

Full Year 2011 results



8th March 2012

Agenda

+ Introduction

Jean-Cyril Spinetta

+ Activity and results

Philippe Calavia

+ Our priorities

Jean-Cyril Spinetta
Alexandre de Juniac
Peter Hartman

2011: a difficult context...

- ✦ Weak economic growth in Europe
- ✦ Political crises in Africa and the Middle East
- ✦ Japanese disaster
- ✦ Global sector capacity up 7%



Ongoing pressure on unit revenues,
inability to offset high fuel prices

...weighed on 2011 results*

- ✦ Operating result: -€353m
- ✦ EBITDAR: €2,192m
- ✦ Net result: -€809m
- ✦ Free cash flow: -€333m
- ✦ Net debt at 31st December: €6.5bn

* 12 months, January to December

Transformation of our business model

- ✦ Difficult economic environment on top of a structural change in our industry...
- ✦ ...which does not call into question our strategic choices...
- ✦ ...but requires a transformation of our business model



Transform 2015

Activity and results



Agenda

- + Activity
- + Results
- + Financial position

Key data by business

Calendar year

| | Revenues | | Operating result | |
|--------------------|------------|-------|------------------|-----------|
| | 2011 (€bn) | % ch. | 2011(€m) | 2010 (€m) |
| Passenger | 18.83 | +5.2% | -375 | -58 |
| Cargo | 3.14 | +2.6% | -60 | 15 |
| Maintenance | 1.04 | +1.1% | 110 | 118 |
| Other | 1.35 | +3.0% | -28 | -47 |
| Total | 24.36 | +4.5% | -353 | 28 |

Passenger

| | Calendar year (12 months) | | | Fourth quarter | | |
|---|---------------------------|---------------|----------------|----------------|--------------|----------------|
| | 2011 | 2010 | % ch. | 2011 | 2010 | % ch. |
| Capacity (bn ASK) | 264.9 | 248.5 | +6.6% | 66.1 | 62.4 | +6.0% |
| <i>at constant perimeter and excl. April 2010 air space closure</i> | 267.6 | 255.7 | +4.7% | 66.4 | 63.6 | +4.4% |
| Traffic (bn RPK) | 217.2 | 203.1 | +6.9% | 54.1 | 50.8 | +6.6% |
| Load factor | 82.0% | 81.7% | +0.3 pt | 81.8% | 81.4% | +0.4 pt |
| €m | | | | | | |
| Revenue | 18,834 | 17,910 | +5.2% | 4,684 | 4,538 | +3.2% |
| EBITDA | 774 | 1,039 | -25.5% | 84 | 300 | -72.0% |
| Operating income | -375 | -58 | | -224 | 12 | |
| Adjusted operating income* | -153 | 152 | | -165 | 67 | |
| <i>Adjusted operating margin</i> | <i>-0.8%</i> | <i>0.8%</i> | <i>-1.7 pt</i> | <i>-3.5%</i> | <i>1.5%</i> | <i>-5.0 pt</i> |

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

Unit revenue analysis

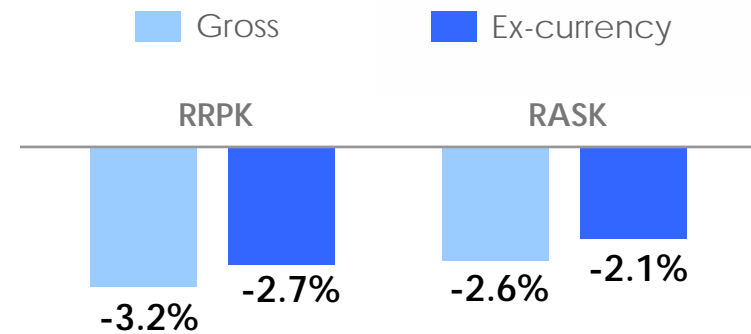
+ Fourth Quarter

- ▶ Ongoing impact of crises
- ▶ Full effect of long-haul cabin densification
- ▶ Long-haul capacity adjusted
- ▶ Long-haul RASK
 - ▶ Premium: +0.7%
 - ▶ Economy: -2.4%

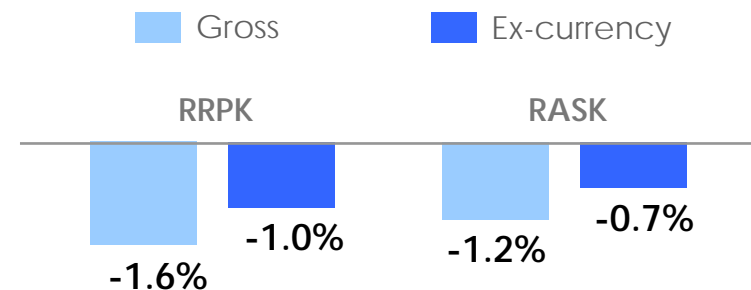
+ Calendar Year 2011

- ▶ Long-haul RASK
 - ▶ Premium: +3.5%
 - ▶ Economy: -1.2%

Unit revenues Oct-Dec 2011

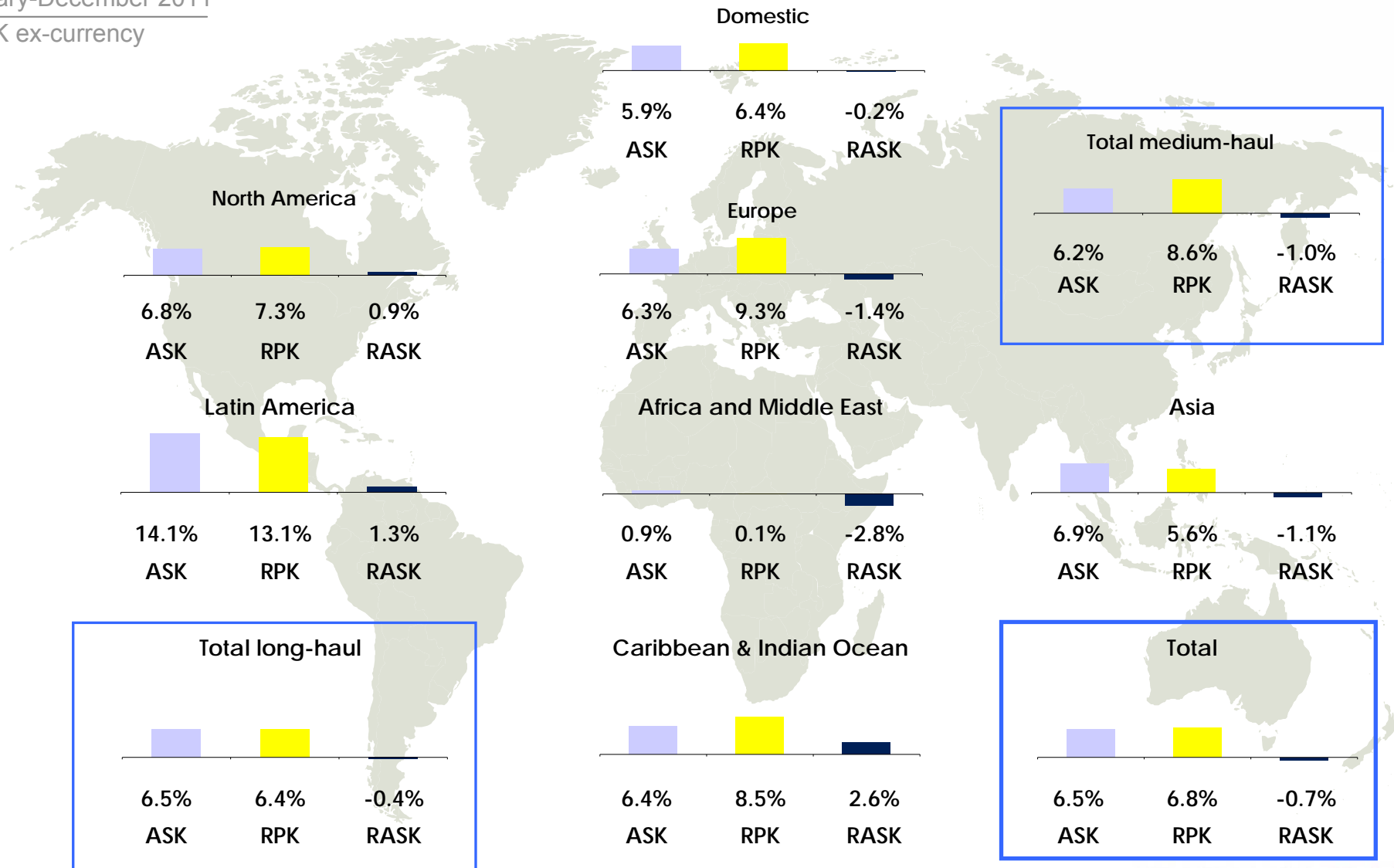


Unit revenues calendar year 2011



Unit revenues per region

January-December 2011
RASK ex-currency



Cargo

| | Calendar year (12 months) | | | Fourth quarter | | |
|----------------------------------|---------------------------|--------------|--------------|----------------|------------|--------------|
| | 2011 | 2010 | % ch. | 2011 | 2010 | % ch. |
| Capacity (bn ATK) | 17.0 | 16.6 | +2.4% | 4.2 | 4.2 | -0.5% |
| <i>of which full-freighters</i> | 5.4 | 5.6 | -4.1% | 1.3 | 1.4 | -6.9% |
| Traffic (bn RTK) | 11.3 | 11.4 | -1.2% | 2.9 | 3.0 | -4.7% |
| <i>Load factor</i> | 66.4% | 68.8% | -2.4 pt | 67.5% | 70.4% | -2.9 pt |
| €m | | | | | | |
| Revenue | 3,143 | 3,064 | +2.6% | 802 | 830 | -3.4% |
| EBITDA | 40 | 118 | -66.1% | 26 | 86 | -69.8% |
| Operating income | -60 | 15 | | 0 | 60 | |
| Adjusted operating income | -15 | 59 | | 11 | 71 | |
| <i>Adjusted operating margin</i> | -0.5% | 1.9% | -2.4 pt | 1.4% | 8.6% | -7.2 pt |

Unit revenue analysis

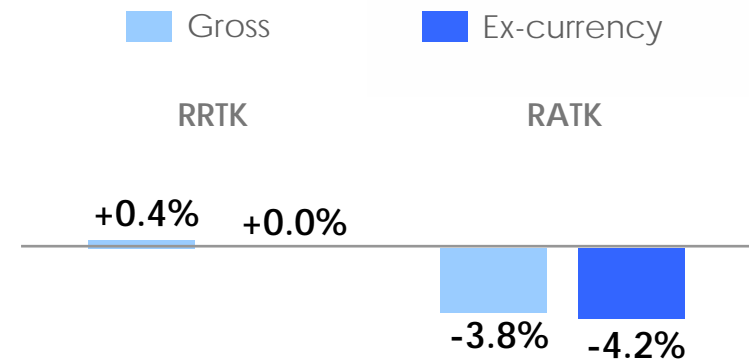
+ Fourth Quarter

- ▶ Strict capacity control on full-freighters
- ▶ Stable RRTK ex-currency
- ▶ Load factor down

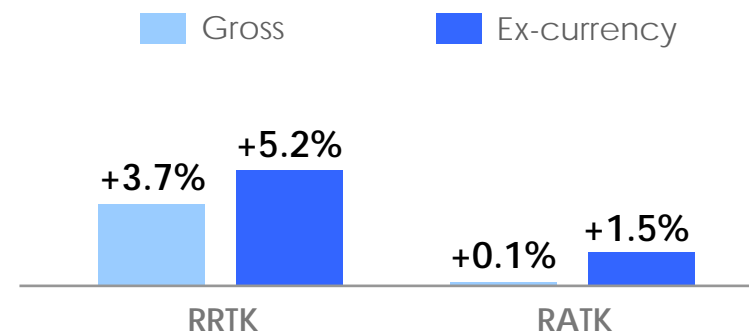
+ Calendar Year 2011

- ▶ Deteriorating market since the summer
- ▶ Slight rise in unit revenues ex-currency

Unit revenues Oct-Dec 2011



Unit revenues calendar year 2011



Maintenance

| €m | Calendar year (12 months) | | | Fourth quarter | | |
|----------------------------|---------------------------|--------------|------------|----------------|------------|-------------|
| | 2011 | 2010 | % ch. | 2011 | 2010 | % ch. |
| Third party revenue | 1,040 | 1,029 | +1% | 273 | 264 | +3% |
| <i>Ex currency</i> | | | +7% | | | +3% |
| Total revenue | 3,112 | 3,076 | +1% | 796 | 778 | +2% |
| EBITDA | 391 | 419 | -7% | 117 | 104 | +13% |
| Operating income | 110 | 118 | -7% | 43 | 36 | +19% |
| <i>Operating margin</i> | 3.5% | 3.8% | -0.3 pt | 5.4% | 4.6% | +0.8 pt |

✦ Good level of activity, especially in engines and components

Other activities

| €m | Calendar year (12 months) | | | Fourth quarter | | |
|----------------------------|---------------------------|--------------|------------|----------------|------------|------------|
| | 2011 | 2010 | % ch. | 2011 | 2010 | % ch. |
| Third party revenue | 1,346 | 1,307 | +3% | 269 | 287 | -6% |
| <i>o/w leisure</i> | 911 | 912 | -0% | 158 | 186 | -15% |
| <i>o/w other</i> | 435 | 395 | +10% | 111 | 101 | +10% |
| EBITDA | 139 | 119 | +17% | 18 | 10 | +80% |
| Operating income | -28 | -47 | | -21 | -27 | |

-
- + Leisure: Almost at break-even excluding Martinair
 - + Catering: Rise in both revenues and results
-

Agenda

- + Activity
- + Results
- + Financial position

Group results

| €m | Calendar year (12 months) | | | Fourth quarter | | |
|---------------------------------------|---------------------------|---------------|----------------|----------------|--------------|----------------|
| | 2011 | 2010 | % ch. | 2011 | 2010 | % ch. |
| Revenues | 24,363 | 23,310 | +5% | 6,028 | 5,919 | +2% |
| EBITDAR | 2,192 | 2,501 | -12% | 466 | 708 | -34% |
| EBITDA | 1,344 | 1,695 | -21% | 246 | 500 | -51% |
| Income from current operations | -353 | 28 | | -202 | 81 | |
| Adjusted operating income | -65 | 302 | | -127 | 152 | |
| <i>Adjusted operating margin</i> | <i>-0.3%</i> | <i>1.3%</i> | <i>-1.6 pt</i> | <i>-2.1%</i> | <i>2.6%</i> | <i>-4.7 pt</i> |
| Net income, group | -809 | 289* | | -259 | -46 | |
| Net income, restated** | -709 | -405 | | -309 | -32 | |
| Net capex | 1,265 | 983 | +29% | 267 | 194 | +38% |
| Free cash flow | -333 | 251 | | 30 | 70 | -57% |
| Free cash flow excl. Amadeus | -333 | 58 | | 30 | 70 | -57% |
| Net debt at end of period | 6,515 | 6,065 | +7% | - | - | - |

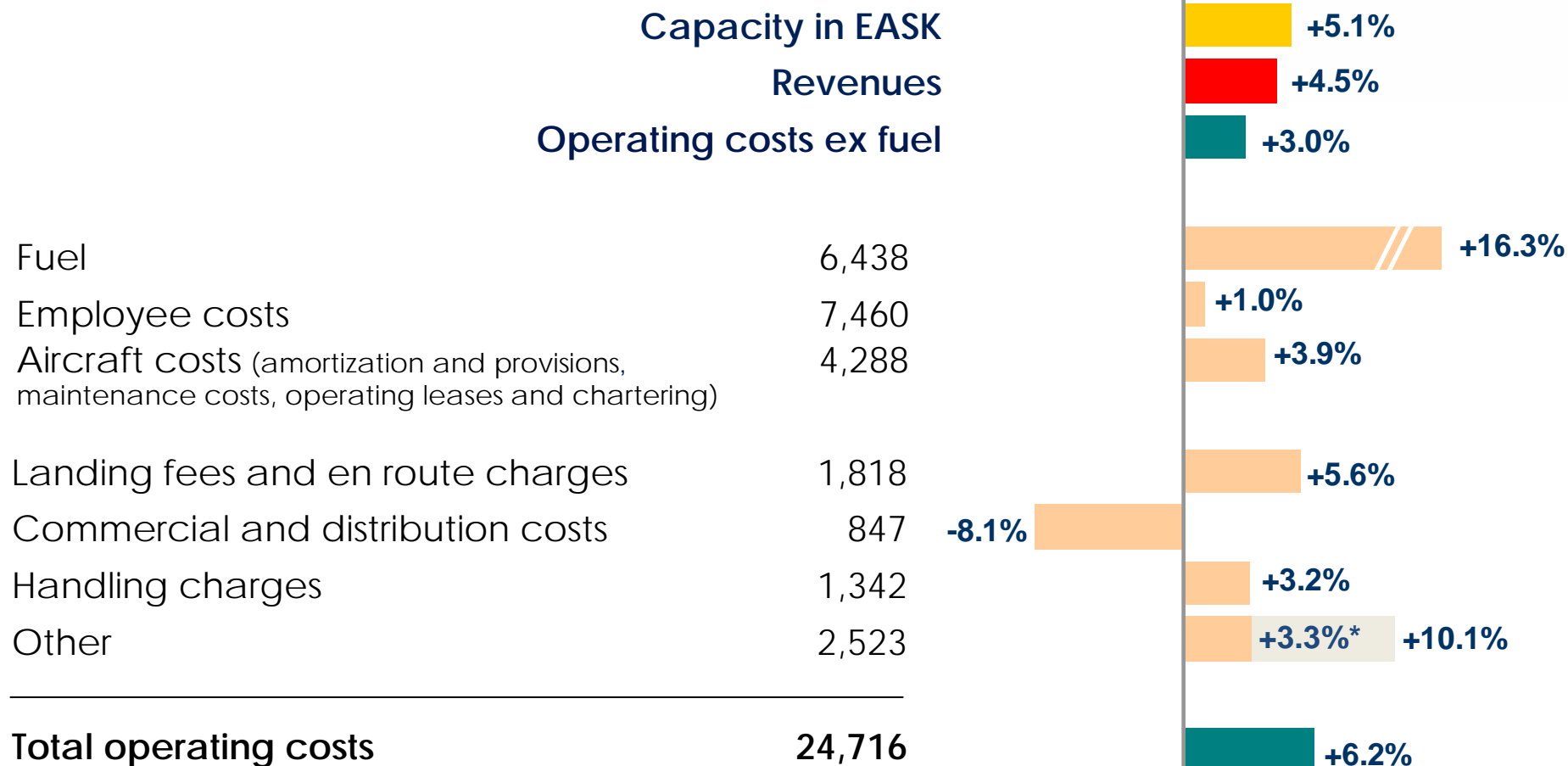
(*) After capital gain of €1,030 on Amadeus operation

(**) Definition: see appendices

Change in operating costs

January-December 2011

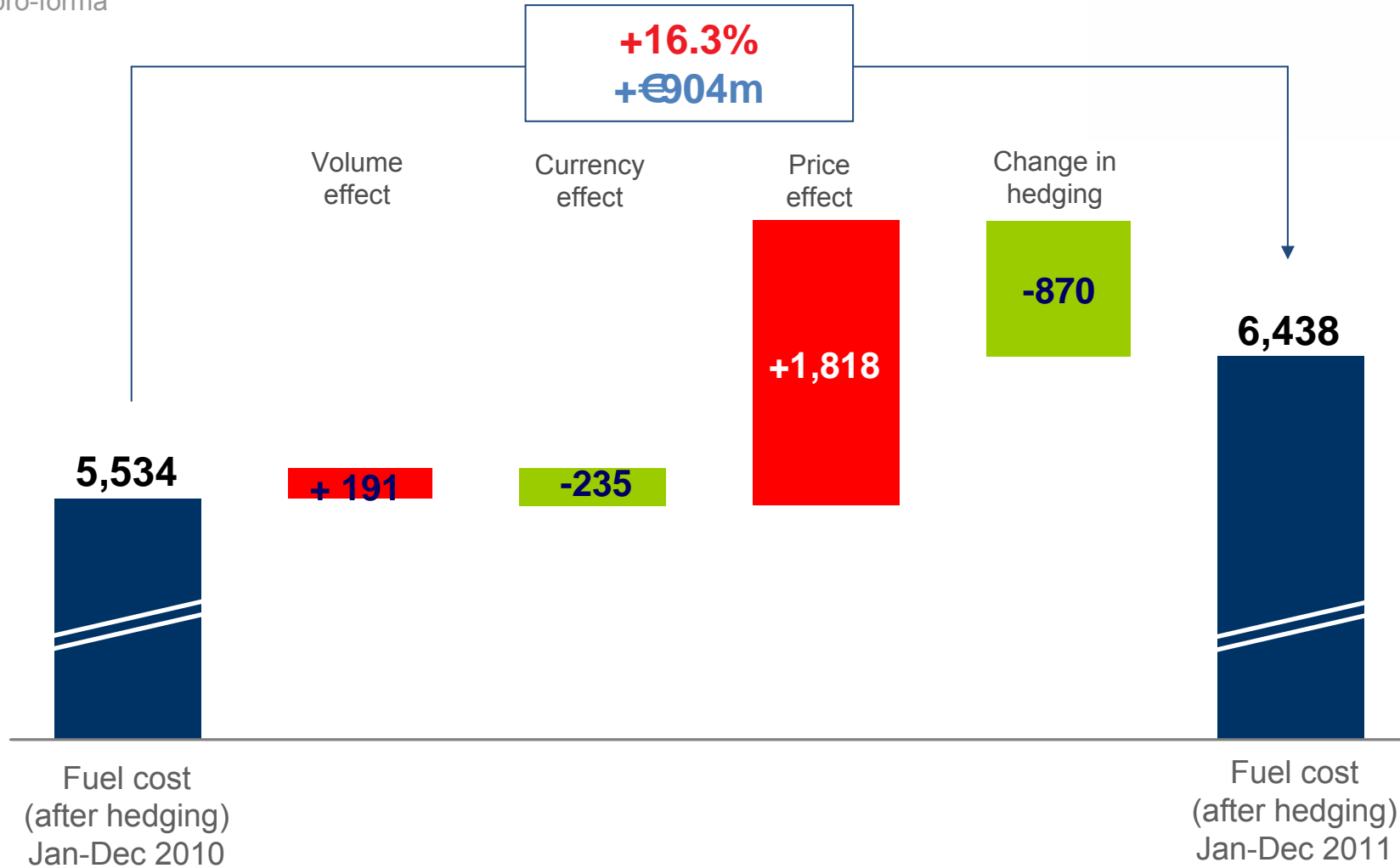
€ million pro-forma



* Excluding currency hedging

Higher fuel bill despite positive hedge and currency effect

January-December
€ million pro-forma

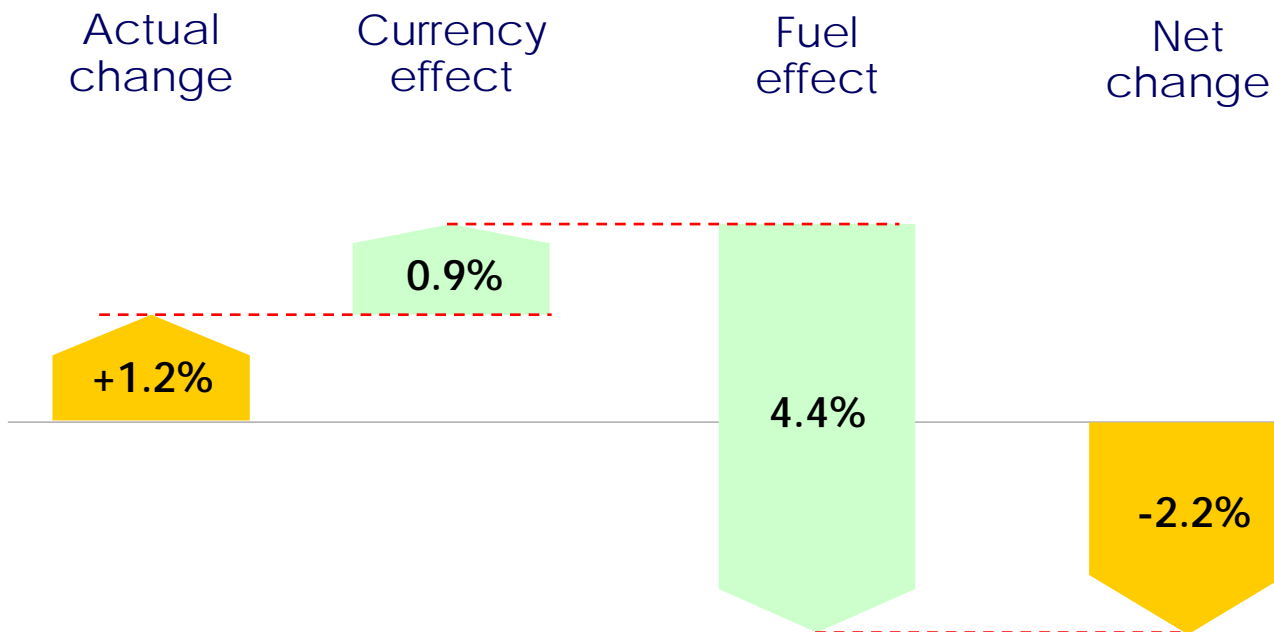


Reduced unit costs

January-December 2011

Unit cost per EASK: **€6.67 cts**

Capacity in EASK: **+5.1%**

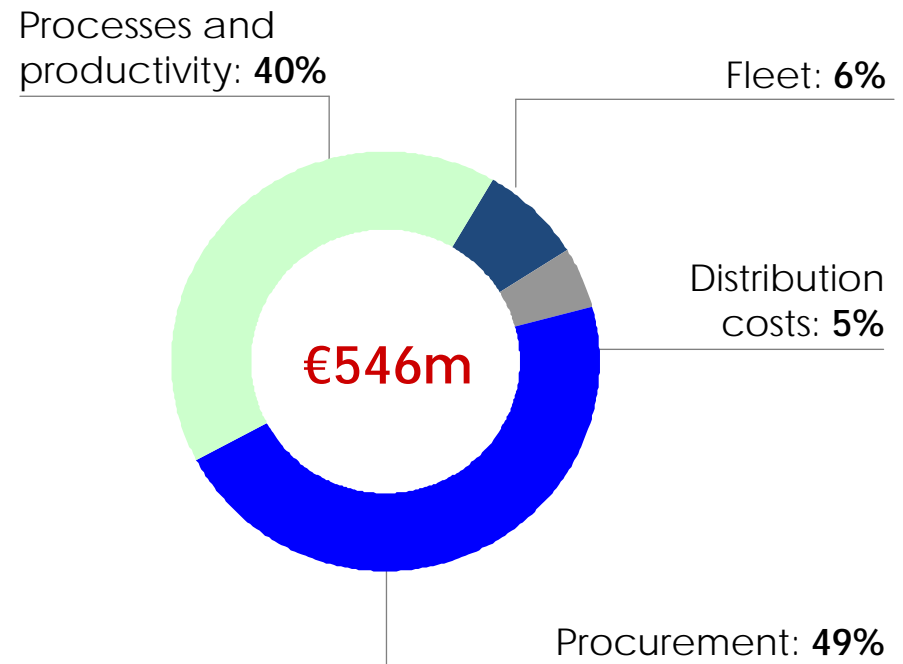


Challenge 12: 2011 outcome

+ **€151m** of savings realized in the quarter October-December

+ **€546m** of savings realized in the calendar year against initial target of €470m

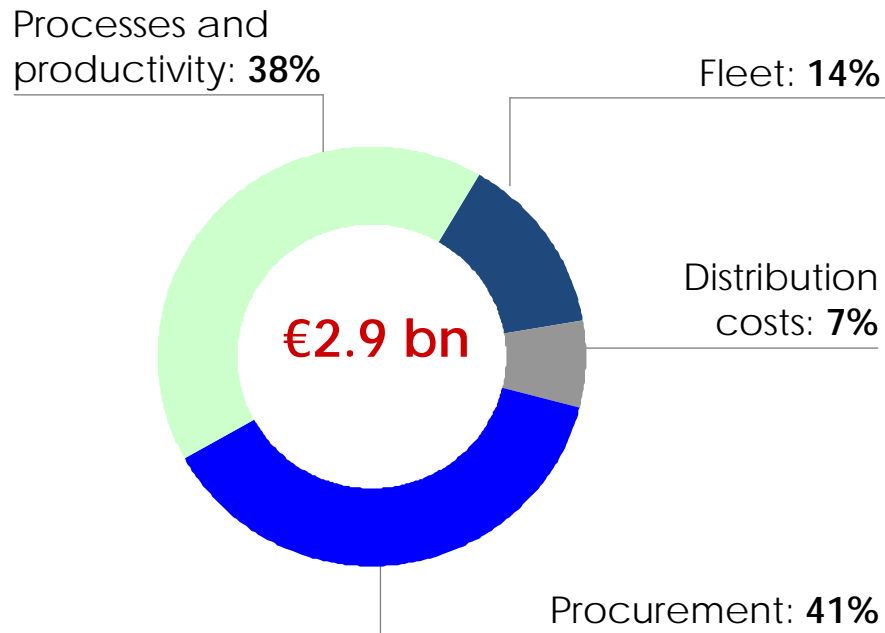
Breakdown of savings in calendar year 2011



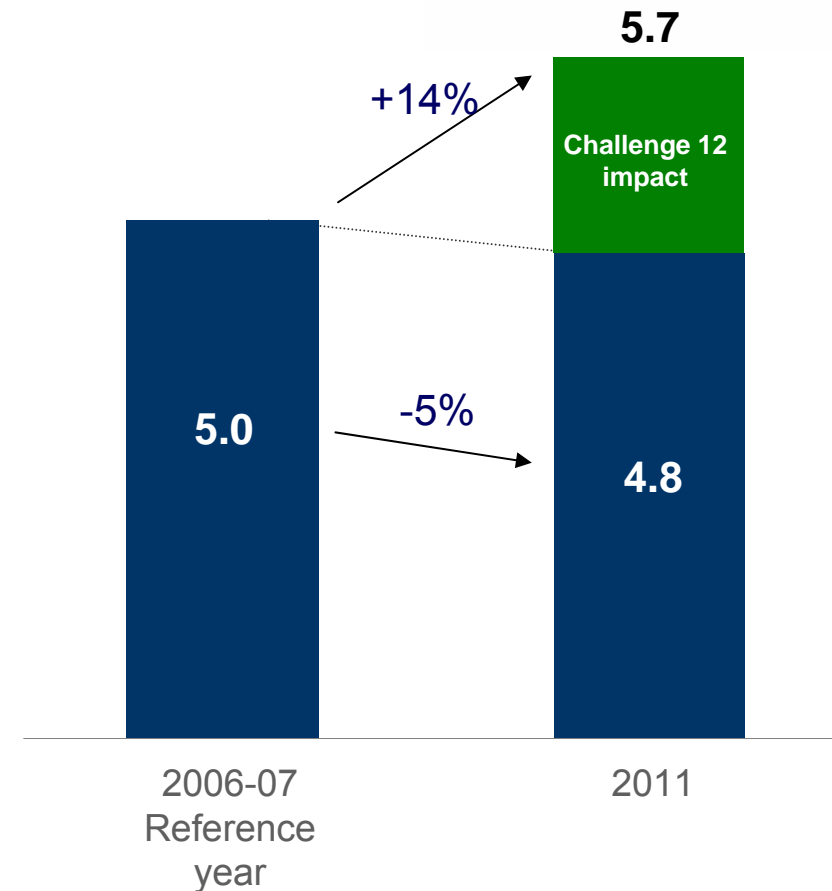
Challenge 12: positive impact on unit costs...

€ cts per EASK

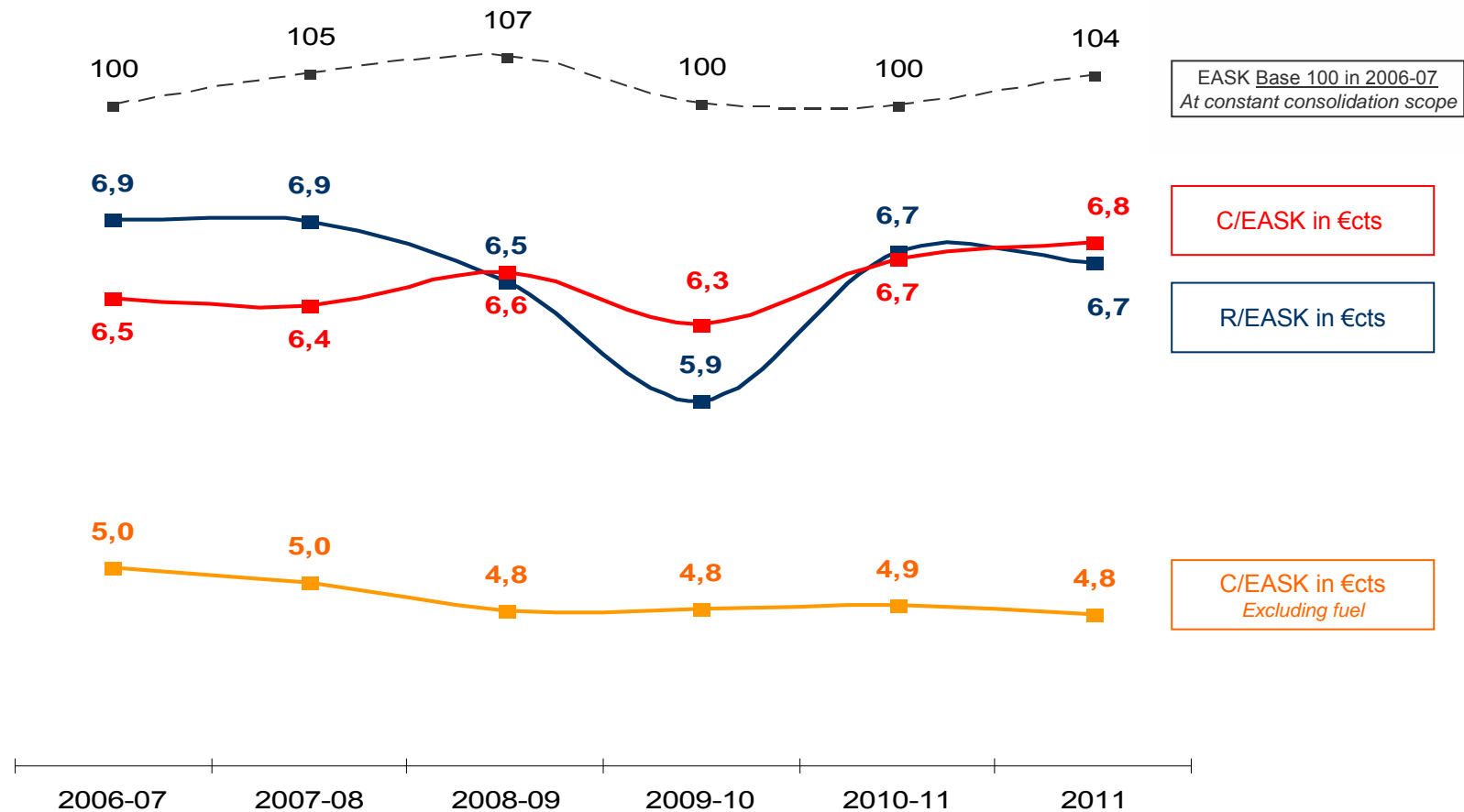
Summary of total Challenge 12 program 2007-08 to 2011



Ex-fuel net unit cost



...but insufficient in the current context



Net result

| €m | Calendar year (12 months) | | | Fourth quarter | | |
|---|---------------------------|------------|-------|----------------|------------|-------|
| | 2011 | 2010 | % ch. | 2011 | 2010 | % ch. |
| Income from current operations | -353 | 28 | | -202 | 81 | |
| Non current income and expenses | -127 | 606 | | -23 | -16 | |
| <i>o/w Amadeus operation</i> | 0 | 1 030 | | - | - | |
| <i>o/w restructuring</i> | 0 | -167 | | - | - | |
| Income from operating activities | -480 | 634 | | -225 | 65 | |
| Net cost of financial debt | -371 | -371 | +0% | -98 | -91 | +8% |
| Net foreign exchange | -116 | -191 | | -28 | -49 | |
| Change in fair value of financial assets and liabilities | -66 | -53 | | 76 | -20 | |
| Income taxes | 245 | 275 | -11% | 3 | 36 | -92% |
| Share of profit (losses) of associates, minority interest | -19 | -13 | | 12 | 18 | |
| Net income, group | -809 | 289 | | -259 | -46 | |
| Net income, restated* | -709 | -405 | | -309 | -32 | |

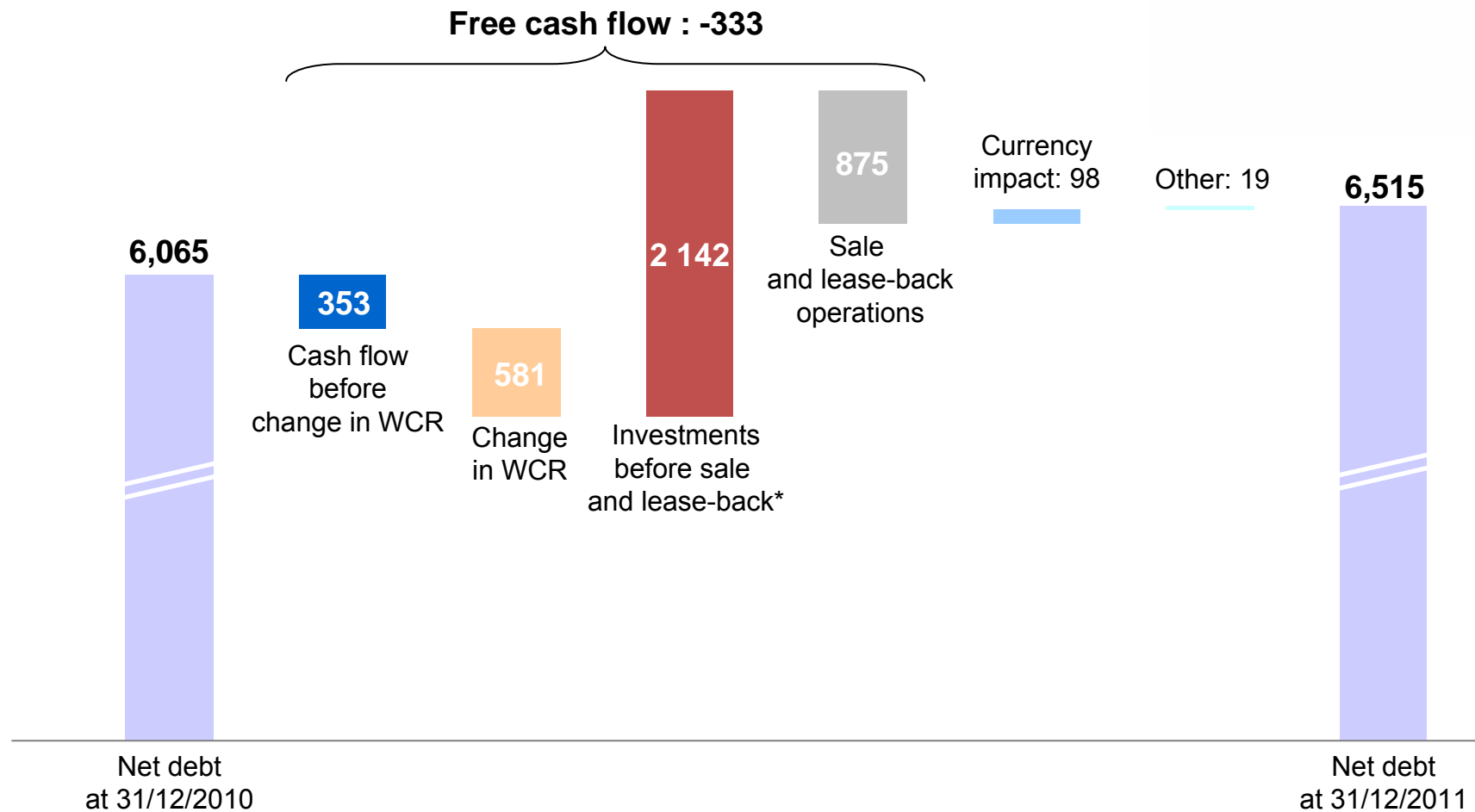
(*) Definition: see appendices

Agenda

- + Activity
- + Results
- + Financial position

Change in debt

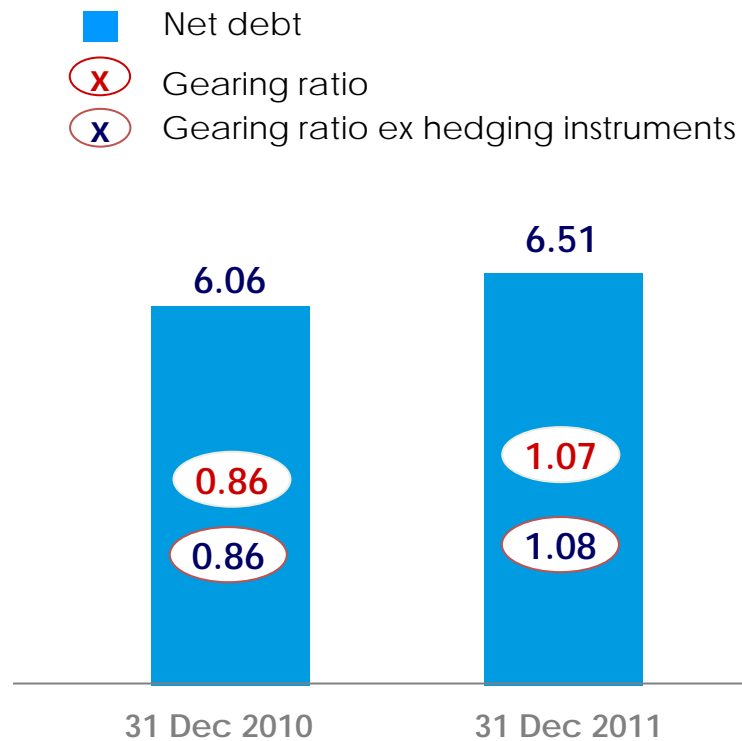
€ millions



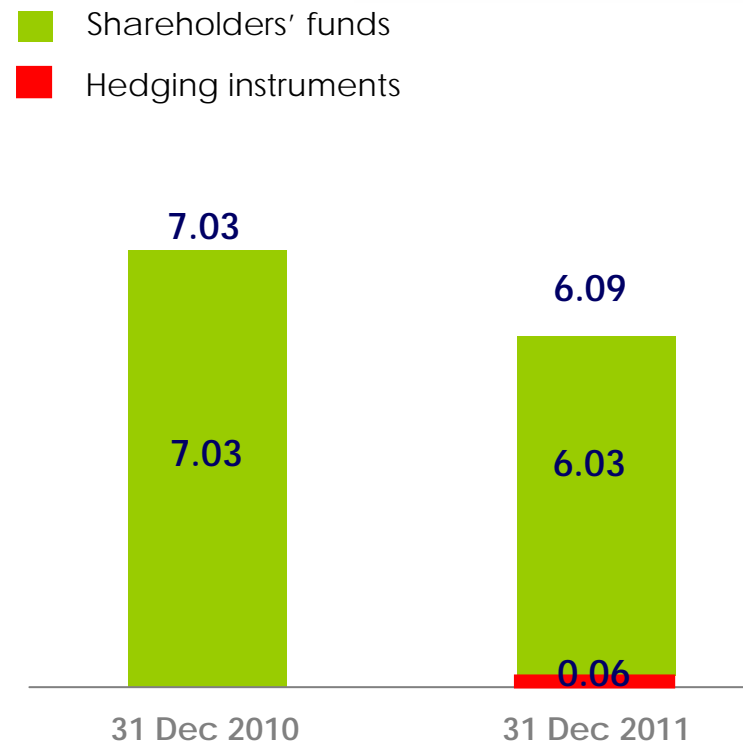
* Including financial investments

Financial position

Net financial debt
(€ billion)

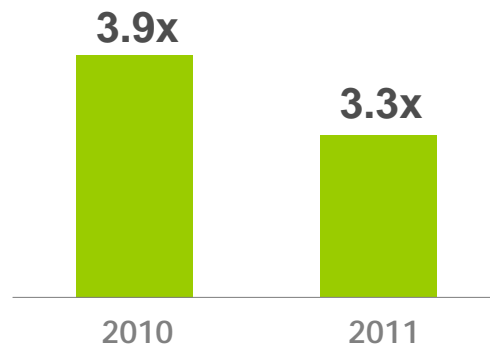


Shareholders' Funds
(€ billion)

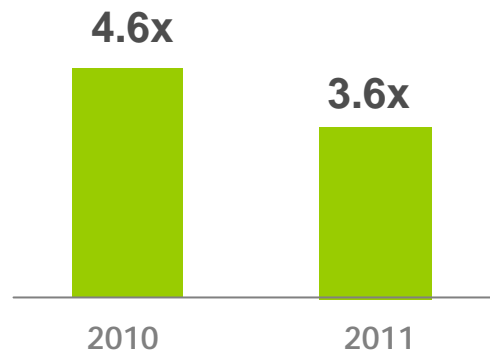


Financial ratios at 31st December 2011

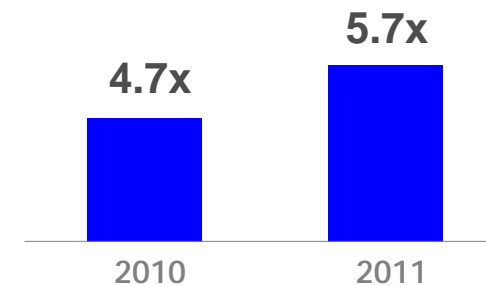
EBITDAR / net adjusted financial costs*



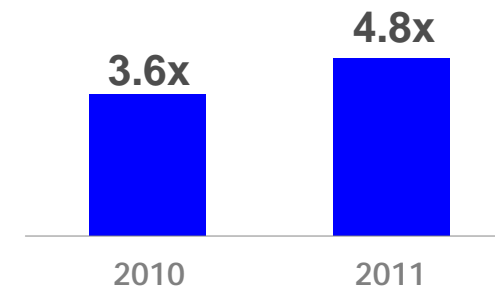
EBITDA / net financial costs



Adjusted net debt** / EBITDAR



Net debt / EBITDA



* Adjusted for the portion of financial charges in operating leases (34%)

** Adjusted for capitalized operating leases (7x yearly charge)

High level of liquidity

- ✦ Cash of €2.9bn at 31 December 2011
 - ✦ After €400m pledged for convertible bond swap operation
- ✦ Partial sale of Amadeus in February 2012: €467m additional cash
- ✦ Undrawn credit lines of €1.85bn
 - ▶ Air France: €1.06bn until 2016
 - ▶ KLM: €540m until 2016
 - ▶ Air France-KLM: €250m until 2017
 - ▶ Covenants respected

Our priorities



Our priorities

- ✦ Implementation of Transform 2015
- ✦ Reinforce our strategic advantages
 - ▶ Strengthen our positions on key markets by deepening our alliances
 - ▶ Increase the attractiveness of our hubs
 - ▶ Continue to invest in the product

Transform 2015

Phase 1

Immediate measures

- ▶ Limit capacity growth
- ▶ Investments revised down
- ▶ Immediate cost savings

Phase 2

Structural transformation plan

- ▶ Medium-haul return to break-even
- ▶ Cargo turnaround
- ▶ Improvement in profitability at long-haul and maintenance



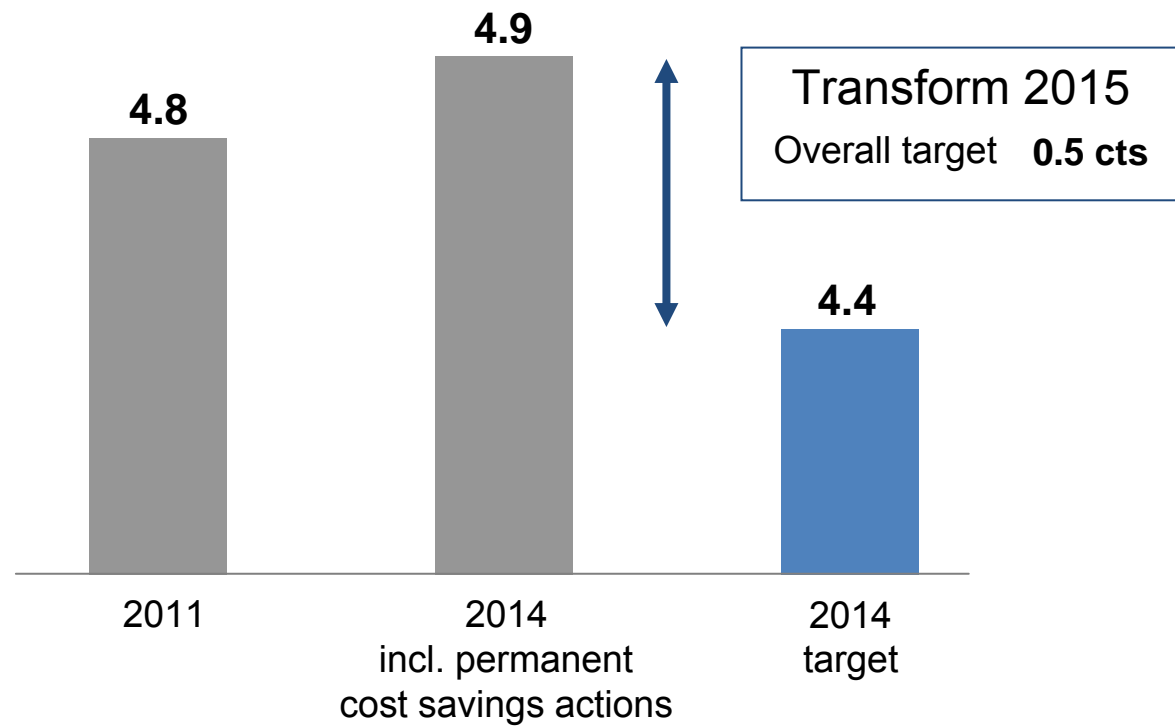
Targets end-2014

Debt reduced by €2bn
Net debt/EBITDA ratio below 2

Estimated 10% reduction in unit costs

€ cts per EASK

Ex-fuel net unit cost



Achievements at 8th March 2012

Phase 1

- + Limited capacity growth
- + Investment program revised down
- + Immediate cost savings

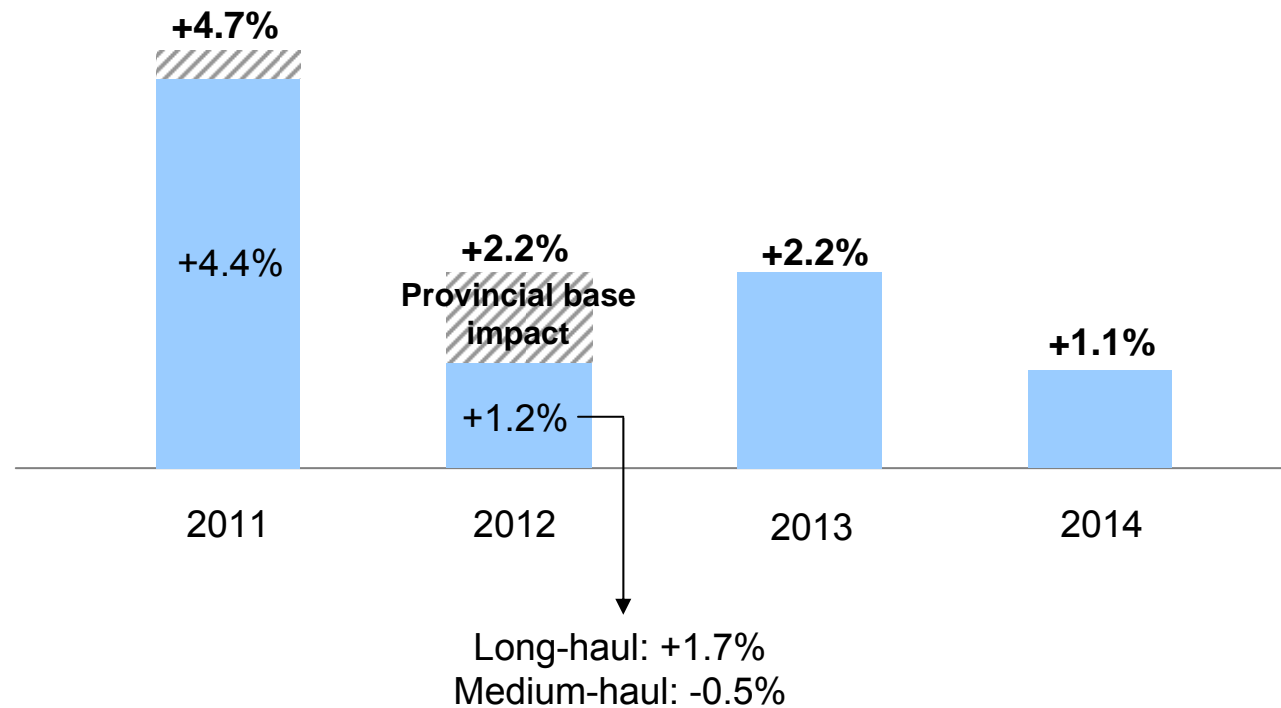
Phase 2

- + Collective labor agreement renegotiations opened
- + Launch of transformation projects

Limited capacity growth

Phase 1

Capacity in ASK

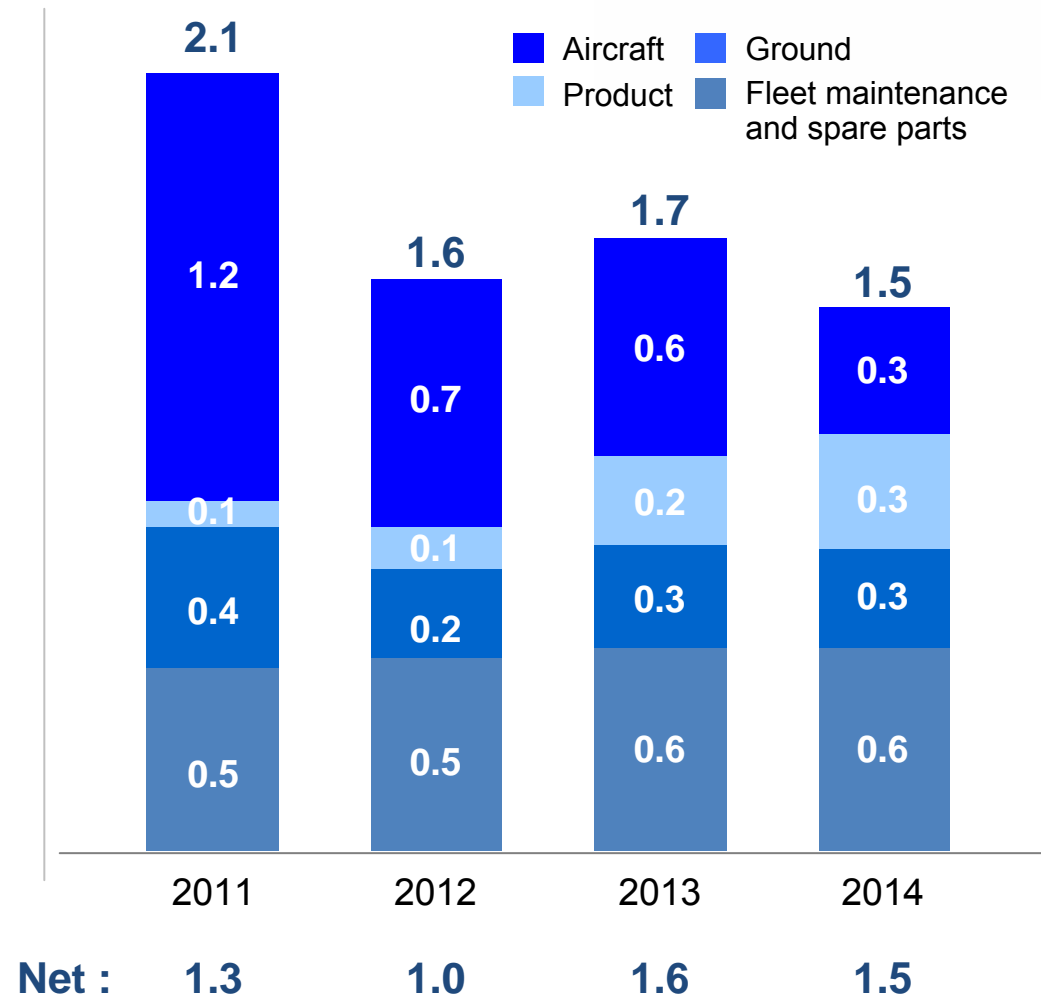


Investment program revised down

Phase 1

- + Sharp reduction in aircraft investments
- + Investments in the product stepped up
- + Ground investments under review
- + Fleet maintenance investments maintained

Investments
before sale & lease-back € billions



€ millions

Main measures

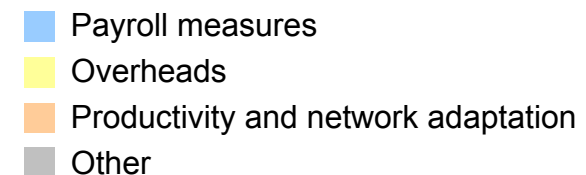
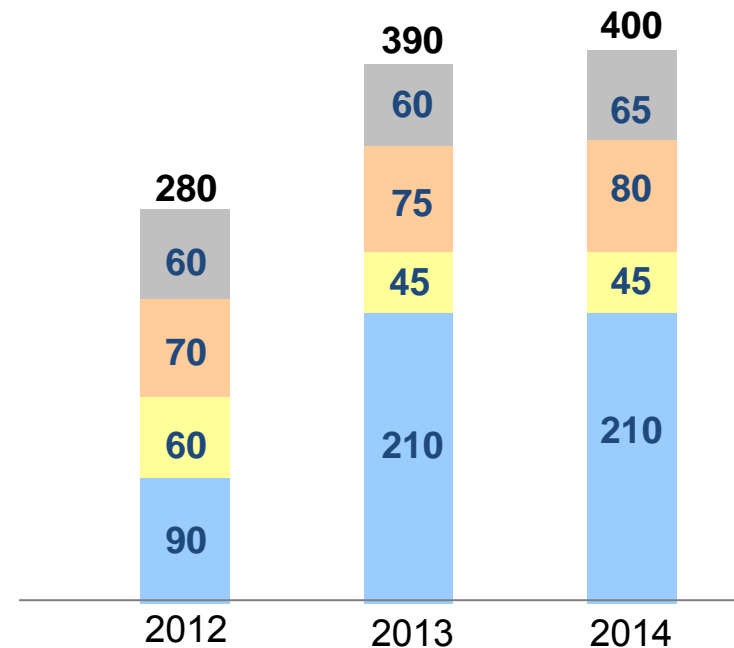
- + Payroll measures: more than €500m
- + Overheads: €150m
- + Productivity and network adaptation: €200m



Target

Over €1bn over 3 years

Impact 2012-14



Three targets

Medium-haul return to break-even
Cargo turnaround
Improvement in profitability at long-haul
and maintenance



One key lever

Significant improvement in productivity
by 2014

Collective labor agreements renegotiations opened

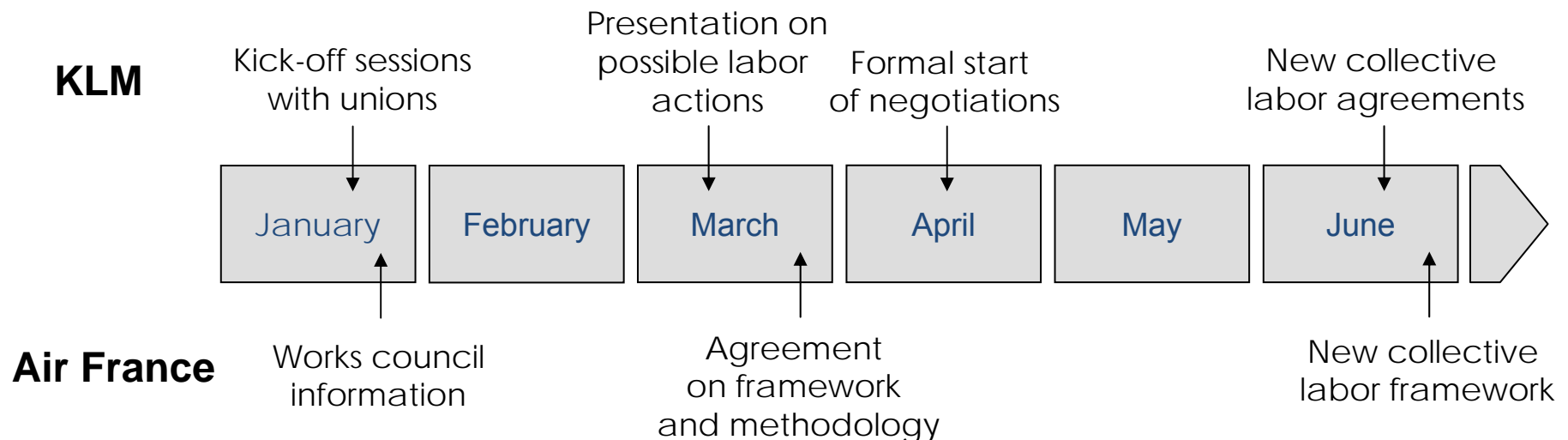
Phase 2

Air France

- ▶ Target: +20% economic efficiency improvement in 2014
- ▶ Several levers: productivity, flexibility in operating modes, operating efficiency

KLM

- ▶ Transitional CLAs concluded in October 2011 for interim period
- ▶ Program for discussions with the unions launched in January 2012



- ✦ 2011: Operating loss of €700m

- ✦ Projects under consideration
 - ▶ Network restructuring
 - ▶ Product definition
 - ▶ Regional activity rationalization

- ✦ 2014 target: return to break-even
 - ▶ Point to point network at breakeven in 2013, and profitable in 2014
 - ▶ Significant reduction of losses on hub-feeding networks

- ✦ Long-haul: improvement in profitability
 - ▶ Selected route closures
 - ▶ Product positioning

- ✦ Cargo: turnaround
 - ▶ Sizing and organization of full-freighter fleet
 - ▶ Streamlining of product portfolio
 - ▶ Cost reduction

- ✦ Maintenance: improvement in profitability
 - ▶ Sub-contracting of certain airframe activities

| | End March | April-June |
|-------------------------|--|-------------------------------------|
| Employee measures | Preparatory negotiations at Air France and KLM | Collective agreement renegotiation |
| Transformation projects | Conclusions and first actions | Finalization of transformation plan |

Outlook for 2012



Outlook for 2012

- ✦ Uncertain economic outlook
- ✦ High fuel price
- ✦ First half: operating result below last year's level
- ✦ Second half: first effects of Transform 2015 feeding through
- ✦ Maximum net debt level of €6.5bn at end 2012

Full Year 2011 results



8th March 2012

Appendices



Calculation of net financial debt

€ millions

| | 31 Dec 2011 | 31 Dec 2010 |
|--|--------------|---------------|
| Current and non current financial debt | 10,402 | 10,647 |
| Deposits on leased aircraft | (491) | (492) |
| Financial assets pledged (swap for convertible) | (393) | 0 |
| Currency hedges on debt | 4 | 38 |
| Interest not yet due | (122) | (146) |
| = Total financial debt | 9,400 | 10,047 |
| Cash and cash equivalents | 2,283 | 3,496 |
| Investments of over three months | 359 | 424 |
| Available cash pledges | 235 | 0 |
| Deposits (bonds) | 165 | 207 |
| Bank overdrafts | (157) | (145) |
| = Net cash | 2,885 | 3,982 |
| Net financial debt | 6,515 | 6,065 |
| Consolidated shareholders' funds | 6,094 | 7,032 |
| Net debt / Shareholders' funds | 1.07 | 0.86 |
| <i>Net debt / Shareholders' funds ex hedging instruments</i> | <i>1.08</i> | <i>0.86</i> |

Restated net result

€ millions

| | T4 2011 | T4 2010 | Jan-Déc 2011 | Jan-Déc 2010 |
|--|--------------|-------------|-----------------|-----------------|
| Net result, group share | (259) | (46) | (809) | 289 |
| + Income tax | (3) | (36) | (245) | (275) |
| = Net result, group share before income tax | (262) | (82) | (1,054) | 14 |
| + Non recurring items* | 23 | 16 | 127 | (606)** |
| + Non monetary part of value of hedging instruments | (95) | 9 | (8) | (24) |
| = Restated net result, group share, before income tax | (334) | (57) | (935) | (616) |
| - Income tax | 25 | 25 | 226 | 211 |
| - Non recurrent items of associates | - | - | - | - |
| Restated net result, group share | (309) | (32) | (709) | (405) |

* Non recurring items: income and costs accounted for between the current operating result and the result from operating activities

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

Results for the nine-months to 31 December

€ millions

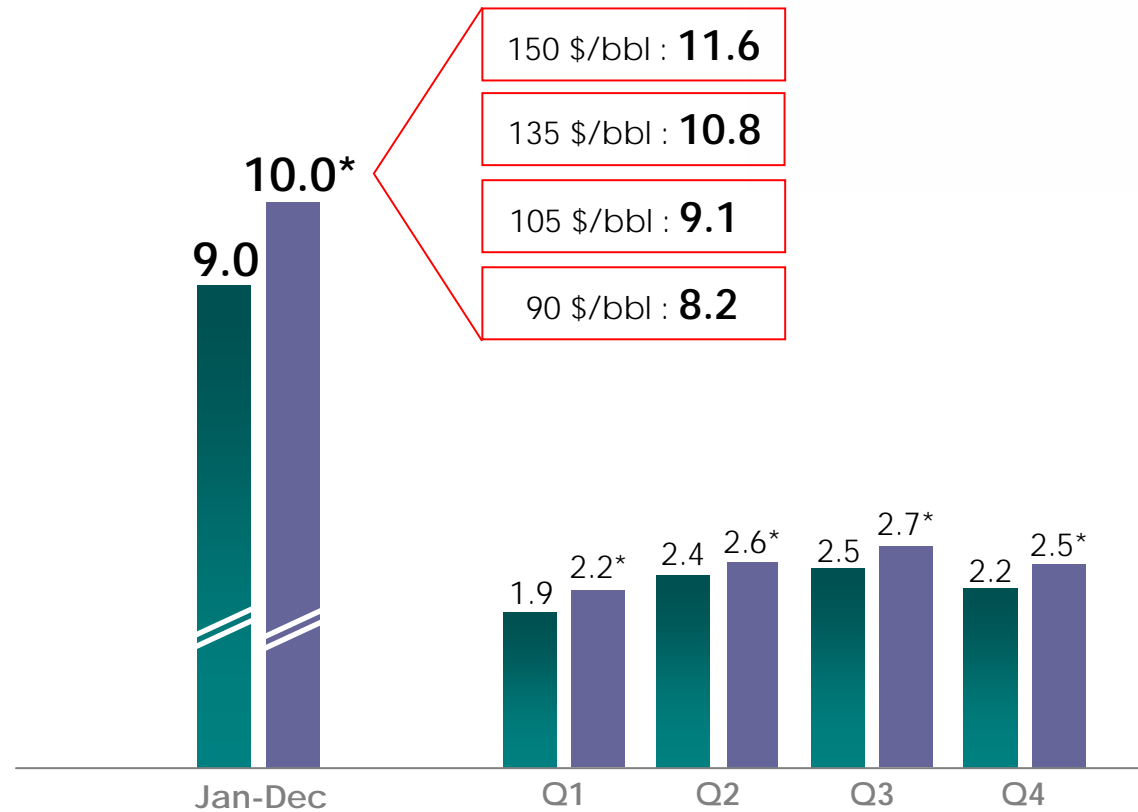
| | April-Dec 2011 | April-Dec 2010 | % Ch. |
|--|-------------------|---------------------|--------------|
| Revenues | 19 037 | 18 289 | +4,1 |
| Operating costs | (18 987) | (17 764) | +6,9 |
| EBITDAR | 1 987 | 2 424 | (18,0) |
| Operating result | 50 | 525 | nm |
| <i>Adjusted operating result*</i> | <i>268</i> | <i>737</i> | <i>-58,4</i> |
| Non current income and costs <i>O/w Amadeus</i> | (24) | 867 <i>1 030</i> | nm |
| Result from operating activities | 26 | 1 392 | nm |
| Net interest charge | (280) | (280) | (2,5) |
| Other financial income and expenses | (247) | (145) | nm |
| Income tax | 75 | 26 | -nm |
| Other | (27) | (13) | nm |
| Net result, group share | (442) | 980 | nm |
| <i>Restated net result</i> | <i>(403)</i> | <i>73</i> | <i>nm</i> |

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

Update on the fuel bill

Fuel bill in billion dollars
after hedging

■ 2011
■ 2012

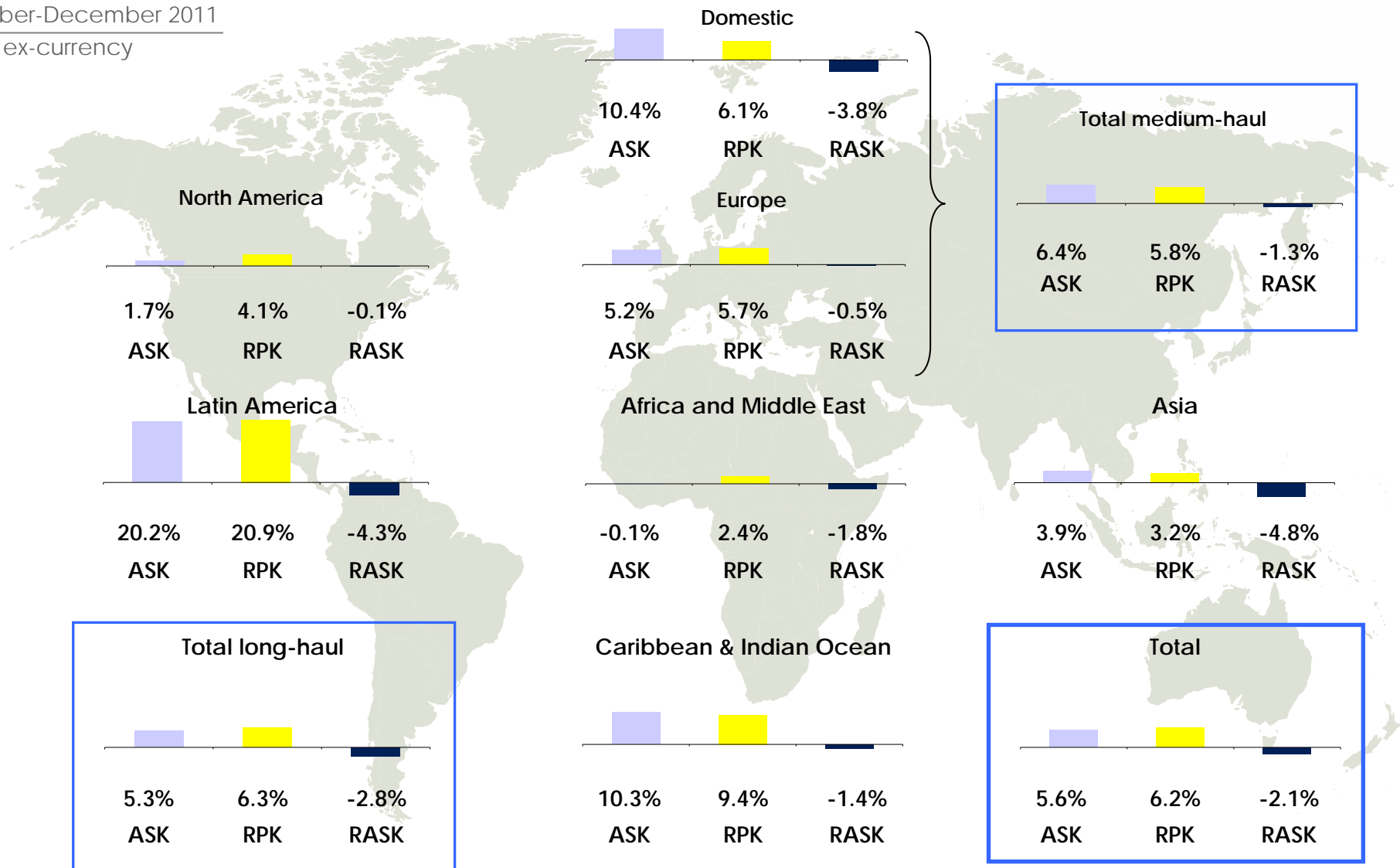


| | | | | | |
|----------------------------------|-------|-------|-------|-------|-------|
| Market price Brent (\$ per bbl)* | 119 | 118 | 122 | 119 | 117 |
| Jet fuel (\$ per mt)* | 1,080 | 1,055 | 1,090 | 1,090 | 1,090 |
| % of covered consumption | 53% | 57% | 59% | 52% | 43% |

* Forward curve at 2 March 2012

Unit revenue per region – Q4

October-December 2011
RASK ex-currency

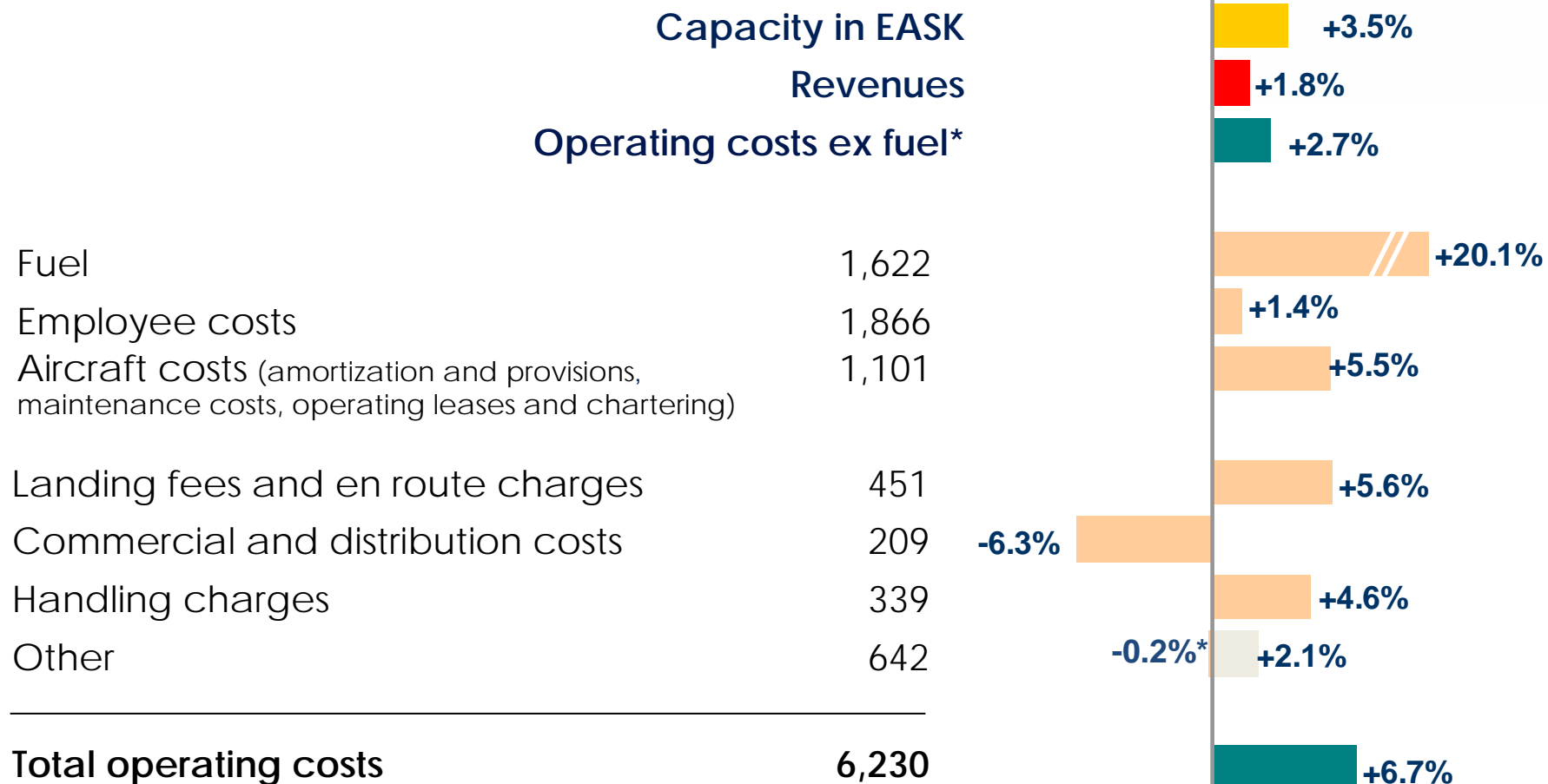


NB: Long-haul activity excl. Martinair, medium-haul 2010 activity corrected

Change in operating costs – Q4

October-December 2011

€ million pro-forma

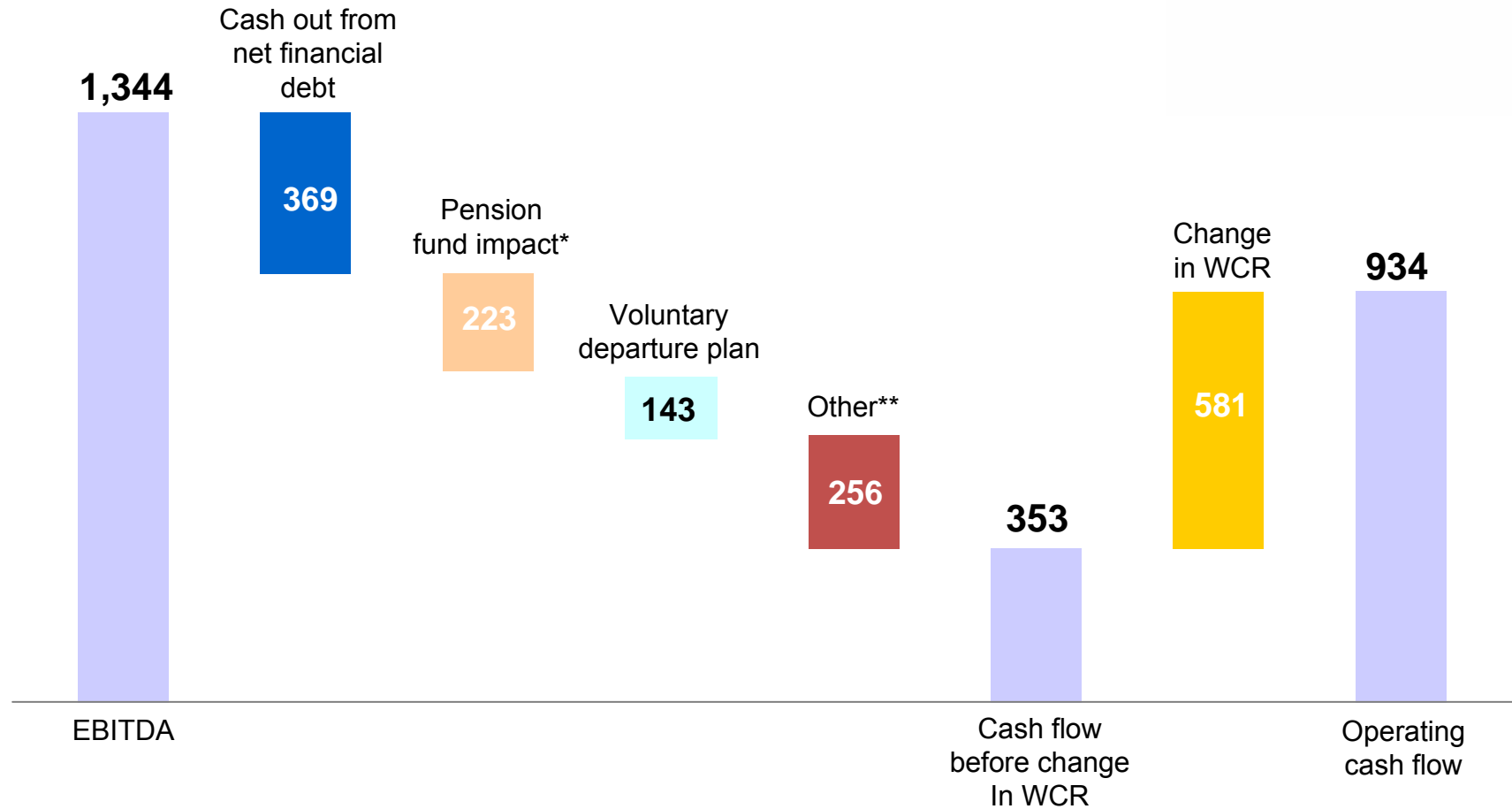


(*) Excluding currency hedging

Cash flow

January-December 2011

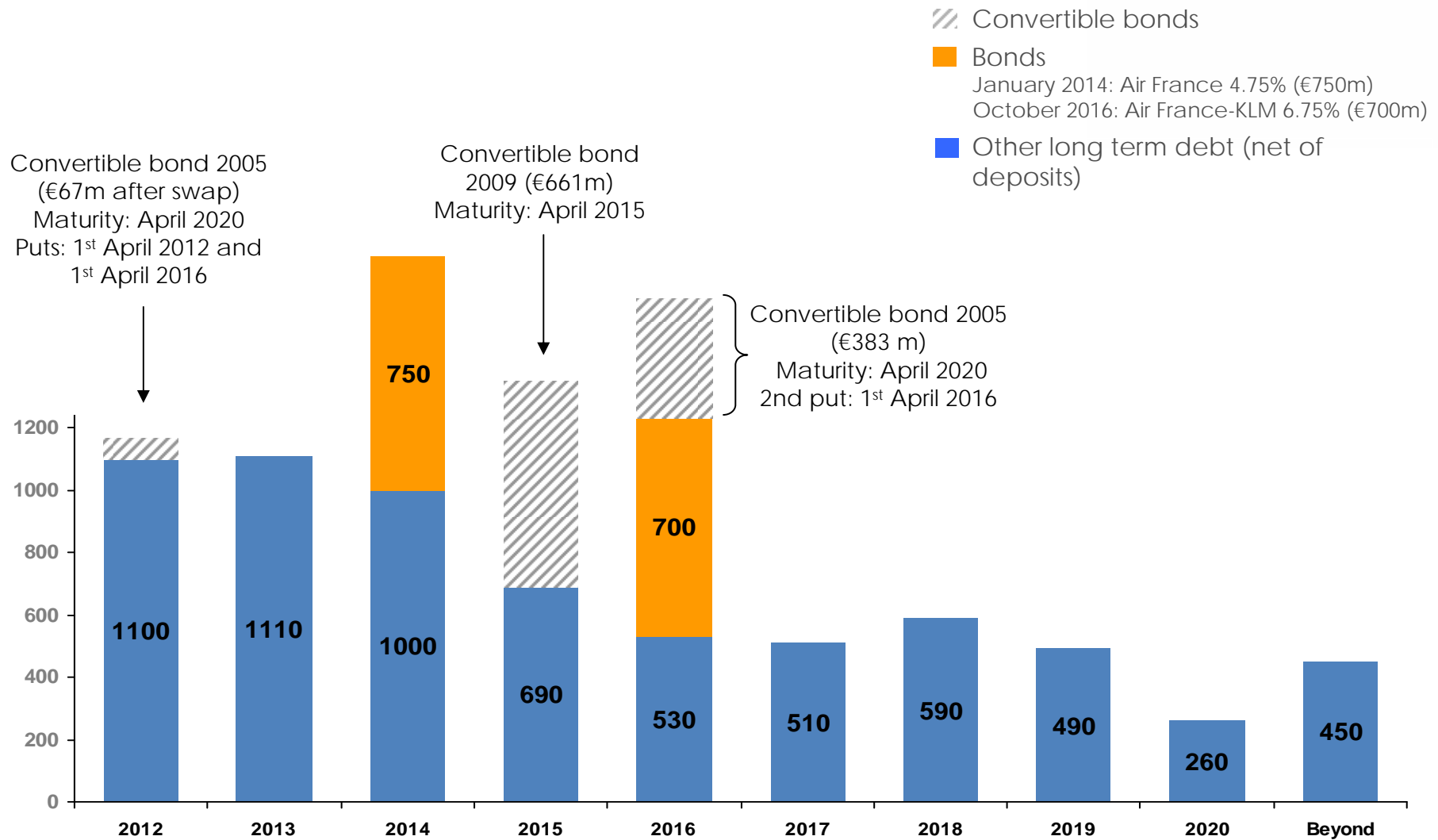
€ million



* Cash contribution of €429m less pension fund cost of €206m already included in EBITDA

** Of which: Derivatives 93, taxes and reclassification 84

Debt reimbursement profile at 1st Jan 2012*



* In million euros, net of deposits on financial leases and excluding KLM perpetual debt (€625 m)