

# Information meeting

# FY 2009-10 key data

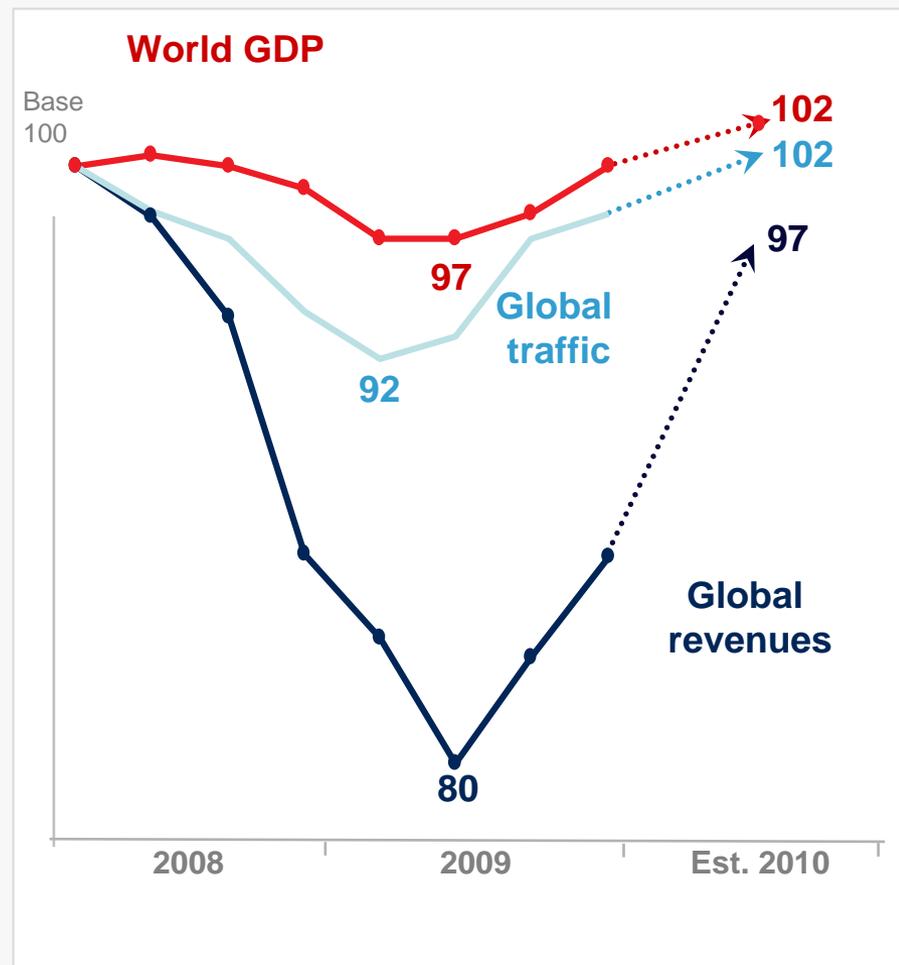
		Revenues in €bn	Operating result in €m
	<p>Passenger</p>	16.3    -13.6%	-918
	<p>Cargo</p>	2.4    -27.8%	-436
	<p>Maintenance</p>	1.0    -4.0%	+81
	<p>Other</p>	1.3    -10.4%	-12

# Our industry is essential to world growth

- ✦ **8%** of world GDP
- ✦ **2.5 billion** passengers, **50 million** tons of freight carried annually
- ✦ **5.5 million** direct employees in the World
- ✦ Growth rate of **1.5-2x** world GDP

# A cyclical but growing sector

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

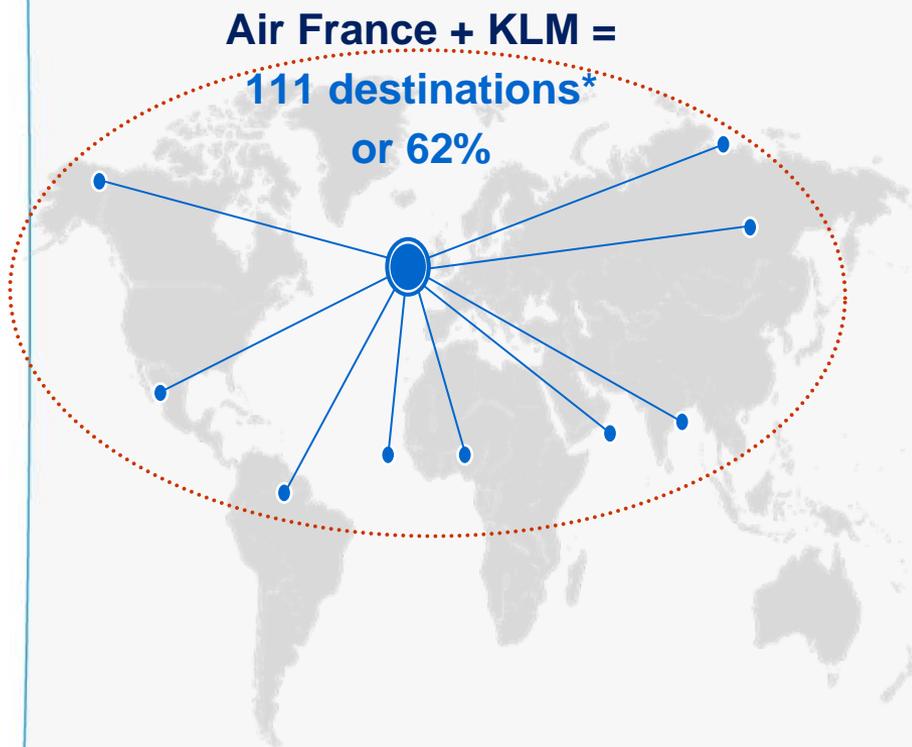


Sources: FMI, IATA. 2010 forecasts: Global Insight, IATA

# Our strategy

- ✦ Play to our strategic strengths
- ✦ Reinforce our leadership position
- ✦ Return to profitability

# The strongest network from Europe...



British Airways + Iberia: 90 destinations\* or 50%

Lufthansa Group: 93 destinations\* or 52%

\* 180 long-haul destinations from Europe, Summer 2010

The largest number of unique destinations\*

**AIRFRANCE KLM**

**30 unique destinations out of 111\***

**BRITISH AIRWAYS**

**IBERIA**

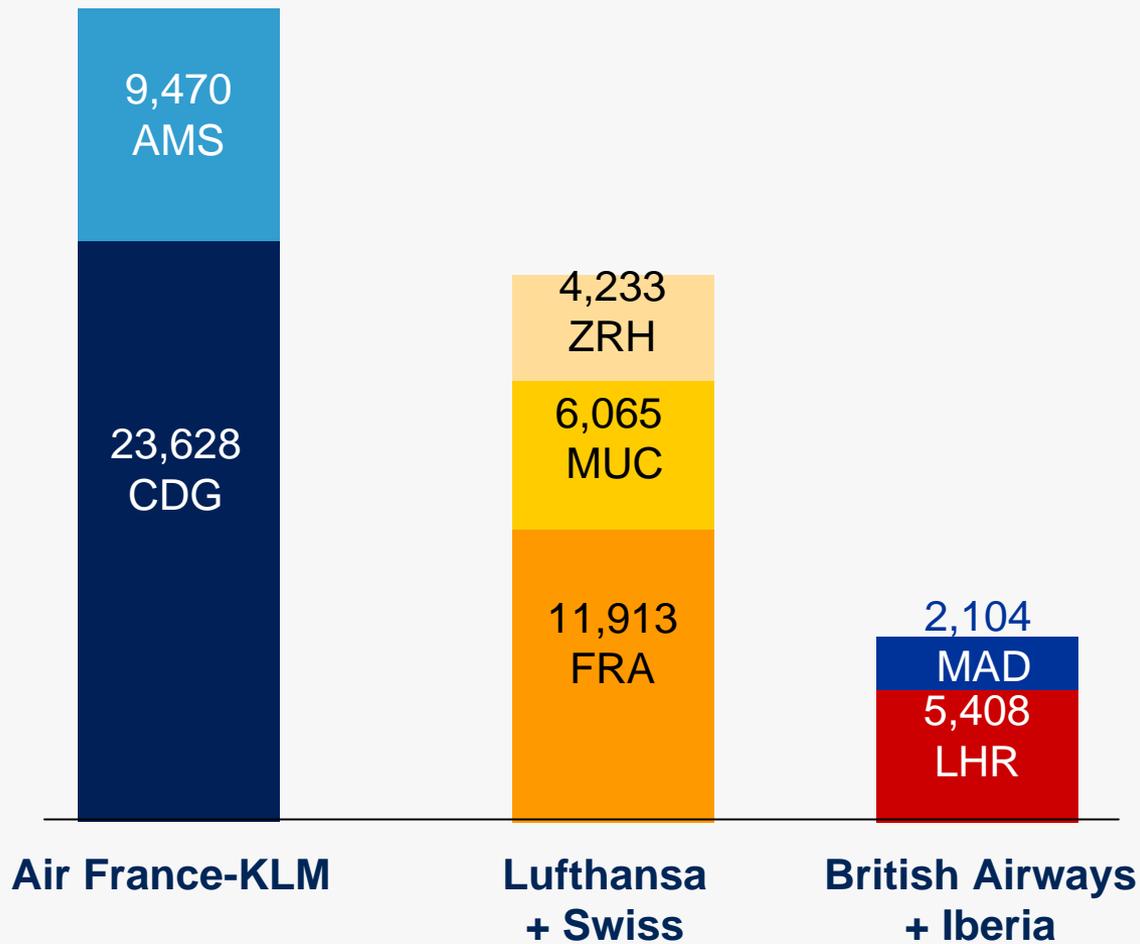
**24 unique destinations out of 90\***

**Lufthansa** **swiss**

**Austrian** **bmi** **brussels airlines**

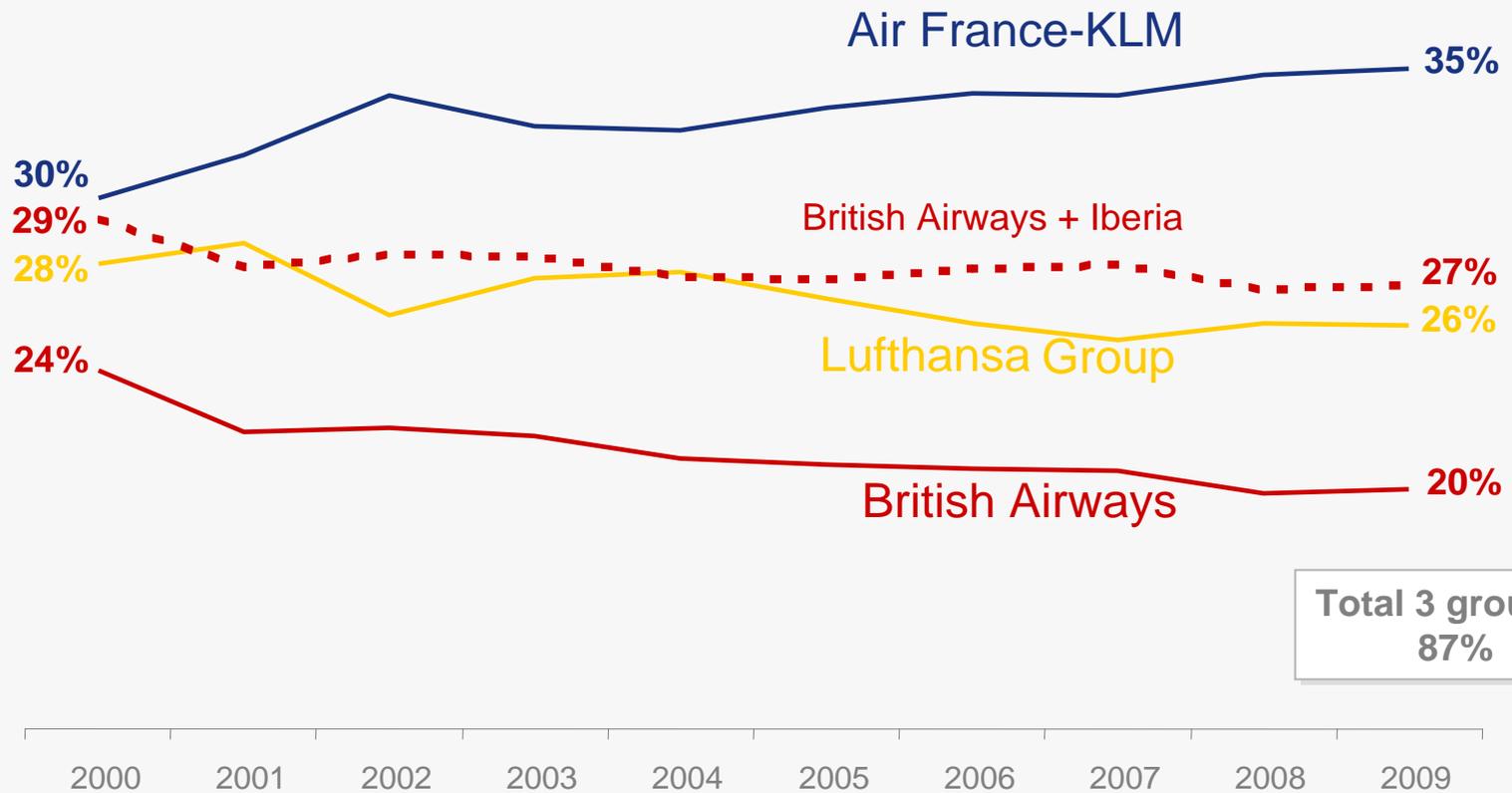
**18 unique destinations out of 93\***

...from the two main European hubs...



# ...assuring our leadership position in long-haul

Long-haul traffic in RPK within the AEA



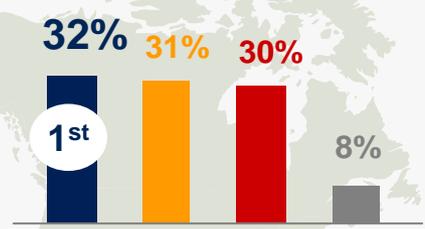
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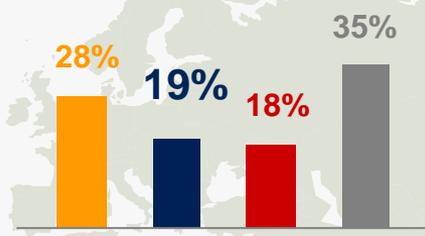
# Air France-KLM No.1 on all main long-haul markets...

Market share  
within AEA in RPK

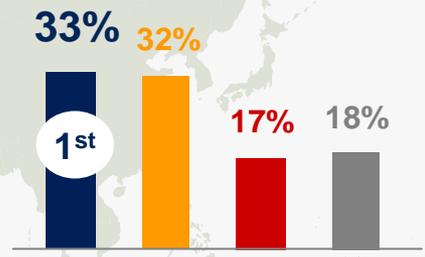
## North America\*



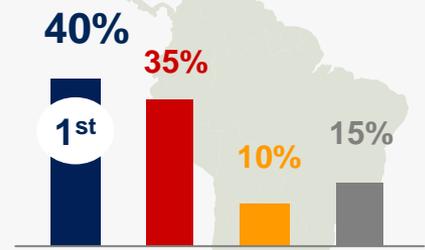
## Europe and North Africa



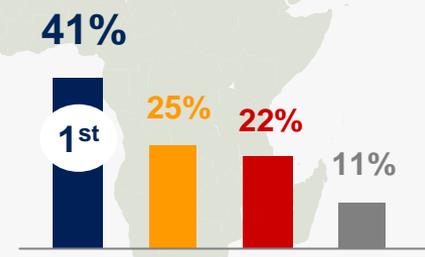
## Asia-Oceania



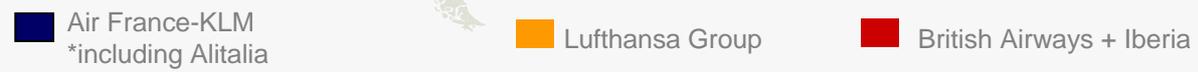
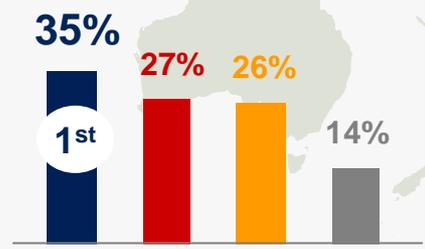
## Latin America and Caribbean



## Africa and Middle East



## Total long-haul



# ...underpinned by unique organisation on the North Atlantic...

- + 50-50 share of revenues and costs
- + Co-ordinated capacity management
- + Single revenue management function
- + Integrated marketing teams
- + Common contracts with 4,000 companies and 1,400 travel agents



€150m contribution in 3 years of which €50m in 2009-10

AIRFRANCE / KLM DELTA

## Scope of the joint venture



- ▶ Alitalia joins on July 5th
- ▶ 26% market share
- ▶ 250 daily flights
- ▶ 8 main hubs

# ...by SkyTeam in Asia...

- ✦ China Southern, the leading Chinese domestic carrier
  - ▶ Based in Guangdong
  - ▶ 96 domestic destinations
- ✦ China Eastern in 2011
  - ▶ Based in Shanghai
  - ▶ 25 additional destinations in China
- ✦ Vietnam Airlines since June 2010
  - ▶ Number one carrier in South East Asia
  - ▶ 20 domestic destinations

## SkyTeam: the number one Alliance in China



# ...and new strategic partnership agreements

## In Asia

- ✦ Launch of JV between Air France and China Southern in Winter 2010-11, complementing JV between KLM and China Southern
- ✦ JV with China Eastern being prepared
- ✦ Code sharing with Vietnam Airlines

## Other code sharing agreements

- ✦ Aeroflot: 6 additional destinations in Russia
- ✦ GOL: 8 additional destinations in Brazil

# Our strategy

- ✦ Play to our strategic strengths
- ✦ Reinforce our leadership position
- ✦ **Return to profitability**

# Responding to the evolving needs of our customers

## ✦ Adaptation of long-haul product

- ▶ Launch of 'Premium Voyageur' class at Air France and 'Economy Comfort' at KLM
- ▶ Rationalisation of frequencies thanks to the A380

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

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

# Our customers remain at the heart of our strategy

## Premium Voyageur



## Economy Comfort

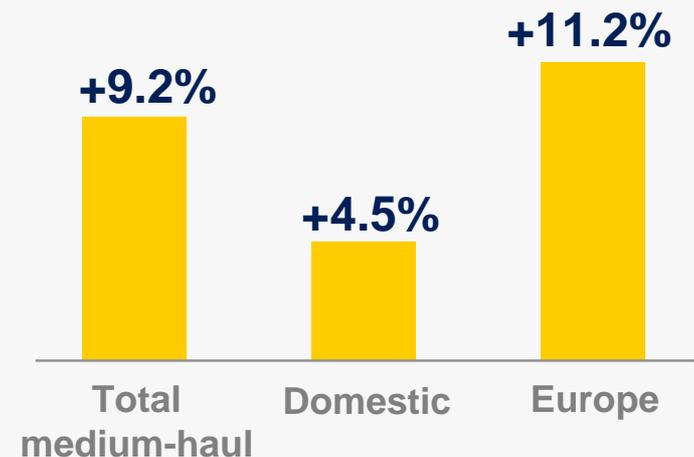


# Early success of medium-haul transformation measures

Q1 2010-11

- ✦ Positive customer feedback on product changes recently implemented:
  - ▶ 'Premium eco' for business travelers
  - ▶ New seats on domestic routes
- ✦ Rise in medium-haul unit revenues per ASK, especially on routes offering 'Premium eco' service
- ✦ Schedule adaptation and cost reduction on track

Change in unit revenue per ASK\*



(\*) Excluding currency

# Cargo restructuring...

## ✦ Restructuring actions implemented

- ▶ Integration of Martinair
- ▶ Capacity reduction mainly via full freighters to restore belly and combi capacity as the core of our operation
  - ▶ From 25 to 14 full freighters in 18 months
- ▶ Network restructuring for reducing overlap in destinations served by the three carriers
- ▶ Full freighter network rationalized and specialized
- ▶ Cost reduction

## ✦ Losses reduced by two thirds by 2010-11

# ...leads to significant improvement in Q1 operating result

- ★ Strong rise in unit revenues
- ★ Unit costs rise in line with jet fuel price
- ★ Significant improvement in operating result, which returns to profit



# Investment program reduced

€ billions

**-400 million euros** in the next 2 years for a total of **-4.5 billion euros** over 3 years

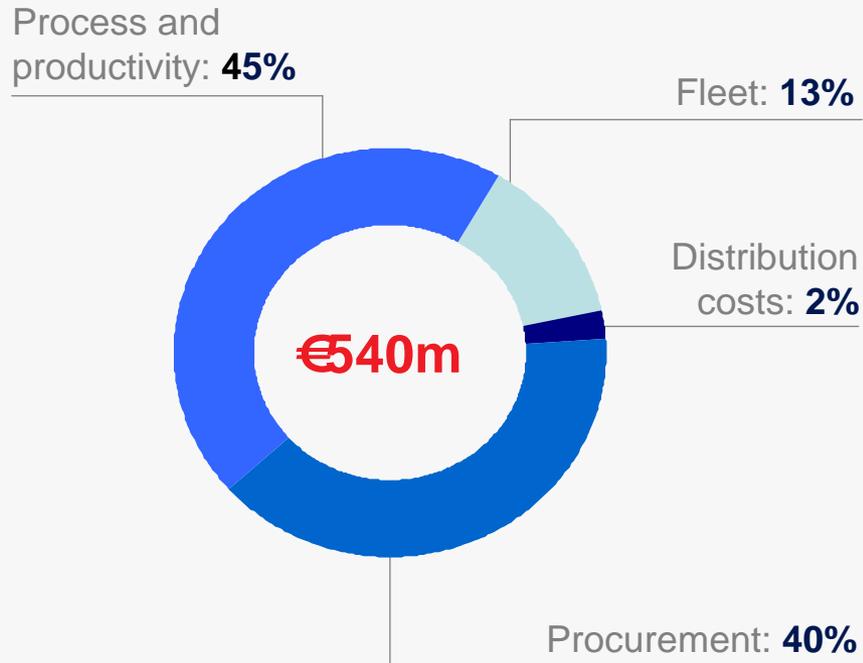


■ Fleet: investments net of disposals

■ Other investments

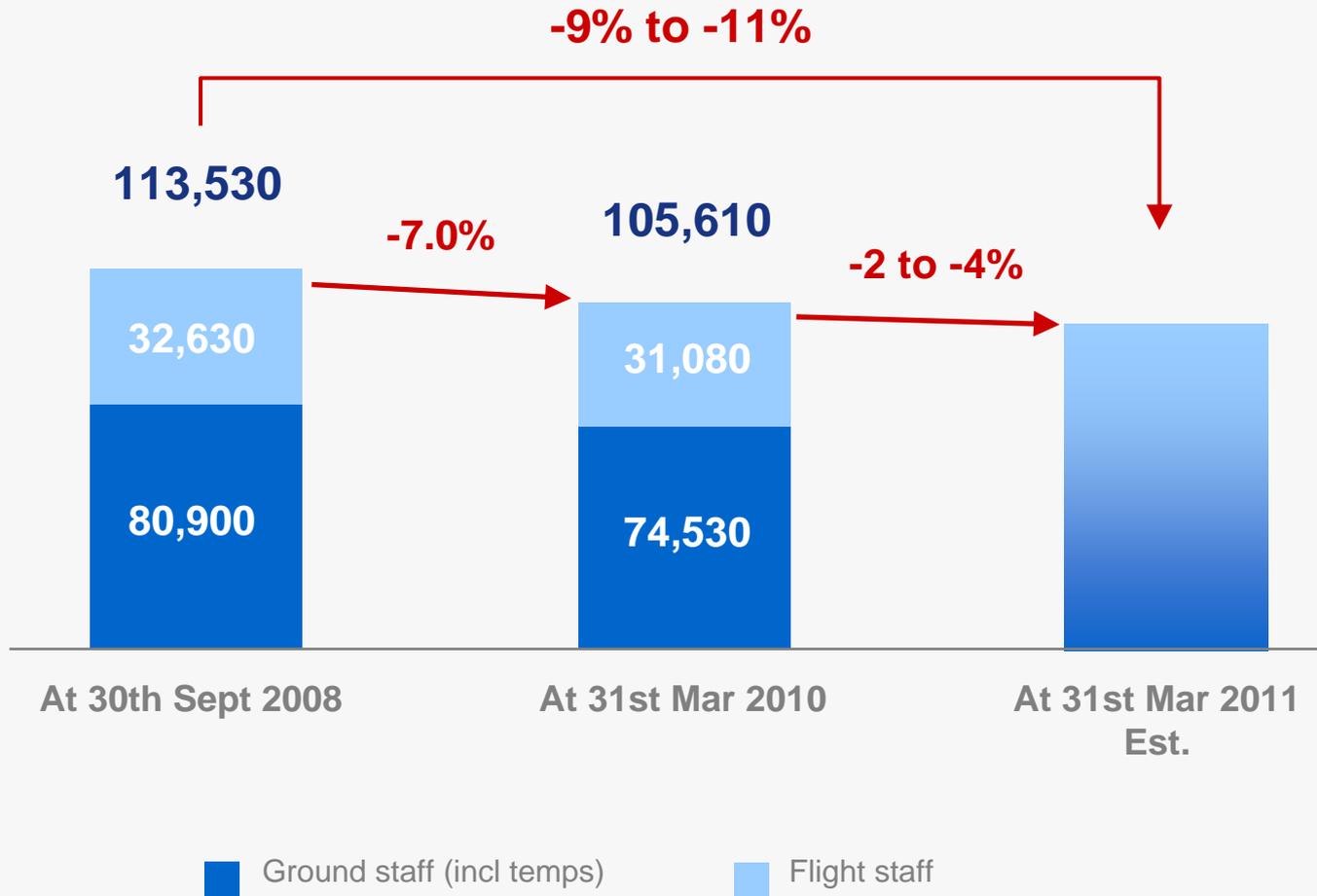
# 'Challenge 12' savings plan

## Breakdown of savings target in FY 2010-11



# Headcount adapted to levels of activity...

*Equivalent FTEs*  
(end of month)



# ...via a responsible human resources policy

- ★ Air France and KLM leading employers in their respective countries
  - ▶ Air France: 12<sup>th</sup> (\*) in France
  - ▶ KLM: 4<sup>th</sup> employer in the Netherlands
  
- ★ Policy founded on consensual employee relations
  - ▶ Reduction in headcount without redundancies
    - ▶ Hiring freeze
    - ▶ Professional mobility
    - ▶ Voluntary departure plan at Air France: 1,900 employees by end 2010

\* Among quoted companies

# To sum up

- ✦ Mobilisation of the group to counter the crisis
  - ▶ Adaptation of our business models both in passenger and cargo
  - ▶ Financial position preserved
  
- ✦ Strategic measures leading to:
  - ▶ Cost reduction of 700 to 750 million euros, of which 540 millions from the cost savings plan
  - ▶ Additional revenues of some 180 to 200 million euros
  
- ✦ Q1 2010-11 results reflect both the pick up in demand and the efficiency of the adaptation measures

# First Quarter results

	First Quarter 2010-11	First Quarter 2009-10
✦ Revenues	€5.7bn	€5.2bn
✦ EBITDAR	€484m	€112m
✦ Operating result	-€132m	-€496m
excluding impact of air space closure (€158m)	€26m	-€496m
✦ Income/(loss) from operating activities (including Amadeus)	€878m	-€496m
✦ Net result	€736m	-€426m

# A sound financial position

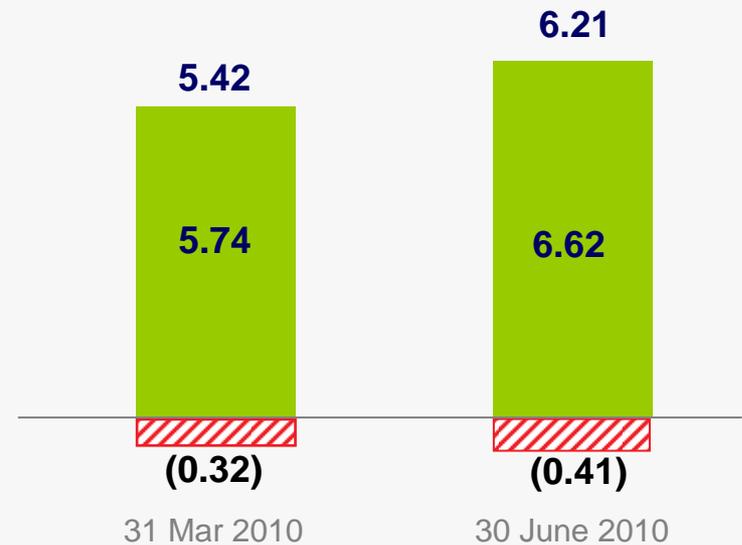
Net debt  
(€billions)

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



Shareholders' funds  
(€billions)

- Shareholders' funds
- / Hedging instruments



# 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