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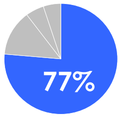
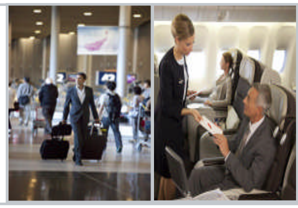
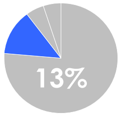
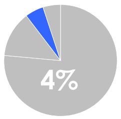
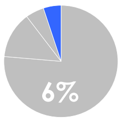
# Information meeting

**1st September 2011**

# Full Year 2010-11 key data

April 2010-March 2011

| | | | **Revenues** in € billions | | **Operating result** in € millions | |
|---|---|---|---|---|---|---|
|  | Passenger |  | 18.10 | +11.3% | -44 | +874 |
|  | Cargo |  | 3.16 | +29.5% | +69 | +505 |
|  | Maintenance |  | 1.03 | +7.6% | +143 | +62 |
|  | Other |  | 1.32 | -0.6% | -46 | -34 |



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# Reinforced strategic advantages and ongoing actions

- Strengthening of our strategic advantages
  - **Positions in high growth markets, especially China**
  - **Transatlantic JV**
  - **Cargo repositioning**

- Addressing current challenges
  - **Medium-haul transformation**
  - **Cost reduction**
  - **Strict capacity management**
  - **Balance sheet gearing**
  - **Fuel price volatility**



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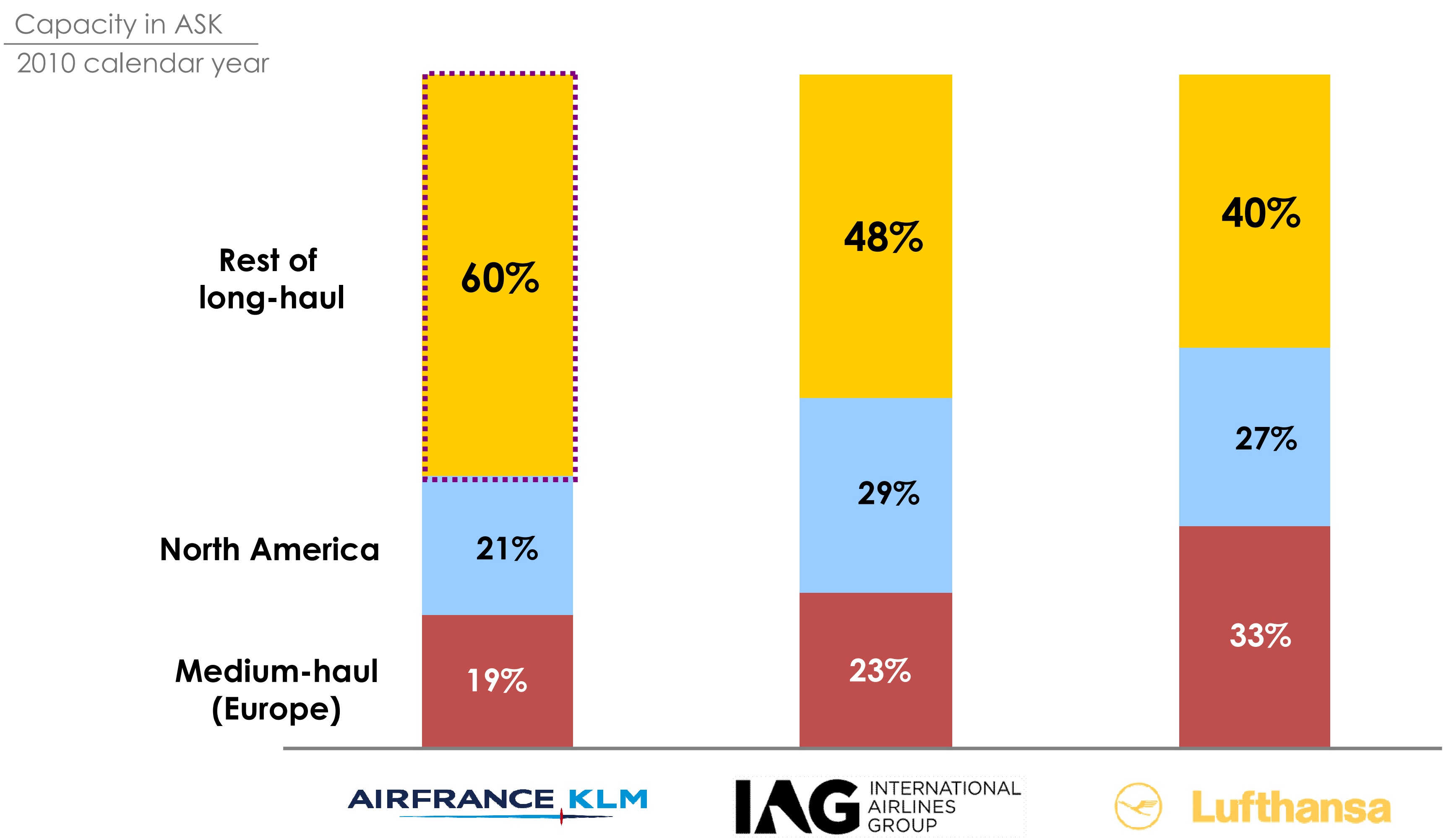
# Air France-KLM: leading exposure to high growth markets…



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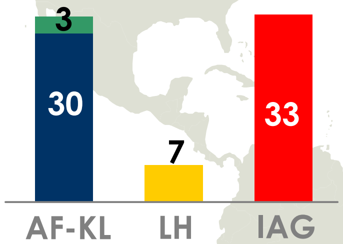
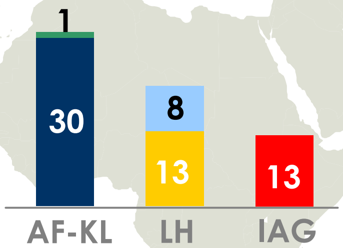
# …with strong presence in all key regions

**Latin America**
**& Caribbean**
33 daily flights
23 gateways
in 17 countries



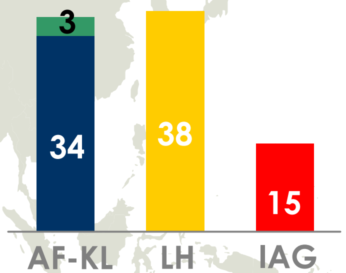

Brazil: 6 daily flights
Mexico: 4 daily flights
Caribbean: 14 daily flights

**Africa**
31 daily flights
39 gateways
in 31 countries




Nigeria: 4 daily flights
South Africa: 3 daily flights
Kenya: 1 daily flight
(+2 operated by partner Kenya Airways)

**Asia**
37 daily flights
25 gateways
in 13 countries




China: 13 daily flights
Japan: 8 daily flights
India: 5 daily flights

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



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# Unique position in China

| | 2001 | 2011 | 2014 |
|---|---|---|---|
| **Own network** |  Four routes |  Eight routes |  Over 12 routes |
| **SkyTeam member partners** | | CHINA SOUTHERN<br>中國東方航空 CHINA EASTERN<br>上海航空公司 SHANGHAI AIRLINES<br>CHINA AIRLINES | CHINA SOUTHERN<br>中國東方航空 CHINA EASTERN<br>上海航空公司 SHANGHAI AIRLINES<br>CHINA AIRLINES |
| **Joint ventures** | | CHINA SOUTHERN<br>中國東方航空 CHINA EASTERN | CHINA SOUTHERN<br>中國東方航空 CHINA EASTERN |

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

***20 members by end 2012***

# Transatlantic Joint Venture with Delta: a unique asset

- 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 7 to 9% reduction in capacity for Winter 2011**



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# Cargo restructuring accomplished

- World's largest network of bellies and combis
  - **Full freighter fleet reduced to 14 aircraft**
  - **67% of capacity in bellies and combis**
  - **33% in full freighter aircraft, operated as complement**
- Strict capacity management
  - **Capacity up 2.9% in April-June 2011, excluding April 2010 airspace closure**
  - **Yield still resilient, up 1.5% in April-June 2011**



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# Reinforced strategic advantages and ongoing actions

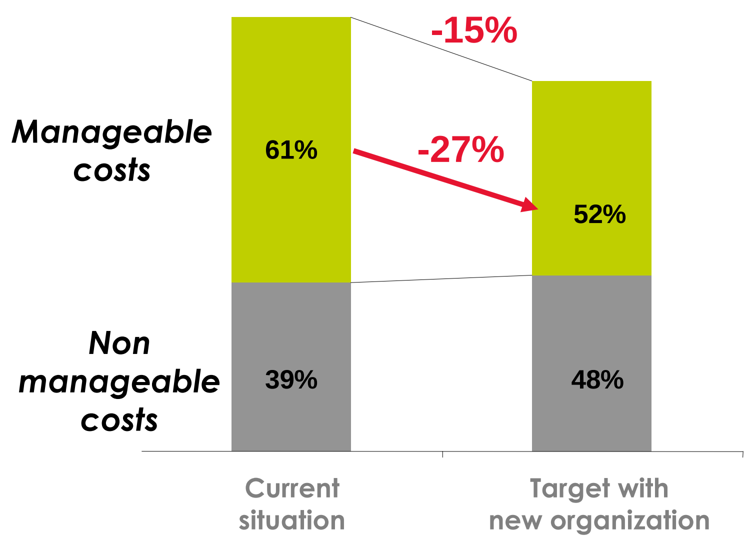
- Strengthening of our strategic advantages
  - **Positions in high growth markets, especially China**
  - **Transatlantic JV**
  - **Cargo repositioning**

- Addressing current challenges
  - **Medium-haul transformation**
  - **Cost reduction**
  - **Strict capacity management**
  - **Balance sheet gearing**
  - **Fuel price volatility**

# Medium-haul: ongoing transformation

- Second year of NEO transformation plan
  - Target: €500m operating income improvement over two years, of which more than €200m cost savings
  - Product overhauled
  - Network and fleet adjustments


- "Provincial bases" project: a new model for regional cities
  - Significant cost reduction
  - High aircraft utilization
  - Launch in Marseilles in October, with Toulouse, Nice and Bordeaux following in 2012
  - Concept could be extended to Orly and Lyon



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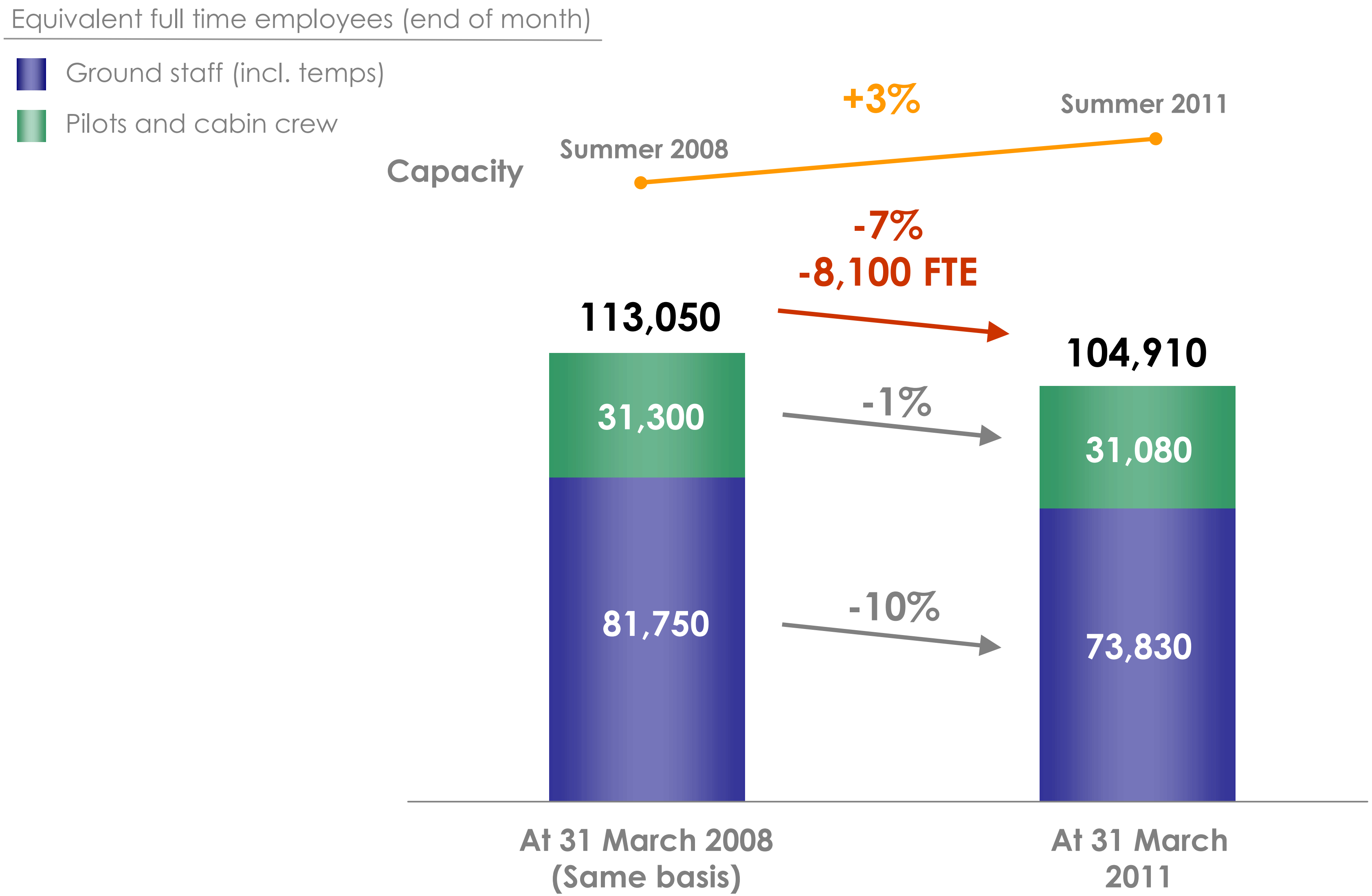
# Lower headcount…



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# …underpinning our cost reduction target

- Challenge 12 cost reduction plan objective for calendar year 2011 revised up to €500m
  - **Process and productivity**
  - **Procurement**
  - **Fleet renewal**
  - **Distribution costs**

- 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%* over 2011-2013

(*) At constant fuel price and currencies

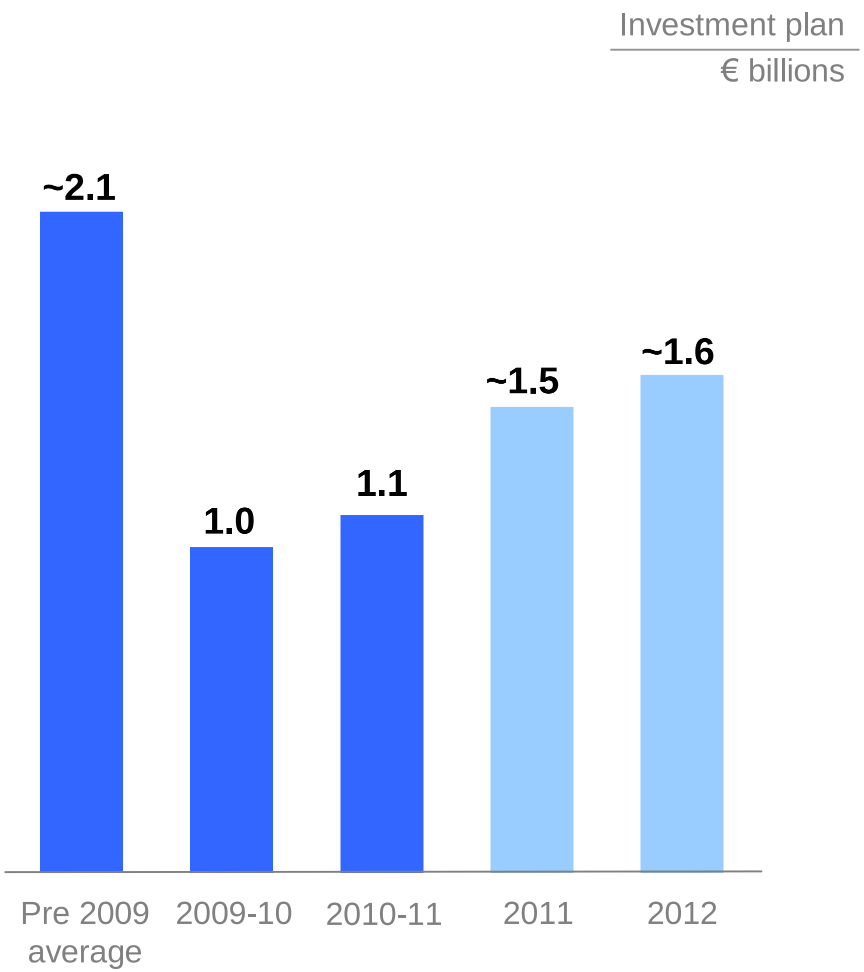
# Prudent capacity growth in coming winter

- 2.4 point reduction in long-haul capacity growth, reduced to 2.7%*
  - **Productive growth**
    - **Use of larger or densified aircraft (A380, B777-300)**
  - **Selective growth**
    - **Opening of seasonal routes: +3.4%**
    - **Reduction in frequencies: -2.7%**
    - **Opening of new routes: +2.0%**
    - **Transatlantic Joint Venture reducing capacity 7 to 9%**
- Flexibility maintained

(*) Including Martinair activity previously included in leisure

# Focus on free cash flow generation…

- Adapted investment plan
  - **Replacement of 13 aircraft postponed after 2016**
  - **Young fleet (average age: 10 years)**
- Debt reduction will be the primary use for cash



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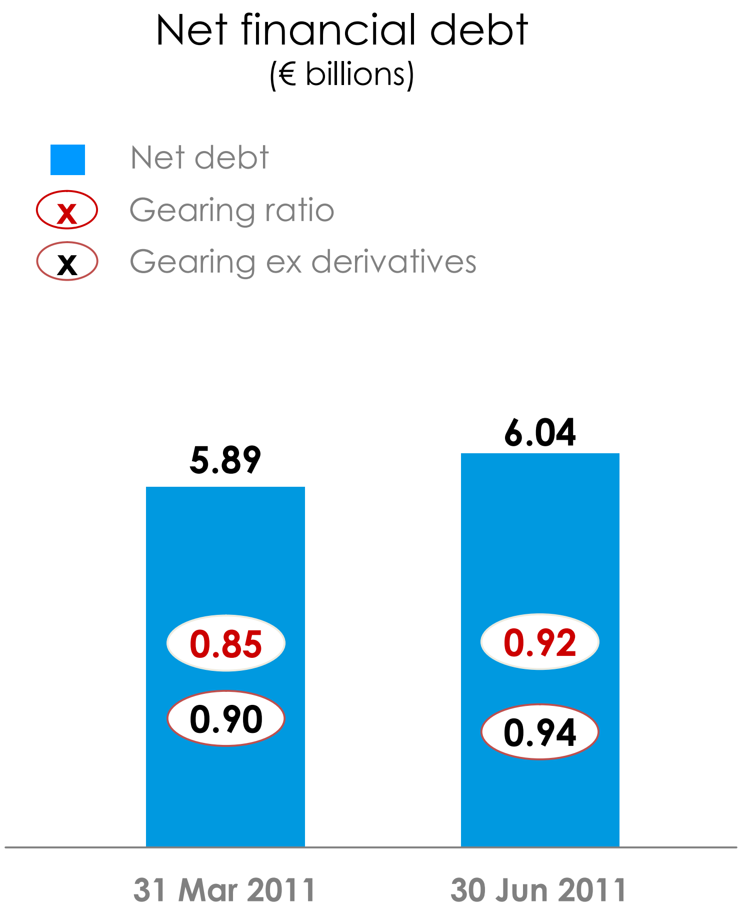
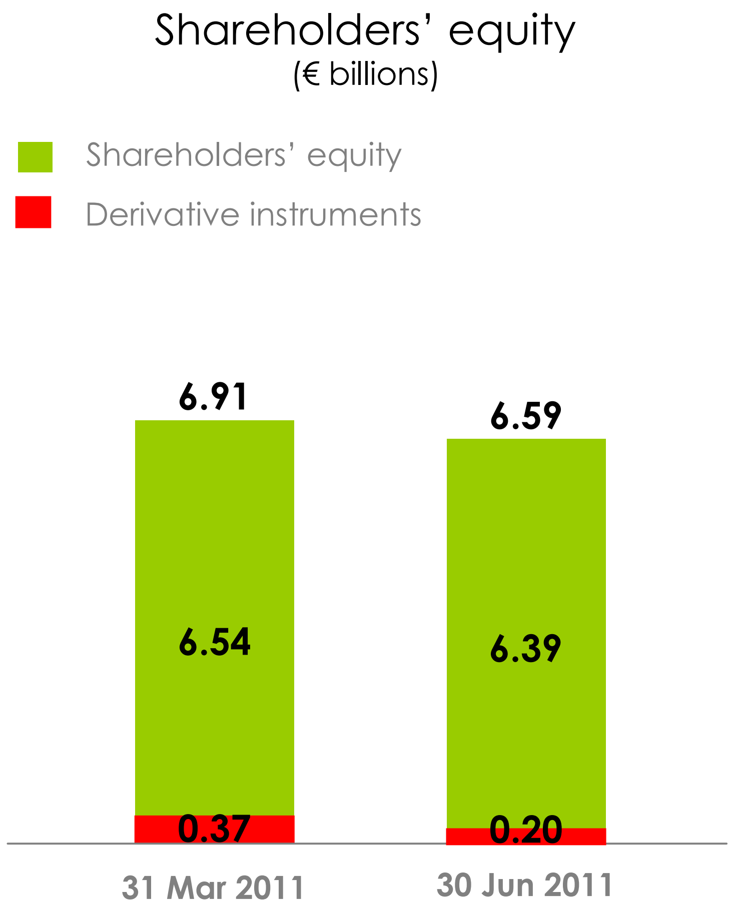
# …to bring gearing ratio down to 0.5



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# Healthy cash position

- Good level of cash
  - Cash on balance sheet at 30 June 2011: €3.87bn
  - Undrawn credit lines: €1.85bn
    - €1.6bn renewed in 2011 for 5 years
  - Total liquidity: €5.72bn

- 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 above 800 million euros



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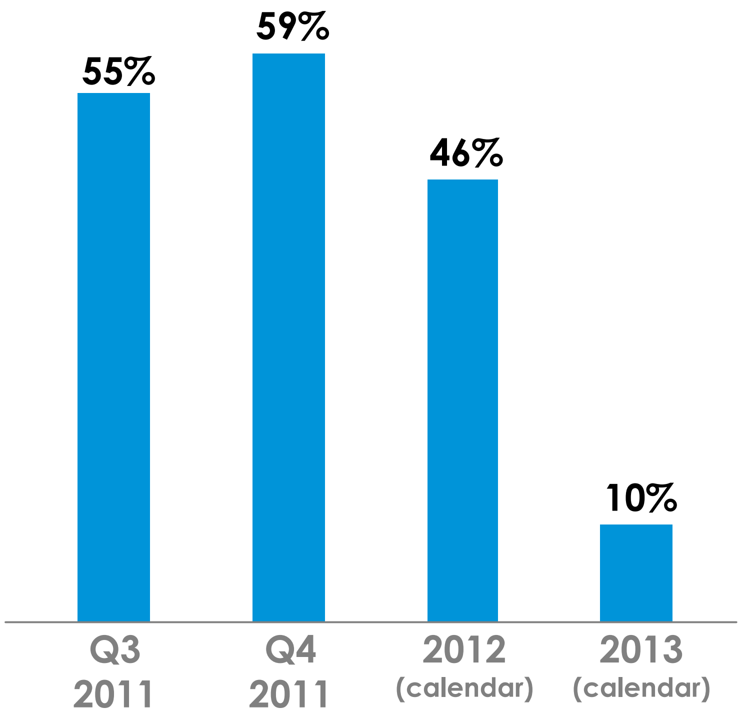
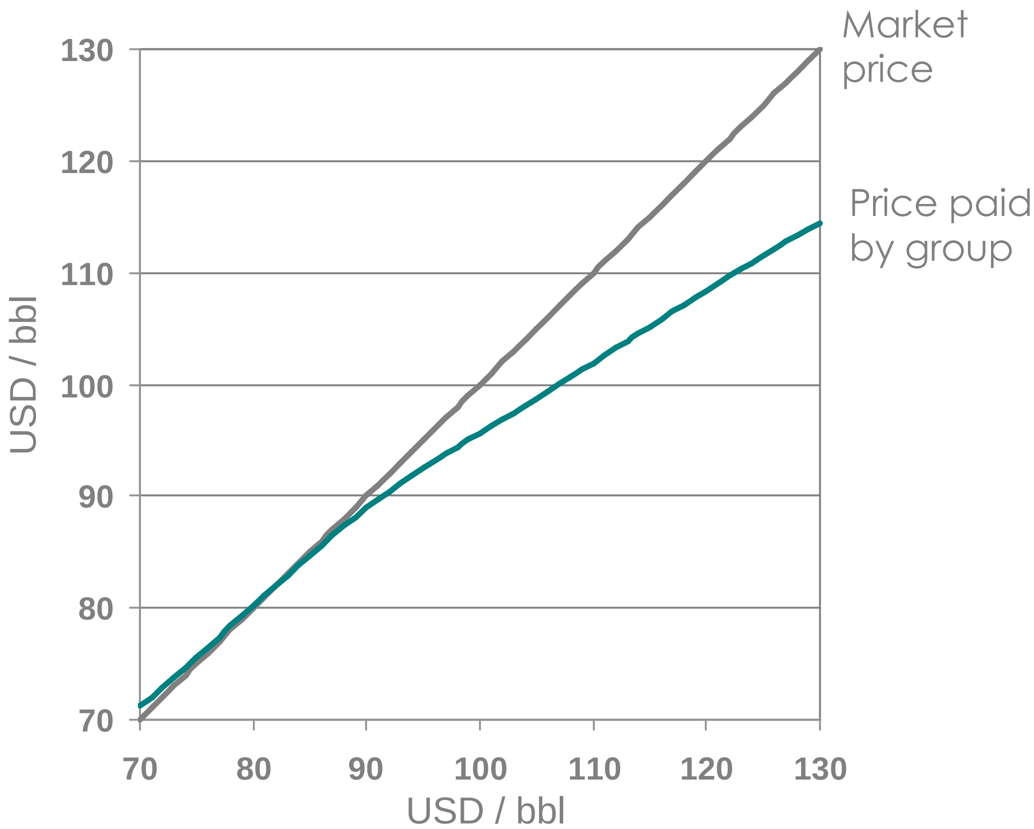
# Fuel hedging policy designed to handle higher jet fuel volatility

Percentage of planned consumption already hedged*




Impact of hedging on price paid by group, second half of 2011




(*) 19 August 2011 picture



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# Outlook for calendar year 2011

- Operating environment remains uncertain
  - **Japan, Africa and Middle East markets continue to be affected by the crises**
  - **Uncertainty created by Eurozone crisis**
  - **Fuel prices at high levels and Euro volatility**

- The group continues to target a positive operating result in calendar year 2011



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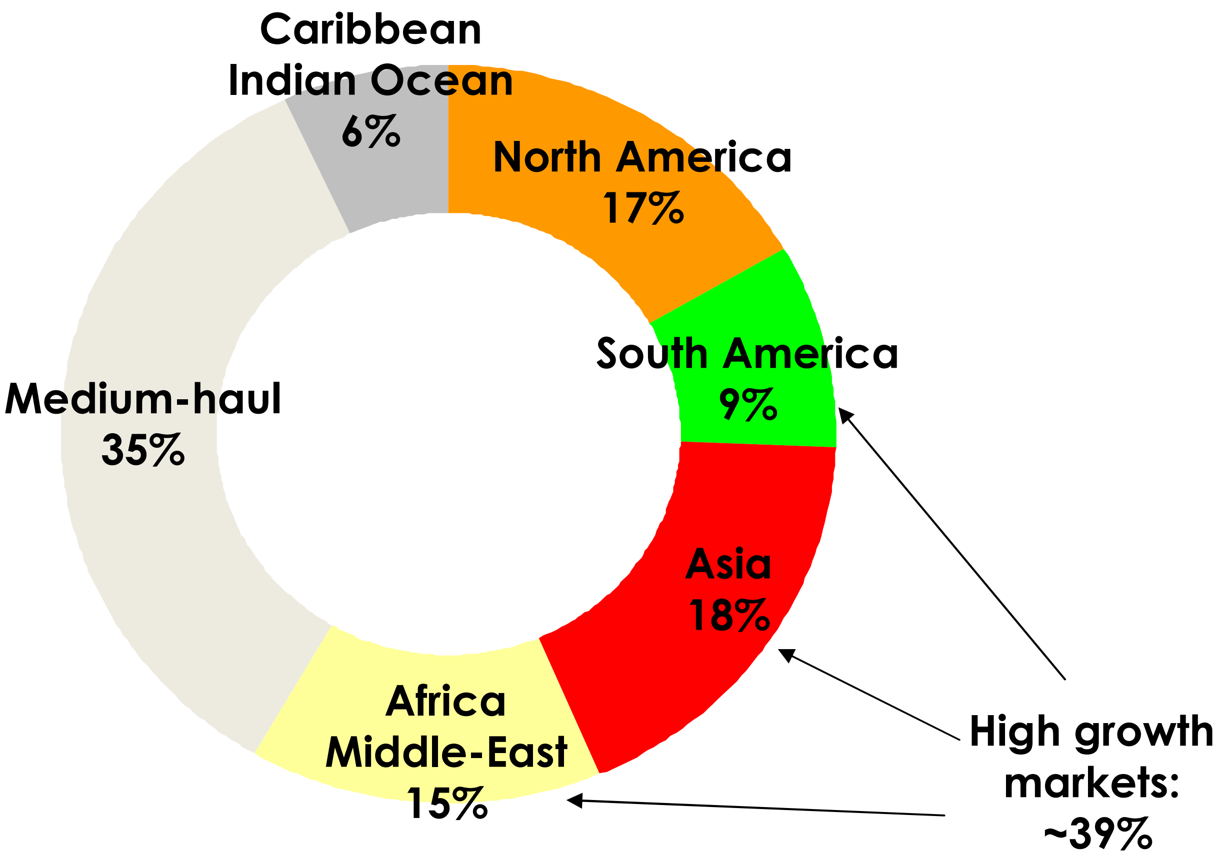
# Appendix

# Passenger revenue per destination – 12m 2010-11



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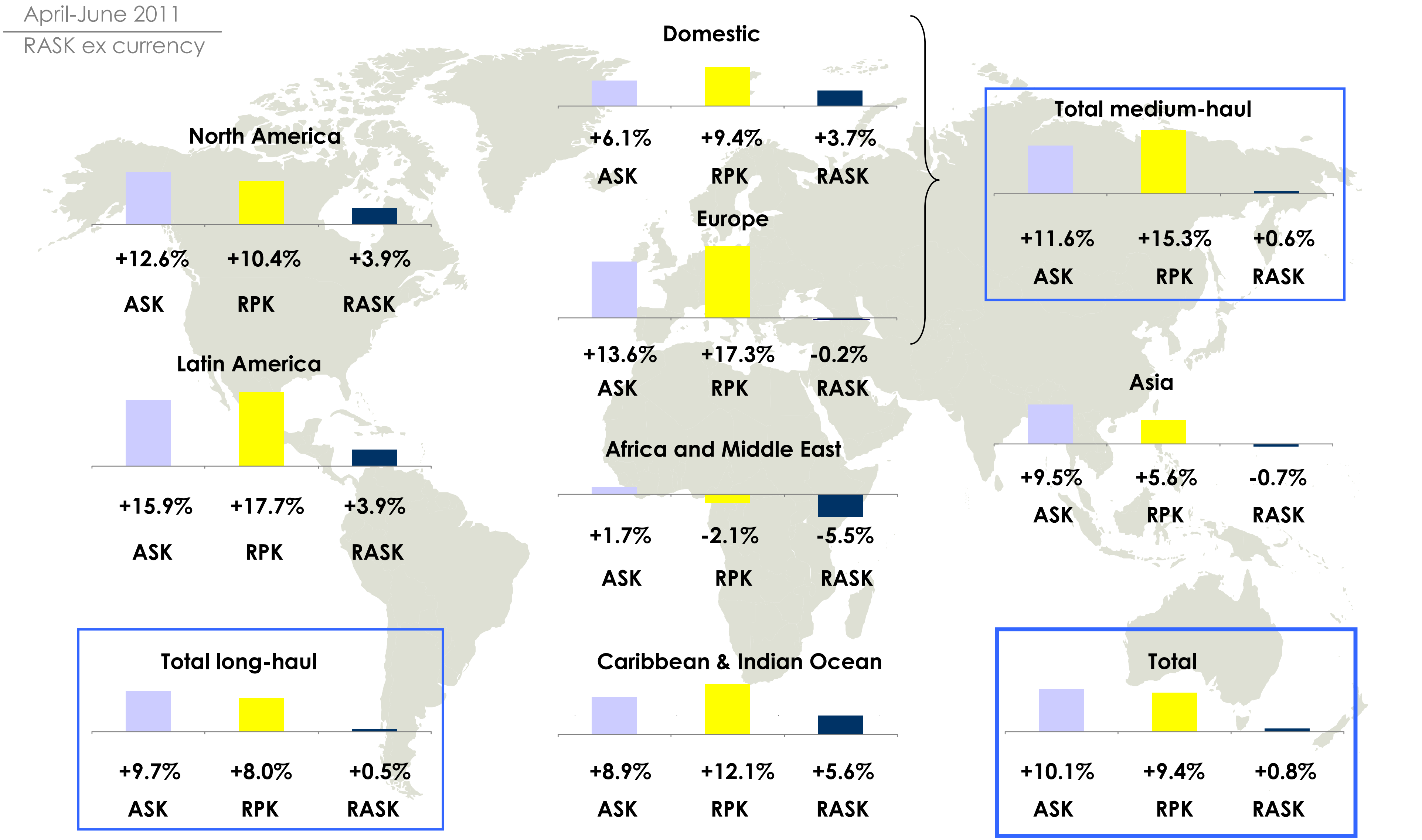
# Key passenger data by network, April-June 2011



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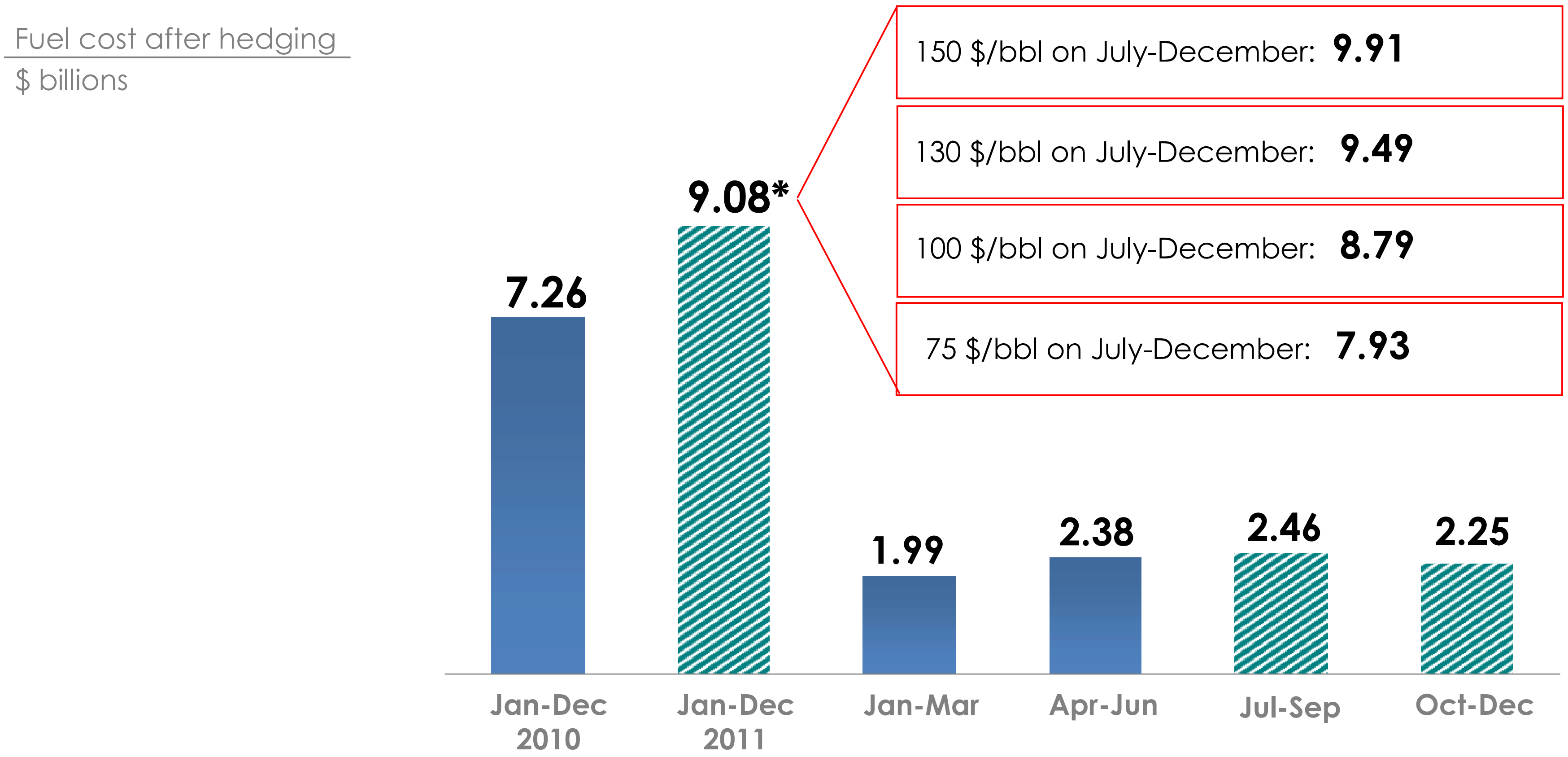
# Fuel bill for calendar year 2011




| | Jan-Dec 2010 | Jan-Dec 2011 | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec |
|---|---|---|---|---|---|---|
| Market price ($/bbl) | 80 | 115 | 105 | 117 | 111 | 108 |
| Percentage hedged | 59 | 54 | 52 | 49 | 55 | 59 |

(*) Forward curve at 19 August 2011



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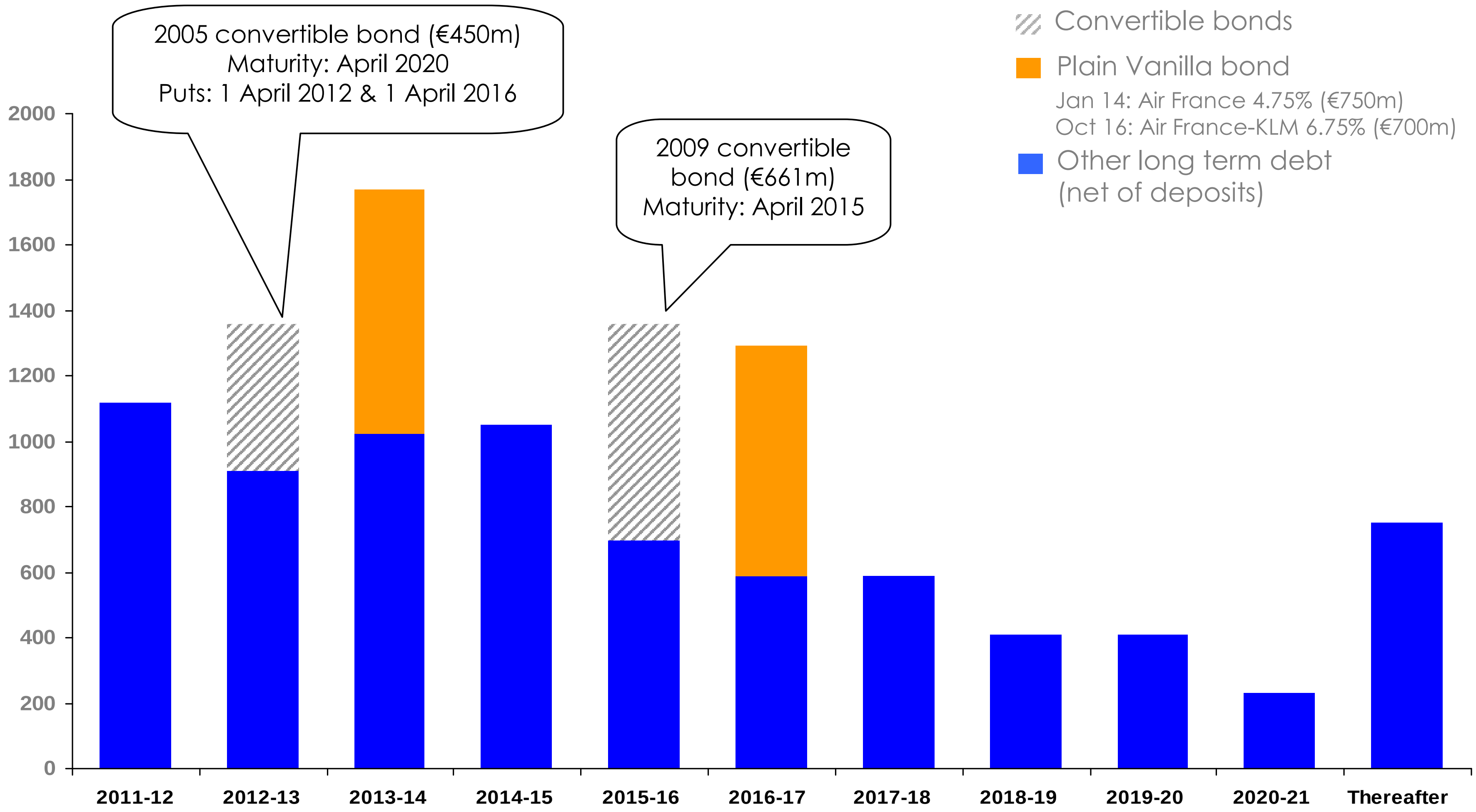
# Debt repayment schedule at 1 April 2011*




(*) In € millions, net of deposits on financial leases



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# Calculation of net debt

| € millions | 30 June 2011 | 31 March 2011 |
|---|---|---|
| Current and non current financial debt | 10,482 | 10,788 |
| Deposits on leased aircraft | (516) | (455) |
| Currency hedges on debt | 38 | 36 |
| Interest not yet due | (100) | (119) |
| **= Total financial debt** | **9,904** | **10,250** |
| Cash and cash equivalents | 3,221 | 3,717 |
| Investments of over three months | 574 | 574 |
| Triple A deposits | 171 | 197 |
| Bank overdrafts | (100) | (129) |
| **= Net cash** | **3,866** | **4,359** |
| **Net financial debt** | **6,038** | **5,891** |
| **Consolidated shareholders' funds** | **6,594** | **6,906** |
| **Net debt / Shareholders' funds** | **0.92** | **0.85** |
| ***Net debt / Shareholders' funds ex hedging instruments*** | ***0.94*** | ***0.90*** |