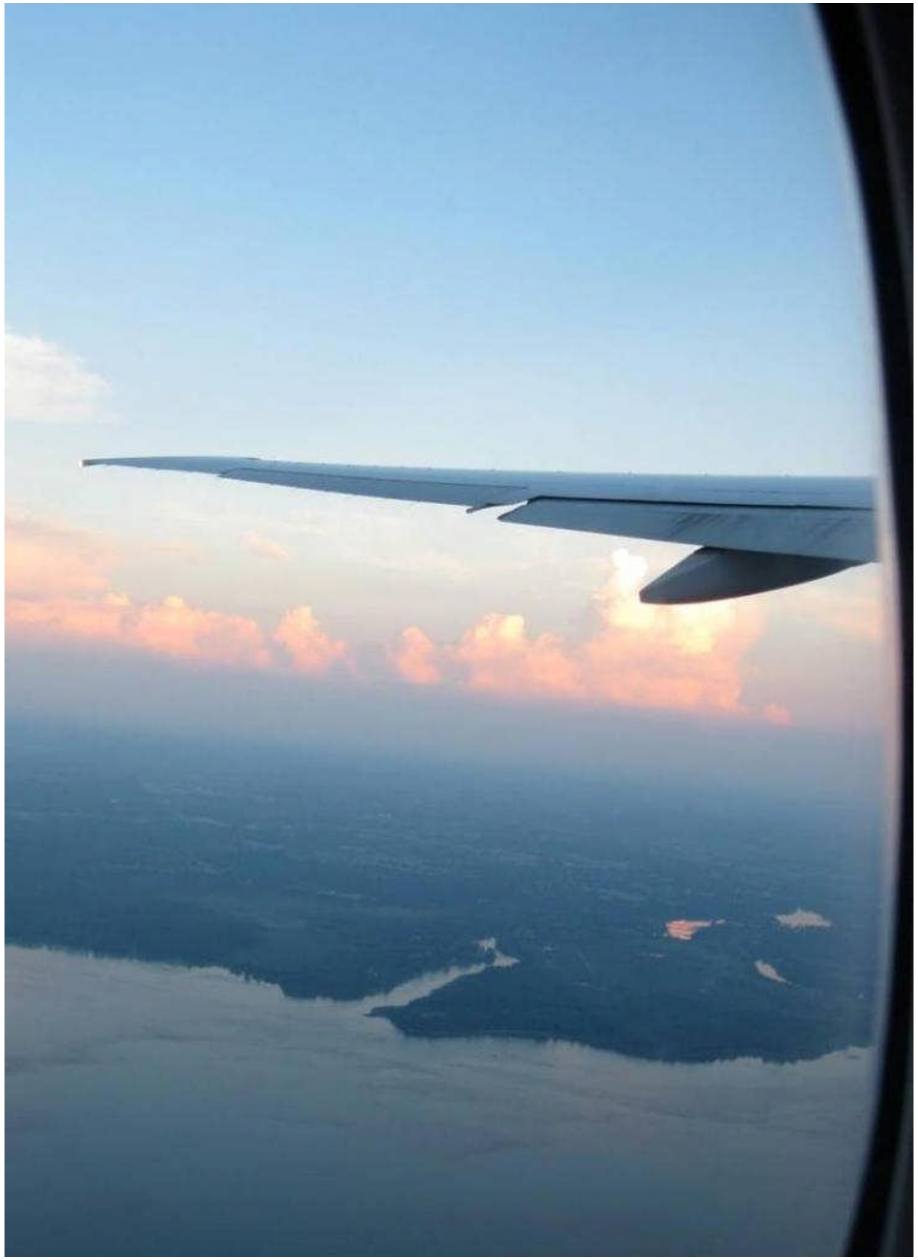
AIRFRANCE KLM

22 February 2013

Full Year 2012 Results



Results

Highlights of the year

- Transform 2015 plan underway
- Dynamic passenger revenues;
  deterioration in cargo business
- Further reduction in unit costs
- Improved operating result in spite of higher fuel bill
- Net debt reduced to below 6 billion euros
- Successful €500m bond issue

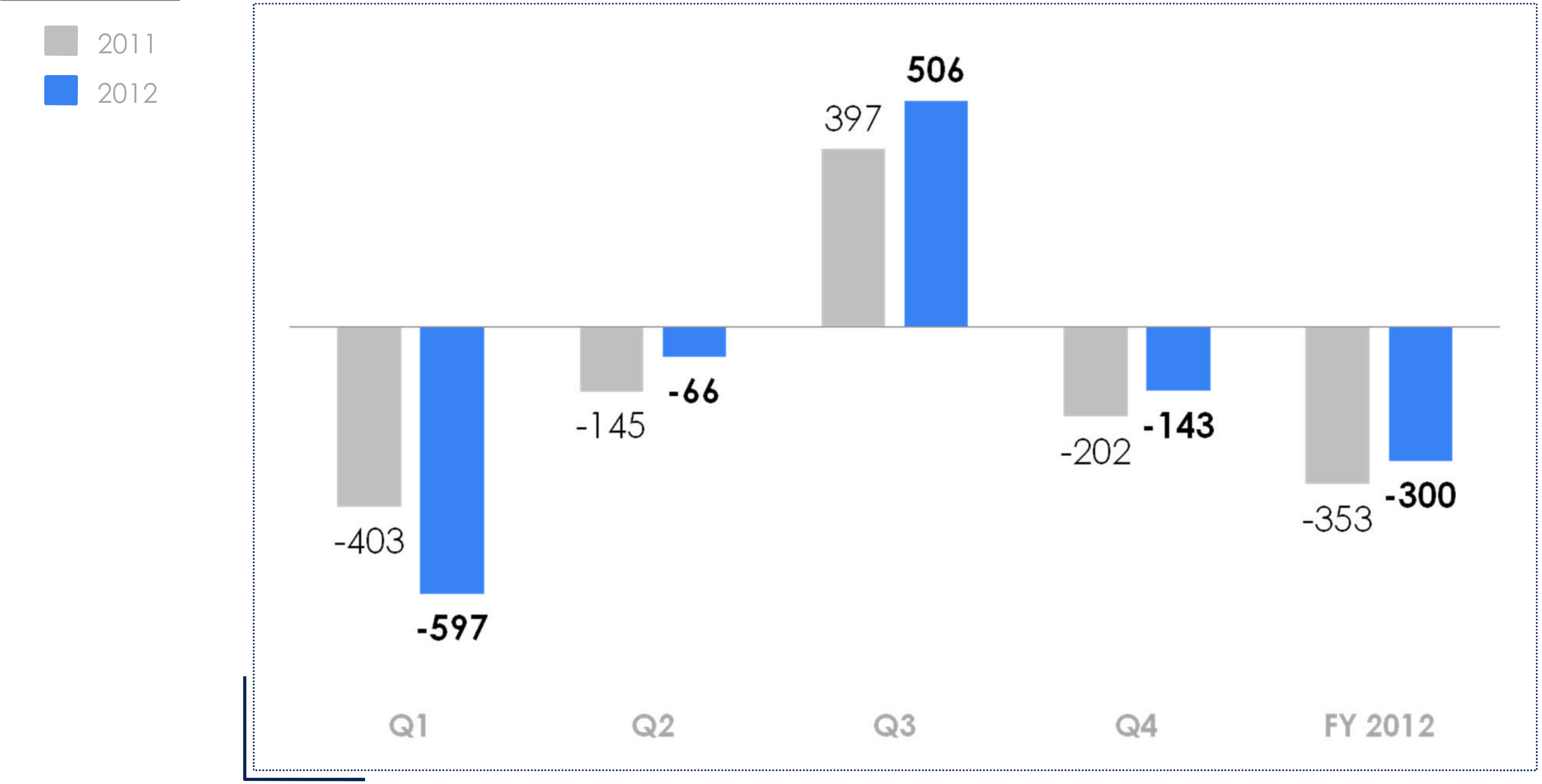
Key data

Better/worse	Fourth quarter			Full year		
€m	2012	2011	% ch.	2012	2011	% ch.
Revenues	**6,304**	**6,028**	**5%**	**25,633**	**24,363**	**5%**
EBITDAR	533	466	14%	2,405	2,192	10%
EBITDA	294	246	20%	1,448	1,344	8%
Income from current operations	**-143**	**-202**	**29%**	**-300**	**-353**	**15%**
Adjusted operating income (1)	-62	-127	51%	25	-65	ns
Adjusted operating margin	*-1.0%*	*-2.1%*	*+1.1 pt*	*0.1%*	*-0.3%*	*+0.4 pt*
Net income, group	-235	-259	9%	-1,192	-809	47%
Net capex (2)	-117	-267	56%	-902	-1265	29%
Operating free cash flow (2) (3)	**22**	**29**	**24%**	**-51**	**-331**	**85%**
Free cash flow (2) (4)	**23**	**30**	**23%**	**401**	**-333**	**nm**
Net debt at end of period	-	-	-	5,966	6,515	-549

(1) Adjusted by the portion of financial costs within operating leases (34%)
(2) Including, during Q2-2012, €175m in asset acquisitions not qualified as capex under IFRS standards
(3) Net cash flow from operating activities less net capex on tangibles and intangibles
(4) Operating free cash flow less net financial capex

Operating result by quarter

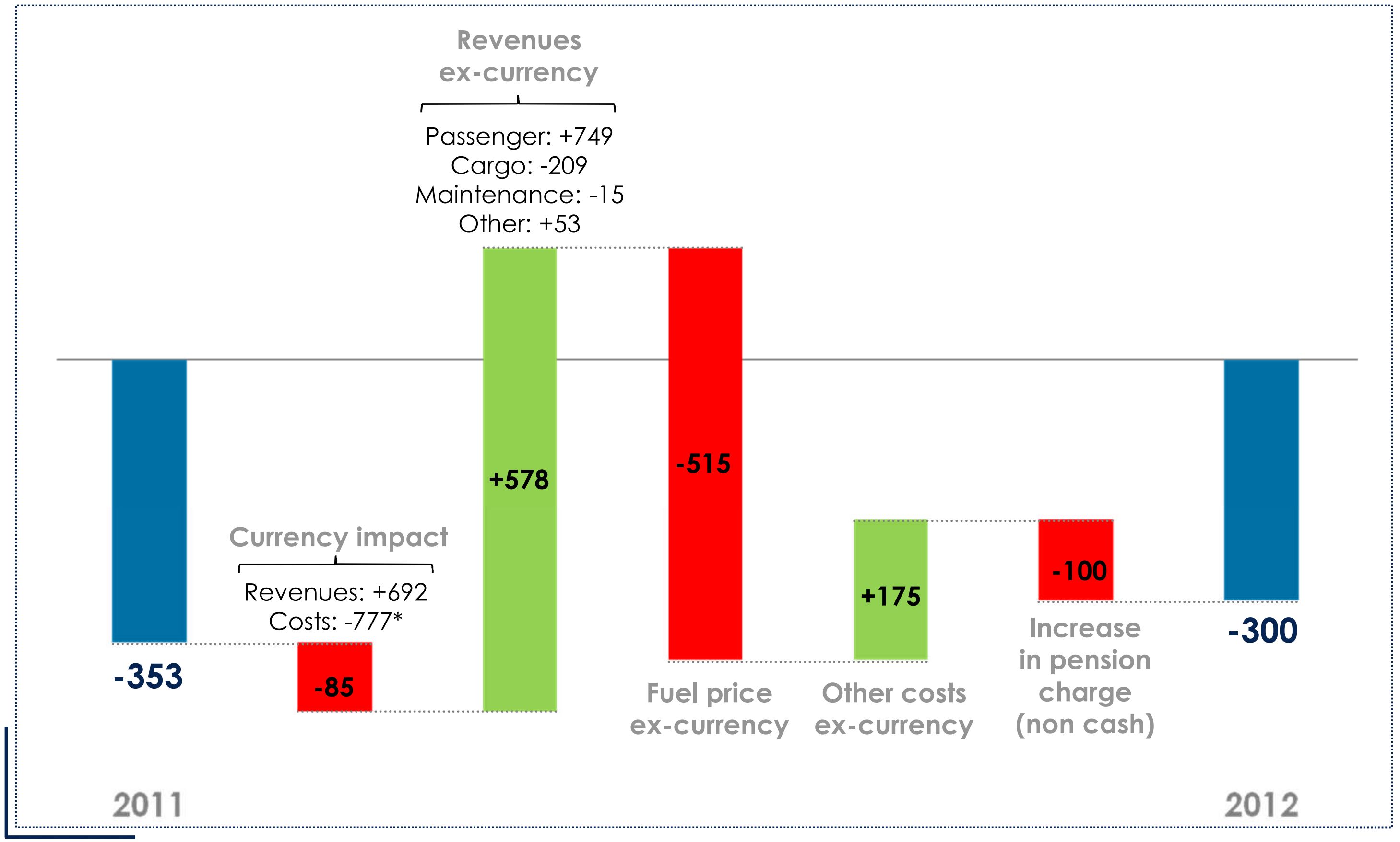
In € millions



	Q1	Q2	Q3	Q4	FY 2012
Increase in fuel cost	*+255*	*+214*	*+254*	*+167*	*+890*
Change in operating margin	*-3.0 pts*	*+1.3 pts*	*+1.2 pts*	*+1.1 pt*	*+0.3 pt*

Analysis of change in operating result

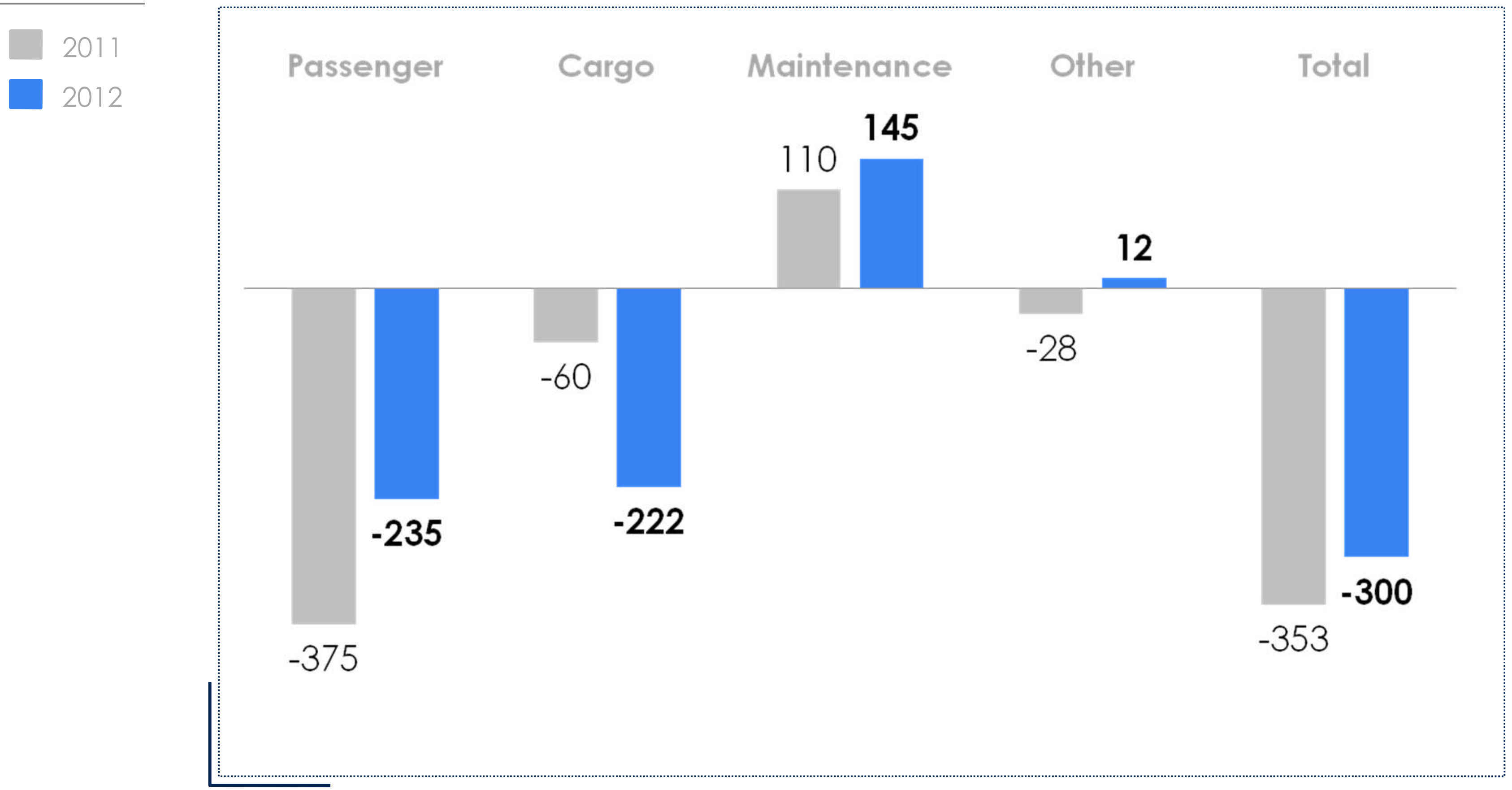
In € millions



* o/w positive effect of currency hedges: € 88m

Full year operating result by business

In € millions



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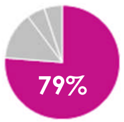
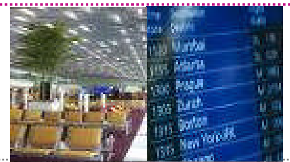
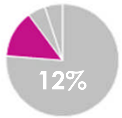
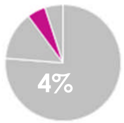
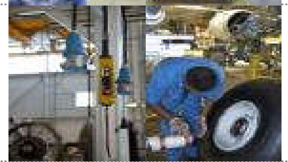
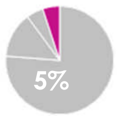
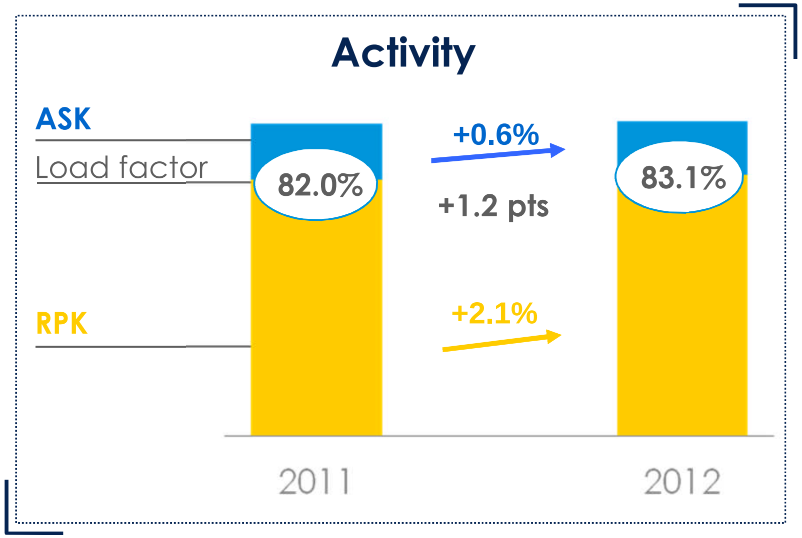
2012 revenues by business

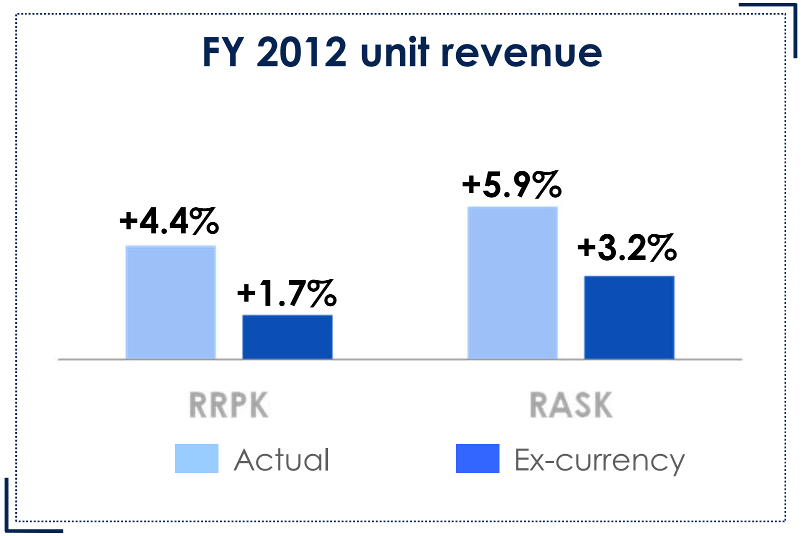
			FY 2012			Q4 2012
			€ billions	Actual change	Ex-currency	Ex-currency
	**Passenger**		20.19	+7.2%	+3.9%*	+2.8%*
	**Cargo**		3.06	-2.7%	-6.4%	-4.0%
	**Maintenance**		1.10	+5.4%	-1.3%	+12.1%
	**Other**		1.29	-3.9%	+4.2%*	-0.4%*
	Total		**25.63**	+5.2%	+2.3%	+2.2%

* At constant perimeter : restated for cessation of Martinair passenger activities

Passenger activity and unit revenue

- Strict capacity discipline
  - January 2012 plan: +2.2%
  - Realized growth: +0.6%
- Revenues driven by long-haul
  - Long-haul RASK +5.0%*
    - Premium +6.8%*
    - Economy +5.0%*
  - Medium-haul RASK -1.3%*
- Medium-haul losses increased by ~ €100m
  - Stable losses at hubs
  - Challenging launch of regional bases
  - Weak domestic French economy





* Ex-currency

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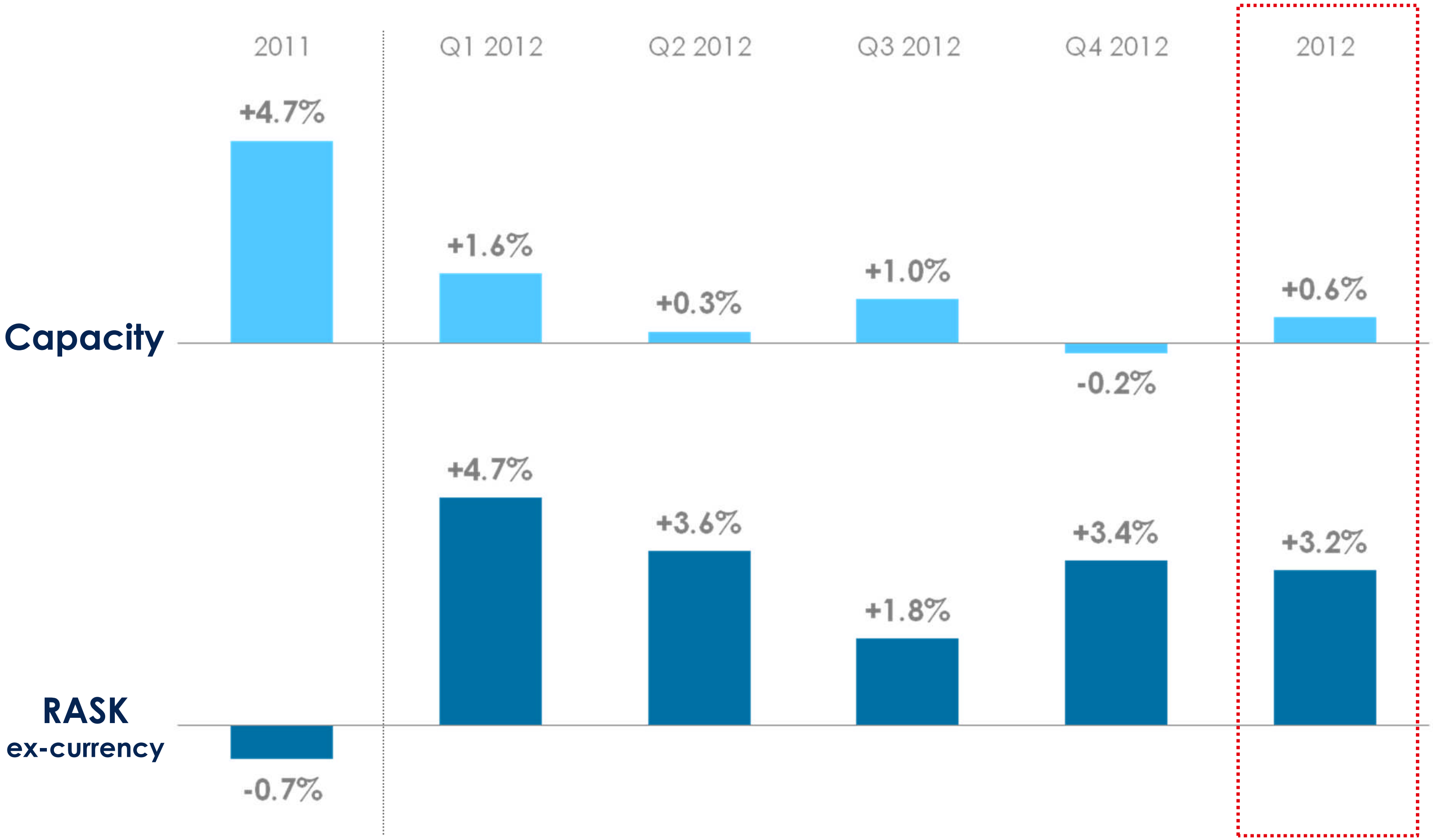
Activity and unit revenue per quarter



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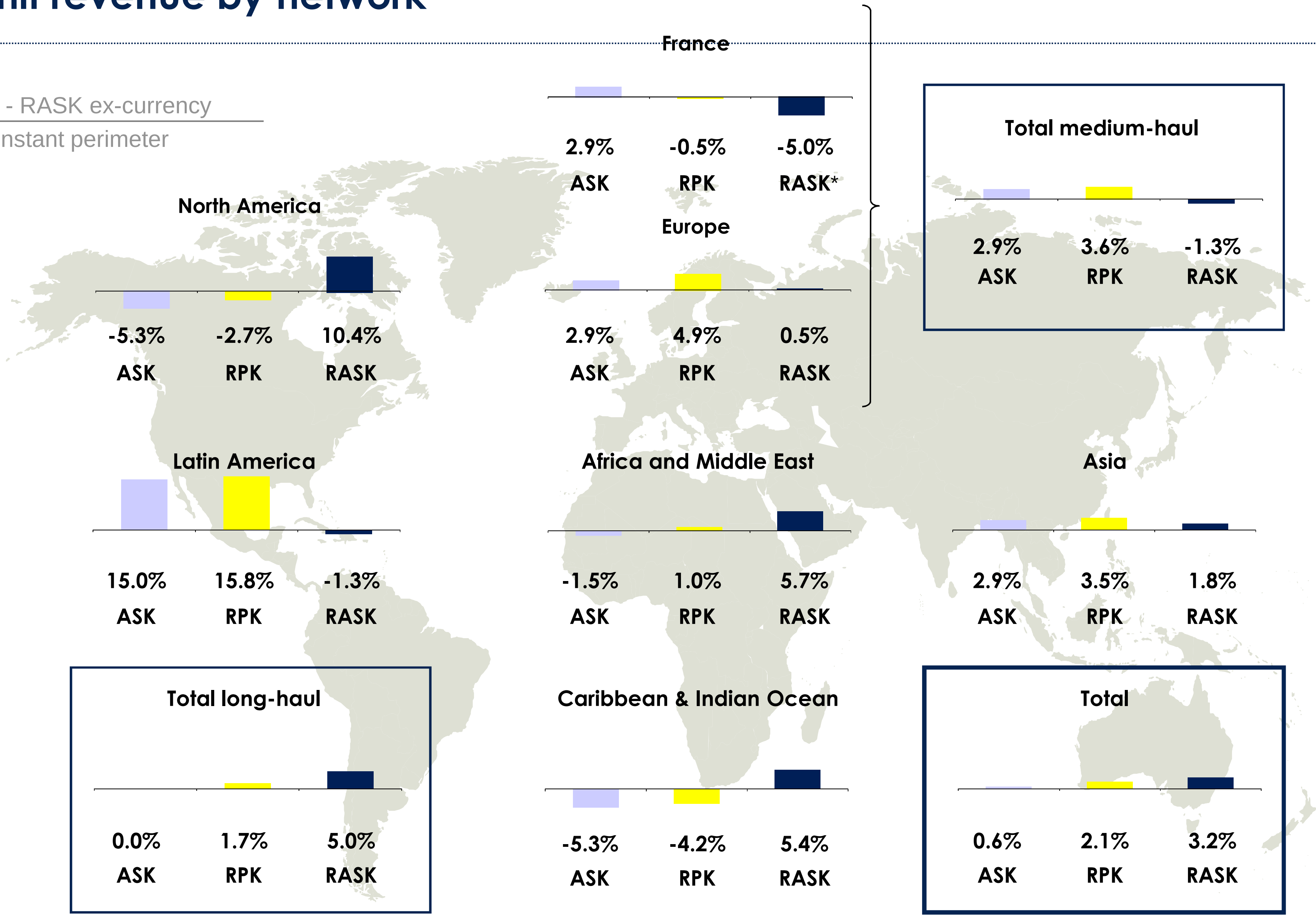
Unit revenue by network

2012 - RASK ex-currency

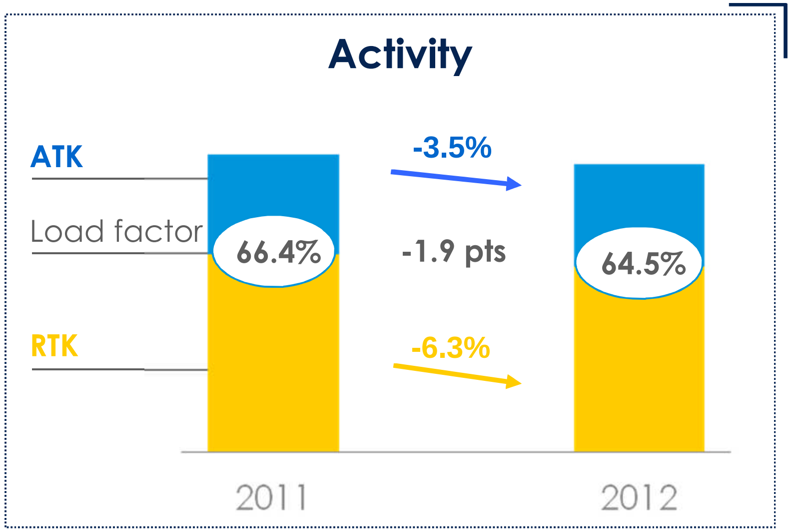
At constant perimeter

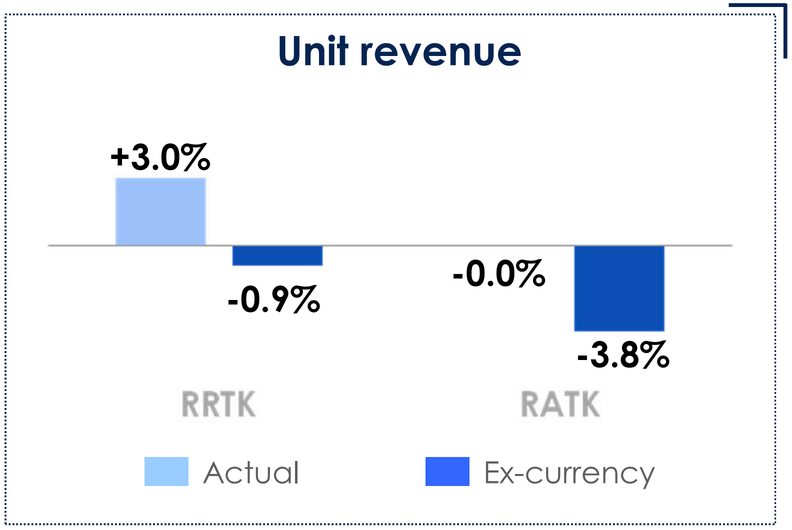


* Significant network mix effect. Ex-currency RASK Orly/CDG alone: -1.2%

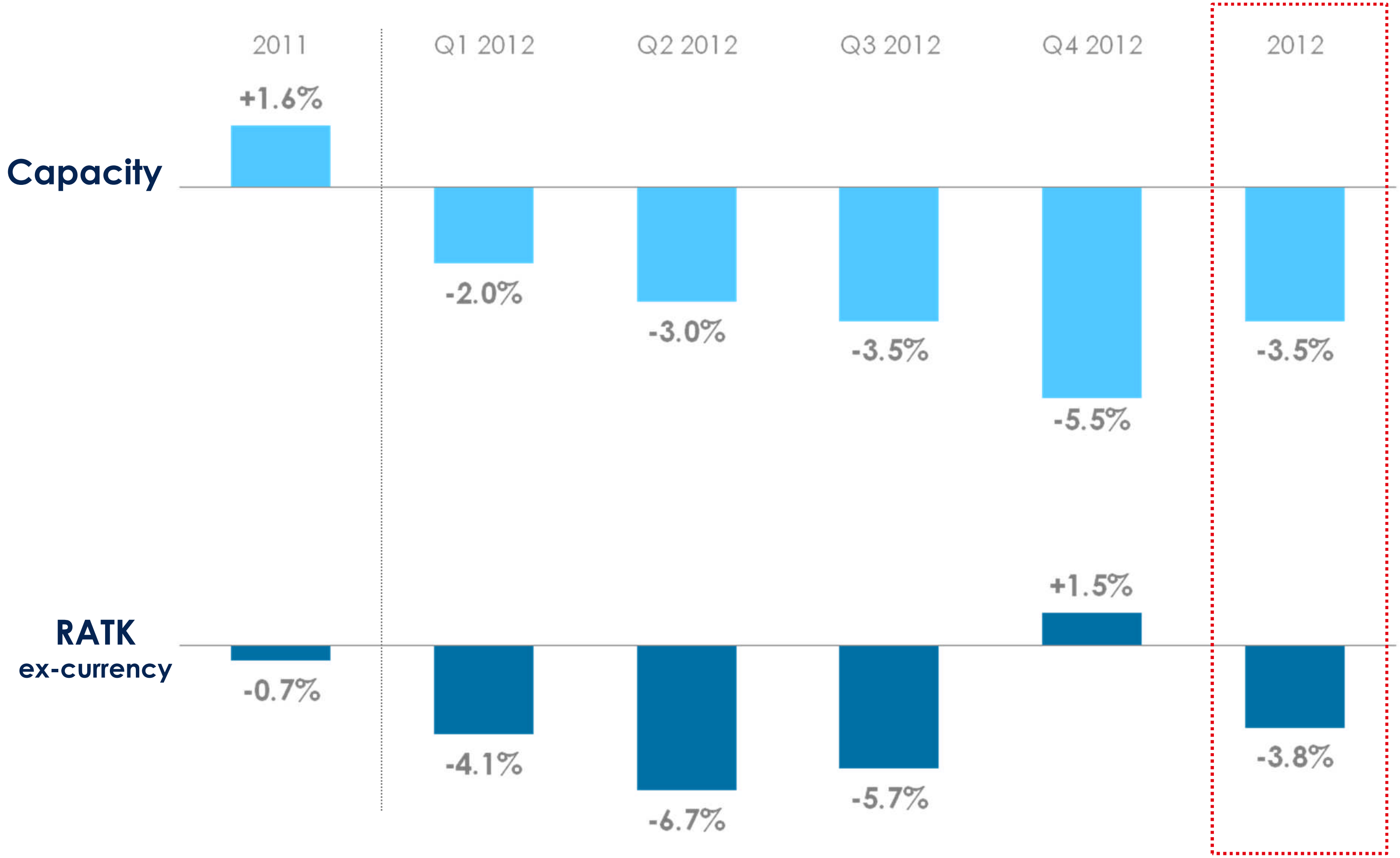
Cargo activity and unit revenue

- Weak global trade environment
- Industry overcapacity
  - Especially from main Asian markets
- Strict capacity control
  - H2: 8% reduction in full freighters
  - Full freighters account for only 31% of overall cargo capacity





Cargo activity and unit revenue per quarter



Maintenance

Better/worse	Fourth quarter			Full year		
€m	2012	2011	% ch.	2012	2011	% ch.
Third party revenue	**317**	**273**	**16%**	**1 096**	**1 040**	**5%**
Ex currency			*12%*			*1%*
Total revenue	802	796	1%	3,134	3,112	1%

- Stable annual revenues ex-currency
  - Temporary slowdown in engines activity in Q2 and Q3
  - Dynamic revenues in Q4
- Ongoing focus on most profitable segments
  - Inauguration of engine test bench at Paris-CDG
  - Several contract wins including LOT and Vietnam Airlines

Other businesses

Transavia	Fourth quarter			Full year		
Capacity (bn ASK)	3.4	3.3	4%	17.7	17.1	3%
Traffic (bn RPK)	2.9	2.8	4%	15.4	14.8	4%
Traffic revenue (€m)	**150**	**141**	**6%**	**852**	**784**	**9%**
RASK (€ cents per ASK)	*4.4*	*4.3*	*2%*	*4.8*	*4.6*	*5%*
Catering						
Third party revenue (€m)	**107**	**111**	**4%**	**405**	**435**	**7%**

Better/worse

Transavia

- Slight increase in capacity
- Dynamic unit revenues: RASK up 5%
- Transavia France at breakeven for the first time

Catering

- Increased competitive pressure

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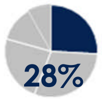
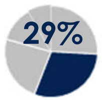
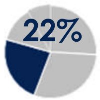
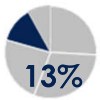
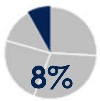
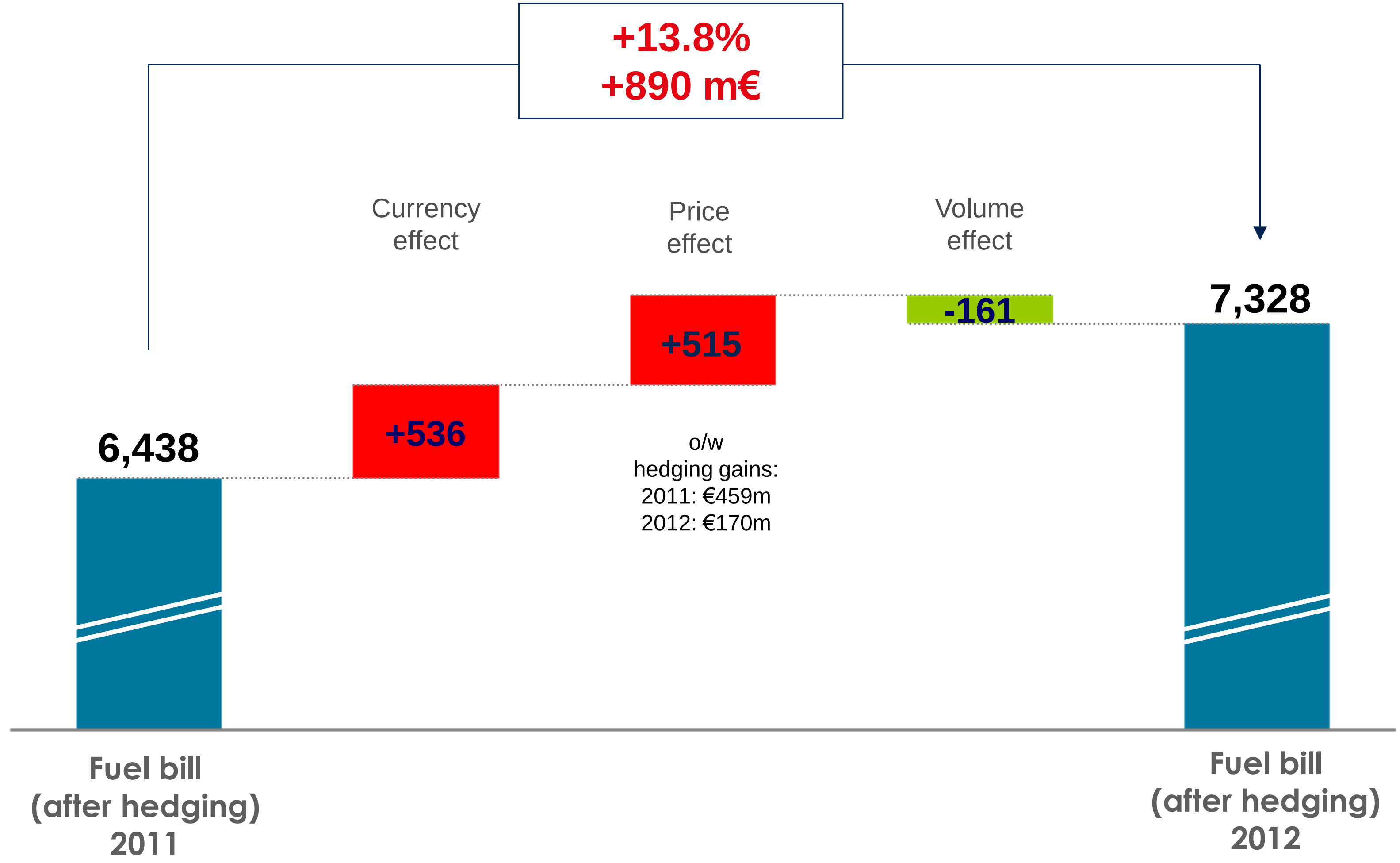
Change in full year operating costs

		€m	Actual change	Ex-currency
 28%	**Fuel**	7,328	+13.8%	+5.1%
 29%	**Employee costs**	7,660	+2.7%	+2.4%
 22%	**Manageable external charges(1)**	5,729	-1.9%	-4.5%
 13%	**Other charges linked to capacity(2)**	3,261	+4.7%	+1.2%
 8%	**Non manageable external charges(3)**	2,046	+1.8%	-0.1%
	Total(4)	**25,933**	**+4.9%**	**+1.7%**
	Operating costs ex-fuel	**18,605**	**+1.8%**	**+0.5%**

(1) Catering, handling charges, maintenance, commercial and distribution, and other external expenses
(2) Chartering (capacity purchases), aircraft operating leases, amortization, depreciation and provisions
(3) Landing fees and en-route charges, other taxes
(4) Including other revenues and other income and expenses

Analysis of change in full year fuel bill

In € millions



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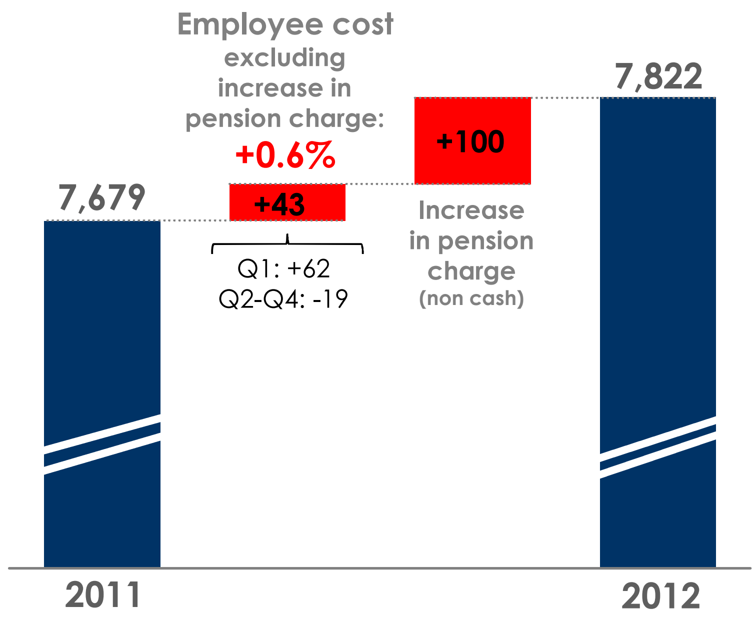
Employee costs stable excluding increase in pension charge

- Increased pension charge (non cash)
- Feed through of employee costs measures
  - Q1 affected by one-off items
  - Impact of freeze on general salary increases at Air France as of Q2
  - Reduction of temporary staff
  - First departures in the framework of the VDP at the end of the year
- Reduction in headcount
  - -3,300 FTEs at Dec 2012 vs Dec 2011

Change in employee costs
(€m, including temporary staff)



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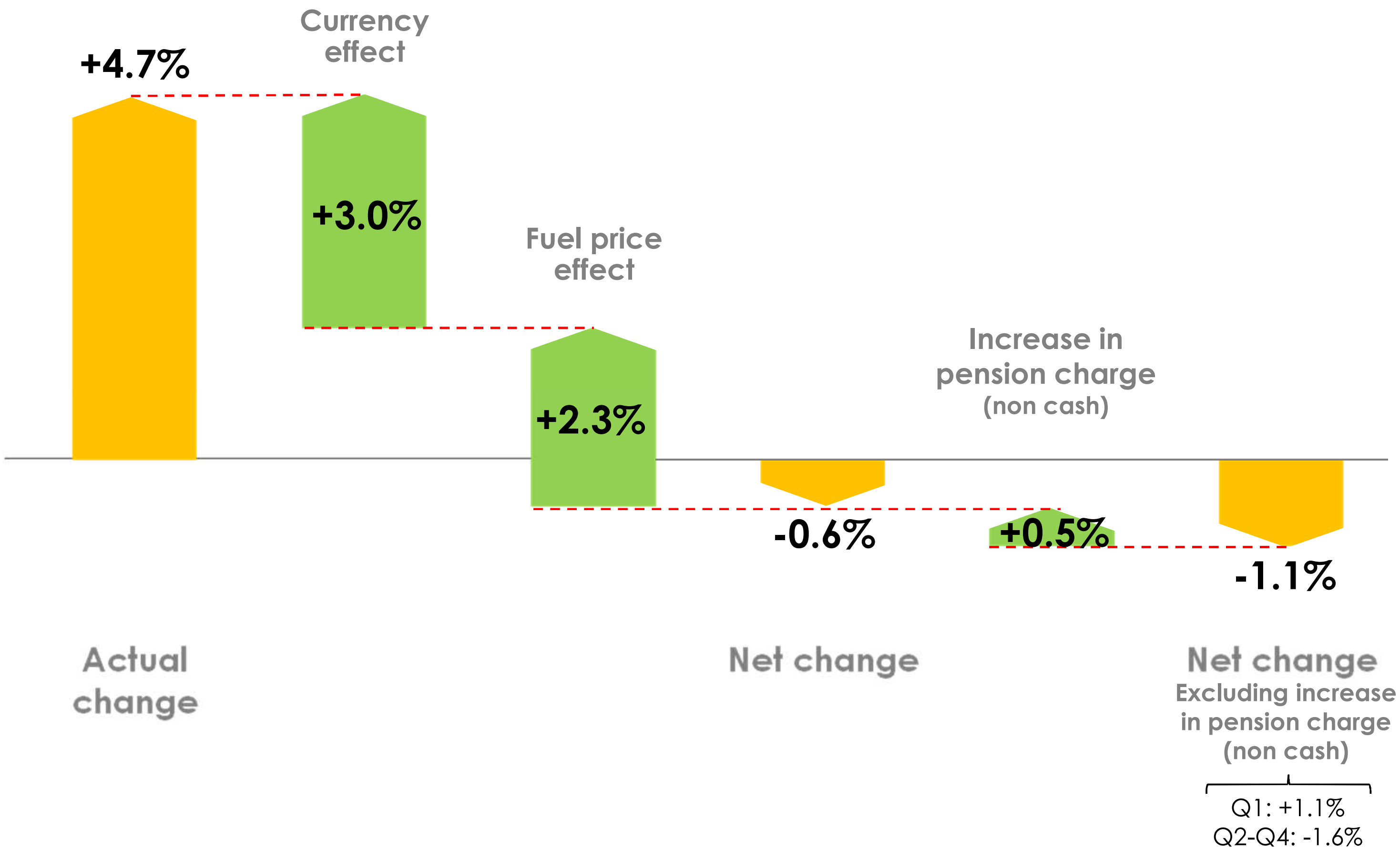
Unit cost

Net cost: €23,285m (+5.0%)
Capacity in EASK: 329,535m (+0.2%)
Unit cost per EASK: €7.07 cents



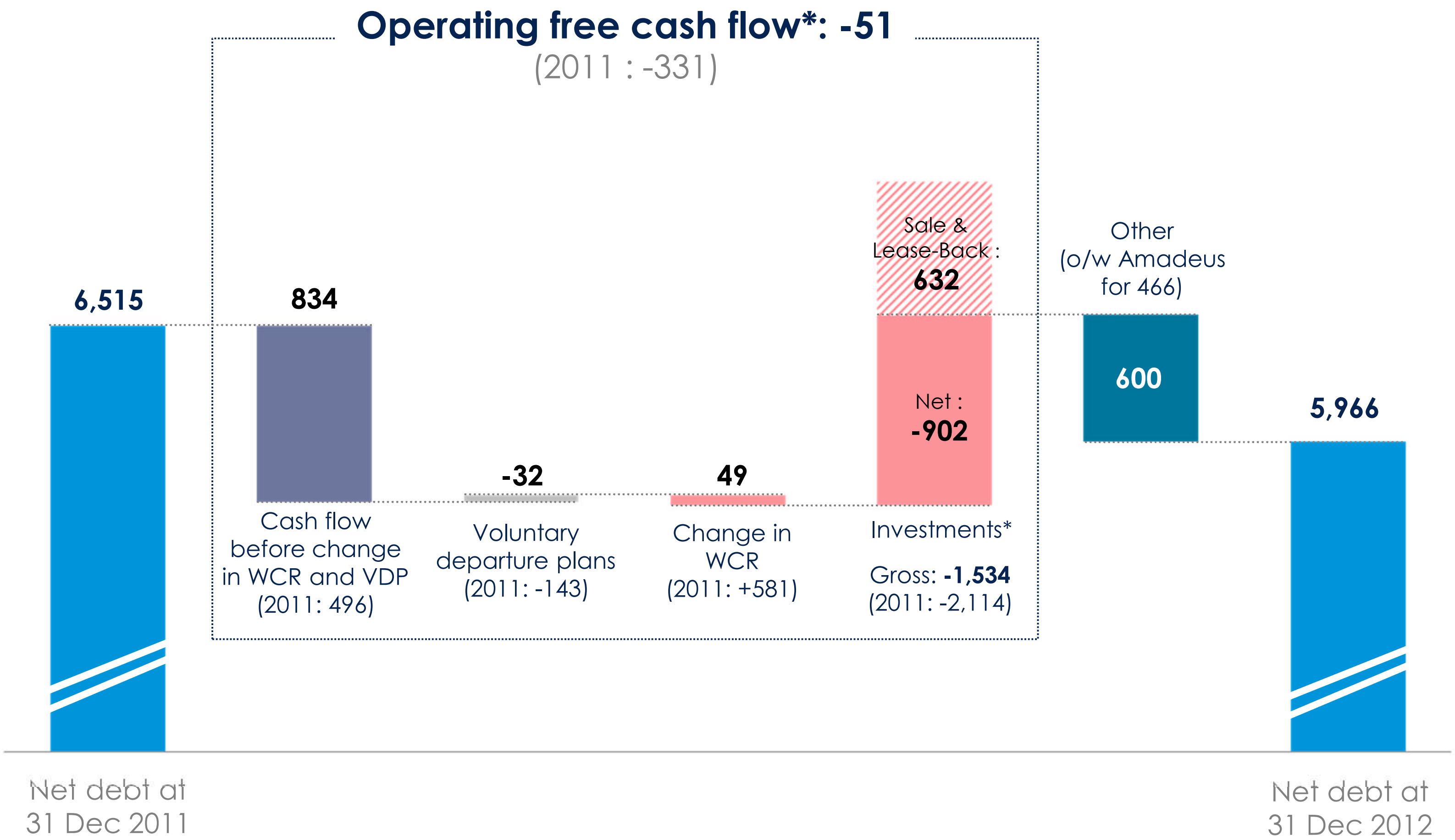
Net result

€m	4th quarter 2012	4th quarter 2011	Full year 2012	Full year 2011
Income from current operations	**-143**	**-202**	**-300**	**-353**
Non current income and expenses	-117	-23	-580	-127
o/w Amadeus operation	*0*	*0*	*97*	*0*
*o/w restructuring**	*-99*	*-5*	*-471*	*0*
o/w impairment of goodwill	*-5*	*-1*	*-173*	*-1*
o/w other	*-13*	*-17*	*-33*	*-126*
Income from operating activities	**-260**	**-225**	**-880**	**-480**
Net cost of financial debt	-89	-98	-353	-371
Net foreign exchange	90	-28	62	-116
Change in fair value of financial assets and liabilities	4	76	62	-66
Other financial income and expenses	7	2	15	2
Income taxes	31	3	-27	245
Share of profit (losses) of associates, minority interest	-18	11	-71	-23
Net income, group	**-235**	**-259**	**-1,192**	**-809**

***** Including Transform 2015 restructuring charge of €421m and provision on full freighter fleet of €50m

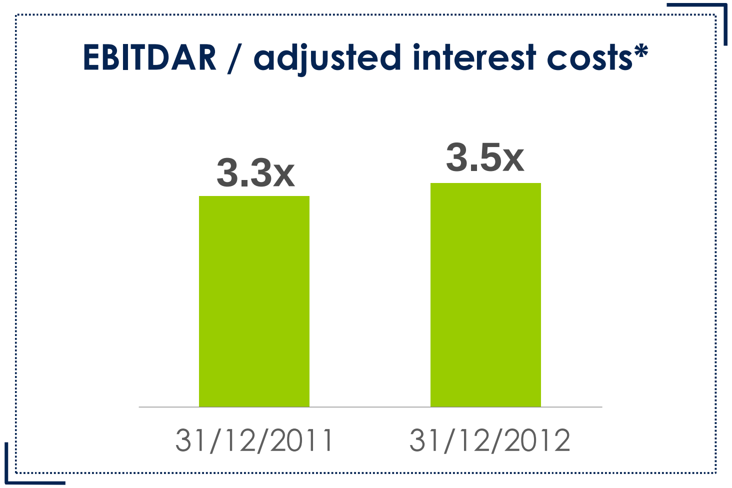
Change in net debt over full year

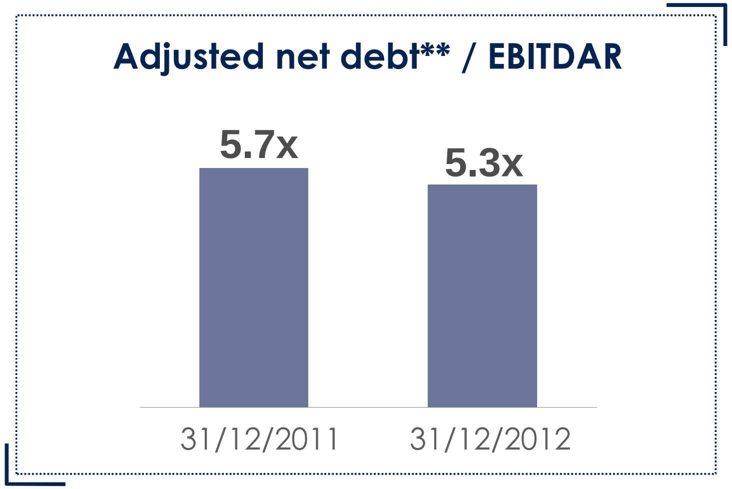
In € millions

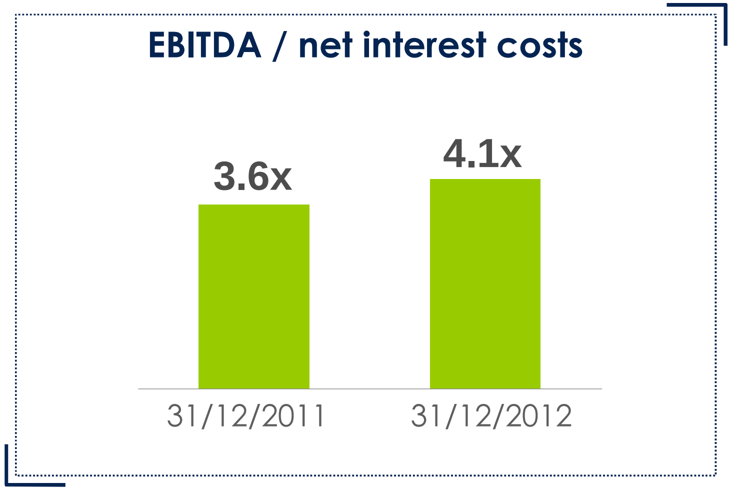


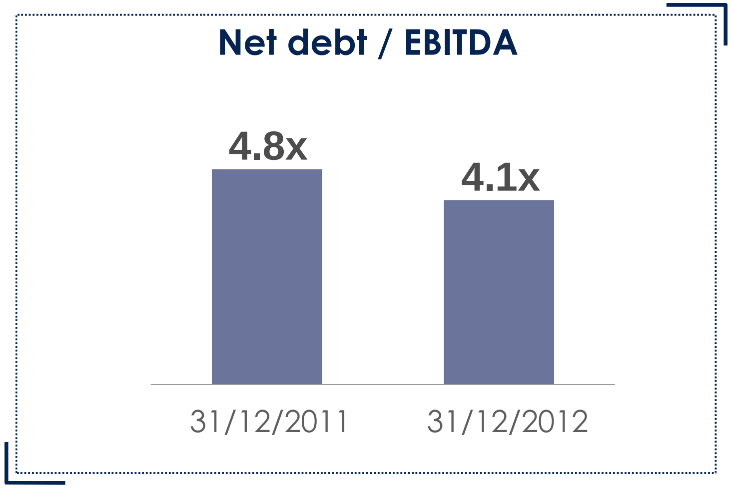
* Net cash flow from operating activities less net capex on tangibles and intangibles. Including, during Q2, €175m in asset acquisitions not qualified as capex under IFRS standards

Financial ratios at 31 December 2012







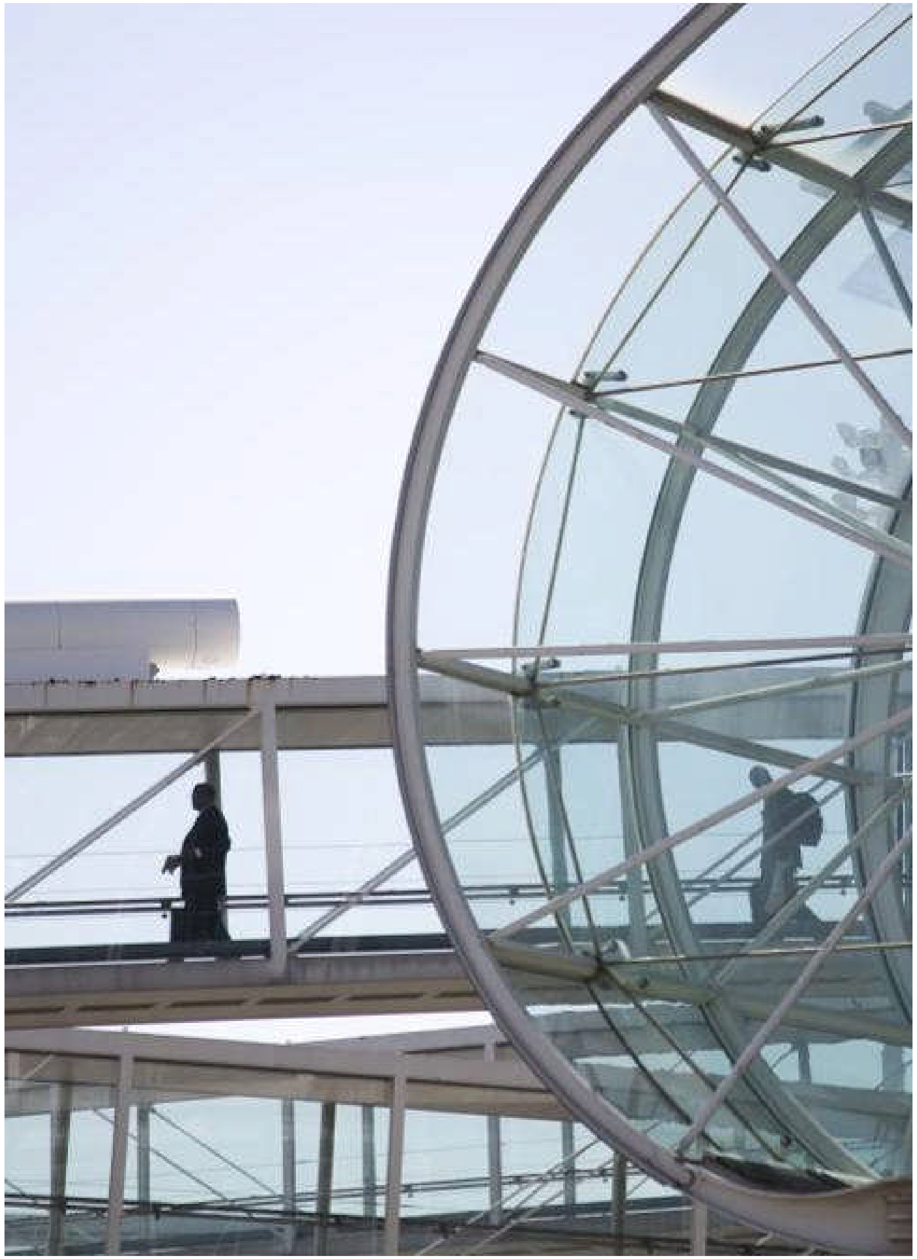


***** Adjusted by the portion of financial costs within operating leases (34%)
** Adjusted for the capitalisation of operating leases (7x yearly charge)

Good level of liquidity

- Cash of €3.9 billion at 31st December 2012
  - After €400m pledged for convertible bond swap operation
  - €500m bond issued in December 2012

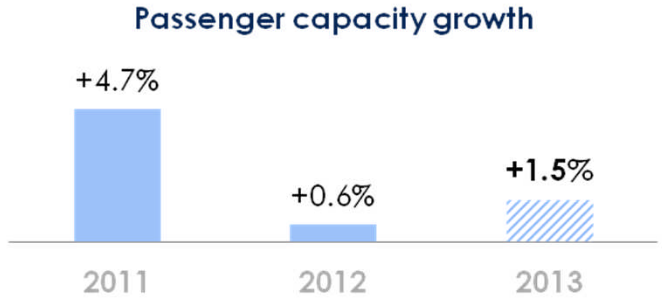
- Undrawn credit lines of €1.85bn
  - Air France: €1.06bn until 2016
  - KLM: €540m until 2016
  - Air France-KLM: €250m until 2017



Our priorities for 2013

Our priorities for 2013

Strict capacity discipline



Controlled investments

Cost reduction

(1) Net investments: 2011: €1.3 bn, 2012: €0.9 bn, 2013: €1.1 bn

(2) Ex-currency and at constant fuel price, excluding increase in pension charge (non cash)

2012: Foundations for recovery have been laid

- New working conditions
- Action plans defined for all businesses
- Reinforcement of strategic partnerships
- New governance to accompany change
- Improvement in financial position

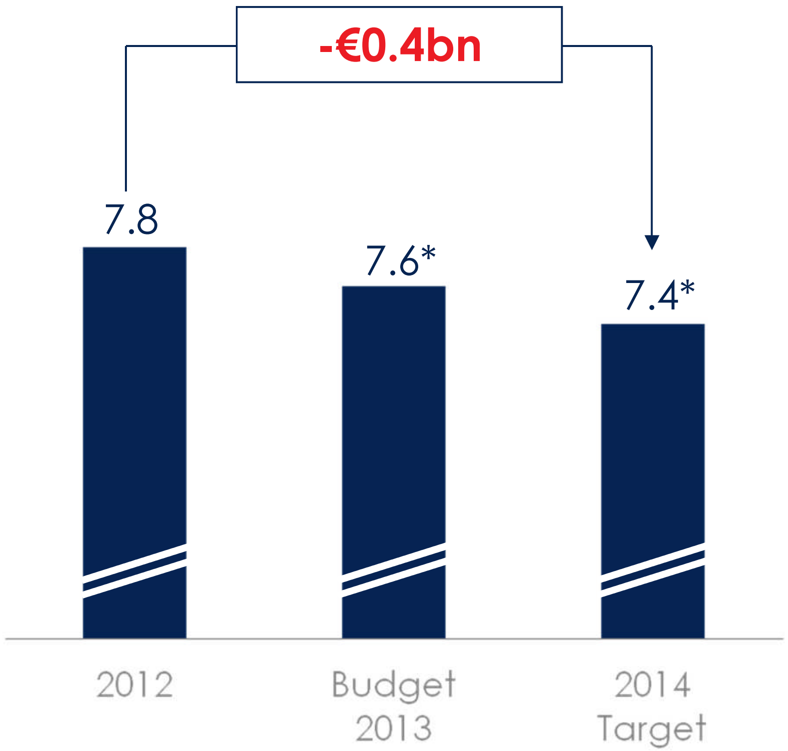
2013: A year of implementation

Employee costs

New collective agreements come into force

- Conclusion of remaining agreements
  - KLM: mid December 2012
  - Air France cabin crew: agreement signed with unions, submitted for consultation by the three representative unions
- New working conditions implemented at 1st April 2013
  - Increase in average time worked
  - Higher flexibility
- Increasing impact of freeze in general salary increases
  - Air France: 2012 and 2013
  - KLM: 2013 and 2014
- Ongoing headcount reduction
  - Reduction in temporary and contract staff
  - Voluntary departures at Air France until end 2013

Employee costs
including temps (€ billion)



* At constant pension charge (estimated impact ~€130m) and excluding integration of Airlinair (~€50m)

Industrial projects

Action plans defined for all businesses

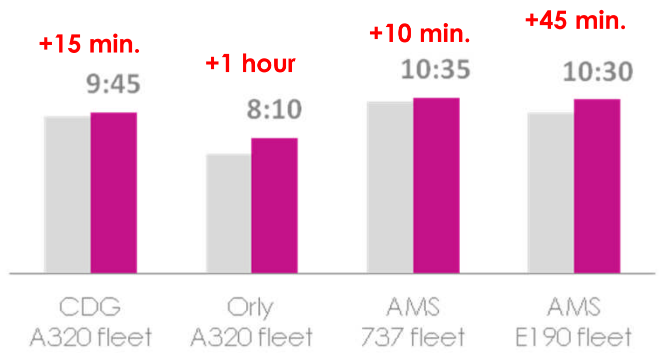
Passenger	Medium haul	+ Operations reorganized to increase use of assets + Restructuring of heaviest loss-making routes + Adapted product offer + Increase in 'customer' investment
	Long haul	+ Accelerated phase-out of least productive aircraft (MD-11s) + Improvement in schedule productivity + Increase in 'customer' investment
Cargo		+ Rightsizing and reorganization of full-freighter fleet + Simplified product portfolio, new commercial policy + Cost reduction
Maintenance		+ Focus on most profitable activities: engines and components + Restructuring of selected maintenance activities

Industrial projects

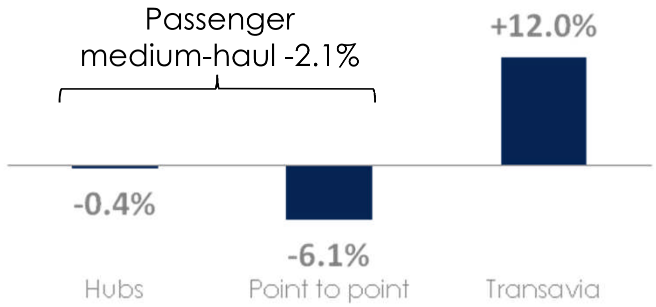
A key stage in medium-haul turnaround

- Improved schedule productivity
  - 16 fewer Airbus at Air France at Summer 2013
- Regional base project adapted
  - Schedules reduced
  - Further evaluation planned for September 2013
- Development of Transavia France
  - Increase from 8 to 11 aircraft

2013 daily utilization



Medium-haul 2013 capacity plan



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Reorganization of French regional activity

- New organization regrouping Brit Air, Regional and Airlinair
  - Revenues: ~€1 bn
  - 530 daily flights on 136 routes
  - Fleet reduced by 18 aircraft (from 116 in 2012 to 98 in 2013)

- Marketing and commercial repositioning
  - New brand: **Hop!**
  - New offers and pricing

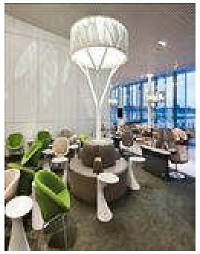
Industrial projects

Reconquering our customer base

Improved alignment with market

- Development of ancillary products
- Pricing initiatives: launch of **MiNi** fares…
- Launch of **HOP!**
- Development of Transavia France

Products and services repositioned as 'best in class'



- Investment in medium-haul business class product
- Ground investments: new 3,000 sq. m lounge at CDG
- New seats in business and first class (KLM: 2013, Air France: 2014)

Cross-functional initiatives

- 'Client culture' transversal project
- New organization at Air France
- Enriched digital offering for our best customers
- Development of mobile offers and on social media

Industrial projects

Cargo: measures to reduce losses by ~€140 million

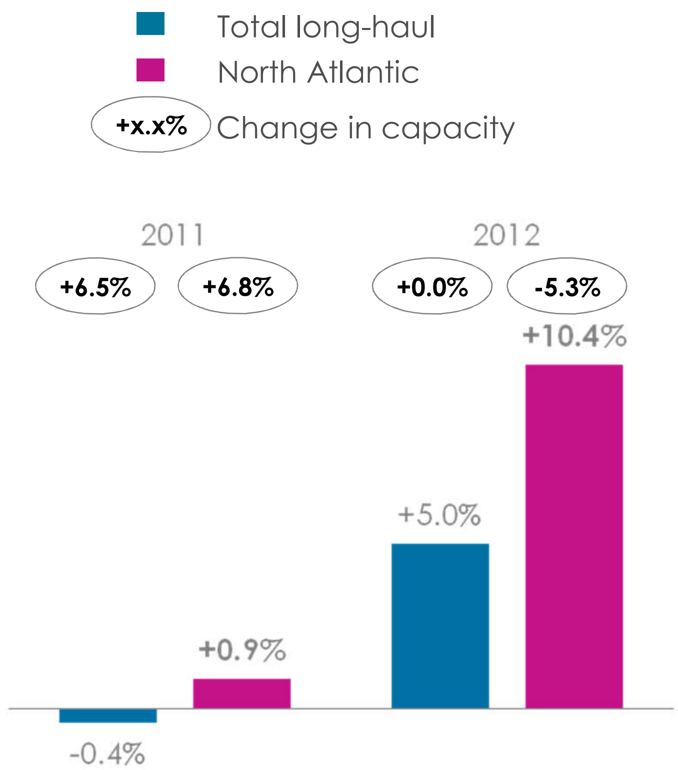
Strict capacity control - Ongoing capacity reduction: ~ -0,5%, o/w full-freighters: ~ -6,0% **Reduction in unused aircraft** - 3 aircraft returned to lessors - 1 aircraft wet-leased to Etihad - 1 aircraft used in JV with Kenya Airways on the China-Africa routes	~50m€
Impact of Transform 2015 on manageable costs	~40m€
New commercial and revenue management policies	~50m€

Strategic partnerships

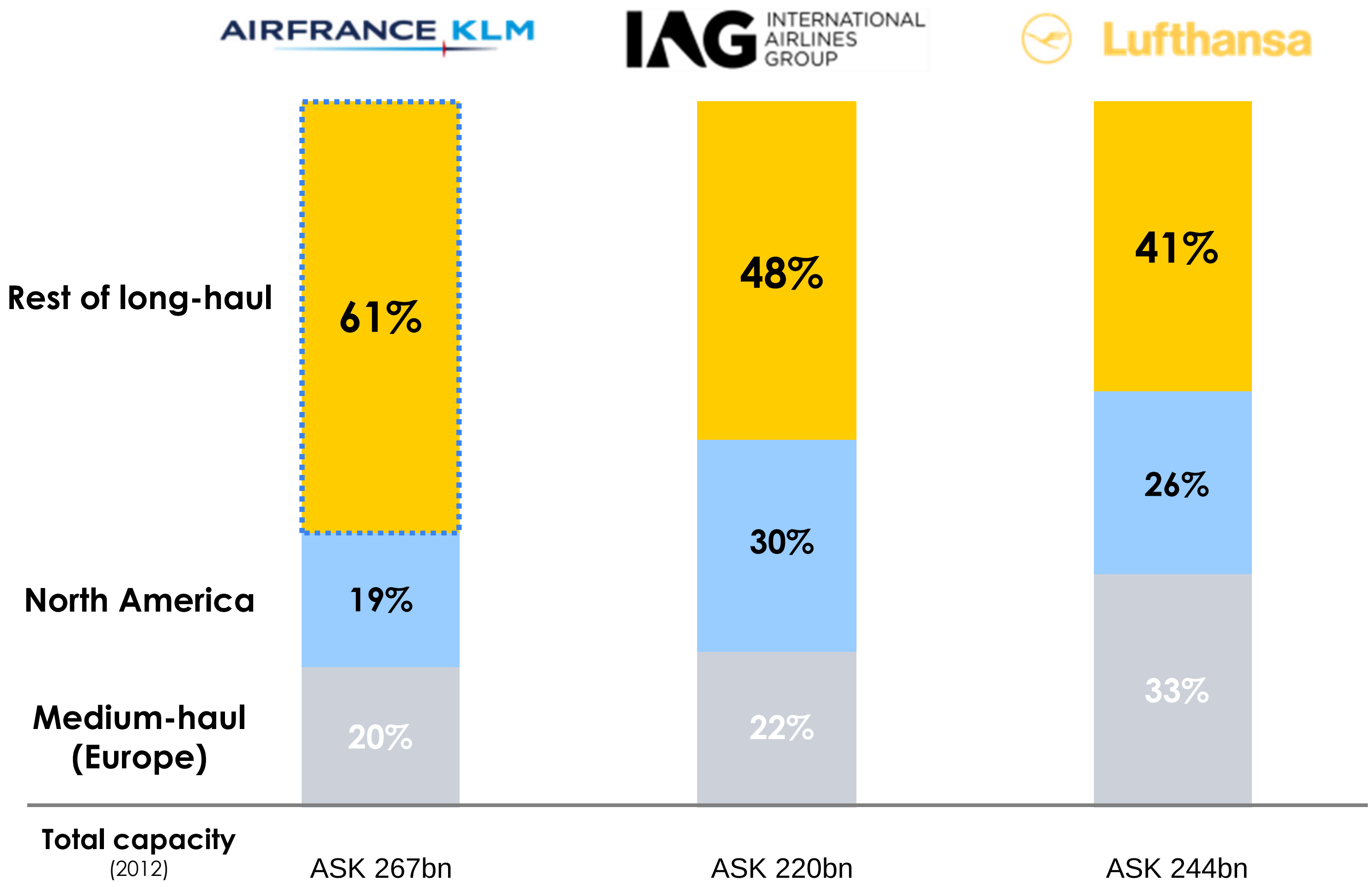
Reinforcement of North-atlantic joint-venture with Delta

- Number one operator on North Atlantic
  - Revenues of €9.6 billion
  - 29% of Europe-USA industry capacity
  - ~125 aircraft
- Capacity discipline pursued in 2013
- JV agreement renewed for 10 years
- Strengthened competitive position thanks to Delta-Virgin partnership

Unit revenue ex-currency



Strong exposure to high growth markets…



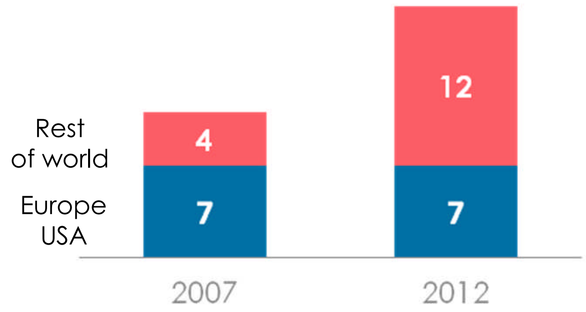
Strategic partnerships

…strengthened through the development of partnerships

- Etihad
  - First codeshare agreement at Winter 2012
  - 2013: wet-lease of one cargo aircraft and one A340

- Chinese partners
  - Four SkyTeam members in Greater China
  - JVs with China Southern and China Eastern: revenues above €700m in 2012
  - Codeshare with Xiamen Airlines

SkyTeam members



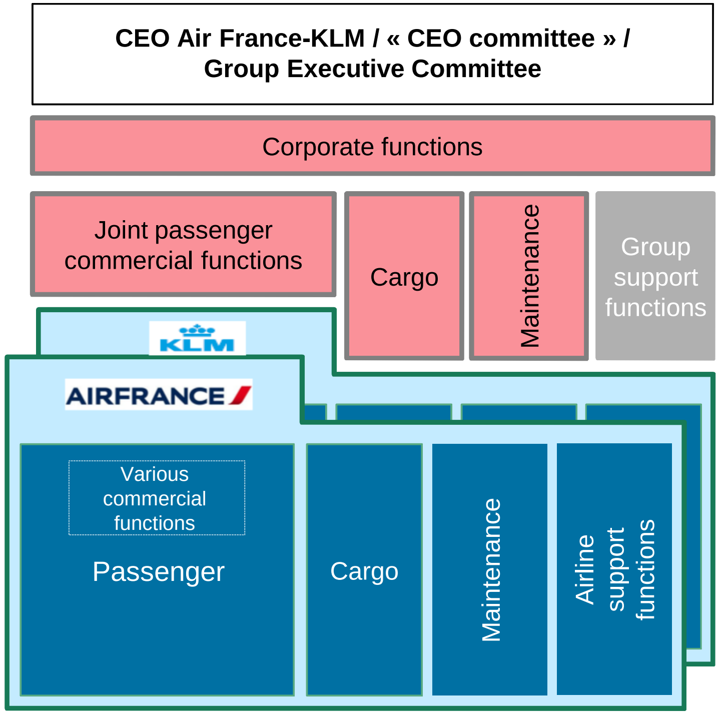
Main hubs of Chinese partners

A more integrated organization to accompany recovery

- Centralization of three types of function
  - Group corporate functions
  - Joint business functions
  - Group support functions

- In order to:
  - Accelerate decision making
  - Capture all available synergies
  - Promote a new generation of managers

Target organization

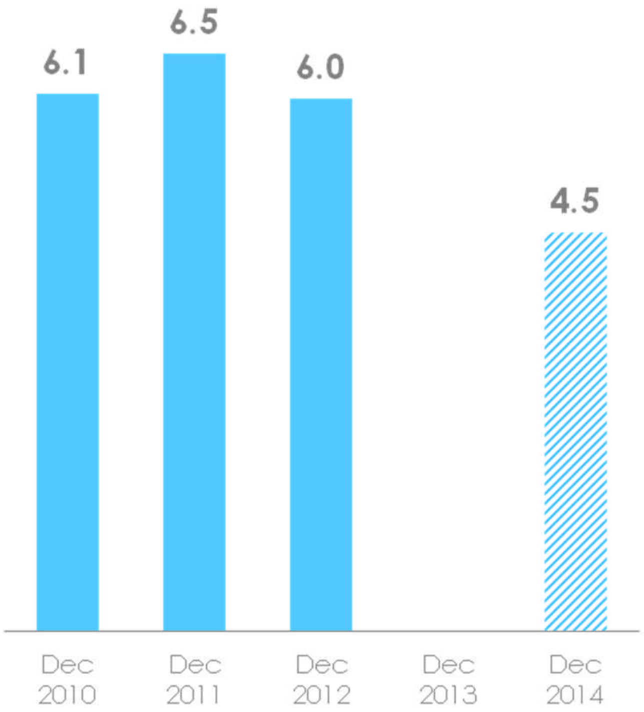


Financial situation

Improvement in financial position

- 2012: net debt reduced beyond initial objectives
- 2013: further reduction in net debt after cash-out relating to voluntary departure plans (circa. €400m)
- End 2014 objective: net debt of €4.5 bn

Net debt
(€ billions)



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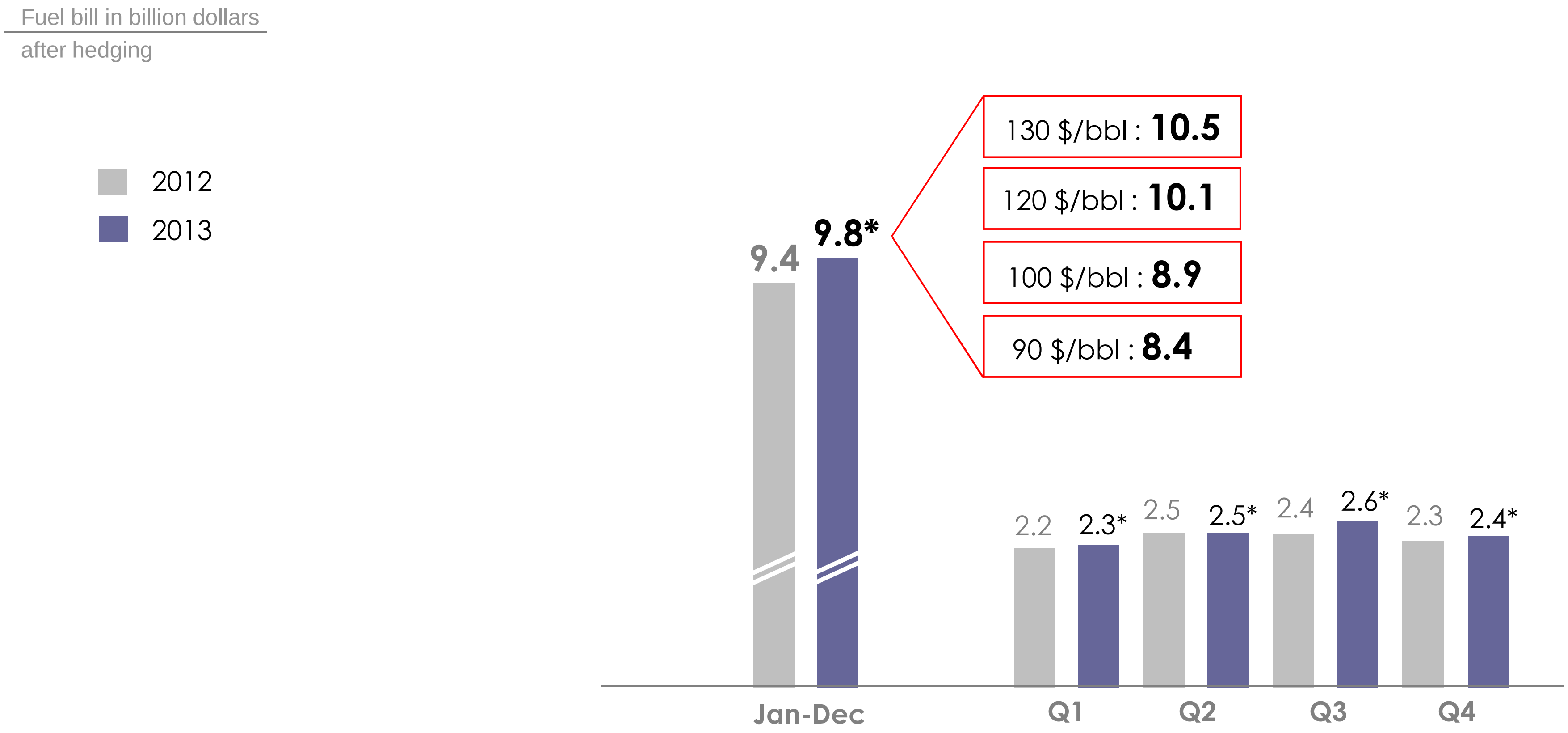
Outlook 2013

Update on fuel bill



		Jan-Dec	Q1	Q2	Q3	Q4
Market price	Brent ($ per bbl)*	114	116	116	113	111
	Jet fuel ($ per metric ton)*	1,070	1,080	1,080	1,060	1,050
% of consumption already hedged		64%	70%	69%	60%	51%

* Forward curve at 15 February 2013

Outlook for 2013

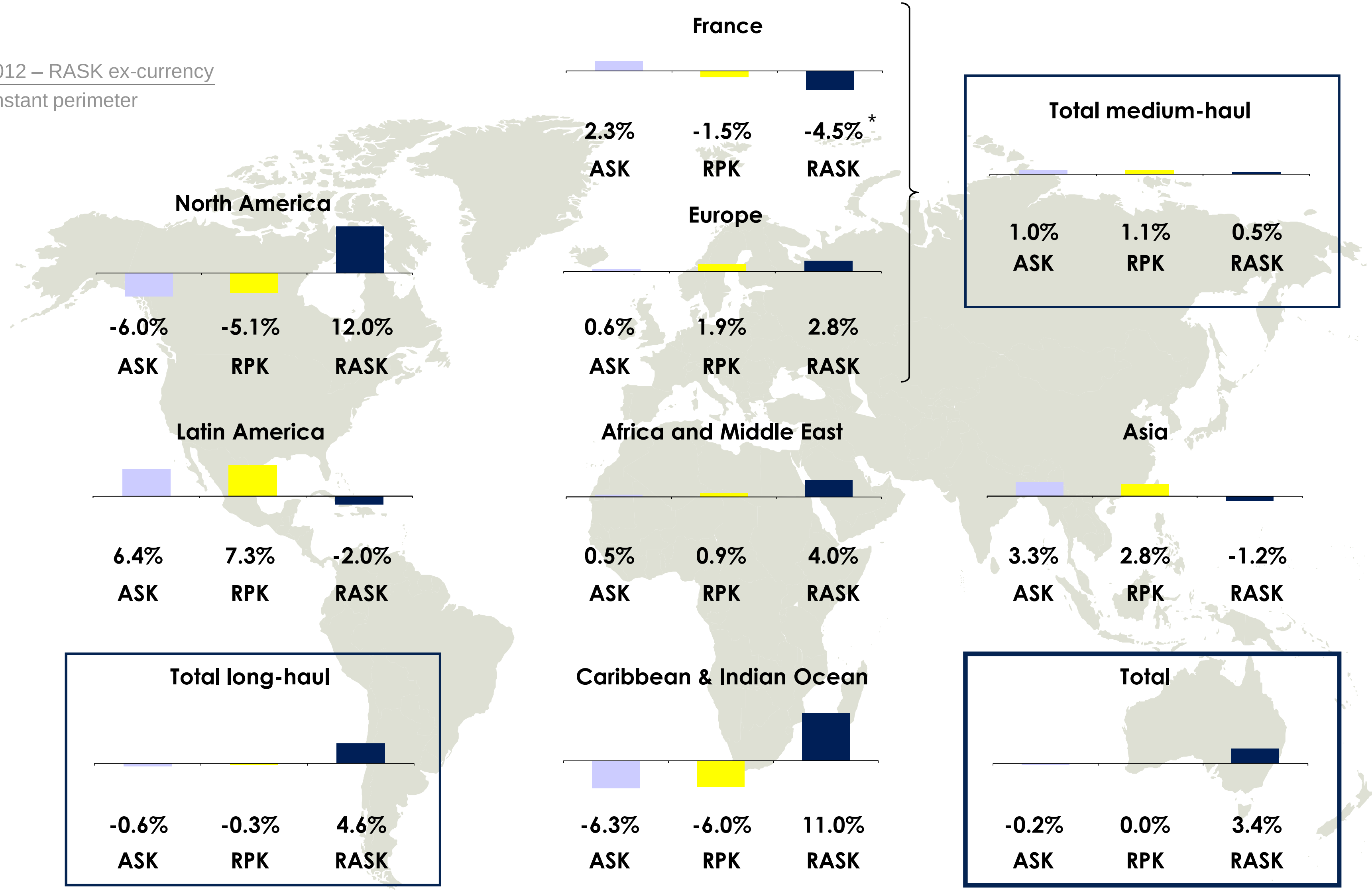
- Weak operating environment
- High currency and fuel price volatility
- Full roll-out of Transform 2015 plan
- 2013 objective: further reduction in unit costs* and net debt

* At constant currency and fuel price

Appendices

Unit revenue per network

Q4 2012 – RASK ex-currency
at constant perimeter

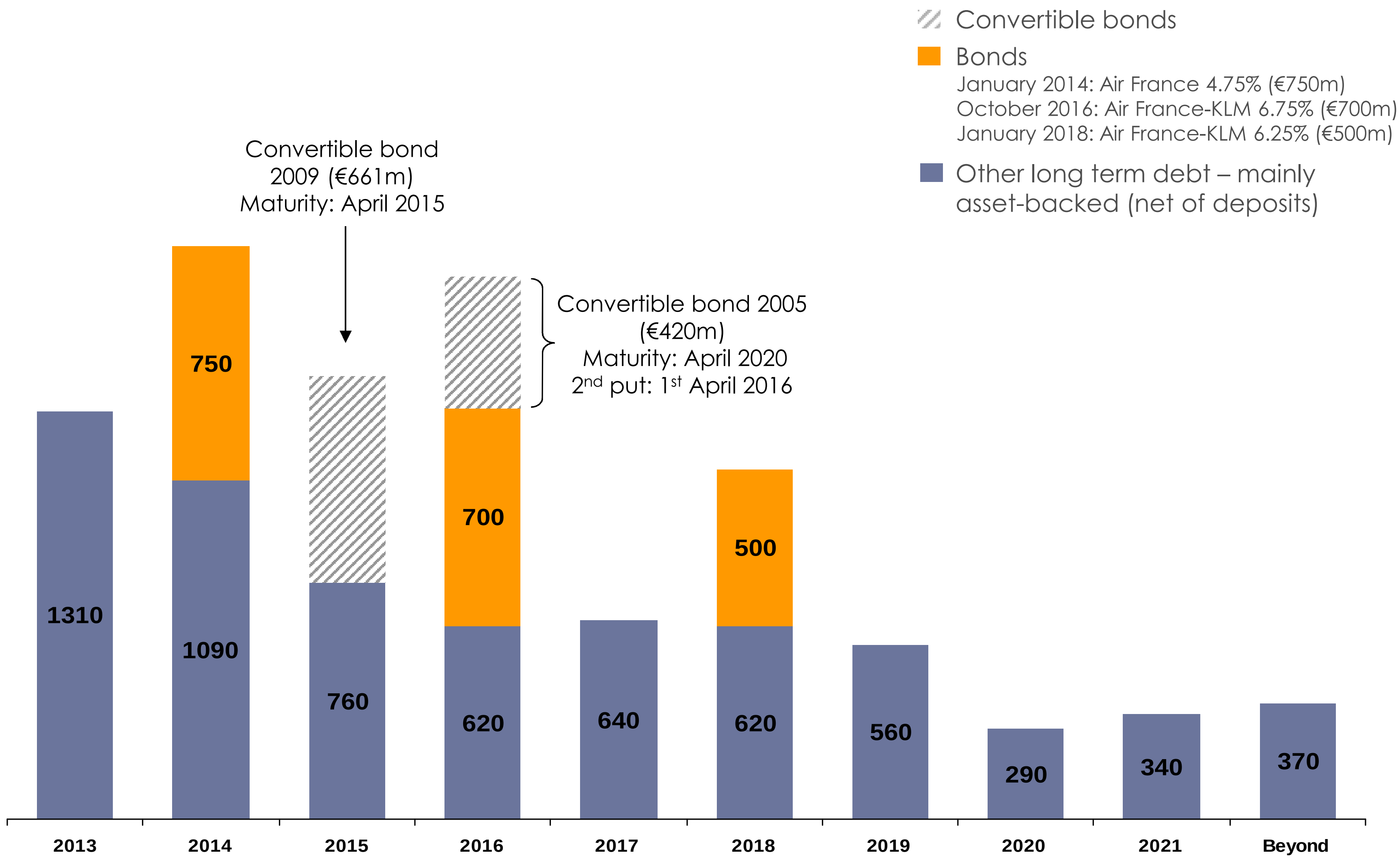


* Significant network mix effect. Ex-currency RASK Orly/CDG alone: -3.5%

Net debt calculation

In € millions	31 Dec. 2012	31 Dec. 2011
Current and non-current financial debt	10,999	10,402
Deposits linked to financial debt	(650)	(491)
Financial assets pledged (OCEANE swap)	(393)	(393)
Currency hedge on financial debt	4	4
Accrued interest	(112)	(122)
= Financial debt	**9,848**	**9,400**
Cash and cash equivalents	3,420	2,283
Marketable securities	328	359
Available cash pledges	235	235
Deposits (Triple A bonds)	156	165
Bank overdrafts	(257)	(157)
= Net cash	**3,882**	**2,885**
Net debt	**5,966**	**6,515**
Consolidated shareholders' funds	**4,980**	**6,094**
Net debt / shareholders' funds	**1.20**	**1.07**
Net debt / shareholders' funds excluding derivatives	***1.19***	***1.08***

Debt reimbursement profile at 1st January 2013*

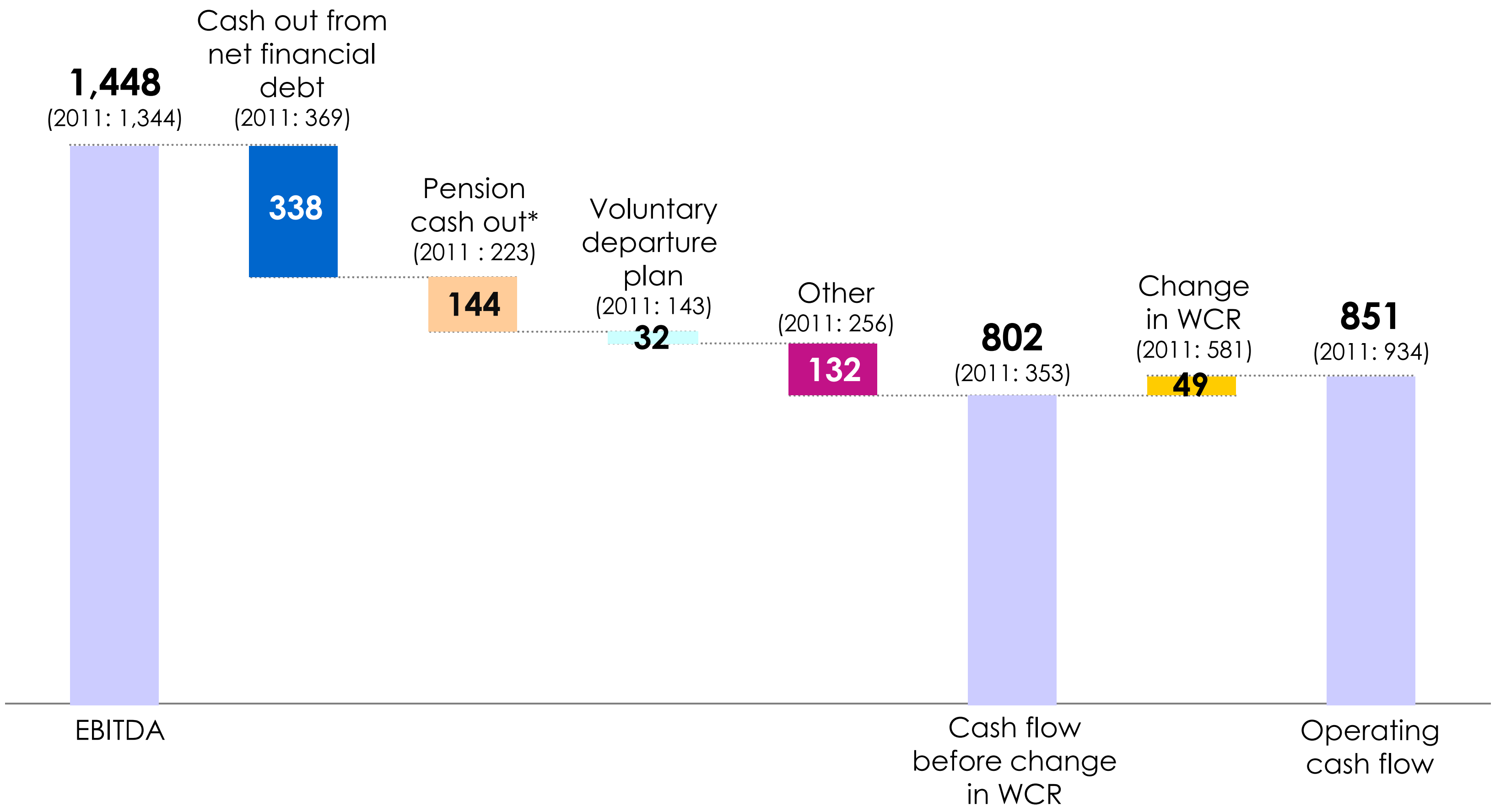


* In million euros, net of deposits on financial leases and excluding KLM perpetual debt (€600m)

Operating cash flow

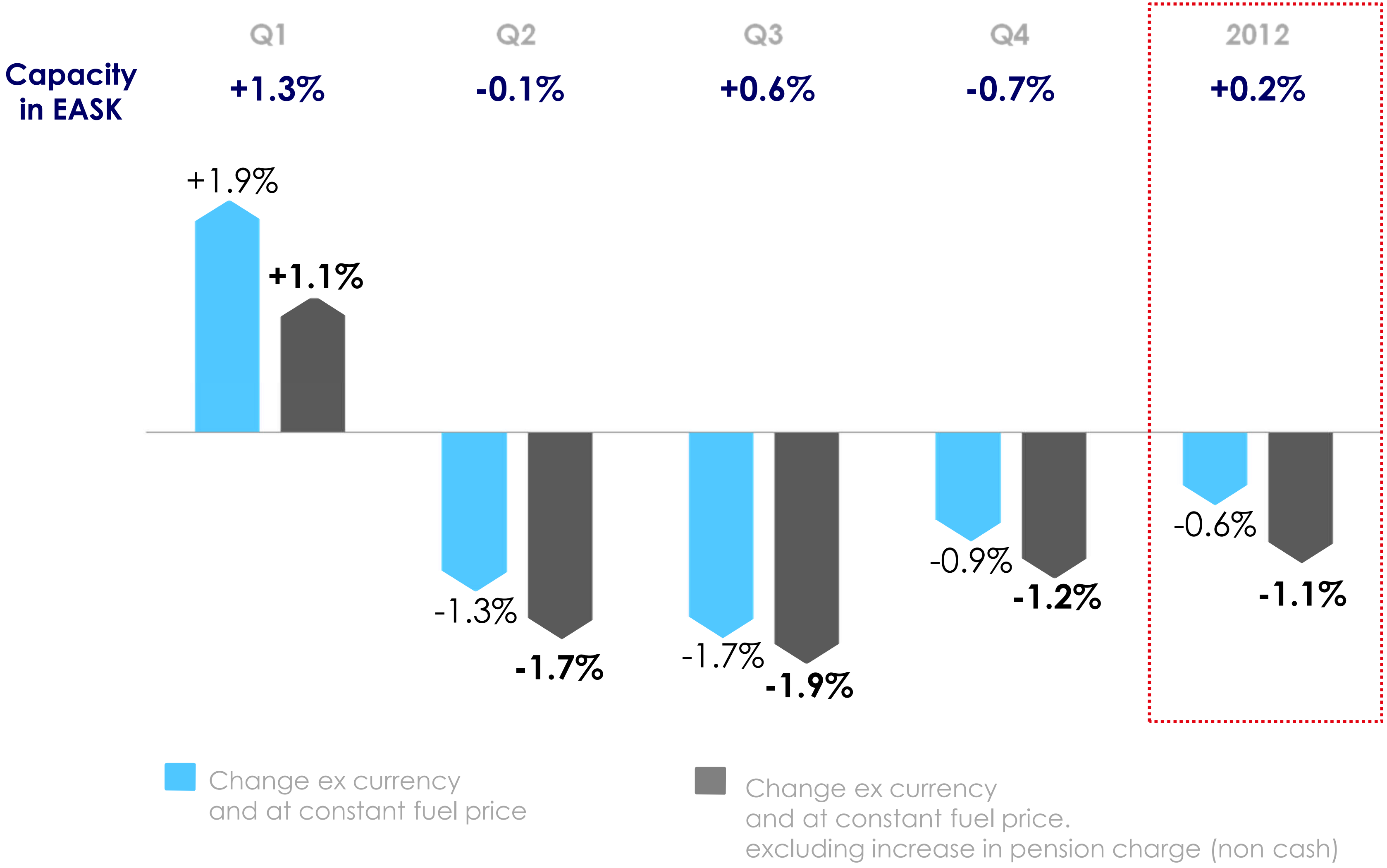
January-December 2012

In € millions

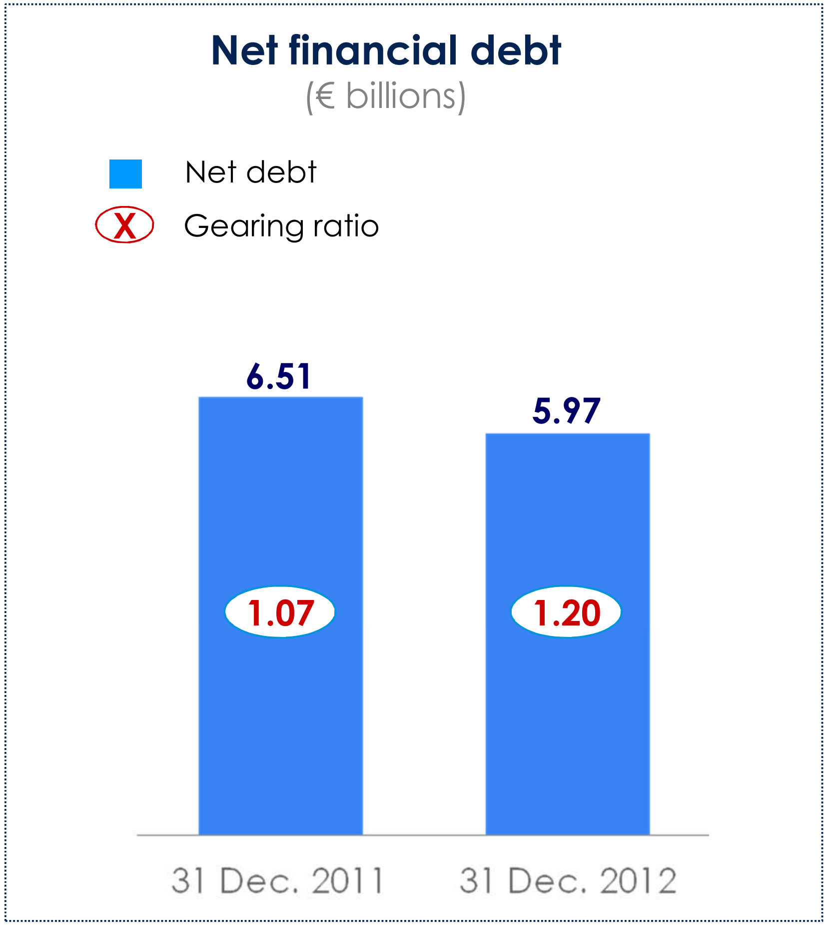


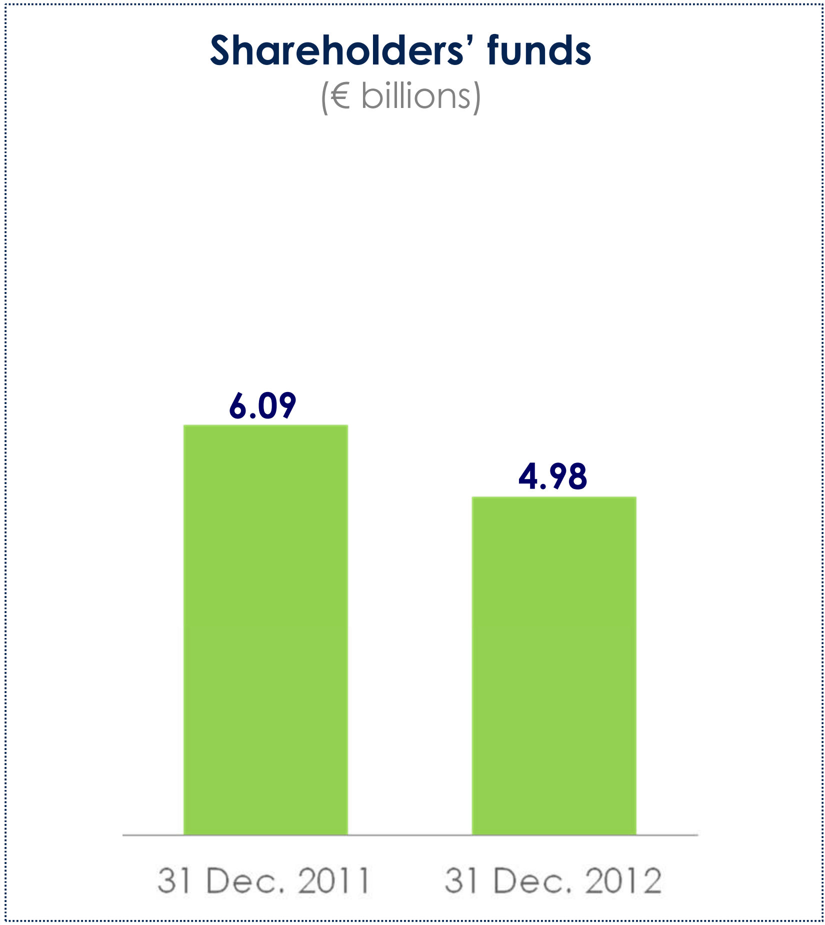
* Cash out on top of pension cost of €306m already included in EBITDA (€206m last year)

Unit cost by quarter



Financial position





Implementation of IAS19R on retirement obligations

- Removal of the "corridor" leads to a €1.1bn reduction in equity at 1st January 2012
- Fall in discount rate leads to a significant increase in IFRS pension cost
  Cash outflow is determined independently, and is actually expected lower in 2013

€m	2011 Reported	2012 Reported	2012 Pro forma IAS19R	2013 estimated (with IAS19R)
Pension cost* (in operating income)	206	306	359	435
			+129	
Cash outflow	429	450	450	427
			-23	

* Including interest cost on benefit obligations

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Impact of IAS19R on 2012 quarterly income statement

In € millions

	Q1-2012	Q2-2012	Q3-2012	Q4-2012	FY 2012
Salaries and related costs	-13	-14	-13	-13	-53
Income from current operations	**-13**	**-14**	**-13**	**-13**	**-53**
Income from operating activities	-13	-1	-13	-12	-39
Income tax	3	-2	2	3	6
Net income for the period, group	**-10**	**-3**	**-11**	**-9**	**-33**