic joint venture
  - ▶ Helped by arrival of A380
- ✦ Accelerated roll-out of new products
  - ▶ 'Premium Voyageur' class at Air France
  - ▶ 'Economy Comfort' at KLM
- ✦ New approach to corporate travel

## Medium-haul transformation

- ✦ Innovative product positioning
- ✦ Wide-ranging network changes
- ✦ Significant cost savings and productivity gains



€500m  
EBIT improvement  
by 2011-12

# Cargo restructuring

- ✦ Rationalization between three companies
- ✦ Significant capacity cuts: -18% in First Half
- ✦ Clear operational philosophy behind commercial action: maximizing belly and combi contribution, complemented by full freighters



Break-even  
by 2011-12

## Our priorities

- ✦ Continue to respond to the crisis
- ✦ Reduce our costs
- ✦ Align our businesses with the new environment
- ✦ **Leverage our strengths**
- ✦ Focus on our customers



# Powerful hub system...

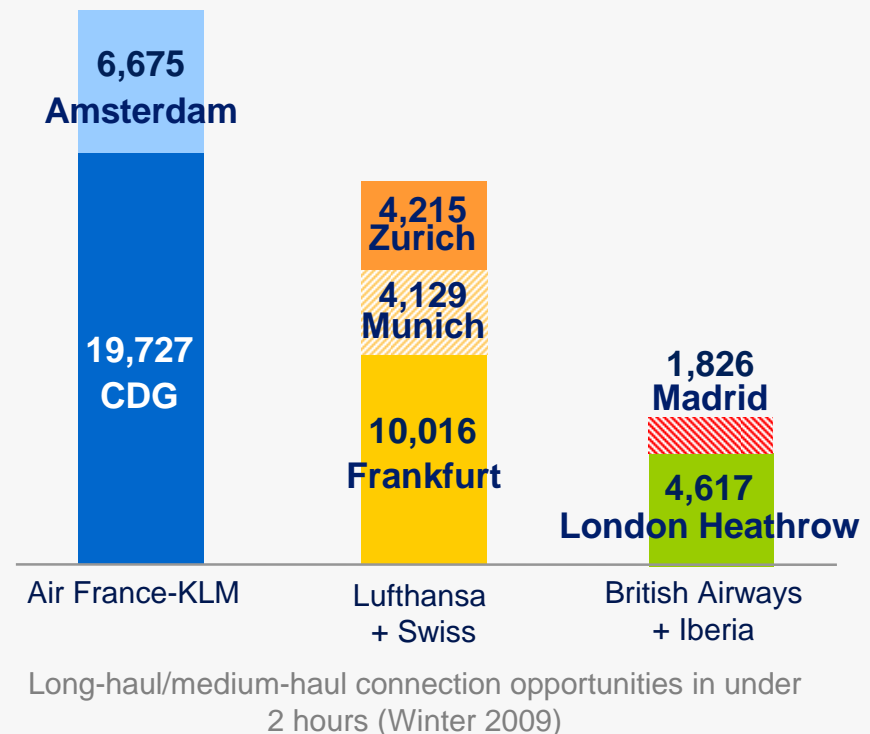
★ Large hub system enables concentration of traffic on larger aircraft

- ▶ Lower costs
- ▶ Lower CO<sub>2</sub> emissions

★ Example: A380

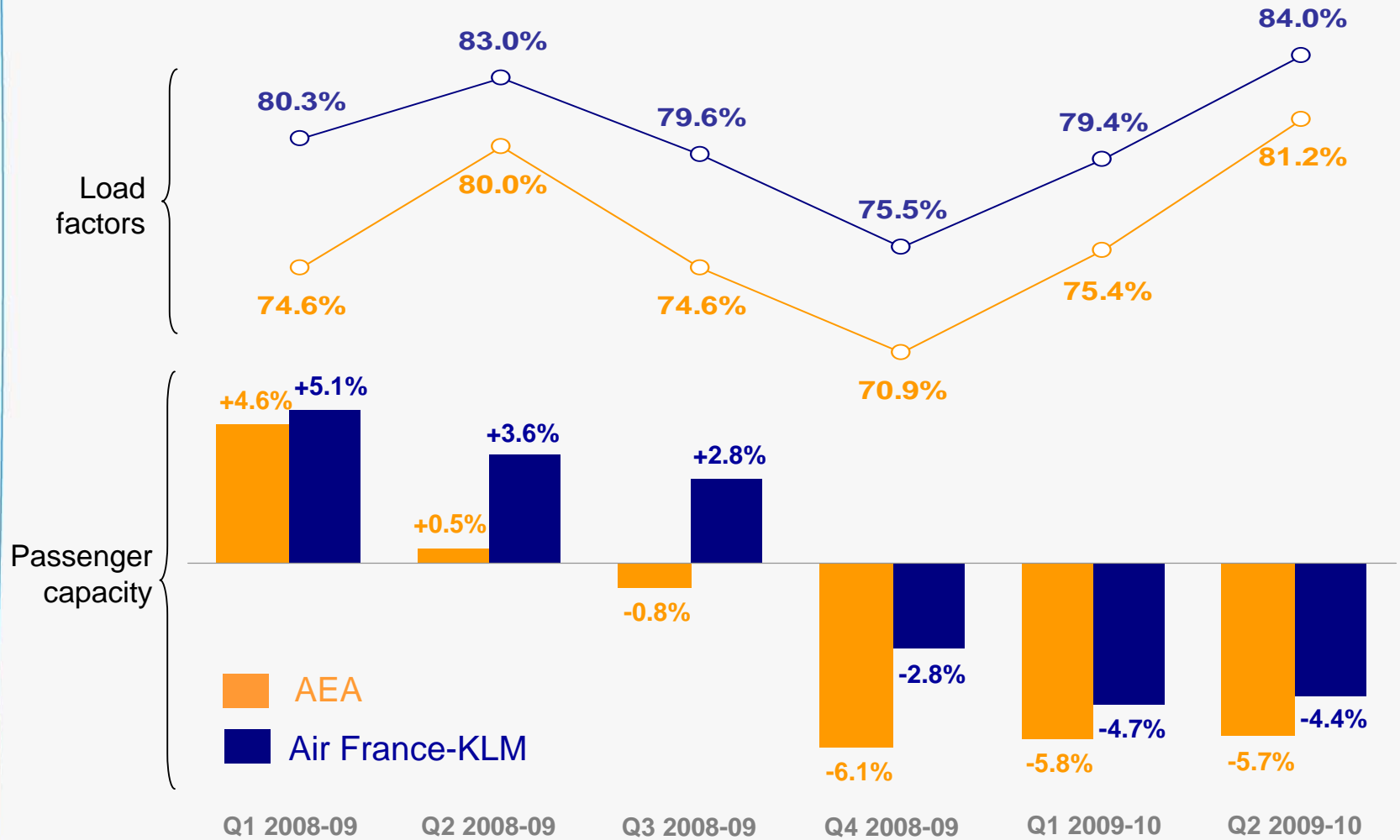
- ▶ Save costs by combining frequencies on a single route
- ▶ Grow on slot or time-constrained routes
- ▶ 20% less CO<sub>2</sub> per passenger kilometer
- ▶ €15m in savings per annum per aircraft

The greatest number of flight connection opportunities in Europe



Source : OAG Winter 2009

# ...proves its resilience in the downturn



## Pioneering organization on the North Atlantic...

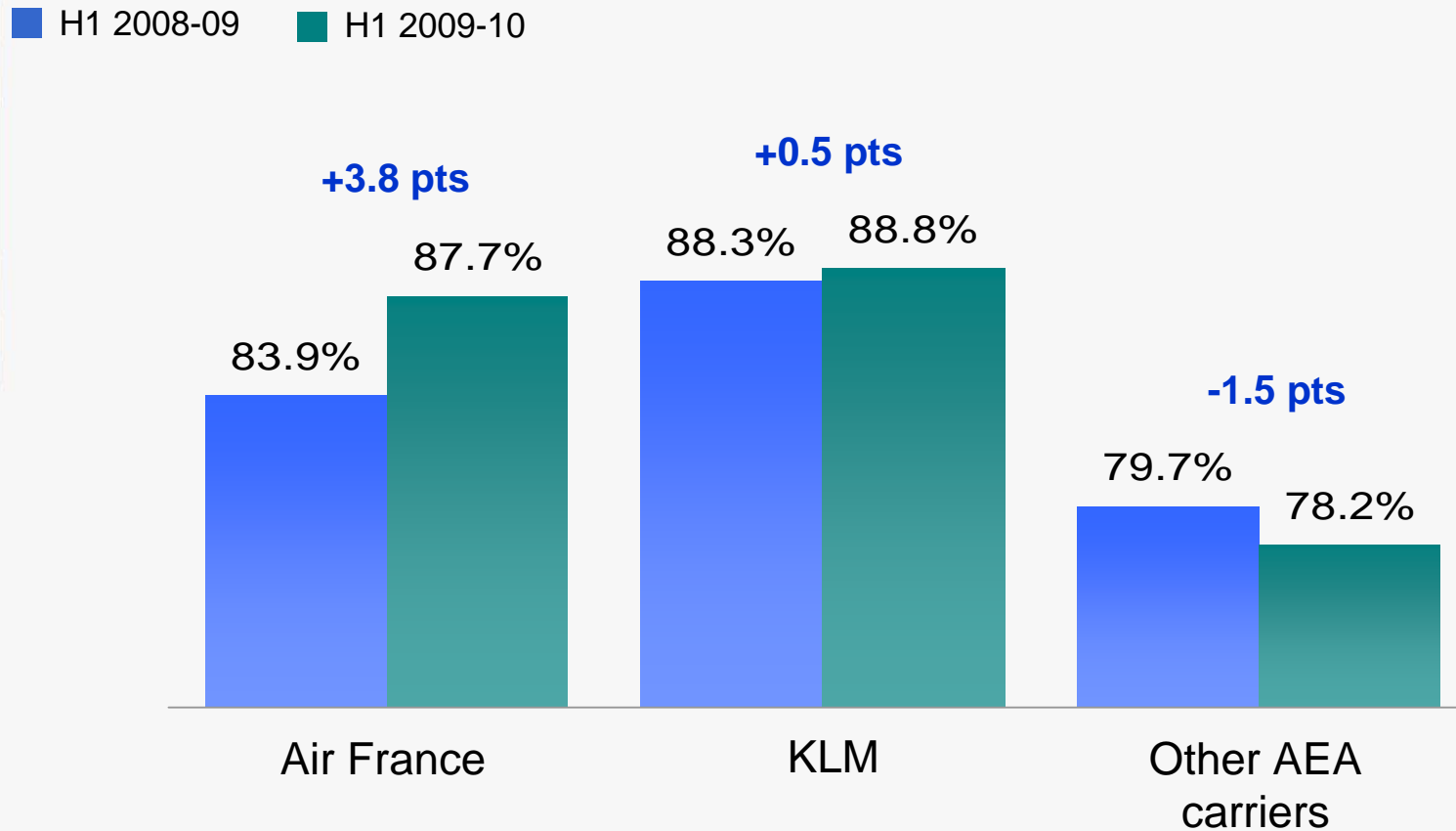
- ✦ JV between the European and US market leaders
  - ▶ Operational April 2009
  - ▶ 50/50 share of economic result
- ✦ The most extensive North Atlantic network
  - ▶ Market share of 23%
  - ▶ 240 daily flights
  - ▶ Fully co-ordinated networks and sales



€145m profitability improvement in year 3

...already leading to significant increase in load factor

### North Atlantic load factor



## Alitalia: deepening our cooperation

- ✦ Largest operator on the fourth European market
- ✦ Alitalia business plan still on target
- ✦ Synergies for Air France-KLM:
  - ▶ Direct synergies of €90m
  - ▶ 25% of Alitalia synergies of €280m



€160m synergies  
for Air France-KLM  
by 2012-13

# SkyTeam alliance reinforcing the strength of our network



- ✦ Nine members and two associates
- ✦ Centralized management
- ✦ Shared facilities at London Heathrow and Barcelona

## Our priorities

- ✦ Continue to respond to the crisis
- ✦ Reduce our costs
- ✦ Align our businesses with the new environment
- ✦ Leverage our strengths
- ✦ **Focus on our customers**

## Arrival of the A380

- ✦ First European airline to operate the A380
- ✦ Attractive to customers, with a promising level of forward bookings
- ✦ Launched on November 23<sup>rd</sup> to New-York JFK, followed by Johannesburg





# Long-haul: completing the product offer

**Air France**

**PREMIUM VOYAGEUR**



**KLM**

Economy  
Comfort



€120m improvement in full year  
EBIT from end of 2010

€20m additional revenues

## Medium-haul: transformation of the product in line with customer needs

- ✦ Dynamic commercial policy
  - ▶ Time-saving, especially at the airport
  - ▶ Streamlined service on board
  - ▶ Flexibility at lower fares
  
- ✦ Appealing to small and medium-sized companies
  
- ✦ Maintaining differentiation with low cost carriers



‘Moving closer to the passenger, not the low cost model’

## To sum up

- ✦ Industry emerging from a difficult First Half, but recovery in revenues is proving slower than expected
- ✦ Cost reduction measures already showing results
- ✦ Appropriate actions to adapt our businesses to the new environment while remaining focused on the customer



Air France-KLM: a strengthened business model, well adapted to a challenging environment

# Outlook

# Outlook

## ★ 2009-10: remains a difficult year

- ▶ Deterioration in unit revenues started by the crisis in September 2008 will be less marked in H2 than in H1

## ★ 2010-11: Improvement stemming from

- ▶ Reinforcement of 'Challenge 12'
- ▶ Impact of both cargo and medium-haul adaptation measures



Break even before impact of pre-2009 fuel hedges  
by the beginning of financial year 2010-11

# Appendices

# Calculation of net debt

In € millions

	30 Sept 09	31 March 09
Current and non-current financial debt	10,035	9,137
Deposits on leased aircraft	(482)	(496)
Currency hedging instruments	64	51
<b>= Gross financial debt</b>	<b>9,617</b>	<b>8,692</b>
Cash and cash equivalents	3,615	3,748
Cash deposits of over three months	189	430
Triple A deposits	310	352
Bank current accounts	(114)	(282)
<b>= Net cash</b>	<b>4,000</b>	<b>4,242</b>
<b>Net financial debt</b>	<b>5,617</b>	<b>4,444</b>
<b>Consolidated shareholders' funds</b>	<b>6,030</b>	<b>5,676</b>
<b>Net debt / Equity</b>	<b>0.93</b>	<b>0.78</b>
<b>Net debt / Equity excl. hedging instruments</b>	<b>0.82</b>	<b>0.62</b>

# Reconciliation of Q2 2008-09 results

In € millions	Q2 2008-09	H1 2008-09
<b>Published revenues</b>	6,695	12,983
IFRIC 13 impact	(10)	(24)
Martinair impact	255	486
<b>Restated proforma revenues</b>	<b>6,940</b>	<b>13,445</b>
<b>Published operating costs</b>	6,290	12,344
Martinair impact	259	509
<b>Proforma operating costs</b>	<b>6,549</b>	<b>12,853</b>
<b>Published operating income</b>	<b>405</b>	<b>639</b>
IFRIC 13 impact	(10)	(24)
Martinair impact	(4)	(23)
<b>Restated proforma operating income</b>	<b>391</b>	<b>592</b>
<b>Published pretax income of consolidated companies</b>	(37)	214
IFRIC 13 impact	(10)	(24)
Martinair impact	10	(16)
<b>Restated proforma pretax income of consolidated companies</b>	<b>(37)</b>	<b>174</b>
<b>Published income tax</b>	56	(19)
IFRIC 13 impact	3	7
Martinair impact	3	10
<b>Restated proforma income tax</b>	<b>62</b>	<b>(2)</b>
<b>Published net income, group share</b>	28	196
IFRIC 13 impact	(7)	(17)
Martinair impact	6	(3)
<b>Restated proforma net income, group share</b>	<b>27</b>	<b>176</b>



# First half unit revenues

H1 2009-10

RASK excl. currency

