AIRFRANCE KLM

Information meeting

Agenda

- Update on Transform 2015
- 2012: first effects of plan
- Reinforcement of our competitive advantages
- Conclusions

Transform 2015

Transform 2015: Levers and objectives

1 **Limited capacity growth**

2 **Investment plan revised down**

3 **Renegotiation of collective agreements**

4 **Industrial projects**

- Medium-haul restructuring
- Cargo turnaround
- Improvement in long-haul and maintenance profitability
- Initiatives to win back our customers

Reduction in unit costs*
10%

2014 EBITDA
€2.5 to 3bn

Reduction in net debt**
€2bn

* Unit cost per EASK ex fuel, 2014 vs 2014 with permanent cost saving actions
** December 2014 vs December 2011
NB: 2012 EBITDA: €1.4bn

2013: A year of full implementation

2012	**Laying the foundations for the group's turnaround**

- Launch of Transform 2015
- Immediate cost reduction measures
- Operating loss cut
- Net debt reduced to below €6 billion

2013	**Complete roll-out of Tranform 2015 measures**

- Strict control of capacity and investments
- Implementation of new collective labor agreements
- Roll-out of action plans for all businesses

2014	**Full impact of Transform 2015**

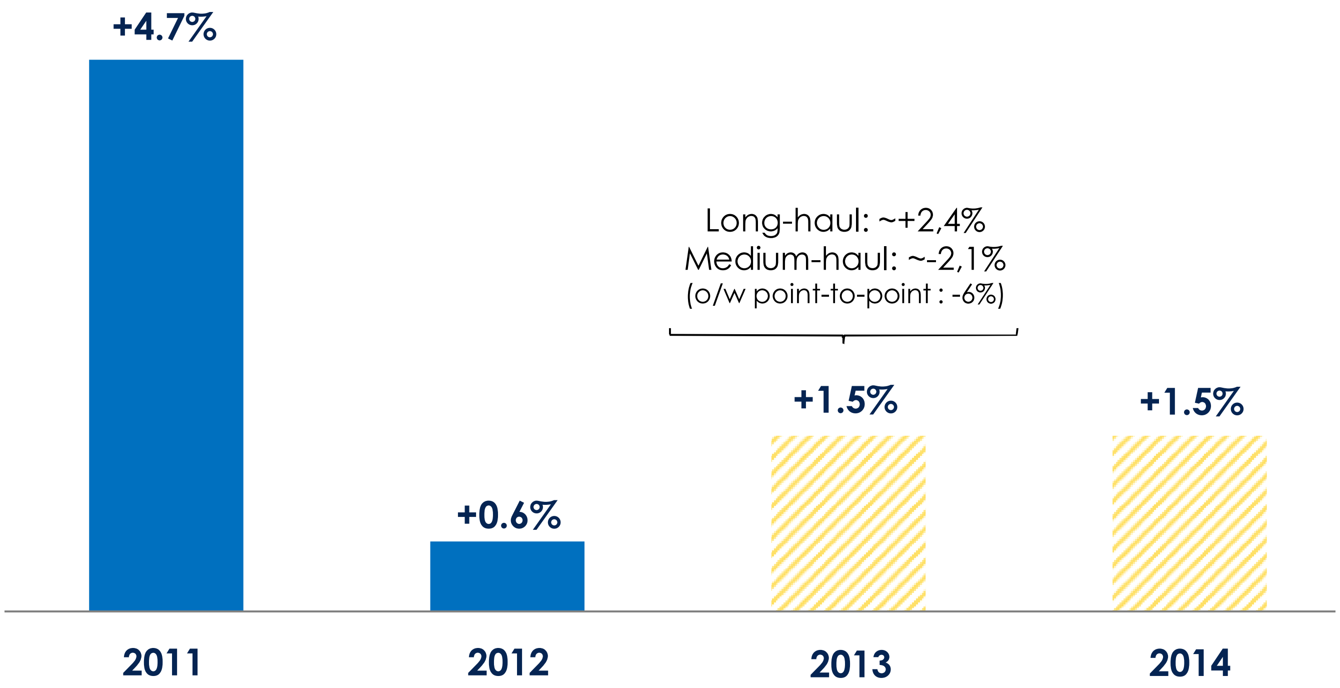
- Net debt reduced to € 4.5 billion

1 Limited capacity growth

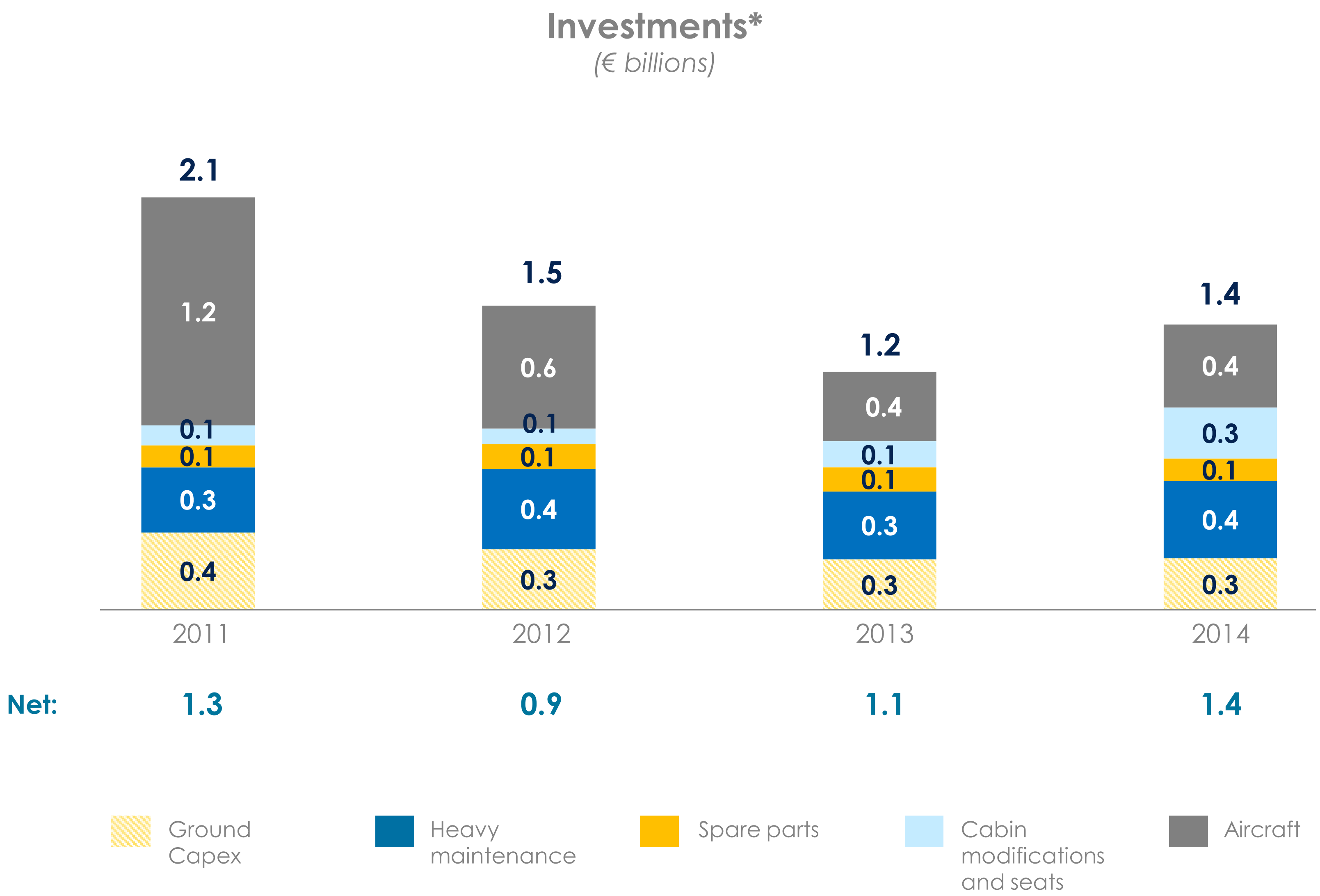
Passenger activity

Available Seat Kilometers

Passenger capacity growth



2 Investment plan revised down

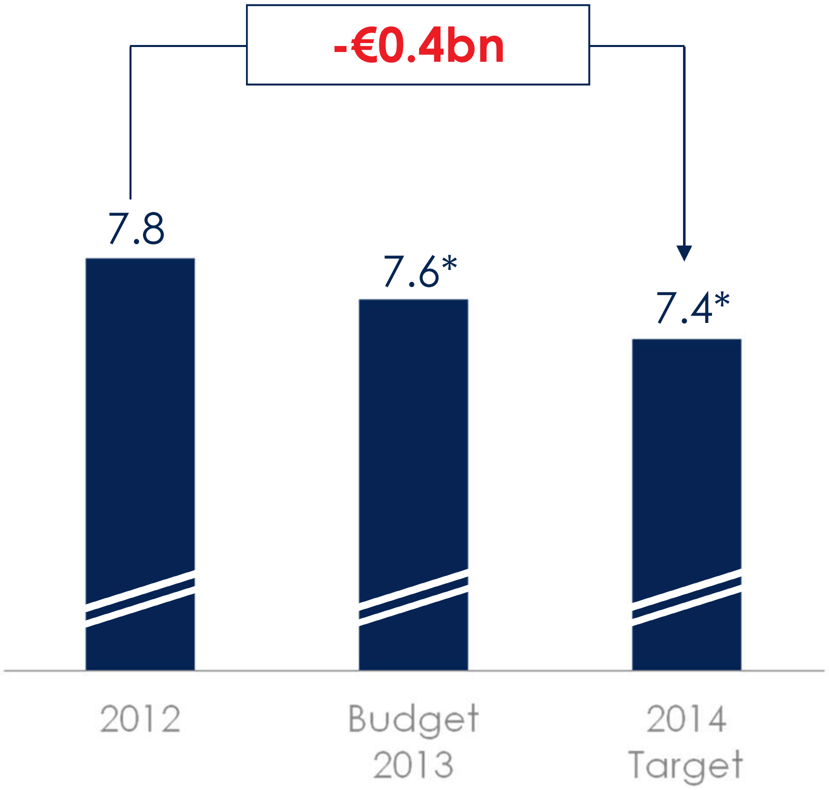


* After aircraft disposal and before sale and lease-backs

3 Renegotiation of collective agreements

- 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)

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4 Industrial projects

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

4 2013: a key stage in medium-haul turnaround

- Improved medium-haul schedule productivity
  - Air France: fleet reduction of 16 Airbus (from 135 in 2012 to 119 in 2013) higher than capacity reduction
  - KLM: densification of 737 cabins, improved utilization of regional fleet
- Reorganization of French regional activity
  - Fleet reduction of 18 aircraft (from 116 in 2012 to 98 in 2013)
  - Marketing and commercial repositioning, new brand: **Hop!**
- Regional base project adapted
  - Schedules reduced
  - Further evaluation planned for September 2013
- Development of Transavia France
  - Increase from 8 to 11 aircraft

4 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

4 Cargo: measures to reduce losses by ~€140 million in 2013

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

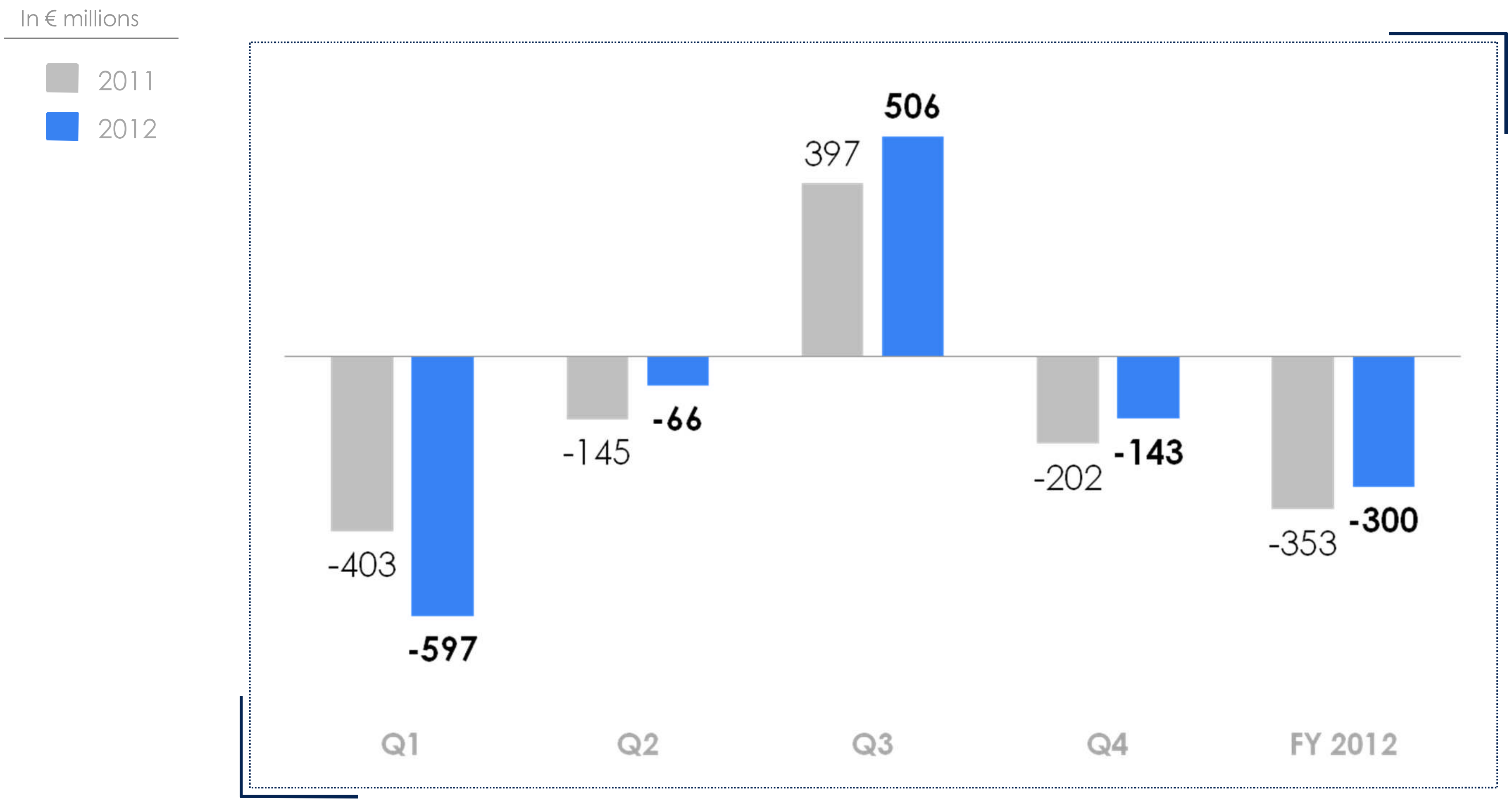
2012: First impacts of Transform 2015

Key figures

(In €m)	H1 2012	H2 2012	2012
Revenues	12,145 ↗	13,488 ↗	25,633 ↗
EBITDAR	644 ↘	1,761 ↗	2,405 ↗
Operating income	-663 ↘	363 ↗	-353 ↗
Net result, group share	-1,263(1) ↘	71(2) ↗	-1,192 ↘
Net debt at the end of the period			5,966 ↘

(1) Including €372m for restructuring charges
(2) Including €168m for impairment of goodwill and €99m for restructuring charges

Operating result by quarter



	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*

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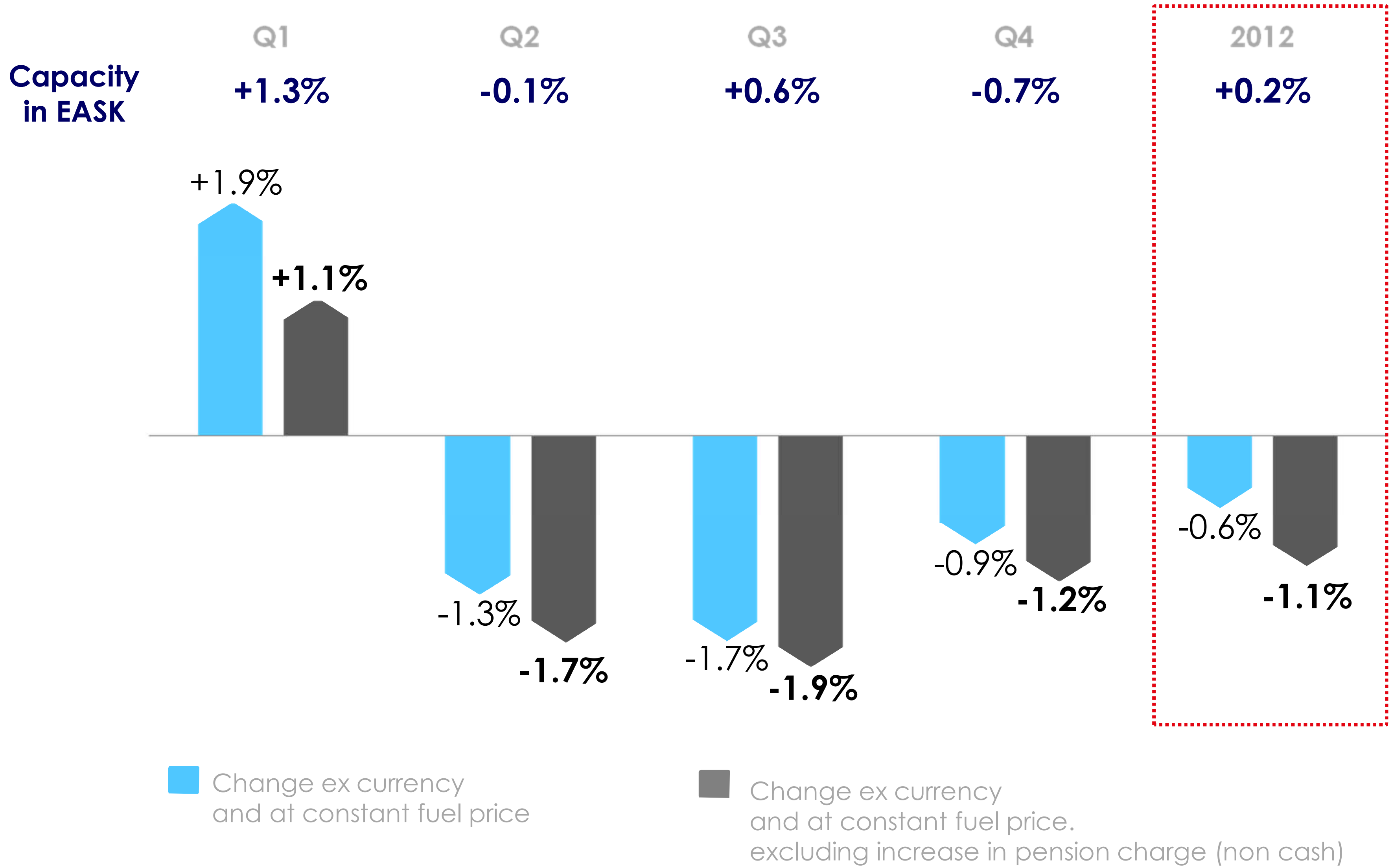
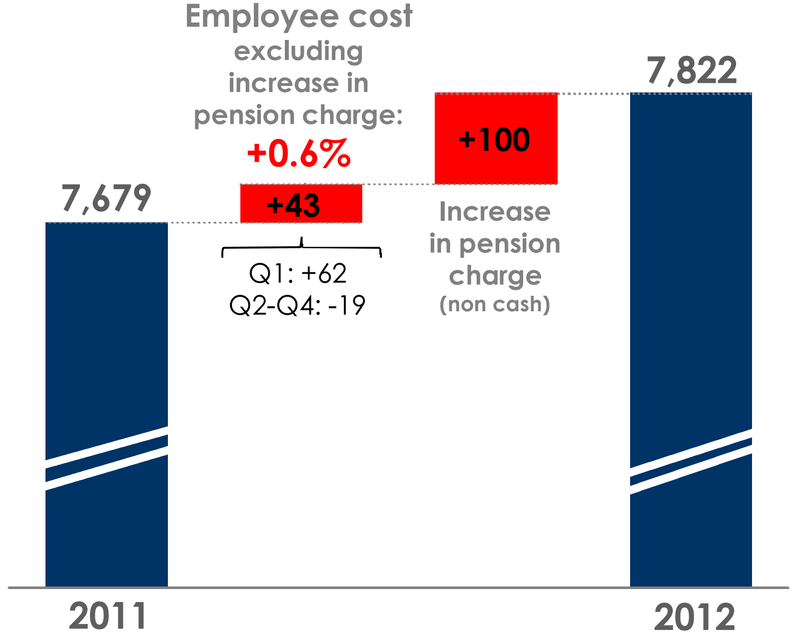
Unit costs reduced with no capacity increase



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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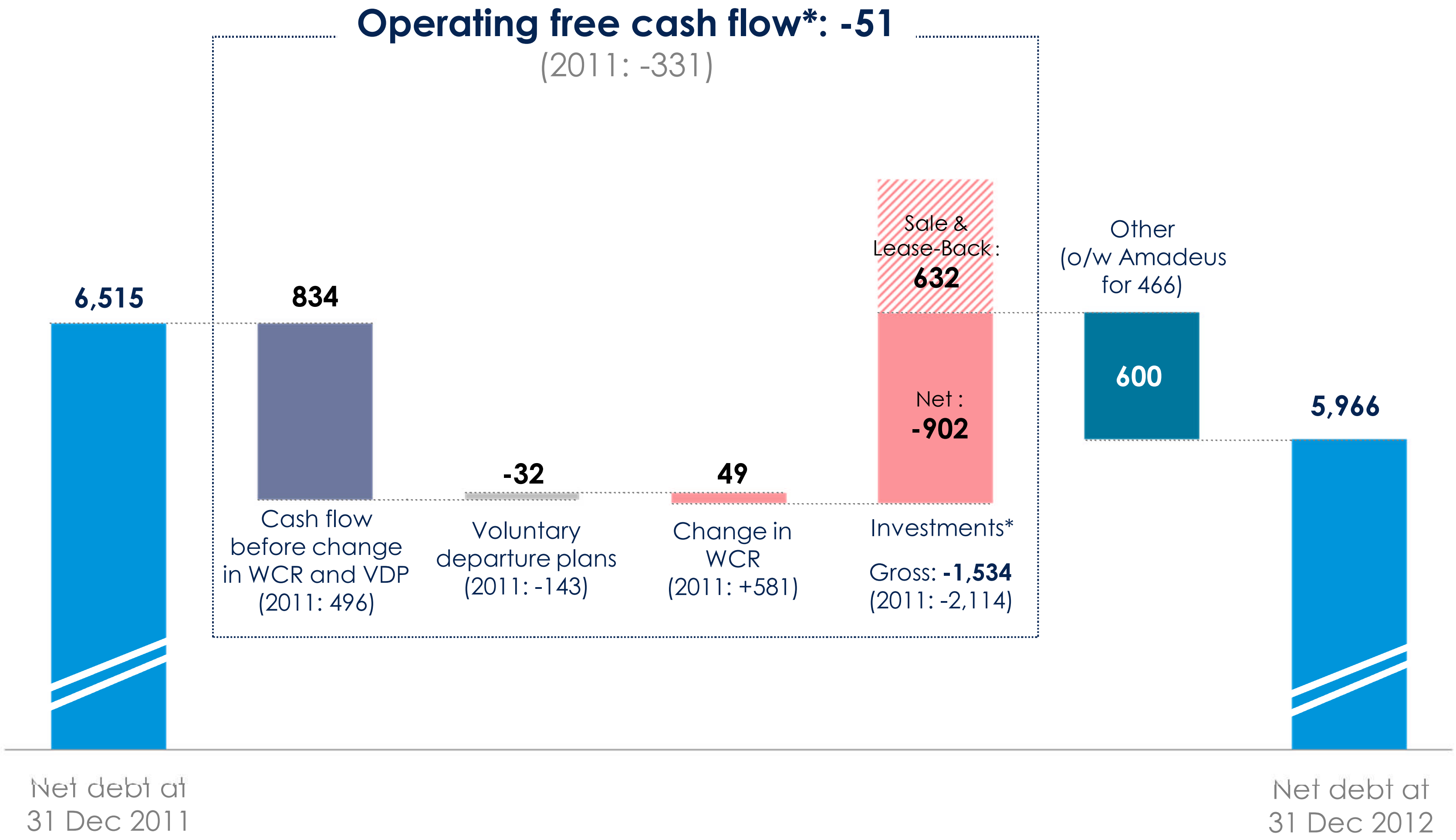
Improvement in operating free cash flow and reduction in net debt

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

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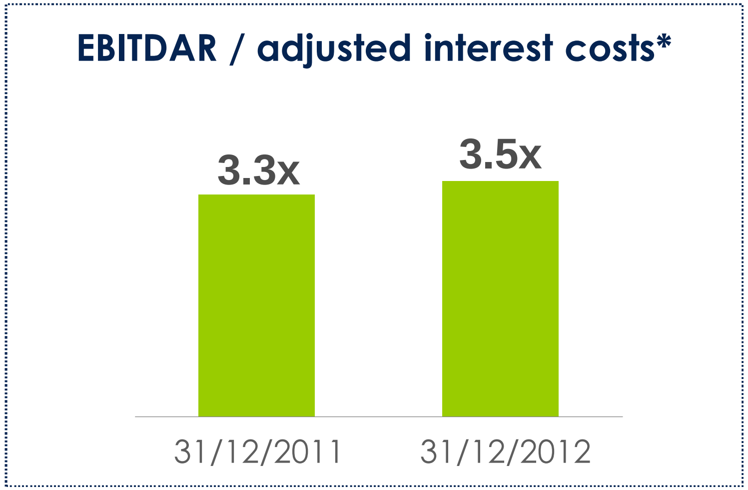
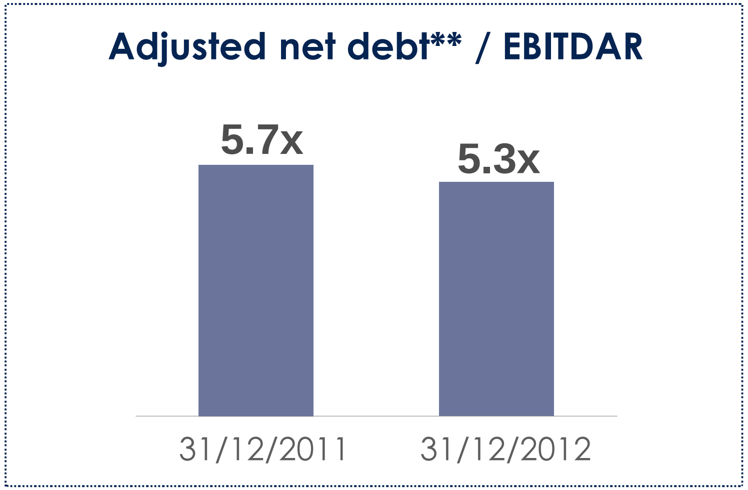
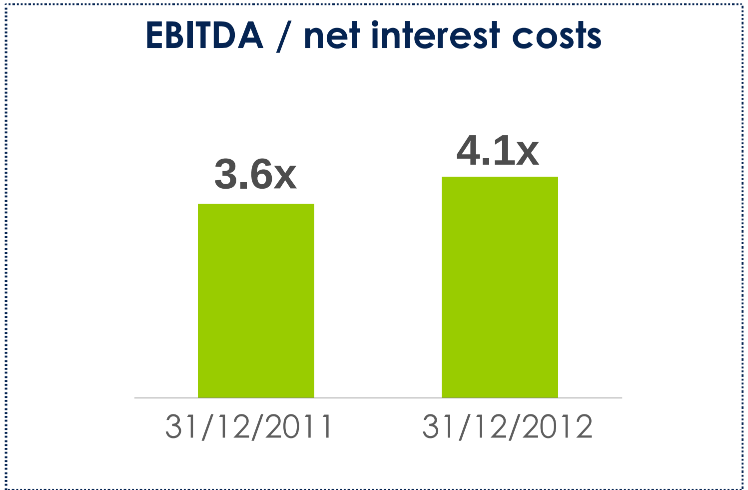
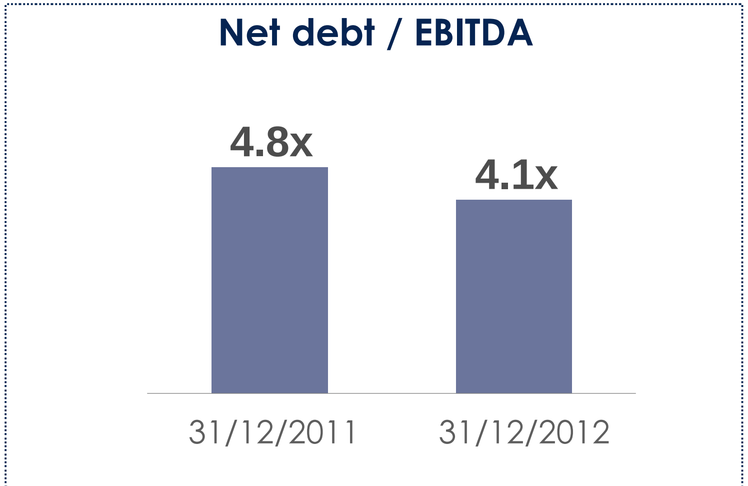
Improvement in financial ratios









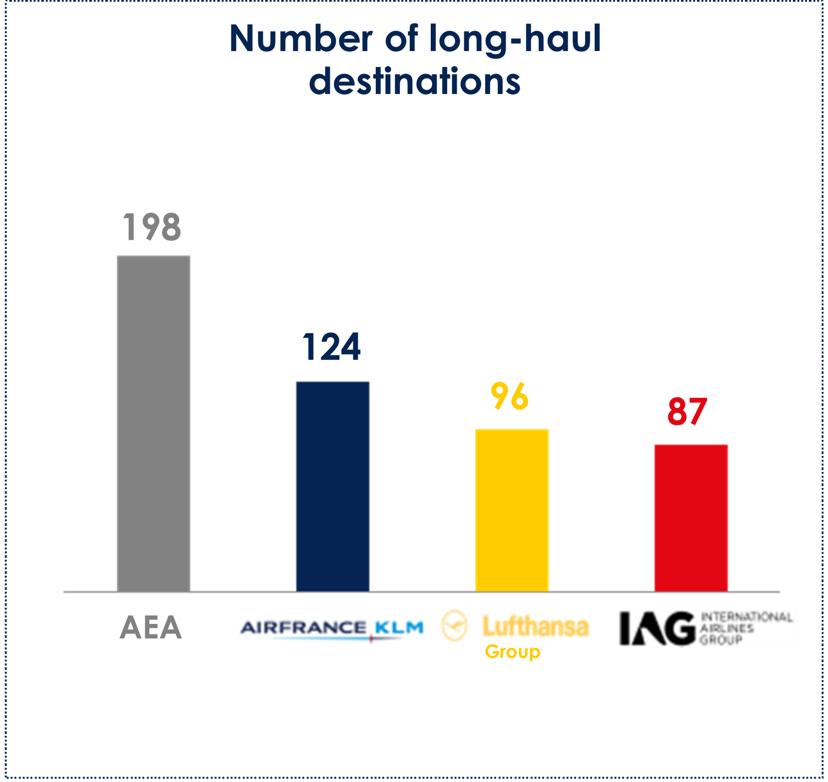
* Adjusted by the portion of financial costs within operating leases (34%)

** Adjusted for the capitalisation of operating leases (7x yearly charge)

Reinforcement of our competitive advantages

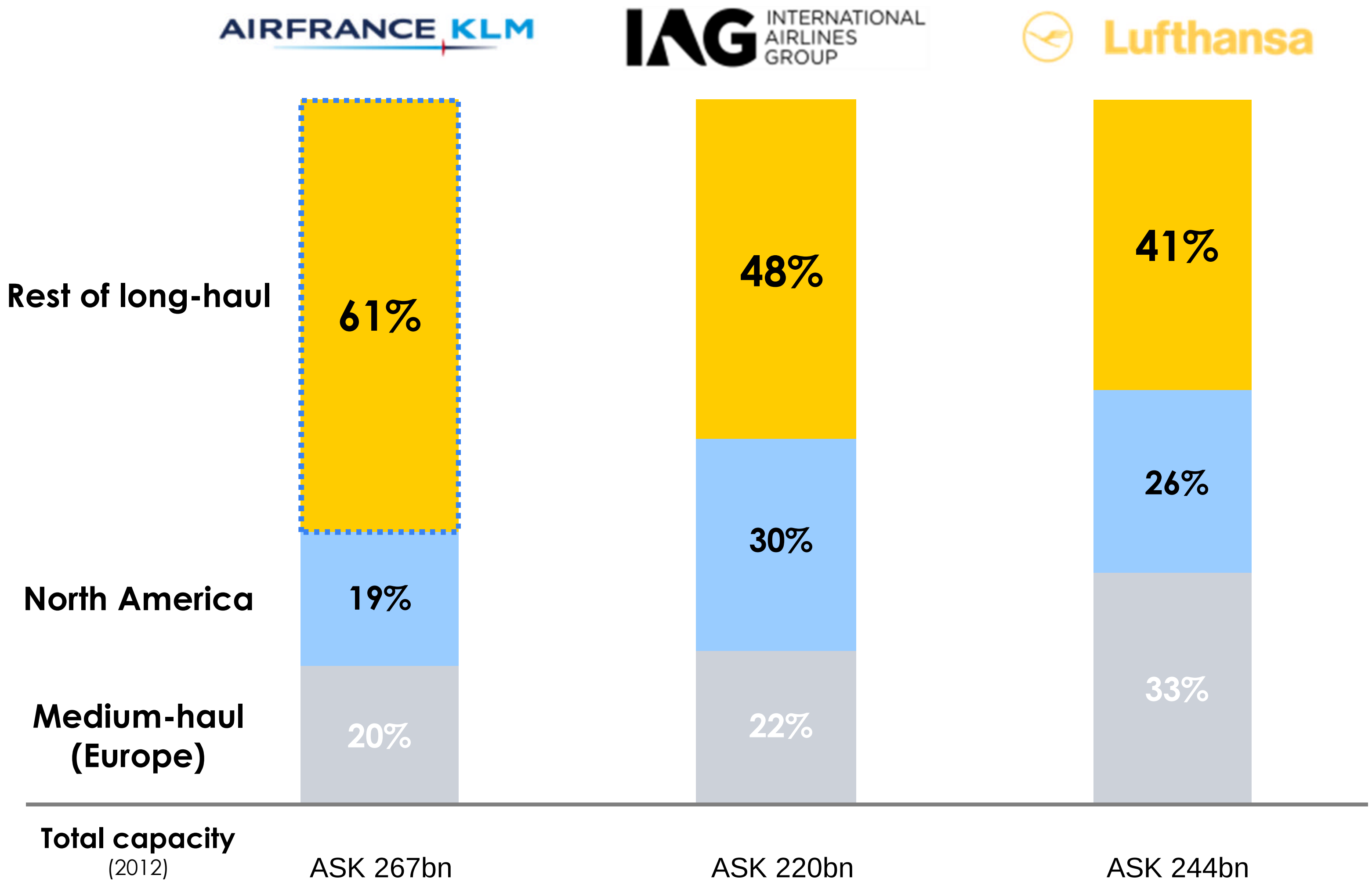
A powerful long-haul network

- **124** long-haul destinations*
  - 35 from both hubs
  - 89 from a single hub
  - 66% of the long-haul destinations served by AEA members carriers
- **143** direct long-haul flights per day
- **34** "unique" destinations: 27% of our destinations served neither by Lufthansa nor by IAG



* Including destinations served by Delta in the framework of the North Atlantic JV

Strong exposure to high growth markets…



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....strengthened by the reinforcement of the North-Atlantic JV...

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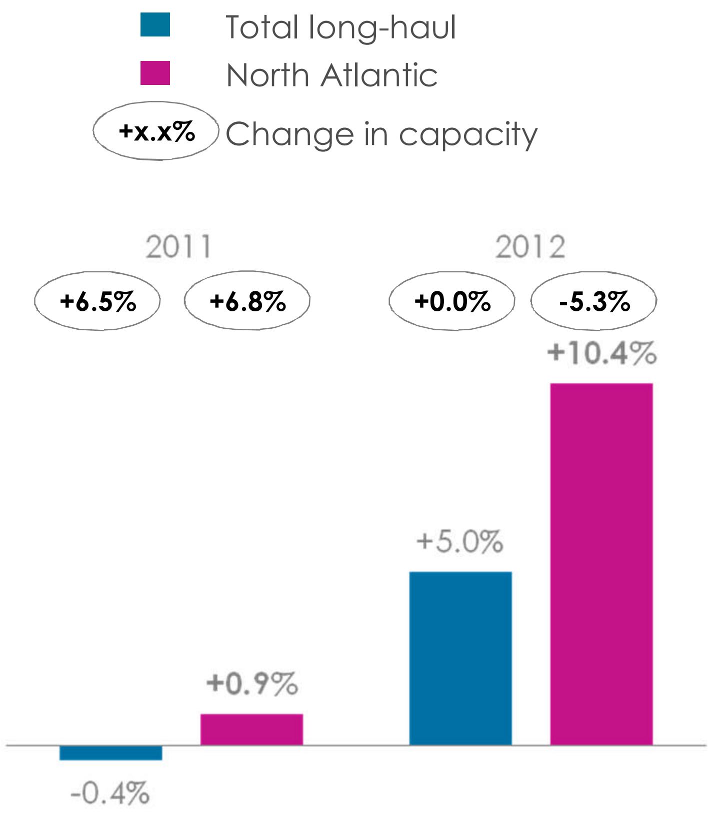
- Number one operator on North Atlantic
  - Revenues of €9.6 billion
  - 29% of Europe-USA industry capacity
  - ~125 aircraft
- Capacity discipline pursued in 2013
- JV agreement renewed for 10 years
- Strengthened competitive position thanks to Delta-Virgin partnership

Unit revenue ex-currency



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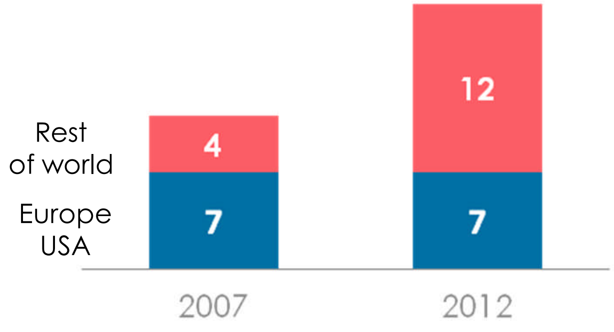
…and the development of other partnerships

- Chinese partners
  - Four SkyTeam members in Greater China
  - JVs with China Southern and China Eastern: revenues above €700m in 2012
  - Codeshare with Xiamen Airlines
- Etihad
  - First codeshare agreement at Winter 2012
  - 2013: wet-lease of one cargo aircraft and one A340, extension of codeshare agreement

SkyTeam members

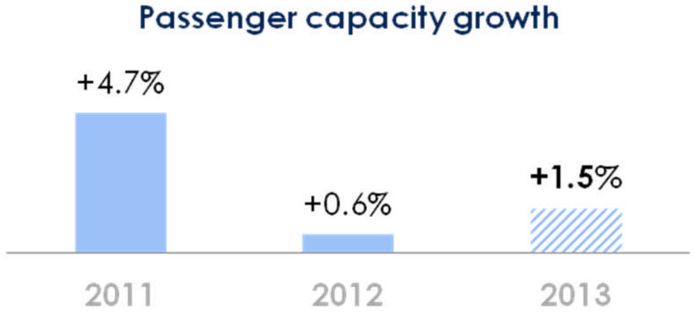


Main hubs of Chinese partners

Conclusion

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)

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Outlook for 2013

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

* At constant currency and fuel price

Appendices

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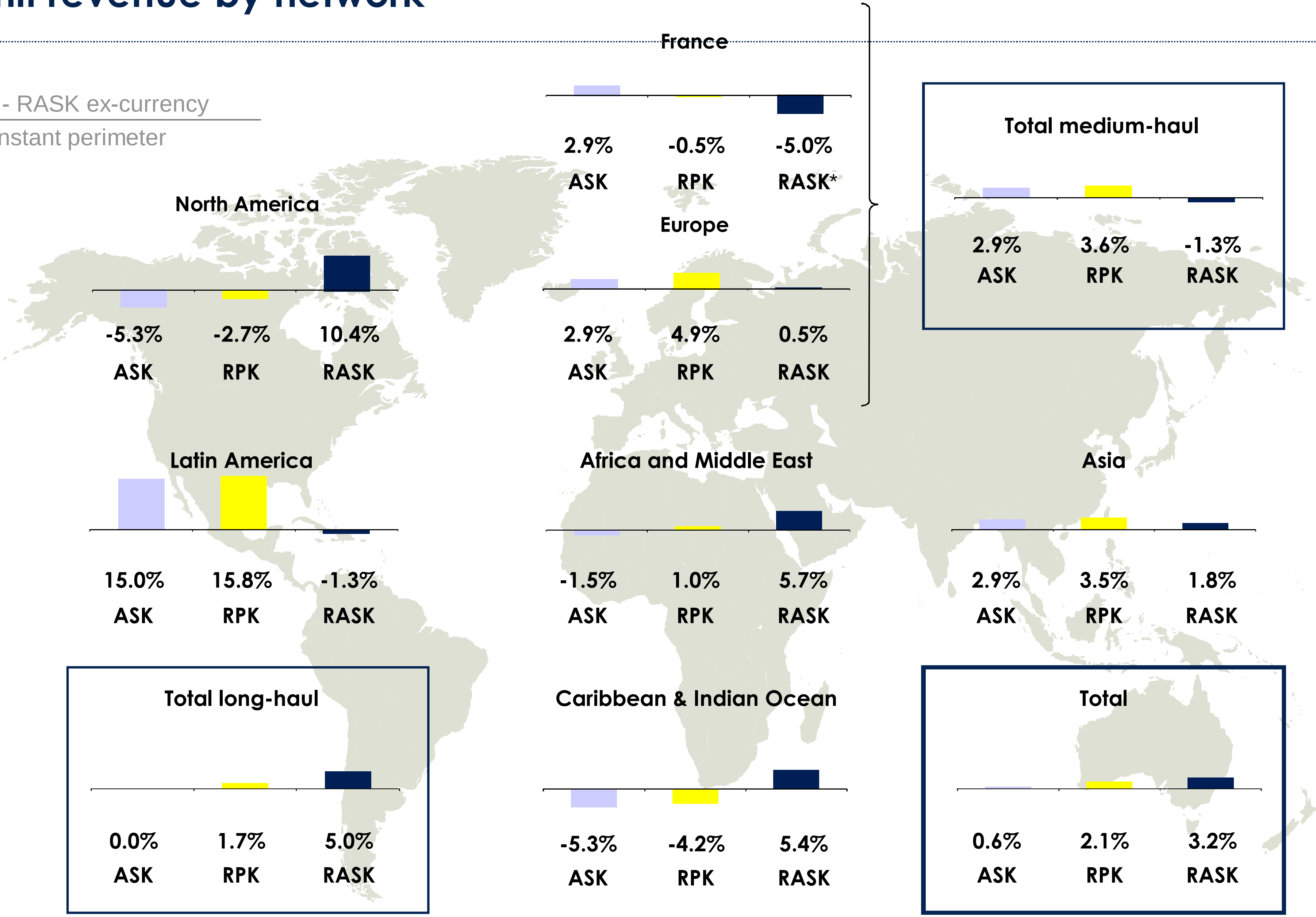
Unit revenue by network

2012 - RASK ex-currency
At constant perimeter



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

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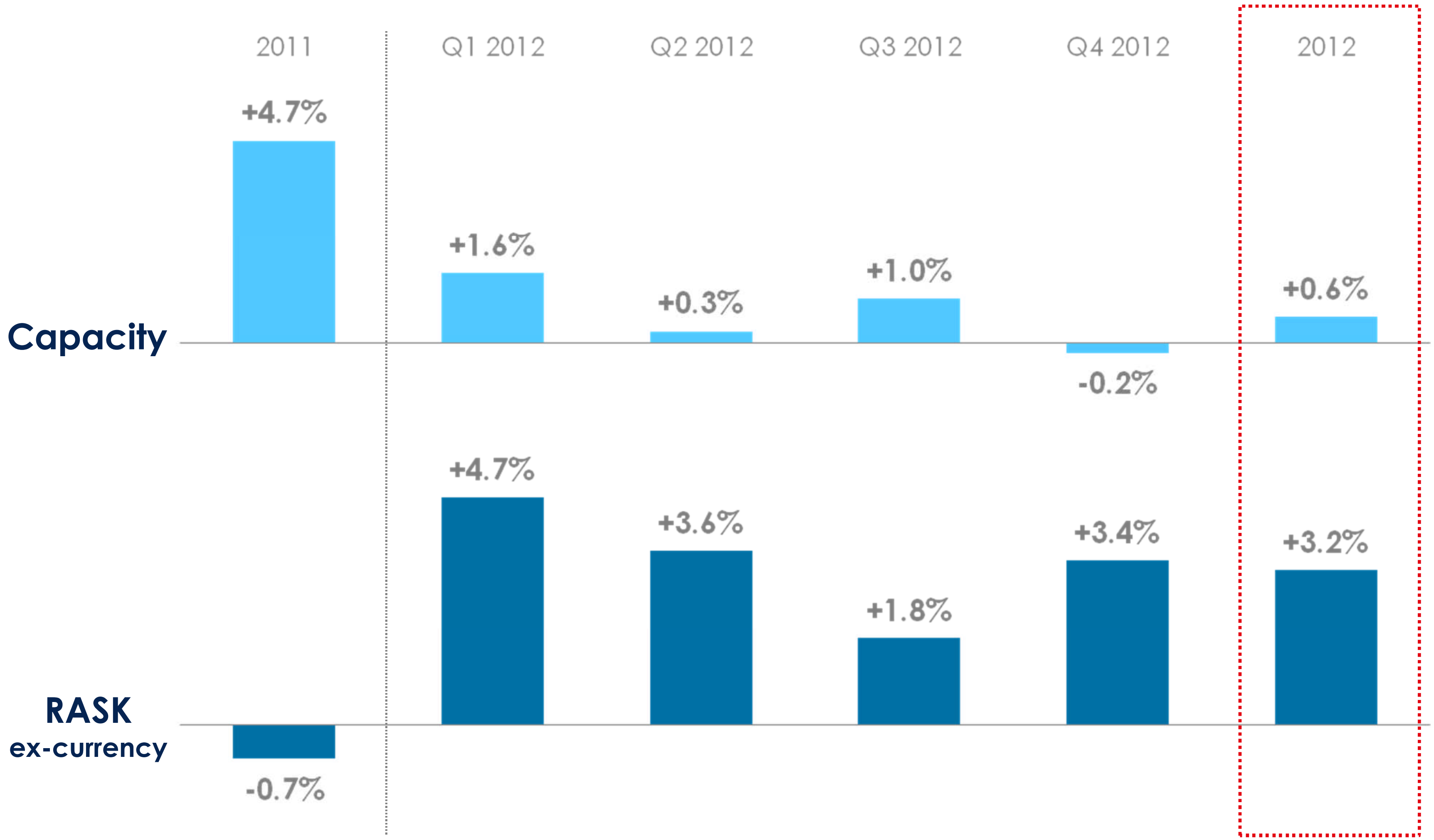
Passenger activity and unit revenue per quarter



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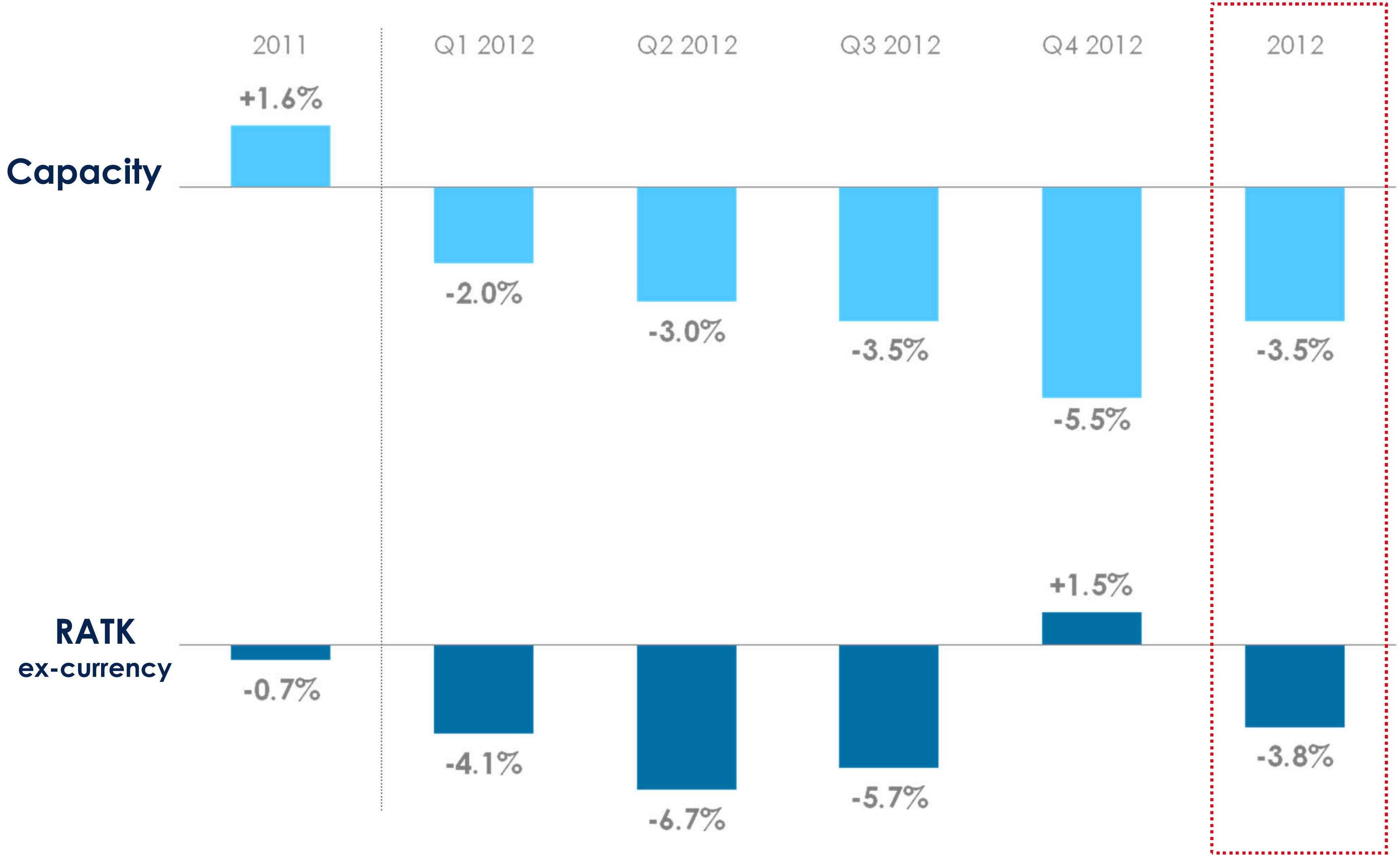
Cargo activity and unit revenue per quarter



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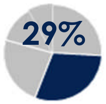
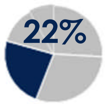
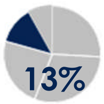
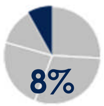
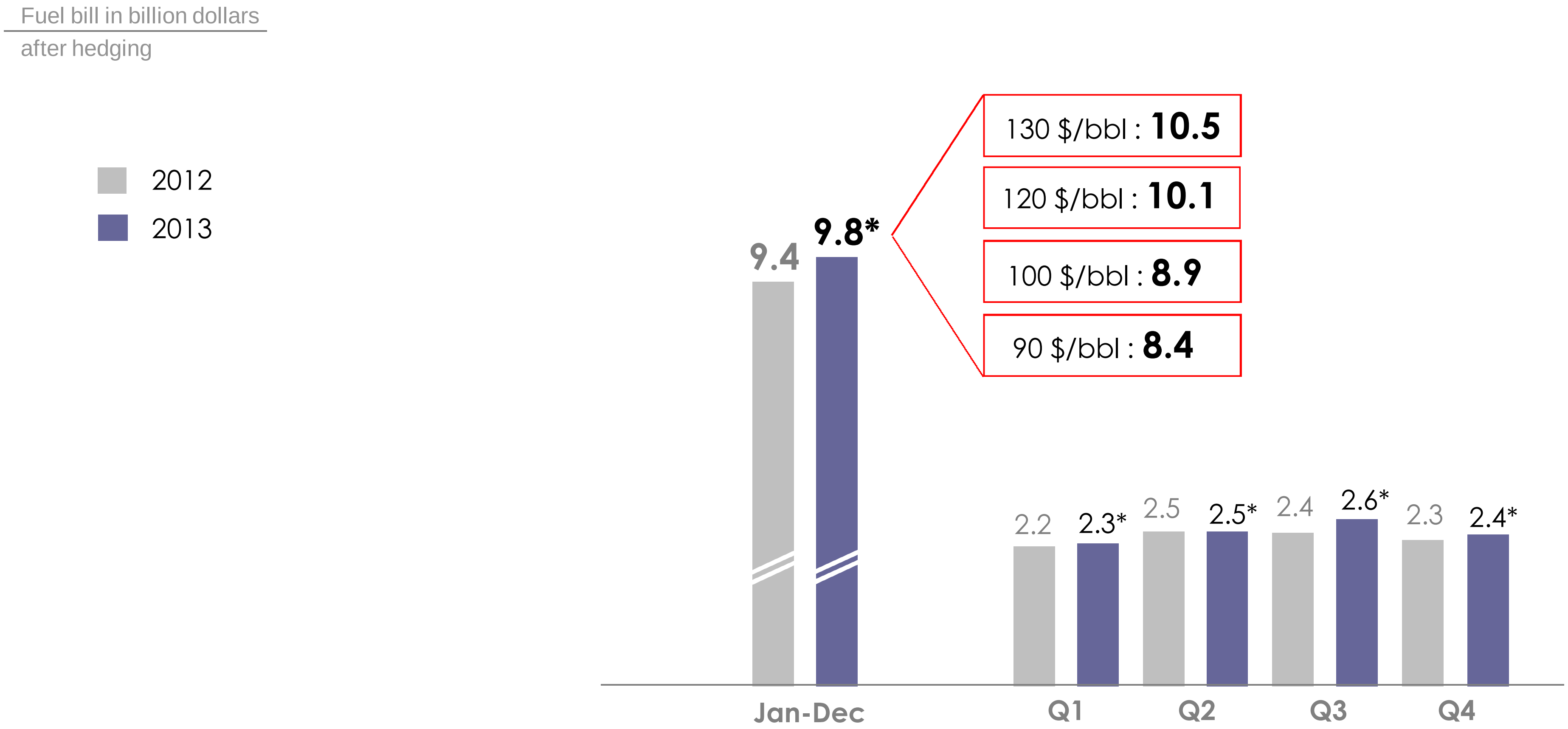
Change in full year operating costs

		€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

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

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

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***

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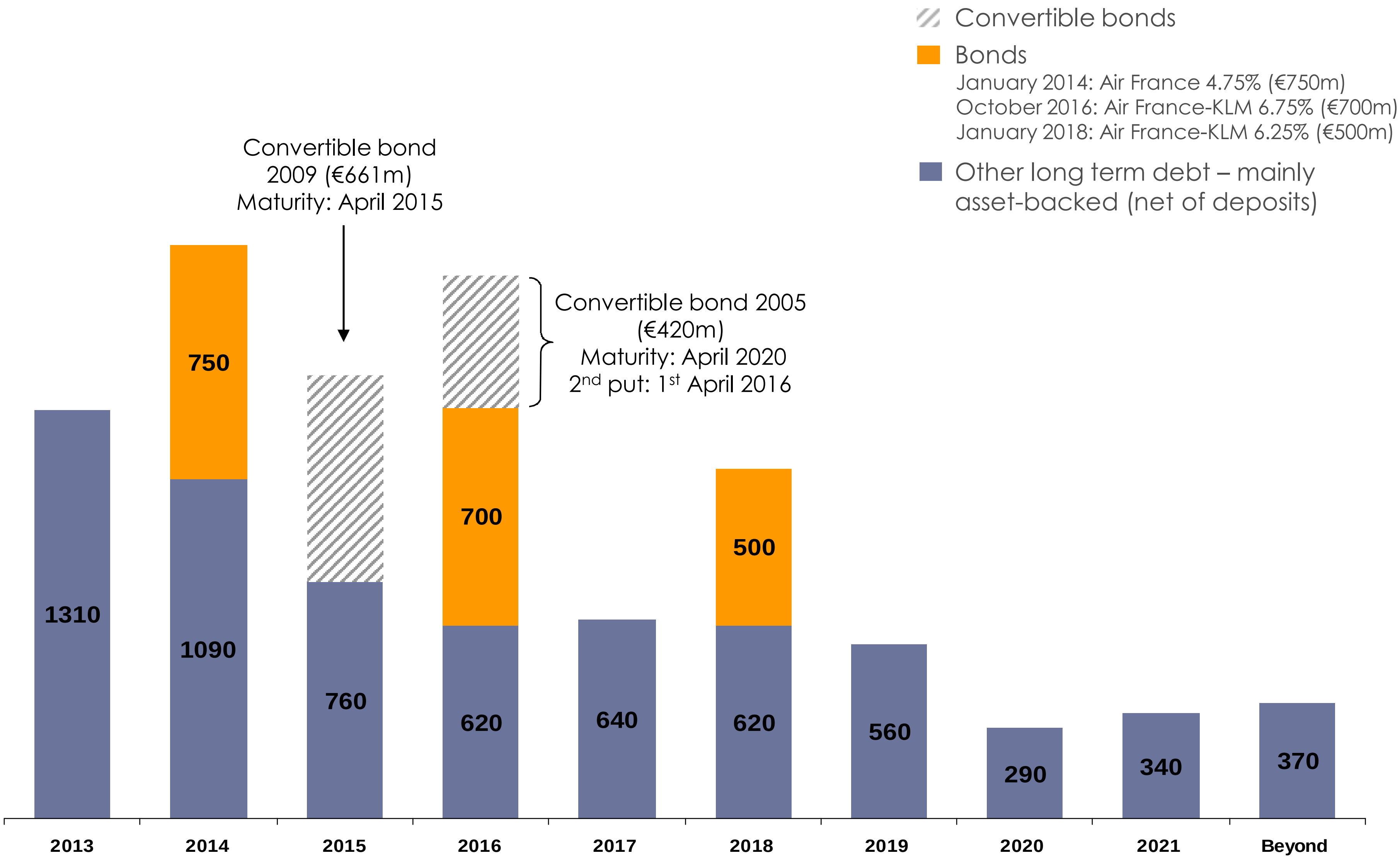
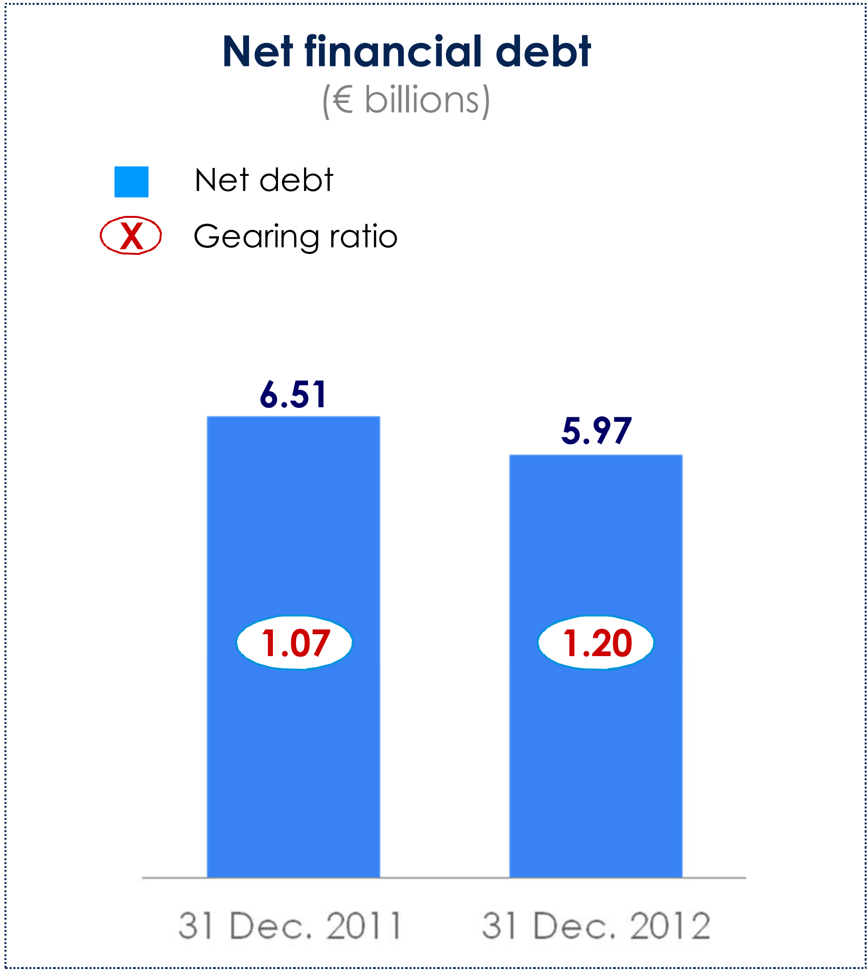
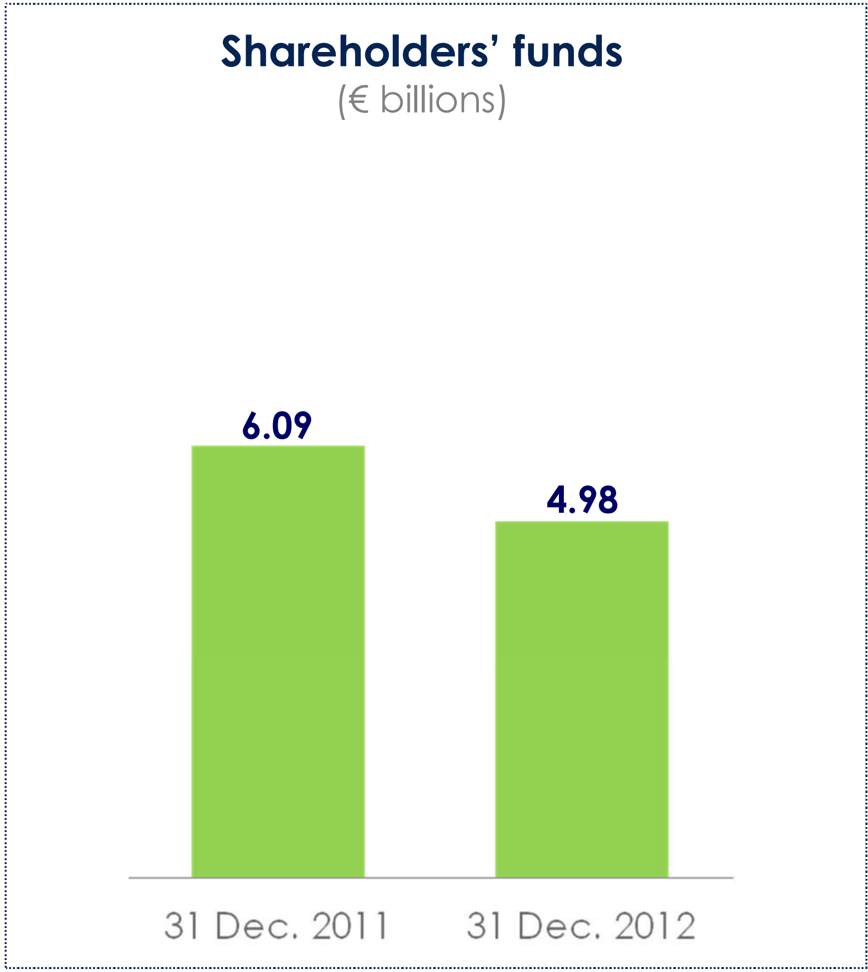
Debt reimbursement profile at 1st January 2013*



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

Financial position





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