

ACTION

Air France-KLM's
Shareholders' Newsletter
February 2015

air



Alexandre de Juniac
Chairman and Chief Executive
Officer of Air France-KLM

“ Dear Shareholders,

Last September we launched your Group's new strategic plan, Perform 2020. Covering the 2015-20 period, this plan prolongs the imperative efforts on competitiveness initiated within the framework of Transform 2015 and is supported by three main growth levers: a move up-market for our products and services, particularly in long-haul, aeronautics maintenance, and low cost with Transavia.

We thus welcome the signature by the main Air France pilots' union of an agreement which



PERFORM 2020

On 11 September, the Air France-KLM Group unveiled its new strategic plan Perform 2020.

[See page 2](#)



Transavia,
the Air France-KLM
Group's low-cost
subsidiary

Based in both the
Netherlands and France,
the airline is targeting
leisure customers.

[See page 6](#)

Feedback on the Grand Palais exhibition

More than 33,000 visitors.

[See page 4](#)



THIRD QUARTER 2014 RESULTS

Revenue stability.

[See page 3](#)

→ Alexandre de Juniac editorial continued

secures the Transavia growth plan in France, whose fleet is going to nearly double in the next three years.

I would like to thank you for the many messages of support we received during the pilots' strike. They strengthened our conviction: while never ceasing to seek a compromise, your Group's management could not give in to economically-ludicrous demands that would have jeopardized this plan to generate growth and jobs.

Such a crisis should not make us lose sight of what is most important: thanks to the efforts of all its employees within the framework of Perform 2020, your Group will pursue in 2015 the results turnaround momentum which is key to its development.

The difficult economic environment and the weaker unit revenue trend developing since the summer of 2014 have thus led us to implement additional unit cost reduction measures and revise down our investment plan.

Our goal is to make Air France-KLM the reference air transport group in Europe. In 2015, we need to act rapidly to secure our future.

Thank you for your confidence.

PERFORM 2020

On 11 September, the Air France-KLM Group unveiled its new strategic plan, Perform 2020, for the 2015-20 period. As the successor to Transform 2015 (the first phase in the Group's turnaround), Perform 2020 maintains the imperatives of competitiveness and the ongoing strengthening of the Group's financial position.

The economic environment remains difficult but profitable growth opportunities do exist and Air France-KLM plans to reinforce its key strengths, namely its network, its products and services and its brands, while adjusting its portfolio of activities:

- The development of the **passenger hub business** based on an upgraded product offer, an increased customer focus and stronger brand positioning. Benefiting from the most extensive long-haul network on departure from Europe, the Group will be able to continue to capture growth opportunities, particularly via the reinforcement of strategic partnerships.

The Group will maintain strict capacity discipline with growth in 'passenger' capacity expected to be around 1% to 1.5% for the 2015-2017 period.

- The Group will continue to restructure its **point-to-point operations**, aimed at a return to operating breakeven by 2017. In addition to the full impact of the measures launched in 2013, this objective will be reached thanks to new initiatives to restructure the network and reduce costs, together with the creation of a single business unit combining HOP! and the Air France point-to-point operations.

- The accelerated development of Air France-KLM in the European leisure market, under the Transavia brand, based on the two existing companies - Transavia France and Transavia Netherlands. The Group plans to build on the results achieved within the framework of the Transform 2015 plan to reinforce its presence in this growth market.

As of the summer of 2015, Transavia will be the leading low cost carrier on departure from Orly and will continue its growth to reach some forty aircraft in France within five years. With profitability being impacted by on-going ramp-up costs, the Group is targeting operating profitability by 2017.

- The finalisation of the **cargo** repositioning: a significant reduction in the full-freighter fleet, from 14 aircraft in revenue service during 2013 to five aircraft at the end of 2016, should enable this business to return to operating breakeven in 2017 (versus a loss of €110 million in 2013 and a €200 million loss including bellies). The Group will continue to operate a small full-freighter fleet to be able to maintain its revenue premium on bellies. The Group plans to remain a major player in the European cargo sector thanks to its extensive belly network, but with only very limited remaining exposure (15% of capacity) to full-freighter volatility.

- The recent development of the **maintenance** business has proven successful, with increased profitability and a strong increase in the order book. The Group will pursue its growth in this segment, particularly in engines and components, including via targeted acquisitions. This business should generate an additional €50 million to €80 million of EBITDAR in 2017, depending on acquisitions.

From a financial perspective, Air France-KLM plans to pursue the reduction in its unit costs and selective capex management while adopting a disciplined approach to growth opportunities.

The Group will leverage the structured approach implemented within the framework of Transform 2015 to maintain unit cost reduction at an annual rate of 1% to 1.5%. To achieve this target, the group will go beyond traditional efforts directed at reducing unit costs (e.g. reduction in external expenses, purchasing policy and renewal of the long-haul fleet). This will involve the on-going restructuring of uncompetitive activities, a systematic review of processes using benchmarking based on profit centers and negotiating with staff on the achievement of productivity gains in return for growth.

A progressive increase in fleet capex, while below its pre-2012 levels, will be undertaken within the framework of strict capex control. Dedicated sources of funding will be allocated to significant development opportunities to ensure control over credit ratios. For example, the first phase in Transavia's expansion has been financed by the €339 million proceeds generated on the partial disposal of the Amadeus stake.

Q3 2014: revenue stability like-for-like

> €18 million decline in operating result like-for-like

Third quarter 2014 activity was significantly impacted by 14 days of strike action by Air France pilots, which had an estimated negative impact of €416 million on revenues and €330 million on the operating result.

Total revenues amounted to €6,695 million and were stable (+0.2%) on a constant currency basis and excluding the impact of the Air France pilot strike ("like-for-like").

In the passenger business the unit revenue declined by 1.8% like-for-like, penalized by the industry overcapacity in some parts of the network and a sluggish market environment.

Transavia continued its growth, particularly in France (capacity up by 21.4%) with a robust unit revenue performance.

Faced with the weak demand trend (decline in unit revenue), the Group continued to reduce its capacity in the cargo business.

The revenues and operating result in the maintenance business remained positively oriented.

The fall in unit costs continued for the tenth successive quarter (-1.2% like-for-like).

The operating result stood at €247 million versus €641 million in 2013, a €394 million decrease. Like-for-like, this decrease was €18 million.

The net result, group share stood at €100 million against €148 million a year earlier.

At September 30, 2014, net debt amounted to €5.27 billion versus €5.35 billion at December 31, 2013, down by €76 million. The 12 months trailing net debt / EBITDA ratio stood at 3.2x. Adjusted for the impact of the pilots' strike on EBITDA, it was down to 2.7x versus 3.1x at December 31, 2013.

In mid-September, the group unveiled its new strategic plan, Perform 2020, for the 2015-20 period, some of whose initiatives have already been launched.

> Outlook

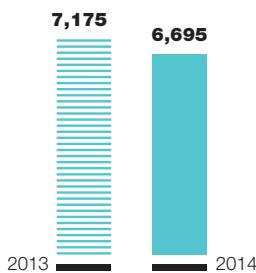
The Transform 2015 plan is on track and several initiatives from Perform 2020, the new strategic plan covering the 2015-20 period, have already been launched.

While, in early July, the Group had set itself a 2014 EBITDA target of between €2.2 billion and €2.3 billion, the difficult market environment and the Air France pilots' strike led to two revisions in targets in October and December, totalling a negative impact of around €700 million.

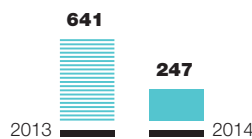
With no impact on the principles of the Perform 2020 plan, the Group decided to revise its 2015 and 2016 business plans to take into account the consequences of the pilots' strike and the weaker unit revenue trend that has developed since last summer.

The Group is thus working on additional unit cost reduction measures and a significant downwards revision in its investment plan.

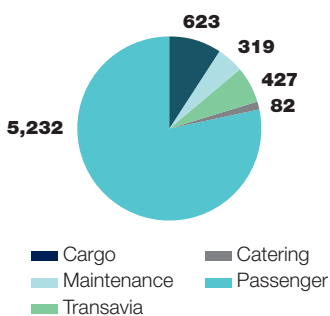
Revenues
in € million (Q3)



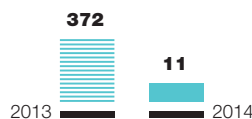
Income from current operations
in € million (Q3)



Revenue breakdown by business
in € million (H1 2014)



Net income, Group share
in € million (Q3)





Pieter Elbers is appointed President and CEO of KLM, replacing Camiel Eurlings

Pieter Elbers has been appointed President and CEO of KLM by the KLM Supervisory Board, replacing Camiel Eurlings.

In view of the expiry of his current term of office in April 2015, Camiel Eurlings decided, as agreed by the KLM Supervisory Board, to step down with immediate effect as KLM's President and CEO to pave the way for his successor.

Aged 44 years, Pieter Elbers started his career at KLM in 1992 and, until his recent appointment, held the position of Chief Operating Officer and Deputy CEO of KLM. He has been a member of KLM's statutory Board of Managing Directors since April 2012 and is a member of Air France-KLM's Executive Committee.

His previous positions at KLM include Senior Vice-President Network & Alliances, General Manager KLM Japan & Korea and General Manager KLM Mediterranean.

He is a member of the Supervisory Boards of Kenya Airways and Transavia Netherlands, and is also a member of the Advisory Board of The National Aerospace Laboratory of the Netherlands (NLR), the International Advisory Board of International Institute of Air & Space Law (IIASL) and the Dutch Aerospace College "Lucht- en Ruimtevaart Nederland" (LRN).

Nominet becomes Sharinbox

Since last October, Nominet, the site that used to manage your registered shares has become "sharinbox" and offers you easier navigation. The totally new ergonomics and home page have been redesigned to enable you to access a consolidated picture of your assets.

Starting from Saturday December 13, you have been automatically redirected to the new website www.sharinbox.societegenerale.com but your logins and passwords remain unchanged.



KLM celebrates its 95th anniversary!

Founded on October 7, 1919 in The Hague, Netherlands, KLM has celebrated its 95th anniversary, becoming the oldest airline in the world operating under its original name.

To mark this milestone, numerous aircraft in the fleet have been painted with a special "KLM 95 Years" logo on their fuselage and the airline inaugurated the "Exploring KLM's 95-Year Journey" exhibition in the Jan Van Der Togt Museum in Amstelveen, retracing its long history.

Air France launches "Lab'line for the future" and begins weekly biofuel-powered flights from Toulouse to Paris-Orly

Air France is reaffirming its on-going commitment to the environment by using its Toulouse - Paris-Orly route to showcase an innovative initiative to promote sustainable development known as **Lab'line for the future**. Until September 2015, Air France will use this route to present its multiple projects and achievements focusing on sustainable development goals. Customers will be able to attend regular events in partnership with the DGAC, Safran-Snecma and Total-Amyris, but also Aéroport de Toulouse Blagnac, Airbus, BETC, etc.



First event: biofuels

As of October 21, 2014, to coincide with the launch of **Lab'line for the Future**, Air France inaugurated a series of flights powered by biofuels (10% added to standard kerosene) on the route between Toulouse and Paris-Orly. The Company hopes that, through this initiative, the public authorities will become more aware of the need to develop an "aviation biofuels" industry in France.

Air France-KLM, a leader in sustainable development



In September 2014, the Dow Jones Sustainability index (DJSI), the main international index evaluating companies on their sustainable development performance, ranked the Air France-KLM Group the leader of the "Airlines" category for the tenth successive year.

For the sixth year running, Air France-KLM was also ranked number one in the broader "Transport" category covering air, rail, sea and road transportation as well as airport activities, becoming one of the 24 most sustainable companies globally, each in their relevant sectors of activity.

For more, see the Air France-KLM Corporate Social Responsibility Report on the website www.airfranceklm.com.

A world first: the Air France A380 flies to French-speaking Africa



Since October 26, Air France has been serving Abidjan by A380 with three weekly frequencies in addition to four other frequencies operated in Boeing 777-300s. Henceforth, the airline wishes to support the country's development, which aims to become the main hub and gateway to West Africa, a market representing over 300 million inhabitants.

The A380 has 516 seats in four cabin classes: 9 seats in *La Première*, 80 seats in Business, 38 seats in Premium Economy and 389 seats in Economy. Besides unparalleled comfort in an exceptionally spacious cabin, the A380 offers a low noise level on board and uses less fuel, thereby reducing CO₂ emissions.

Air France has also been the technical and financial partner of Air Côte d'Ivoire since May 2012, the creation date for the airline thanks to a 20% stake in its initial capital. The Air Côte d'Ivoire fleet currently comprises three Airbus A319s and one Embraer 170, serving the major cities in West and Central Africa.

This winter Air France-KLM is the leading carrier on flights between Europe and the African continent with 39 destinations under its own banner, supplemented by partnerships with the African airlines, Kenya Airways, Comair and kukula.com.

Update on Ebola

Since early 2014, the epidemic of this illness has ravaged Guinea-Conakry, Sierra Leone and Liberia.

In cooperation with the airport authorities, the French Embassy in Conakry, the World Health Organization, the in-field NGOs and the French Foreign Ministry's crisis center, Air France is monitoring the situation in real time. France has introduced health checks on the arrival of flights from zones affected by the epidemic and dedicated "Ebola screening" has been implemented by the airline on all flights concerned by the measures introduced by the health authorities.

At the request of the French government, Air France has stopped serving Sierra Leone but continues its services to Guinea Conakry.



Feedback on the exhibition at the Grand Palais

"Air France, France is in the Air" took up residence in the Grand Palais between September 13 and 21 for the final stage of this touring exhibition. This exceptional event was attended by more than 22,000 visitors who were able to explore the new cabins in an environment blending the airline's history with new technologies. After Shanghai

and New York, the exhibition welcomed a total of more than 33,000 visitors, proof that Air France is still greatly appreciated world-wide.

Benefiting from the offer in your August edition of ACTION'air, 50 members of the shareholders' club enjoyed priority access to the exhibition.

Air France-KLM rewarded for the quality of its relations with investors and individual shareholders



On December 1, 2014, Air France-KLM received two awards for the quality of its relations with investors and individual shareholders.

Silver award in the "Best Investor Relations" category

On the occasion of the 7th edition of the Investor Relations Forum, the annual event for French professionals in the field of investor relations and financial communications.

Super Silver Award in the first shareholder relations trophies awarded by Le Revenu

In parallel, the weekly magazine Le Revenu awarded the Group a number of Trophies including the "Super Silver Award for investor relations". In the SBF120 companies outside the CAC40 category, Air France-KLM thus won the following awards:

- Super Silver Award for shareholder relations
- Gold Award for the best general assembly
- Silver Award for the best website

In July 2014, Air France-KLM had already been recognized for the quality of its AGM organization: the Group had finished second in the Annual General Meeting Grand Prix in the SBF120 outside the CAC40 category.

Transavia, the Air France-KLM Group's low-cost subsidiary



Based in both the Netherlands and France, Transavia is targeting travel agents and tour operators organizing Group travel to medium-haul destinations together with individual leisure customers.

Its fleet comprises 41 Boeing 737-700s and 800s, with 30 aircraft based in the Netherlands and 11 in France. The company has 2,050 employees.

In the Summer 2013 season, on departure from Amsterdam, Eindhoven and Rotterdam, Transavia offered 94 destinations around the Mediterranean rim and, on departure from Paris-Orly, 33 other tourism destinations.

That same year saw 8.9 million passengers carried although the Dutch business had been affected by difficulties for travel agents on destinations impacted by political crisis like Egypt and Tunisia.

In France, as planned within the framework of the Transform 2015 plan, Transavia brought an additional three aircraft into operation and decided to accelerate its development in France after the progress review realized in October 2013.

Since Summer 2014, Transavia has been operating five more aircraft than in Summer 2013, i.e. a total of 16 aircraft, with some destinations jointly served by Air France and Transavia.

In addition, the emphasis has been put on developing synergies between the two subsidiaries, particularly for marketing outside France and the Netherlands.

There is a single Transavia brand on the main European markets meaning that the company has been able to leverage the Group's commercial power more effectively. It is thus now possible to issue Flying Blue reward tickets on Transavia

Annual results

In 2013, as foreseen in the Transform 2015 plan, Transavia activity experienced strong growth with traffic up by 13.5% for an 11.6% increase in capacity, of which +25.5% for Transavia France.

The load factor increased by 1.5 points to 90.1%. Despite this strong growth, the unit revenue remained stable (-0.2%).

Transavia generated revenues of €984 million, up by 10.7%. The operating loss stood at €23 million (versus break-even in 2012), penalized by the services to Mediterranean countries in crisis and by the launch costs on some lines.

Agreement with the pilots' union enabling the development of Transavia in France

Last September, the Air France pilots went on strike to support their main demand for the application of the Air France employment contract within Transavia France. The union subsequently added a second demand targeting the withdrawal of the "Transavia Europe" project to open bases outside France and the Netherlands, which was perceived as the delocalisation of jobs.

Despite prolonged negotiations and the abandonment of the "Transavia Europe" project, the strike ended without the SNPL signing an agreement.

Some weeks later, renewed negotiations resulted in a draft agreement which was approved in early December by all the pilots: with a very high level of participation, 53% of Air France pilots having approved the agreement rising to 60% for members of the SNPL.

This result was confirmed by the SNPL union Board and, to date, more than 200 Air France pilots have volunteered for the 72 vacant positions at Transavia France.

"We welcome the positive result of this consultation which brings to an end a period of uncertainty. A majority of pilots has chosen to support our growth strategy in the low-cost market with Transavia." said Mr. Frédéric Gagey, Air France's Chairman and Chief Executive Officer.

Thanks to this agreement, the accelerated development plan for Transavia in France can now be pursued with strong growth as of the 2015 Summer season: 21 aircraft in operation versus 16 in Summer 2014, making Transavia the number one low cost carrier at Paris-Orly by Summer 2015, and with a target of 37 Boeing 737s by 2019.

Integrated pilot career management will be implemented between Air France and Transavia including, in particular, a single seniority list.

This development responds to one of the pilots' key demands and enables any overstaffing at Air France to be more easily managed by organizing secondments to Transavia.

A report back...

...on the Individual Shareholder Committee lunch held on October 17, 2014 in the presence of Mr. Antoine Pussiau, Chairman and Chief Executive Officer of Transavia.



After an autumn marked by Transavia's ubiquitous presence in the media, the Committee members had the opportunity to meet Mr. Antoine Pussiau, its Chairman and Chief Executive Officer. Having been appointed to this position in 2013, Mr. Pussiau had previously been Senior Vice-President, Europe & North Africa, for Air France-KLM. This meeting enabled members to gain a better understanding of the context and growth of the low-cost activity at Air France-KLM.

The need to create a so-called leisure activity started to be felt at Air France in 2005, driven by the cultural change since the deregulation of the air space and the emergence of several low-cost carriers. Air transportation becoming more commonplace with a broader public also generated substantial capacity and low prices.

Transavia France was created in 2007 to supplement Air France-KLM's offer in a market which had become very competitive. Its Orly base enables the company to benefit from Air France slots, the latter's short and medium-haul operations having been seriously affected by the new models.

Mr. Pussiau reminded everyone that the creation of Transavia was by no means recent since the company dates back to 1968 in the Netherlands, having been created by aviation enthusiasts. Initially specializing in charter flights, Transavia then underwent a series of changes including mergers and acquisitions before becoming 100% controlled by KLM in 2003.

To ensure its development, considerable work on synergies between the French and Dutch subsidiaries is under way since, while Transavia France's activity represents only one third of Transavia's operations, it is seeing rapid growth. To meet the growing demand, there are plans to open new

routes in the near future and extend the current fleet of 14 Boeing 737-800s to 21 aircraft. The choice to use a single type of medium-haul aircraft is the result of a standardization and cost-optimization strategy, in terms of both equipment (maintenance contract and spare parts, etc.) and staff (flight and cabin crew training).

After several years of operations, the passenger satisfaction surveys confirm the quality of the Transavia product.

An interesting growth lever for the Group, the booking of reward tickets on Transavia flights is now possible for Flying Blue members, offering Air France-KLM customers an additional way to discover the Transavia network and product.

With a load factor approaching 90% and strict cost management, Transavia France's future looks positively oriented. Transavia is aiming to rapidly increase its market share in Paris while reaching operating profitability within three years.



transavia.com

Enjoy the comfort of a Boeing 777

Within the framework of the replacement of the economy class seats in the B777s, the Air France Museum is offering complete blocks of seats, sold as seen, complete with safety belts and screens*.

Prices: **€150** for a block of three seats and **€180** for a block of four. To place an order, just send an email to beblox@airfrance.fr before February 15. You will need to wire payment on confirmation of your order. Pick up during March from Air France Orly.

*Purchasers commit to never installing these seats on aircraft and not offering them for resale within a five-year period.



Dimensions: Weight = 150 cm for three seats, 200 cm for four seats; Height = 120 cm, Depth = 60 cm.

31 MY MEETINGS

Thursday May 21, 2015

Annual Shareholders' Meeting
Carrousel du Louvre

Forthcoming results

Thursday February 19, 2015
Full Year 2014 results

Forthcoming meetings of the Individual Shareholders' Committee

Wednesday January 28, 2015

Friday April 10, 2015

Wednesday September 23, 2015

Wednesday November 25, 2015

Forthcoming site visits

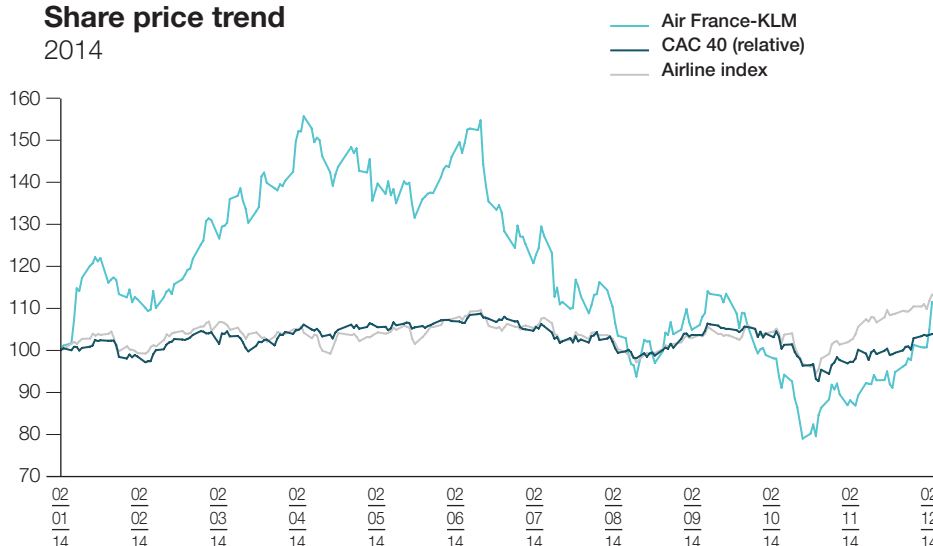
Roissy-CDG Hub:
Tuesday April 14, 2015

Sign up by Friday March 6, 2015
by email at:
mail.actionnaires@airfranceklm.com

Number of places limited and
exclusively for Club members

My shares

Share price trend 2014



Stock information

Eligible for deferred settlement and for PEA's (tax-exempt equity savings plans)

INCLUDED IN THE FOLLOWING MAIN INDICES

French/Dutch: CAC Mid 60
SBF 120
AEX-index

Global: DJ Eurostoxx 600

Sector: DJ Eurostoxx 600 Travel & Leisure

Euronext FAS IAS index of stocks with a significant proportion of employee shareholders

Securities services:

Société Générale

SBO/CSS/BOC
32 rue du Champ de Tir
CS 30812
44308 Nantes Cedex 3
France

DUAL LISTING

NYSE Euronext Paris and Amsterdam

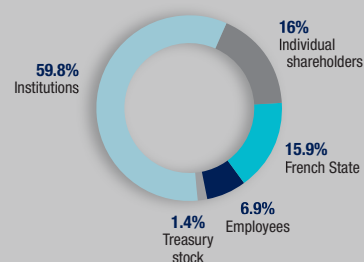
ISIN equity code FR0000031122

Reuters code AIRF.PA

Bloomberg code AFFP

OTC Market AFLYY

SHAREHOLDER BREAKDOWN AT SEPTEMBER 30, 2014



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