



AIRFRANCE **KLM**

# First Half Results 2010-11

# Highlights of the First Half

## Environment

- + Recovery in demand for air transport
- + Five day closure of European air space following Icelandic volcano eruption
- + Fuel price up 28% compared to First Half 2009-10

## Air France-KLM

- + Strategic adaptation measures bear fruit...
- + ...underpinned by robust traffic and an improvement in unit revenues
- + Strong Second Quarter:
  - Revenues up 19%
  - Adjusted operating margin close to 10%
- + Marked improvement in financial position

## Key data: strong improvement in Q2 results

Second Quarter  
July-September 2010

+ Revenues	€6.65bn	+18.6%
+ EBITDAR	€1,232m	x2.2
+ Operating income	€576m	+€623m
+ Adjusted operating income*	€649m	+€663m
+ Net income, group share after additional provision for cargo fine	€290m	+€437m

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



AIRFRANCE **KLM**

# Activity

Peter Hartman  
President and CEO, KLM

## Strong recovery in the Second Quarter 2010-2011

- ✦ Strong improvement in both passenger and cargo businesses
- ✦ Maintenance dynamic

# All businesses profitable in Q2

Second Quarter  
July-September 2010

**Revenues**  
In €bn

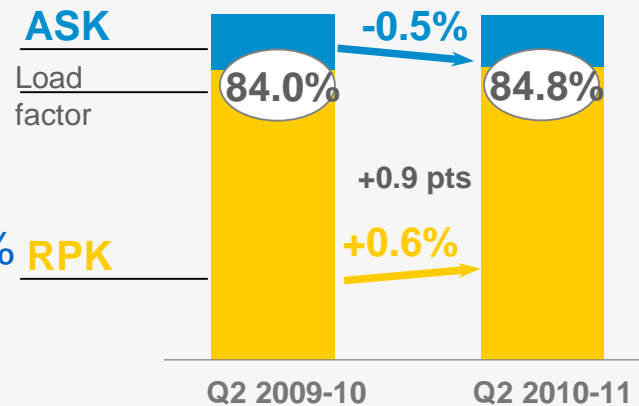
**Operating income**  
In €m

<p>77% Passenger</p>	<p>5.12 +18.0%</p>	<p>453</p>
<p>12% Cargo</p>	<p>0.79 +37.7%</p>	<p>7</p>
<p>4% Maintenance</p>	<p>0.29 +20.0%</p>	<p>61</p>
<p>7% Other</p>	<p>0,45 -0.4%</p>	<p>55</p>

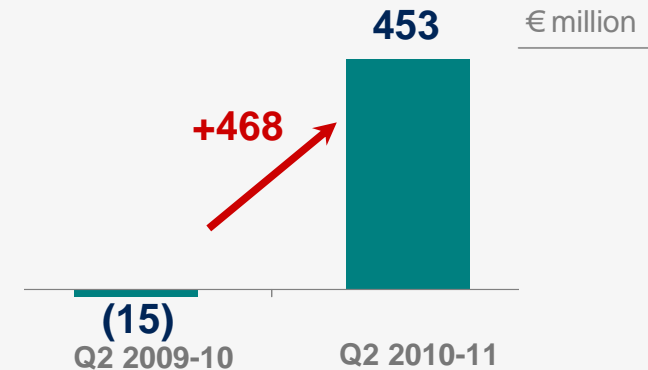
# Passenger: robust level of activity in Q2

- + Positive impact from economic recovery and adaptation measures
- + Improvement in load factors
  - ▶ Long-haul: +0.3 points to 86.8%
  - ▶ Medium-haul: +2.5 points to 77.6%
- + Increase in unit revenues
  - ▶ RASK : +18.9%
  - ▶ RRPK: +17.7%
- + Strong rise in the operating result
  - ▶ Operating margin of 8.8%
  - ▶ 9.9% adjusted

19.7 million passengers (+0.2%)

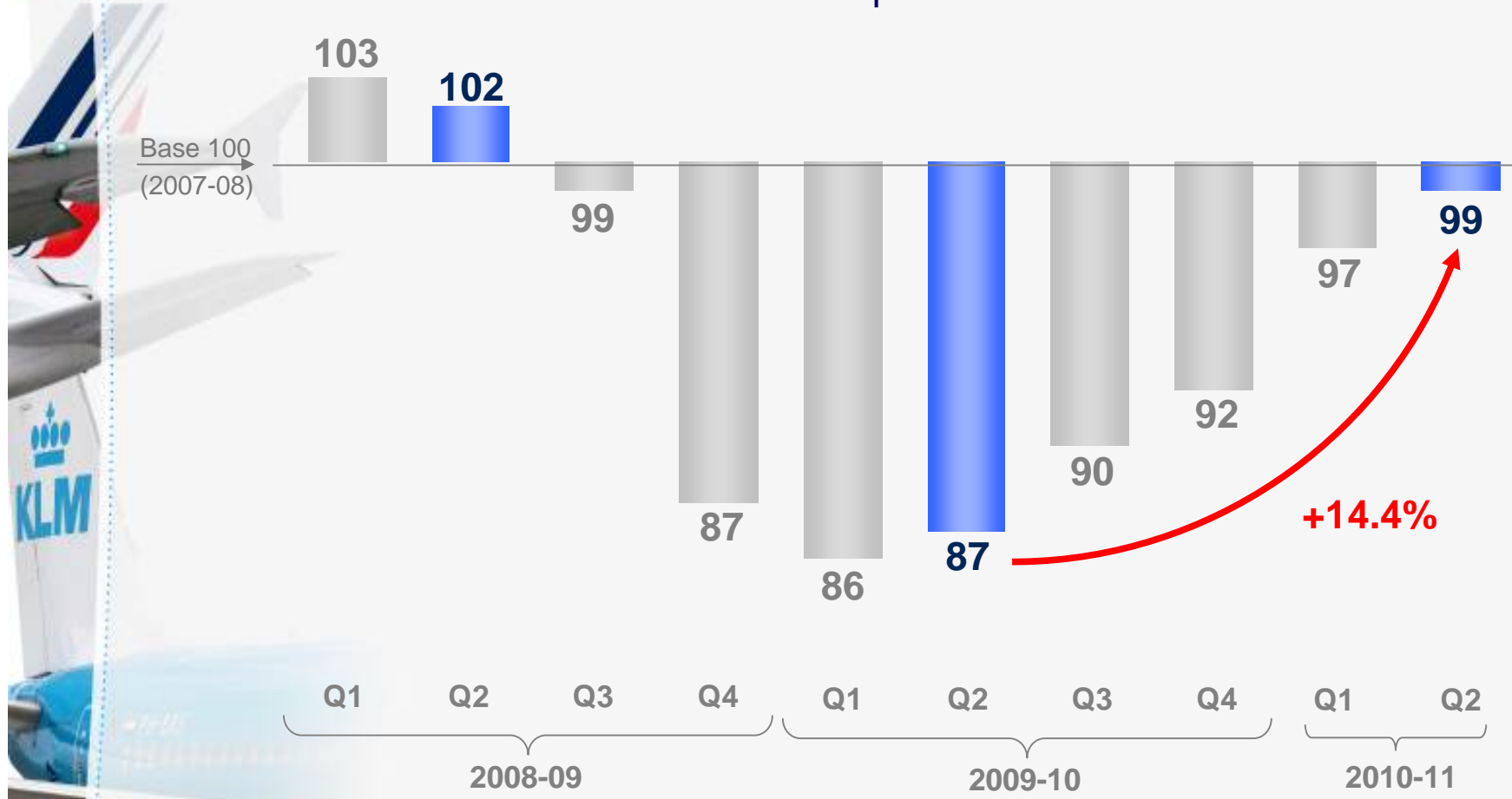


## Operating result



# Unit revenue close to pre-crisis levels

Unit revenue per ASK\*

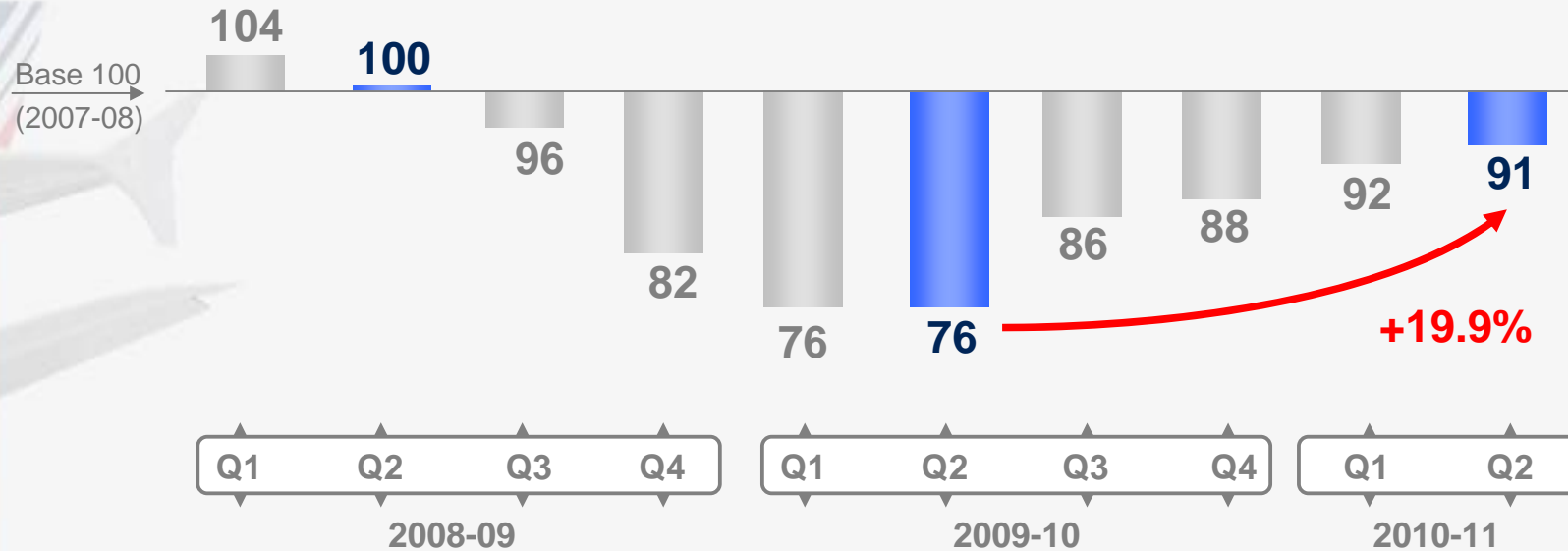


(\*) Ex currency

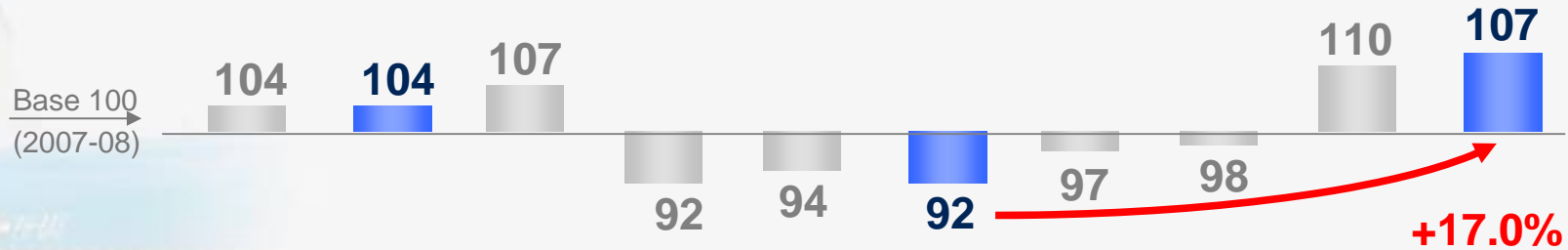


# Strong recovery in premium yield but not yet back to pre-crisis levels

Unit revenue per long-haul ASK, **premium class\***



Unit revenue per long-haul ASK, **economy class\***



(\* Ex currency)

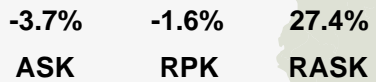
# All the networks contribute to the recovery

Second Quarter  
RASK ex currency

## North America



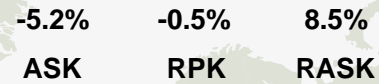
## Latin America



## Total long-haul



## Domestic



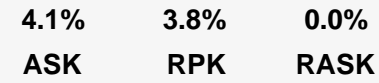
## Europe



## Africa & Middle-East



## Caribbean and Indian Ocean



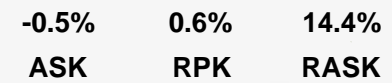
## Total medium-haul



## Asia



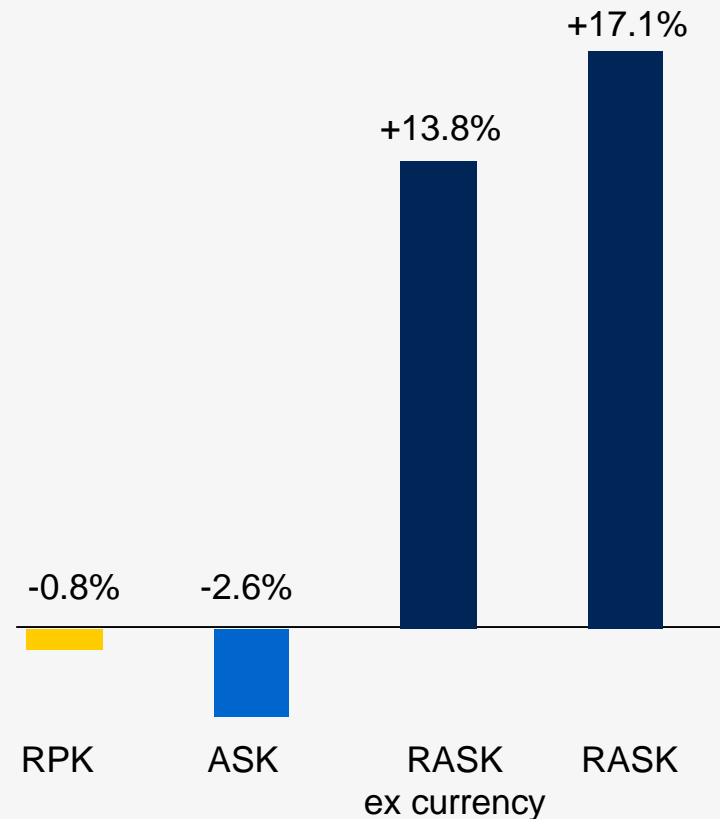
## Total



# Passenger business in H1 driven by unit revenues

- + Activity affected by ash cloud crisis
- + Load factor up 1.5 points to 83.3%
  - ▶ Long-haul: 85.4% (+1.1 pt)
  - ▶ Medium-haul: 75.6% (+2.5 pts)
- + Success of the NEO plan in medium-haul
  - ▶ €160m improvement despite fuel price rise and air space closure
- + Operating income of €311m
  - ▶ Margin of 3.3% and 4.4% adjusted

H1 2010-11



## Cargo: an efficient restructuring plan

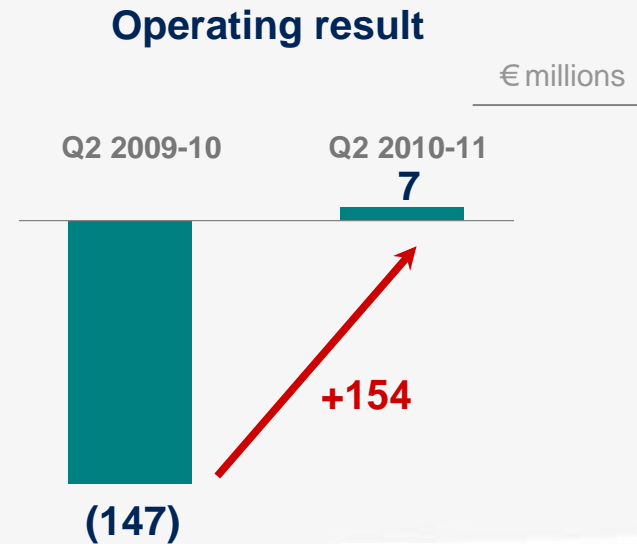
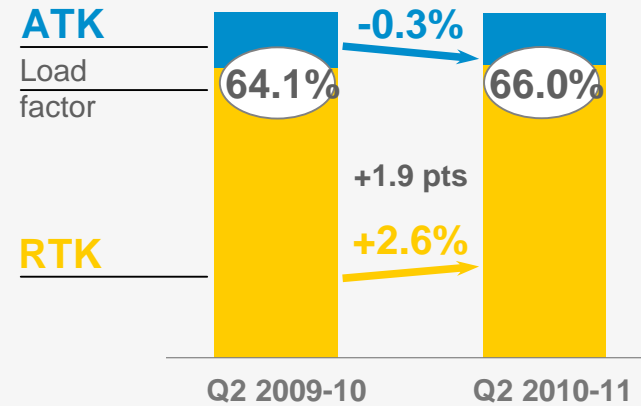
- ✦ Strict capacity management
  - ▶ Capacity still below 2008-09 level
- ✦ Priority on bellies and combi aircraft
  - ▶ 66% of capacity in bellies and combis
  - ▶ and 34% in full freighter aircraft
- ✦ Control of unit costs
  - ▶ Reduction in headcount: -13.5% versus September 2008
  - ▶ Cost-saving plan
- ✦ Increase in tariffs and contractual conditions revised



**Objective of positive operating result  
at 31<sup>st</sup> March 2011**

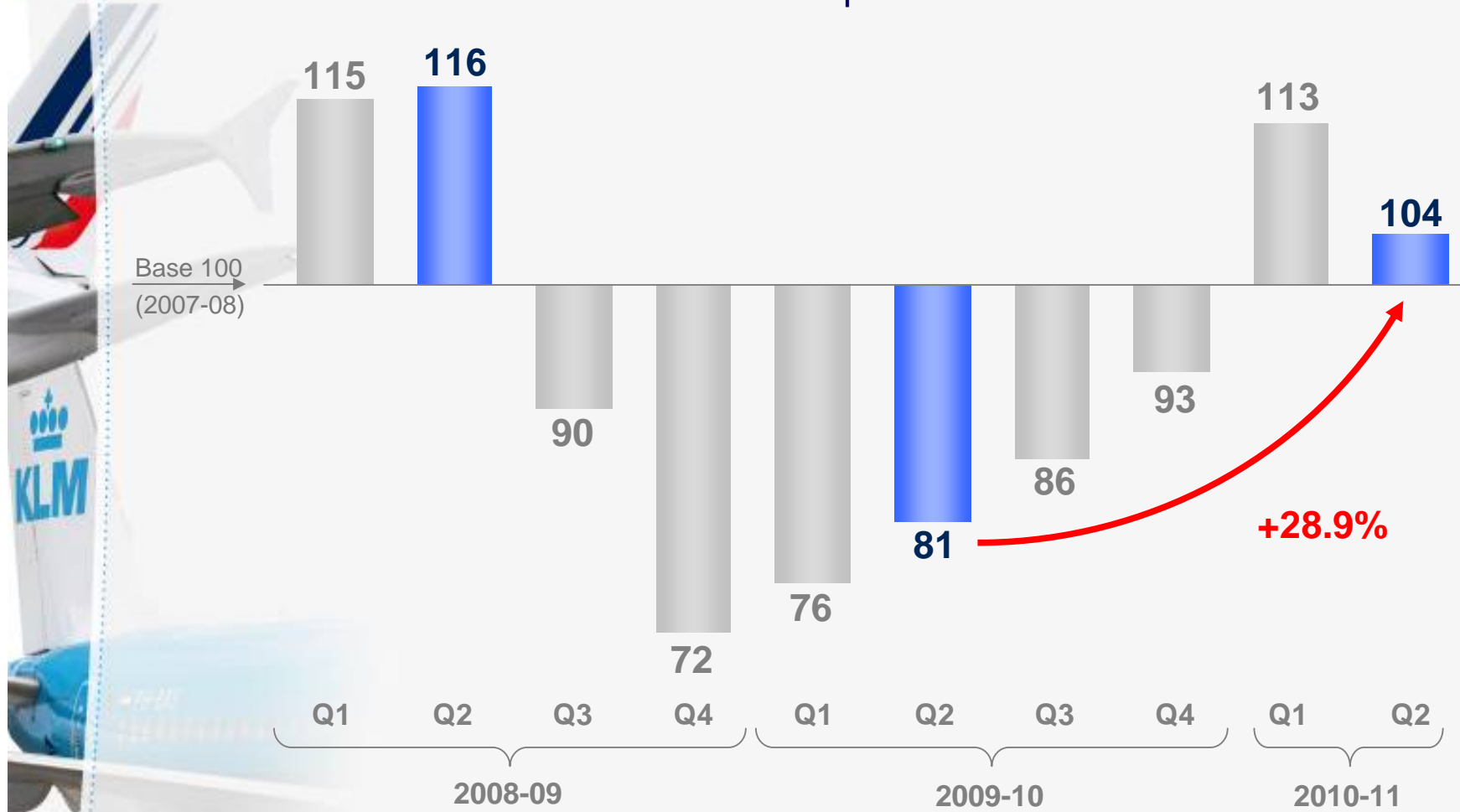
# Cargo: robust level of activity in Q2

- + Increase in load factors:
  - ▶ +5.3 points for bellies to 59.8%
  - ▶ +1.8 points for combis to 84.4%
  - ▶ +3.7 points for freighters to 74.7%
- + Strong improvement in unit revenues:
  - ▶ RATK : +38%
  - ▶ RRTK: +34%
- + Improvement in operating result for each type of capacity and for the two hubs



# Unit revenues above pre-crisis levels

Unit revenue per ATK\*

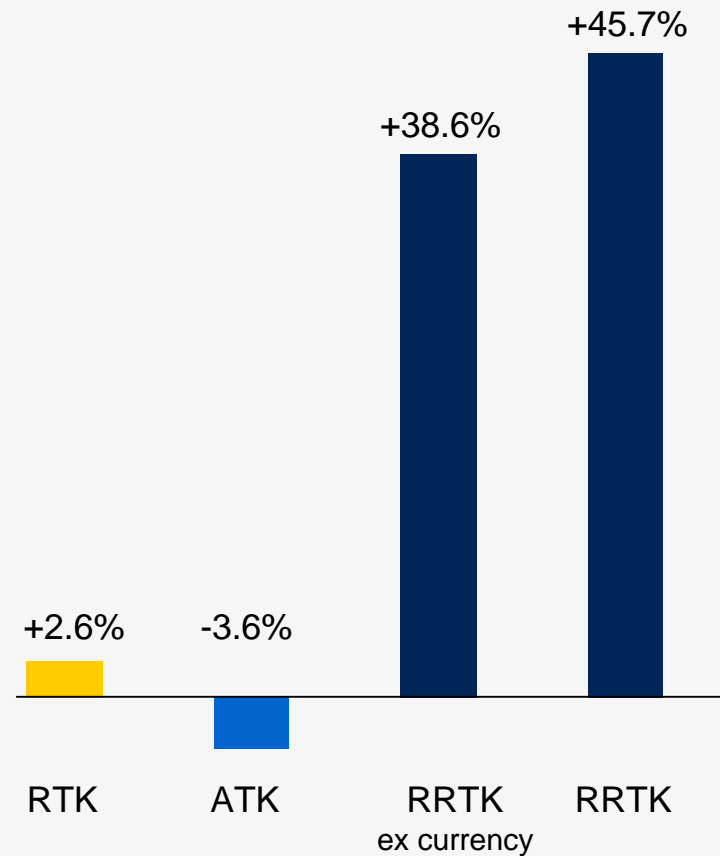


(\*) Ex currency

# Cargo business: recovery ahead of plan

H1 2010-11

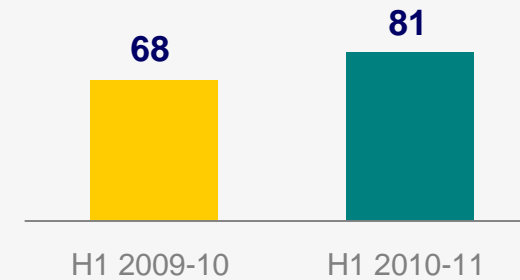
- + Load factor up 4.1 points to 67.7%
- + Revenues up 40%
- + Reduction in unit costs ex-fuel and currency (-0.4%)
- + Operating income of €18m



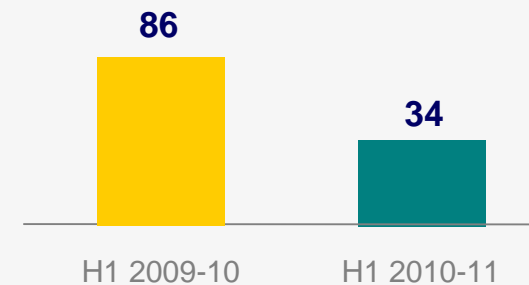
# Maintenance and other activities in H1 2010-2011

- ✦ Maintenance: 19% increase in operating income due to engine and component support activities
- ✦ Other activities
  - ▶ Leisure
    - ▶ Some 4% drop in unit revenues due to a difficult tourist season
  - ▶ Catering
    - ▶ First Half profitability impacted by European air space closure

**Maintenance operating income**  
(€ millions)



**Operating income for other activities**  
(€ millions)







AIRFRANCE **KLM**

# Results

Philippe Calavia  
Chief Financial Officer  
Air France-KLM

## Financial results

- ✦ Return to profitability
- ✦ Costs controlled despite capacity reduction
- ✦ Improvement in financial position
- ✦ Positive outlook

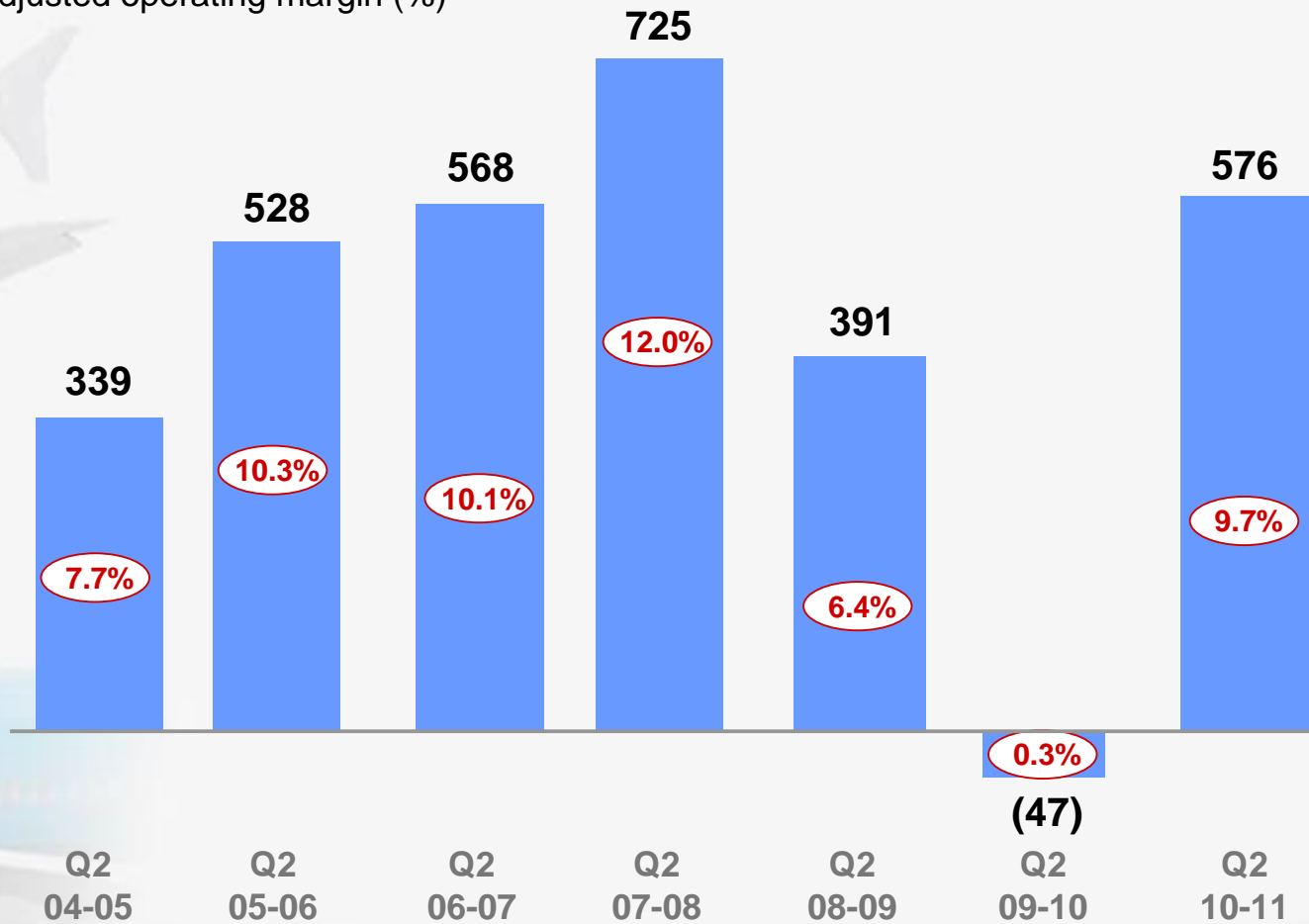
## Strong recovery in operating result

	Q2 2010-11	Change	H1 2010-11	Change
<b>Revenues</b>	<b>6,649</b>	<b>18.6%</b>	<b>12,370</b>	<b>14.8%</b>
o/w transport	<b>5,911</b>	<b>20.3%</b>	<b>11,053</b>	<b>16.7%</b>
Operating costs	(6,073)	7.4%	(11,926)	5.4%
EBITDAR	1,234	x2.2	1,718	x2.6
EBITDAR margin	18.6%	+8.7 pts	<b>13.9%</b>	+8.5 pts
<b>Operating income</b>	<b>576</b>	<b>+623</b>	<b>444</b>	<b>+987</b>
Adjusted operating income*	649	+663	<b>585</b>	<b>+1,004</b>
Adjusted operating margin*	9.7%	nm	4.7%	nm

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

## Q2 2010-11: high margin

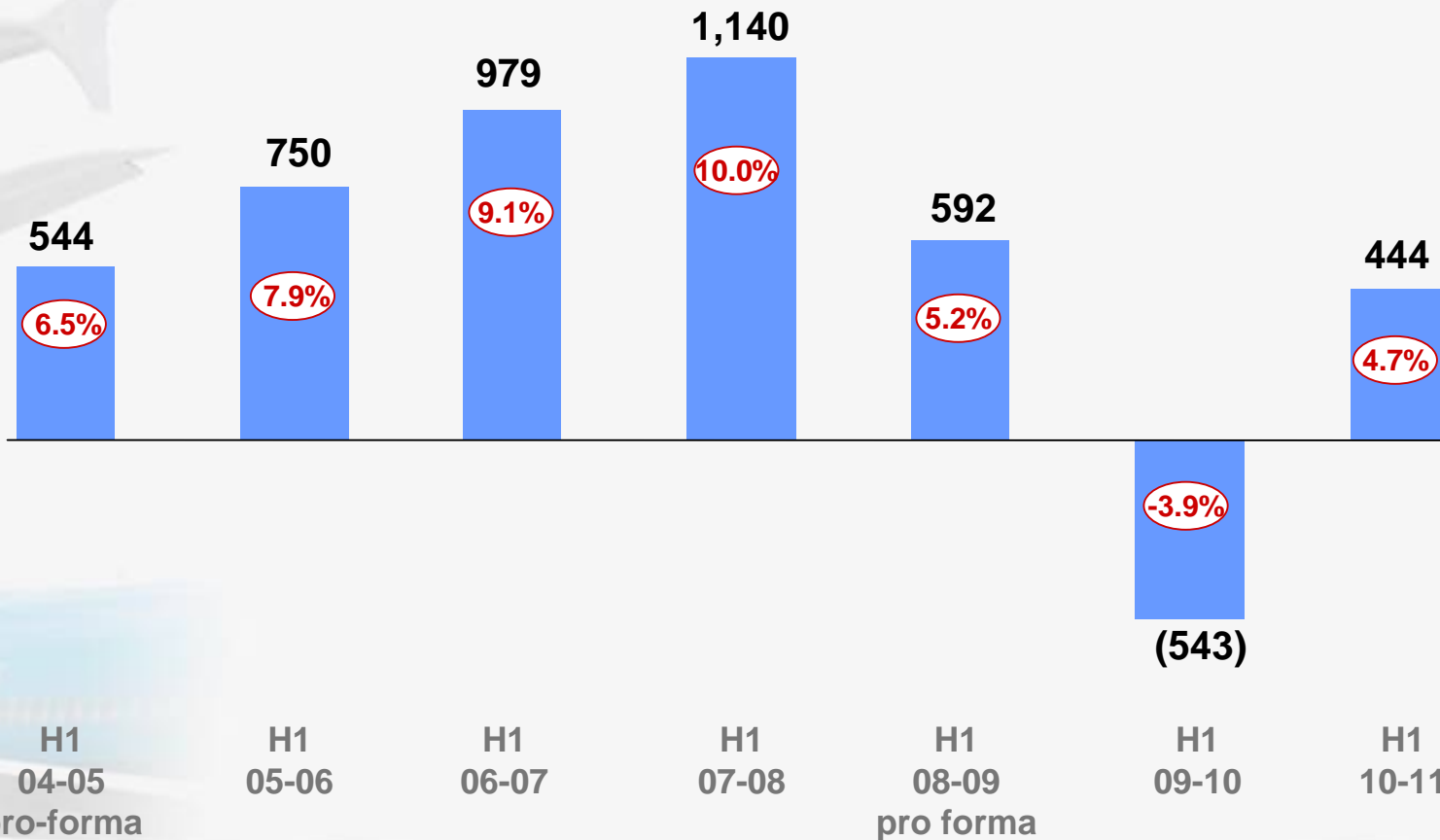
■ Operating income (€ millions)  
○ x% Adjusted operating margin (%)



pro forma

# H1 results 2010-11 impacted by volcano crisis

■ Operating income (€ millions)  
○ x% Adjusted operating margin (%)



# Air transportation: over 1 billion euro improvement in H1



## H1 2010-11: net income of some 1.03 billion euros

	Q2 2010-11	Change	H1 2010-11	Change
<b>Operating income</b>	<b>576</b>	<b>+623</b>	<b>444</b>	<b>+987</b>
Non-recurring income and costs	(127)		883	
<i>o/w additional provision for cargo fine</i>	(127)		(127)	
<i>o/w Amadeus</i>	-		1 030	
<b>Result from operating activities</b>	<b>449</b>	<b>+571</b>	<b>1,327</b>	<b>+1,945</b>
<b>Net interest charges</b>	<b>(93)</b>		<b>(189)</b>	
<i>Financial costs</i>	(112)		(231)	
<i>Financial income</i>	19		42	
Other financial income and costs	41		(72)	
Income tax	(103)		(10)	
Other	(4)		(30)	
<b>Net income, goup share</b>	<b>290</b>	<b>+487</b>	<b>1,026</b>	<b>+1,599</b>

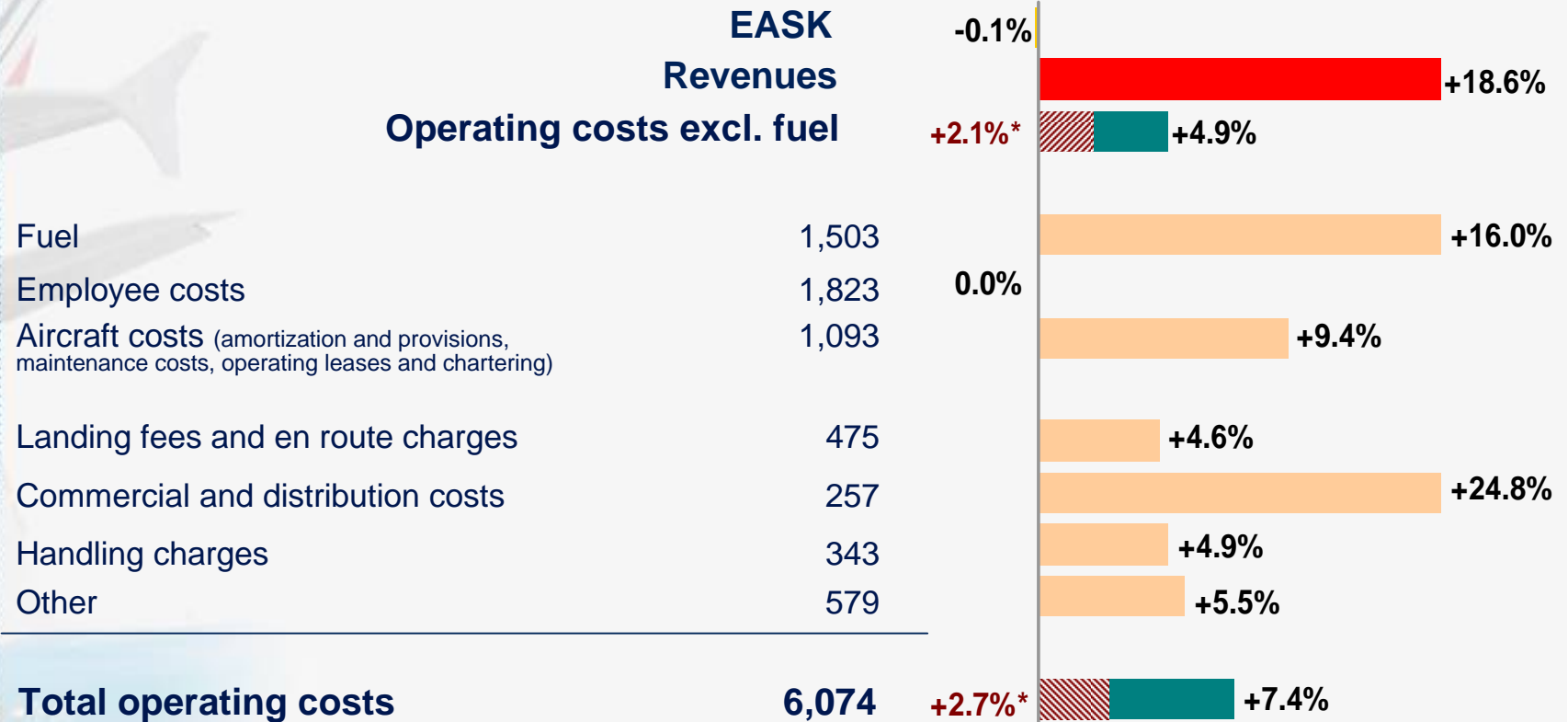
## Financial results

- ✦ Return to profitability
- ✦ Costs controlled despite capacity reduction
- ✦ Improvement in financial position
- ✦ Positive outlook



# Second Quarter operating costs

July-September 2010  
€ million

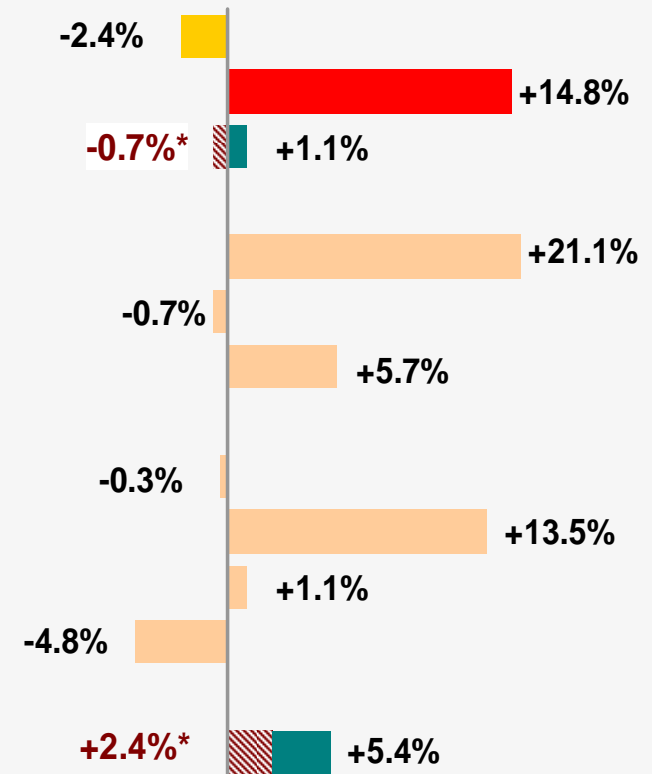


(\*) Ex currency

# First Half operating costs

April-September 2010  
€ million

	<b>EASK</b>
<b>Revenues</b>	
<b>Operating costs excl. fuel</b>	
Fuel	2,944
Employee costs	3,690
Aircraft costs (amortization and provisions, Maintenance costs, operating leases and chartering)	2,112
Landing fees and en route charges	901
Commercial and distribution costs	496
Handling charges	665
Other	1,118
<b>Total operating costs</b>	<b>11,926</b>



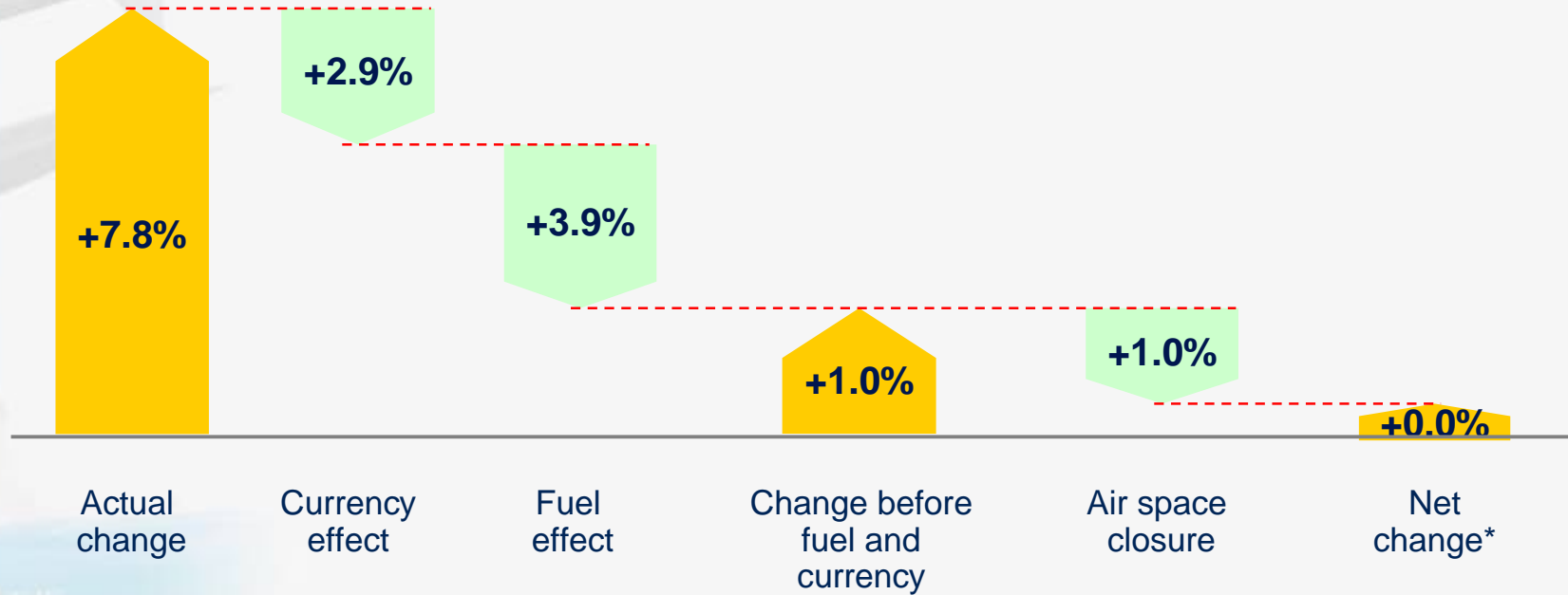
(\*) Ex currency

# Stable H1 unit costs, excluding air space closure

April-September 2010

Unit cost per EASK: **6.49 €cts**

Capacity in EASK: **-2.4%**



(\*) Net change corrected for the impact of Premium Voyageur/Economy Comfort : -1.6%

## Update on 'Challenge 12'

✦ **€156m** savings in Q2

✦ Total of **€287m** realised in H1

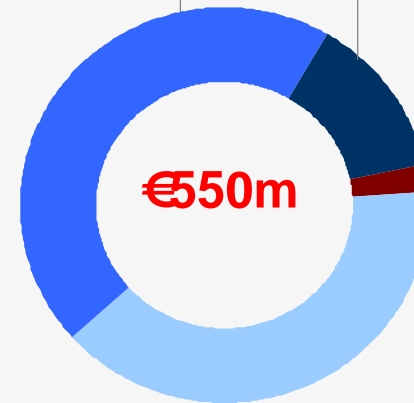
✦ Objective for FY 2010-11 revised up to **€550m**

### Breakdown of savings in 2010-11

Processes and productivity: **42%**

Fleet: **12%**

Commercial costs: **3%**



Procurement: **43%**

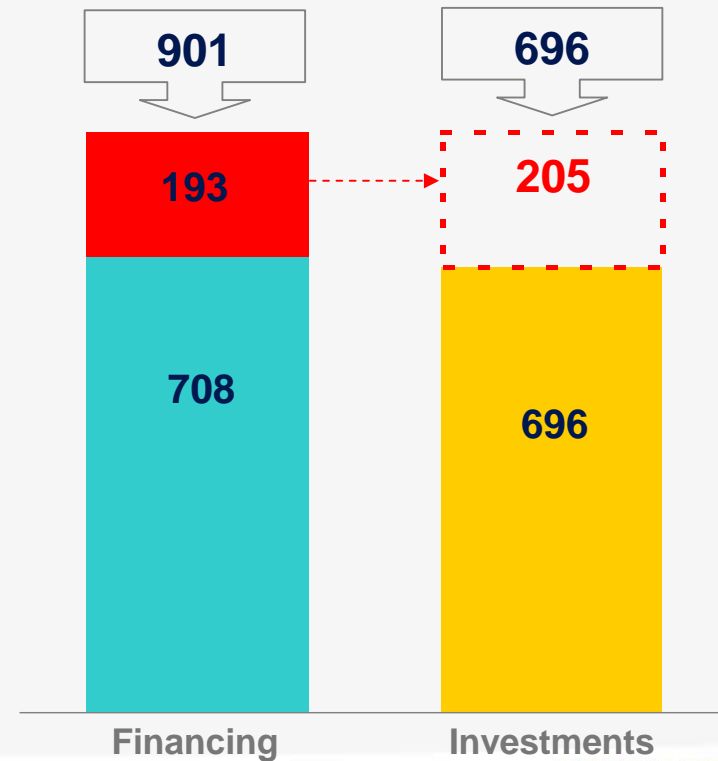
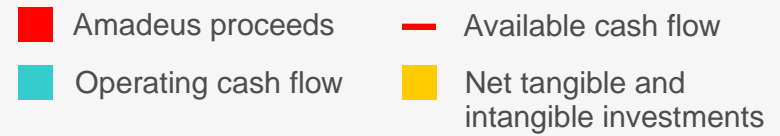
## Financial results

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# Positive free cash flow of €205m at 30th Sept 2010

€ millions

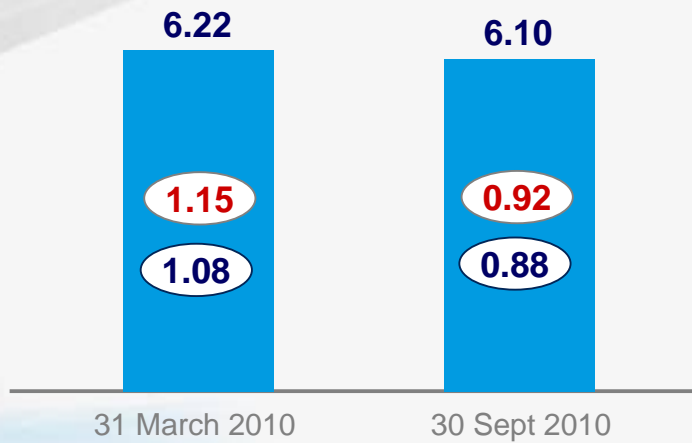
- ✦ Operating cash flow of €708m
- ✦ €193m cash generated by Amadeus operation
- ✦ Liquidity of €4.1bn at 30<sup>th</sup> September 2010
- ✦ Available credit lines of €1.3bn



# Strengthened financial position

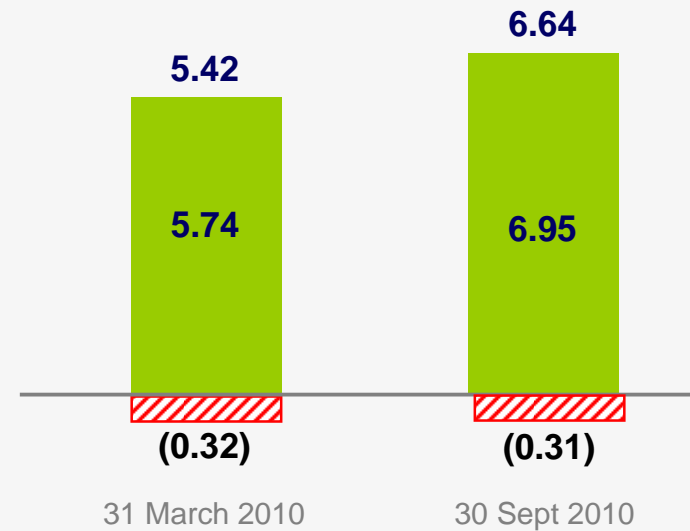
Net financial debt  
(€ billions)

- Net debt
- x Gearing ratio
- x Gearing ratio ex hedging instruments



Shareholders' funds  
(€ billions)

- Shareholders' funds
- / Hedging instruments



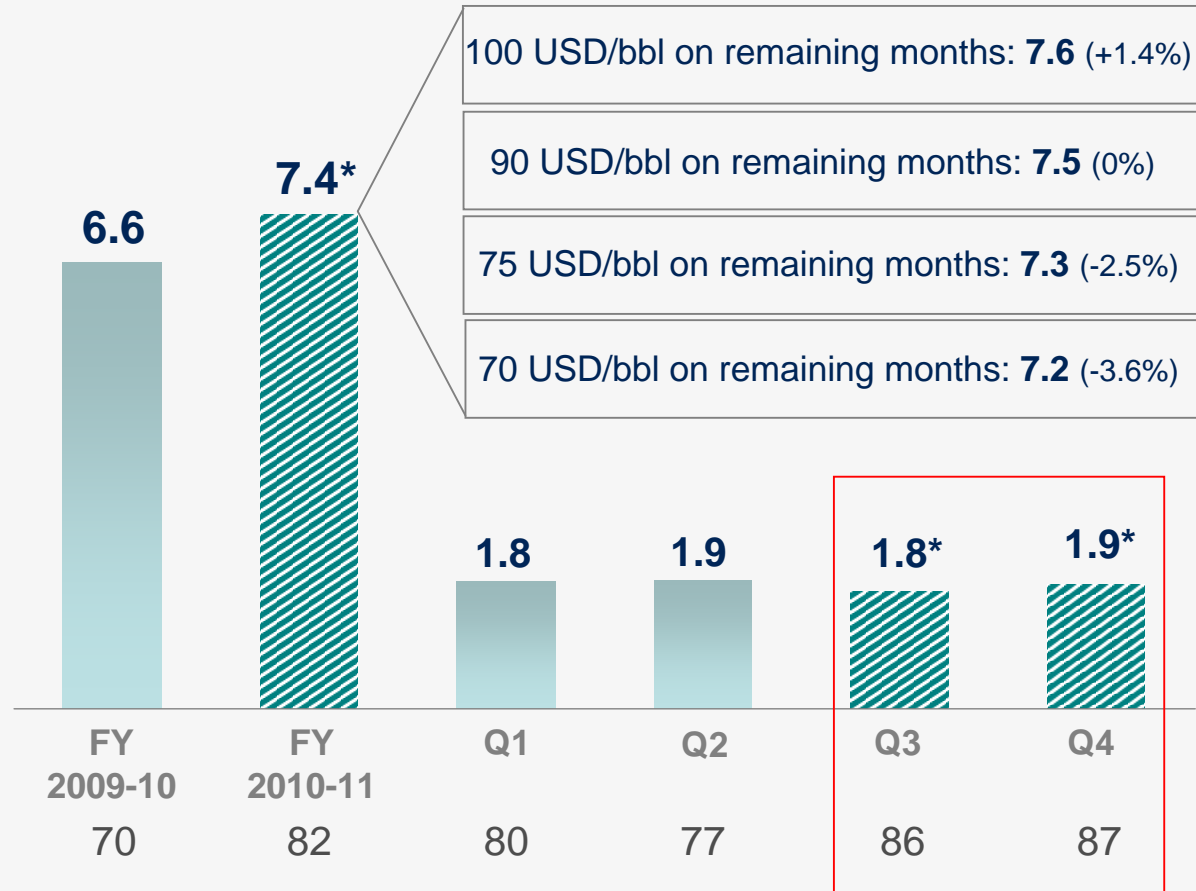
## Financial results

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- ✦ Positive outlook



# Impact of rise in fuel price reduced by weaker dollar

Fuel cost after hedging  
\$ billions



(\*) Forward curve at 12<sup>th</sup> November 2010

## Objective raised for FY 2010-11

At current market conditions,  
the group's objective is to generate  
FY 2010-11 operating income over €300m

(\*) Published on Air France-KLM website at 9 November 2010, consensus range: -€156m to +€297m



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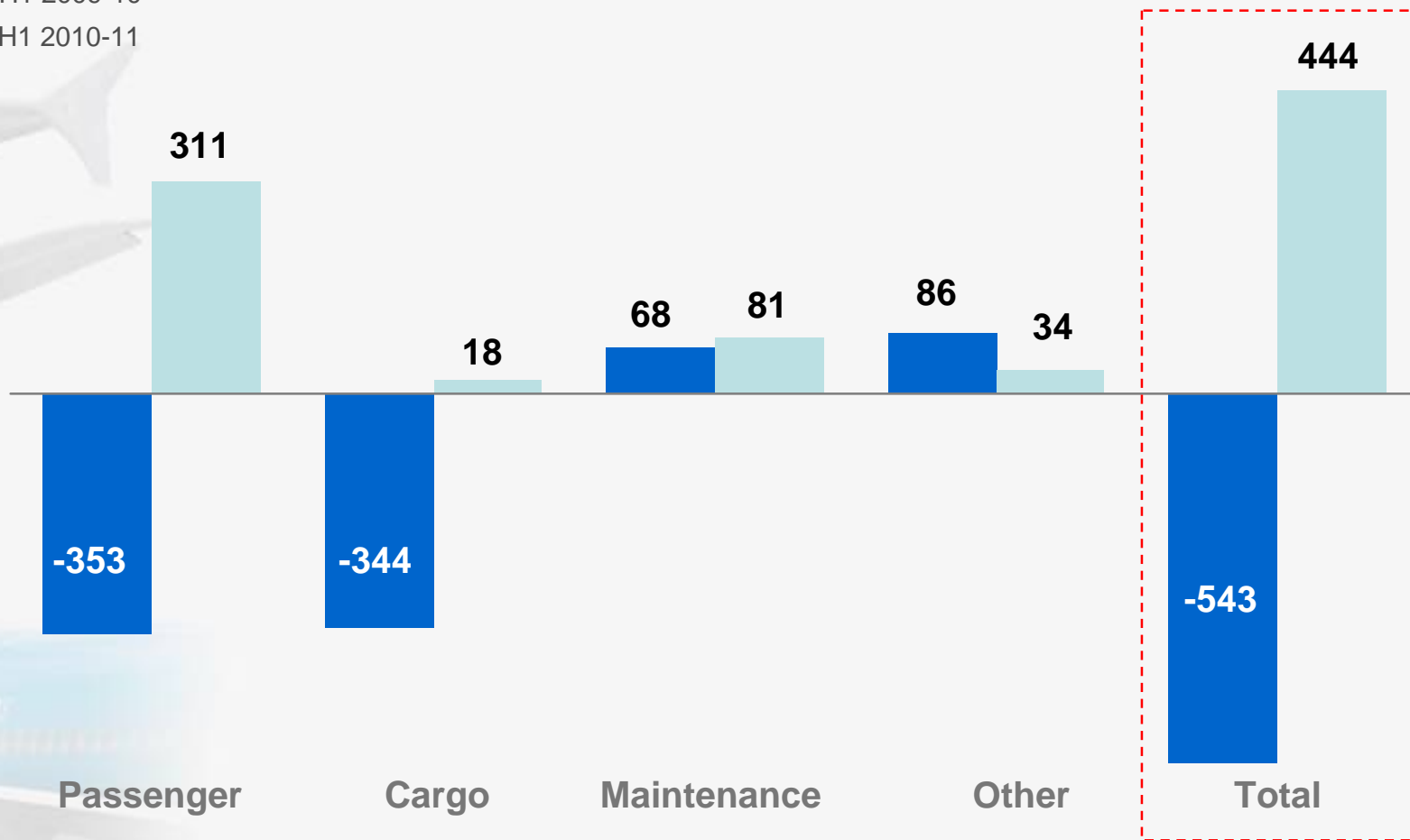
# Appendix

# Breakdown of operating result by business

€ millions

■ H1 2009-10

■ H1 2010-11



# Calculation of net debt

€ millions

	30 Sept 10	31 Mar 10
Current and non current financial debt	10,764	11,047
Deposits on leased aircraft	(481)	(471)
Currency hedges on debt	44	39
Interest not yet due	(143)	(115)
<b>= Total financial debt</b>	<b>10,184</b>	<b>10,500</b>
Cash and cash equivalents	3,588	3,751
Investments of over three months	421	343
Triple A deposits	232	297
Current accounts	(154)	(116)
<b>= Net cash</b>	<b>4,087</b>	<b>4,276</b>
<b>Net financial debt</b>	<b>6,097</b>	<b>6,224</b>
<b>Consolidated shareholders' funds</b>	<b>6,638</b>	<b>5,418</b>
<b>Net debt / Shareholders' funds</b>	<b>0.92</b>	<b>1.15</b>
<b>Net debt / Shareholders' funds ex hedging instruments</b>	<b>0.88</b>	<b>1.08</b>

# Restated net result

€ millions

	Q2 2010-11	Q2 2009-10	Q1 2010-11	Q1 2009-10
<b>Net result, group share</b>	<b>290</b>	<b>(147)</b>	<b>1,026</b>	<b>(573)</b>
+ income tax	103	(47)	10	(241)
<b>= Net result, group share, before income tax</b>	<b>393</b>	<b>(194)</b>	<b>1 036</b>	<b>(814)</b>
+ non recurring items*	127**	73	(883)***	75
+ non monetary part of value of hedging instruments	(9)	(9)	(14)	(14)
<b>= Restated net result, group share, before income tax</b>	<b>511</b>	<b>(130)</b>	<b>139</b>	<b>(753)</b>
- Income tax	(145)	46	(35)	244
- Non recurrent items of associates	-	(11)	-	-
<b>Restated net result, group share</b>	<b>366</b>	<b>(95)</b>	<b>104</b>	<b>(509)</b>

\* Income and costs accounted for between the current operating result and the result of operating activities

\*\* Additional provision for cargo fine

\*\*\* Of which capital gain of 1.03 billion euros from the revaluation of Amadeus following its listing and additional cargo provision