

An aerial view of an airplane's wing and tail section flying over a vast expanse of white, fluffy clouds. The sky is a mix of blue and golden-yellow, suggesting a sunset or sunrise. The sun is visible in the upper right corner, casting a warm glow over the scene. The wing is dark and metallic, with various panels and rivets visible. The clouds are dense and stretch across the horizon.

Full Year 2014 Results

19 February 2015

AIRFRANCE **KLM**

Highlights of the Full Year 2014



Operating environment

- ◆ Weak economic environment
- ◆ Significant currency volatility
- ◆ Fuel price stable in first 9 months followed by large drop
- ◆ Second Half impacted by industry overcapacity on certain long-haul routes



Air France-KLM

- ◆ Unit cost reduction delivered as planned
- ◆ Roll-out of upgraded products
- ◆ Transavia passengers up 26% in France
- ◆ EBITDA up €159 million excluding pilot strike impact
- ◆ Net debt stable, affected by pilot strike and Venezuela
- ◆ Launch of new strategic plan, Perform 2020

Key data

| In € millions | Q4 2014 | Q4 2013 ⁽¹⁾ | Change | FY 2014 | FY 2013 ⁽¹⁾ | Change |
|---|--------------|------------------------|---------|---------------|------------------------|----------|
| Revenues | 6,212 | 6,123 | +1.5% | 24,912 | 25,520 | -2.4% |
| <i>Change like-for-like⁽³⁾</i> | | | -0.5% | | | +0.3% |
| EBITDA ⁽²⁾ | 316 | 382 | -66m | 1,589 | 1,855 | -266m |
| EBITDA excluding strike | 411 | 382 | +29m | 2,014 | 1,855 | +159m |
| <i>Change like-for-like⁽³⁾</i> | | | -6m | | | +216m |
| Operating result | -169 | -63 | -106m | -129 | 130 | -259m |
| Operating result excl. strike | -74 | -63 | -11m | 296 | 130 | +166m |
| <i>Change like-for-like⁽³⁾</i> | | | +6m | | | +275m |
| Net result, group share | 316 | -1,176 | +1,492m | -198 | -1,827 | +1,629m |
| Adjusted net result ⁽²⁾ | -304 | -149 | -155m | -535 | -463 | -72m |
| ROCE excluding strike ⁽²⁾ | | | | 5.1% | 2.9% | +2.2 pts |
| Operating free cash flow ⁽²⁾ | | | | -164 | 530 | -694m |
| Net debt at end of period | | | | 5,407 | 5,348 | +59m |

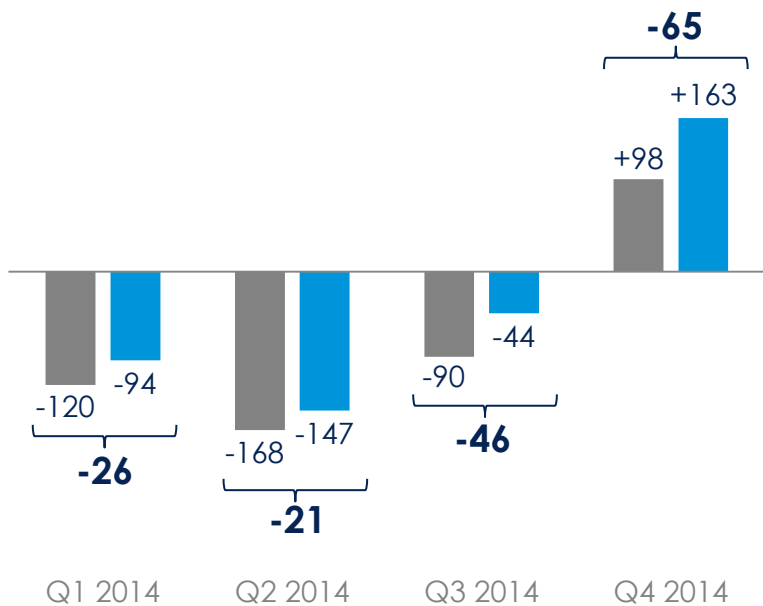
(1) 2013 restated for IFRIC 21, CityJet reclassified as discontinued operation

(2) See definition in press release

(3) Like-for-like: excluding currency, pilot strike impact and Q4 one-offs. Same definition applies in rest of presentation unless otherwise stated

Significant currency impact on operating result

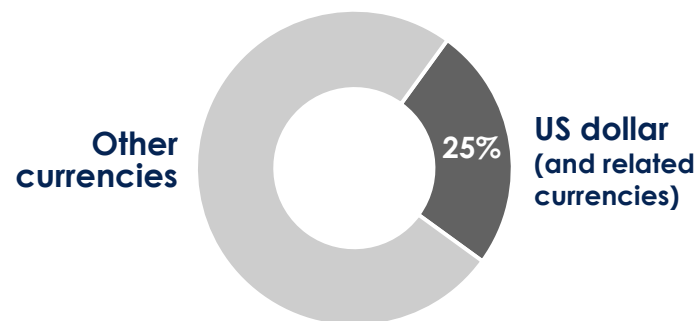
Currency impact on revenues and costs (€m)



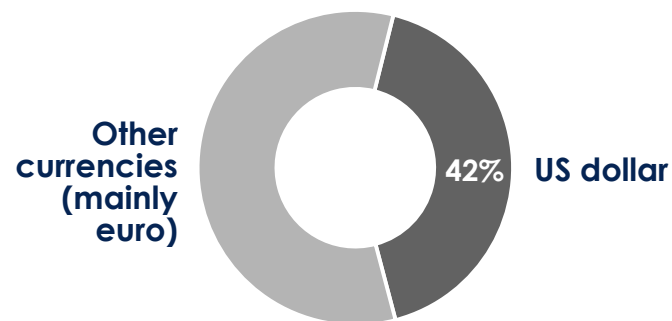
- Currency impact on revenues
- Currency impact on costs, including hedging
- XX Currency impact on operating result

Revenues and costs per currency (FY 2014)


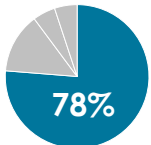

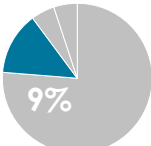

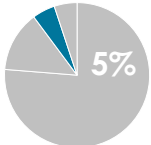
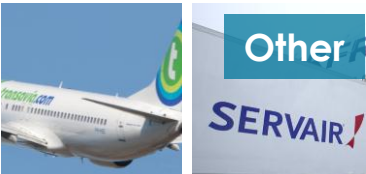
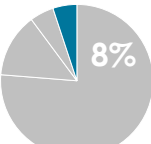
Revenues



Costs

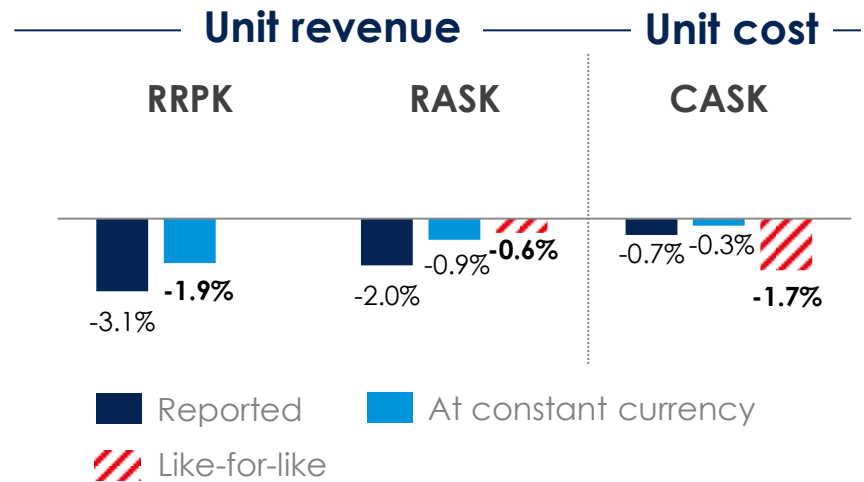
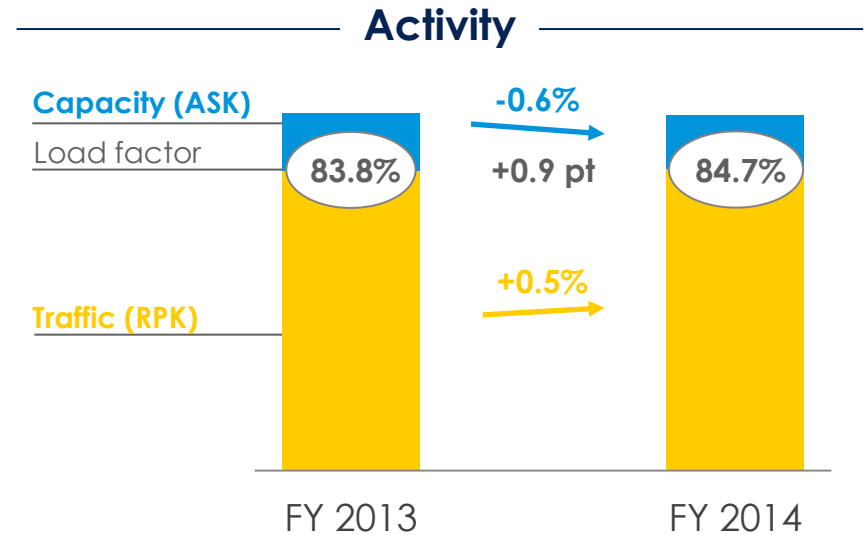


Contribution by business segment to Full Year 2014 results

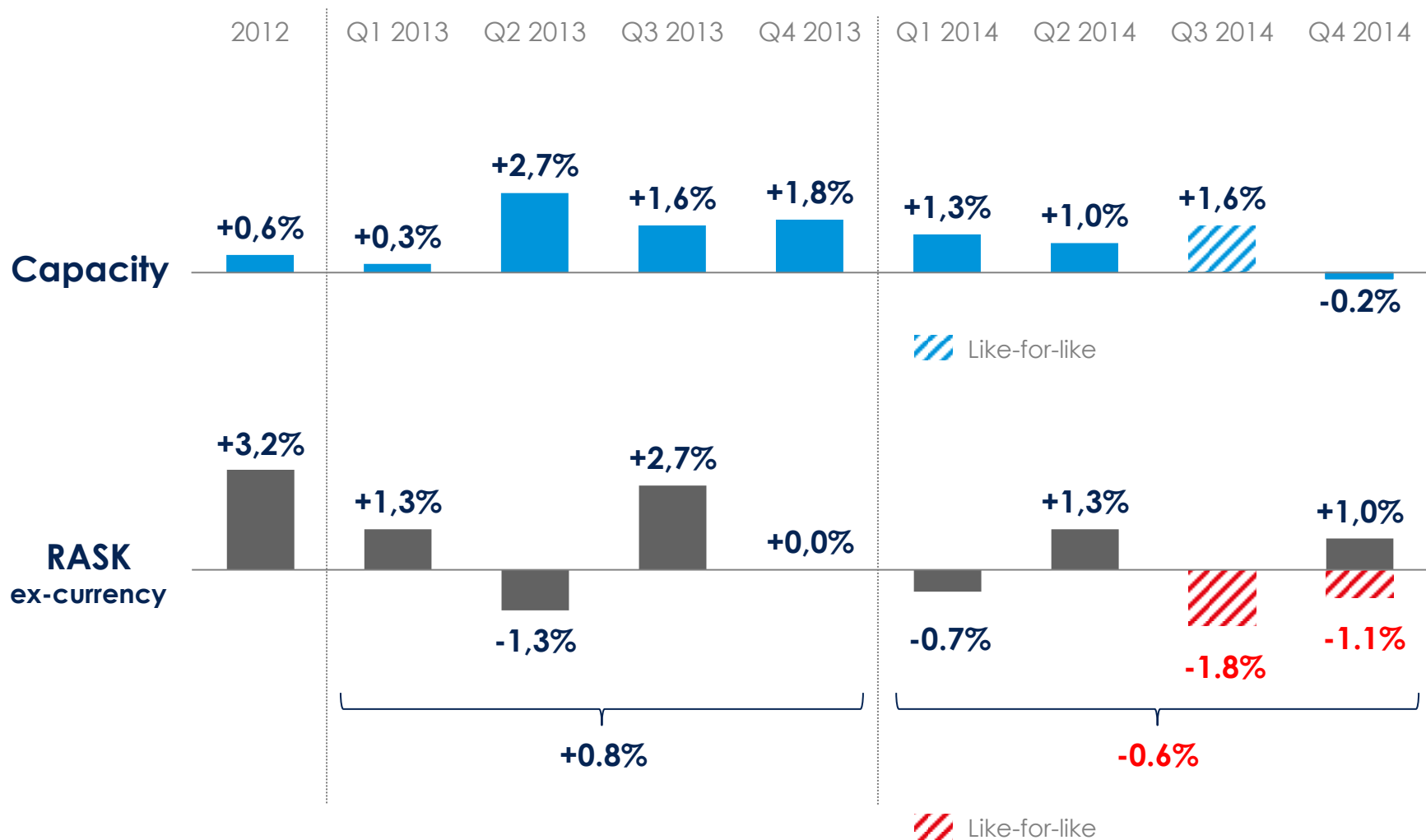
| | | Revenue (€bn) | Reported change (%) | Change Like-for-like (%) | | Op. result (€m) | Reported change (€m) | Change Like-for-like (€m) | |
|---|--|------------------|---------------------------|--------------------------------|---|--------------------|----------------------------|---------------------------------|---|
|  |  | 19.57 | -2.7% | +0.3% | ↗ | -83 | -257 | +208 | ↗ |
|  |  | 2.68 | -4.8% | -2.4% | ↘ | -212 | -10 | +33 | ↗ |
|  |  | 1.25 | +2.1% | +3.5% | ↗ | 174 | +15 | +42 | ↗ |
|  |  | 1.41 | +3.1% | +3.0% | ↗ | -8 | -7 | -8 | ↘ |
| Total | | 24.91 | -2.4% | +0.3% | ↗ | -129 | -259 | +275 | ↗ |

Passenger activity

- ◆ Activity strongly affected by pilot strike
 - ◆ Capacity up 1.0% excluding strike
- ◆ Full Year unit revenue down 0.6% like-for-like
 - ◆ Second Half unit revenue impacted by industry overcapacity on certain parts of the long-haul network
 - ◆ Positive trend in premium cabins
 - ◆ Premium: +3.0%*
 - ◆ Economy: -0.9%*
 - ◆ Positive impact of capacity reduction on medium-haul
- ◆ Operating result up like-for-like thanks to strong unit cost reduction delivery

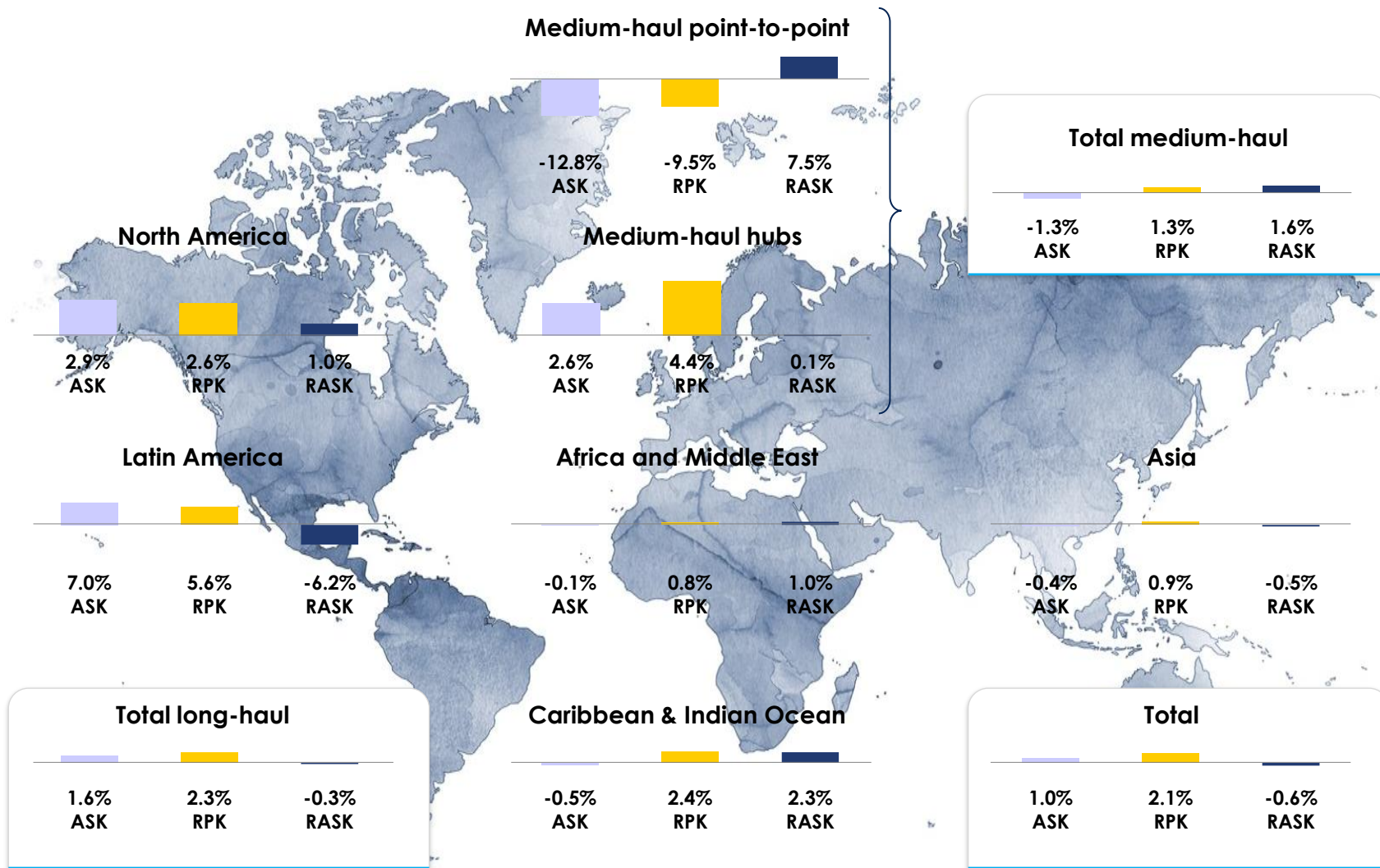


Passenger capacity and unit revenue per quarter



Full Year passenger unit revenue by network

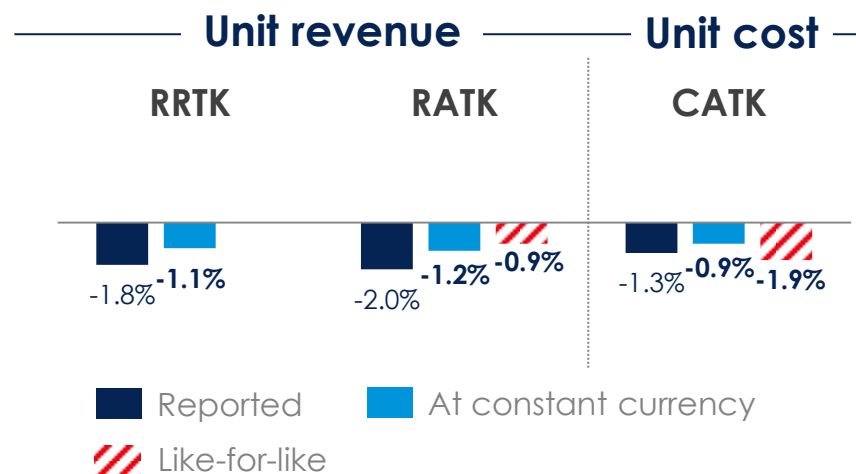
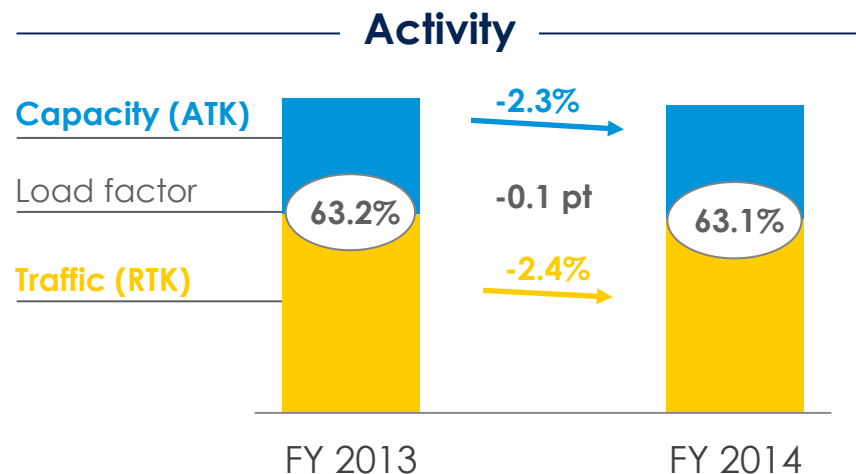
Like-for-like



Cargo activity

- ◆ Activity strongly affected by pilot strike
 - ◆ Capacity down 0.9% excluding strike
- ◆ Full freighter capacity further reduced by 7.8%
- ◆ Persistently weak demand
 - ◆ RATK -0.9% like-for-like
- ◆ Operating income up €33m like-for-like thanks to good performance on unit costs

➔ **Perform 2020: accelerated phase-out of 9 full-freighters**



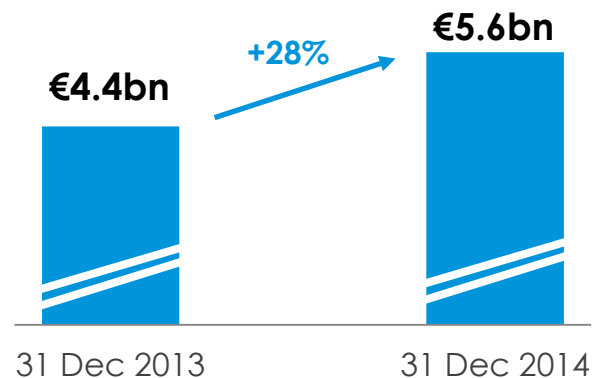
Maintenance activity

- ◆ Third party revenue: +3.5% like-for-like
 - ◆ Revenue pick up as expected in Second Half
- ◆ Dollar strength now supporting revenue and profitability
- ◆ Increase in operating result and margin
 - ◆ As a result of ongoing development of higher margin activities
 - ◆ Despite pilot strike impact on internal revenue and operating result



**Perform 2020:
further development**

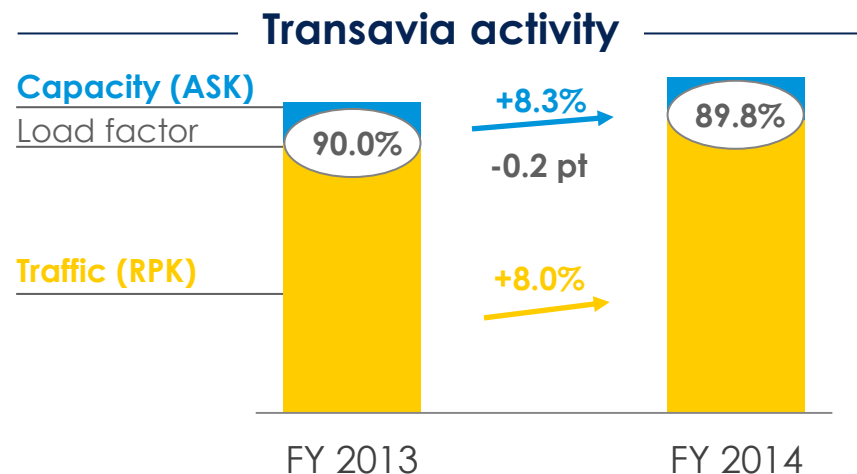
Order book



| In € millions | FY 14 | FY 13 | Change | Like-for-Like |
|---------------------|--------------|-------|--------|---------------|
| Total revenue | 3,392 | 3,280 | +3.4% | |
| Third party revenue | 1,251 | 1,225 | +2.1% | +3.5% |
| Operating result | 174 | 159 | +15 | +42 |
| Operating margin | 5.1% | 4.8% | +0.3pt | +1.1pt |






Other businesses: strong development of Transavia

- ◆ 10 million passengers
- ◆ Revenues surpassing €1 billion
- ◆ Load factor stable at almost 90%
- ◆ Accelerated ramp-up in France on track
 - ◆ Capacity up 21%
 - ◆ Passengers up by 23%
- ◆ Ongoing shift to LCC model in the Netherlands
 - ◆ Scheduled capacity up 12%
 - ◆ Charter capacity down 4%



| In € millions | FY 14 | FY 13 | Change |
|----------------------|--------------|-------|--------|
| Total revenue | 1,056 | 984 | +7.3% |
| RRPK (€ cts per RPK) | 5.50 | 5.53 | -0.5% |
| RASK (€ cts per ASK) | 4.94 | 4.98 | -0.7% |
| CASK (€ cts per ASK) | 5.11 | 5.09 | +0.3% |
| Operating result | -36 | -23 | -13 |

Full Year 2014: Change in operating costs

| | €m | Reported change | Change at constant currency | Like-for-like |
|---|---------------|-----------------|-----------------------------|---------------|
|  Total employee costs <i>including temps</i> | 7,510 | -1.9% | -1.9% | |
|  Supplier costs⁽¹⁾ <i>excluding fuel and purchasing of maintenance services and parts</i> | 6,301 | +0.7% | +1.3% | |
|  Aircraft costs⁽²⁾ | 3,029 | -2.1% | -1.4% | |
|  Purchasing of maintenance services and parts | 1,356 | +4.1% | +4.6% | |
| Operating costs ex-fuel⁽³⁾ | 18,412 | -0.4% | -0.2% | -0.5% |
|  Fuel | 6,629 | -3.9% | -2.9% | -1.5% |
| Grand total of operating costs | 25,041 | -1.4% | -0.9% | -0.8% |
| <i>Capacity (EASK)</i> | | | -0.3% | +1.2% |

(1) Catering, handling, commercial and distribution charges, landing fees and air-route charges, other external expenses, excluding temps

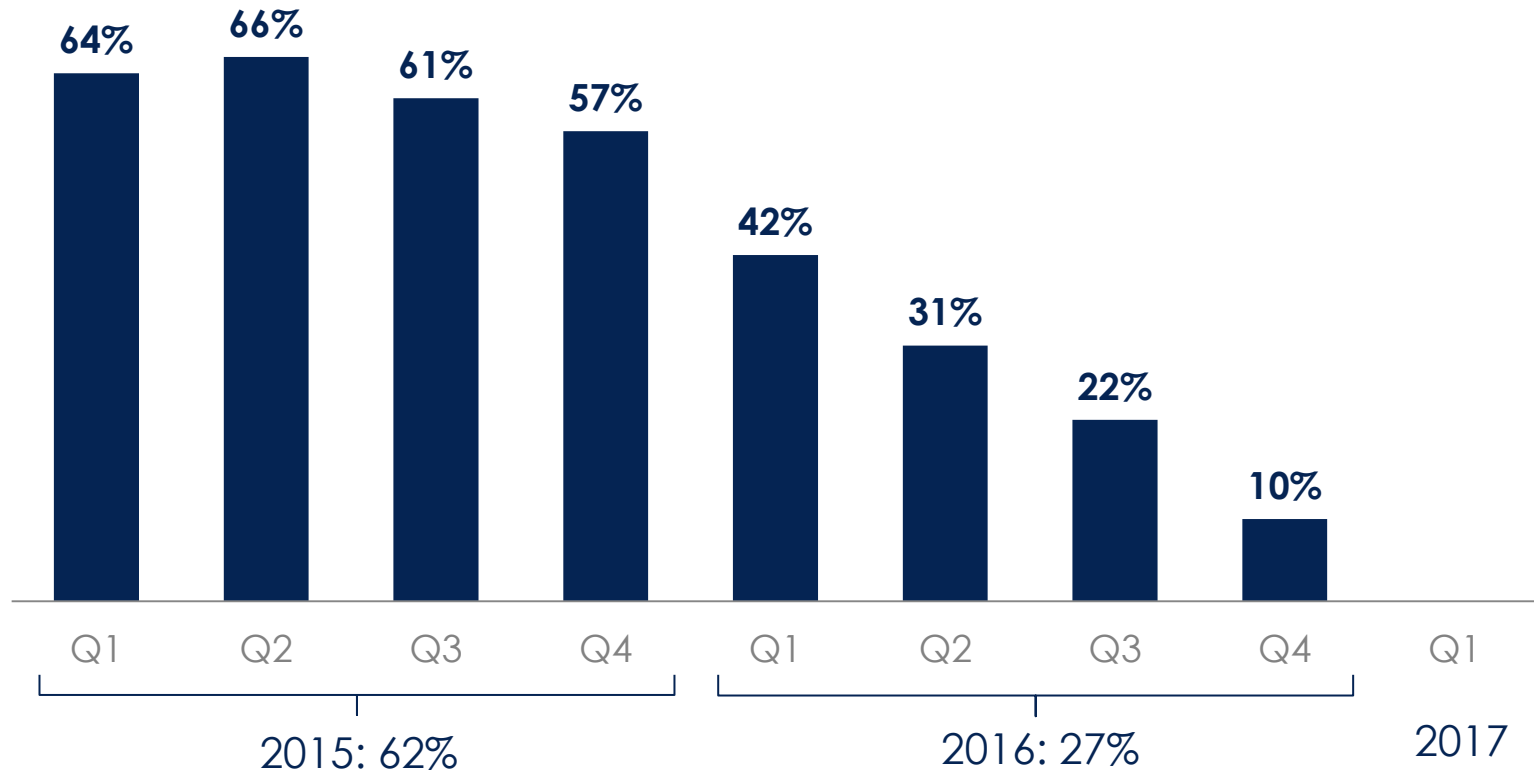
(2) Chartering (capacity purchases), aircraft operating leases, amortization, depreciation and provisions

(3) Including other taxes, other revenues, other income and expenses

Systematic fuel hedging

Percentage of fuel consumption already hedged

(Picture at 9 February 2015)



2015 portfolio based on:
93% Brent, 7% jet fuel

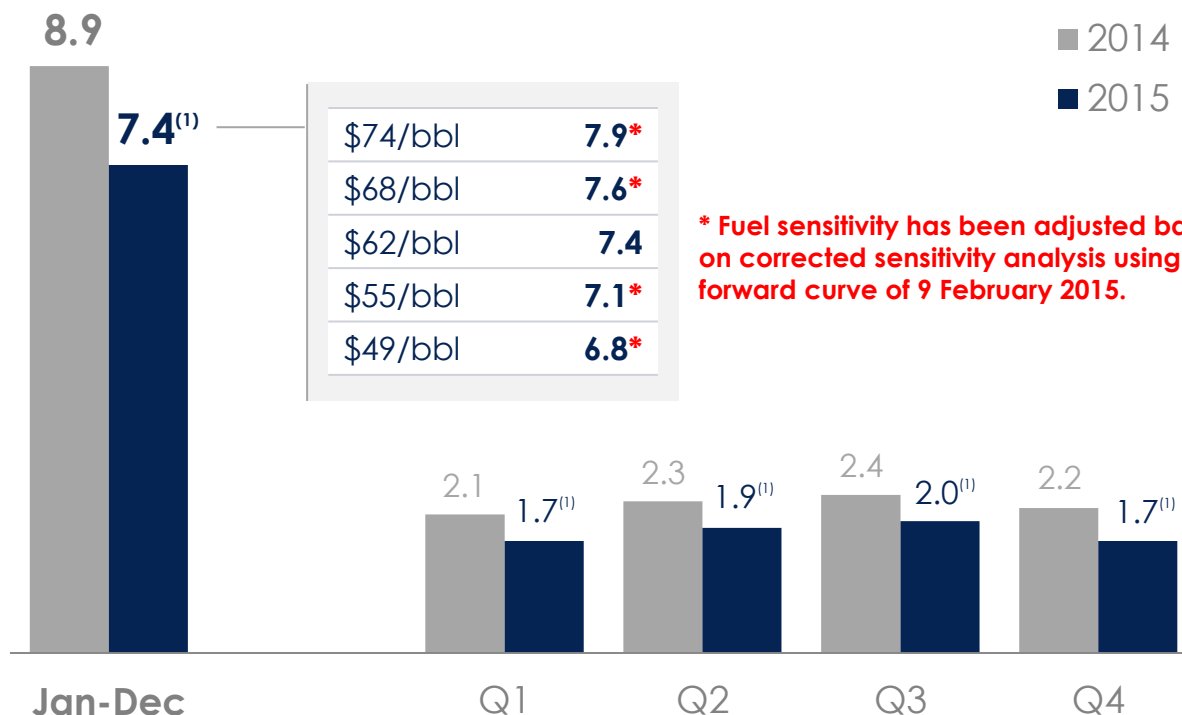
Update on 2015 fuel bill

Fuel bill after hedging

(in billion dollars)

2014: fuel bill \$8.9bn / €6.6bn

2015: fuel bill \$7.4bn / €6.3bn⁽²⁾



* Fuel sensitivity has been adjusted based on corrected sensitivity analysis using forward curve of 9 February 2015.

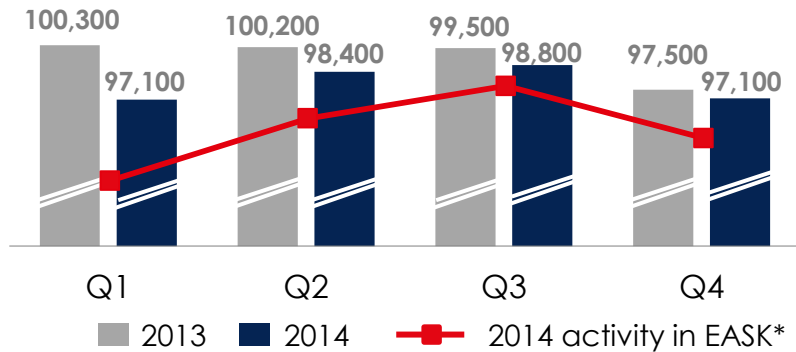
| MARKET PRICE | Brent (\$ per bbl) ⁽¹⁾ | | 62 | 56 | 61 | 64 | 66 |
|---------------------------------|-----------------------------------|---|-----|-----|-----|-----|-----|
| | | Jet fuel (\$ per metric ton) ⁽¹⁾ | | 605 | 574 | 602 | 616 |
| % of consumption already hedged | | 62% | 64% | 66% | 61% | 57% | |

(1) Based on forward curve at 9 February 2015 . Sensitivity computation based on February-December 2015 fuel price, assuming constant crack spread between Brent and Jet Fuel

(2) Assuming exchange rate of 1.15 US dollar per euro

Update on employee costs

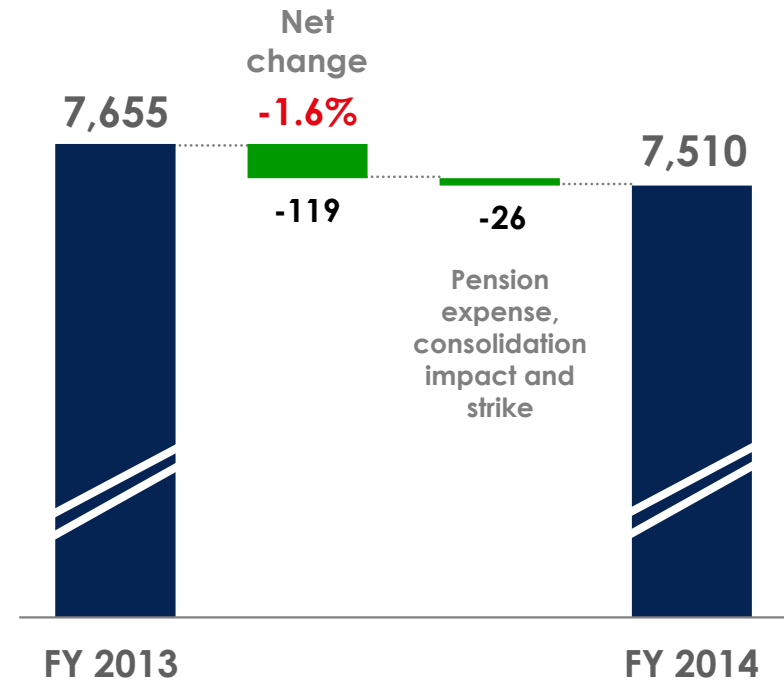
- ◆ Average headcount reduction in 2014: -1,550 FTEs



- ◆ General pay freeze at both Air France and KLM
- ◆ Slower reduction employee costs in Second Half, in line with plan

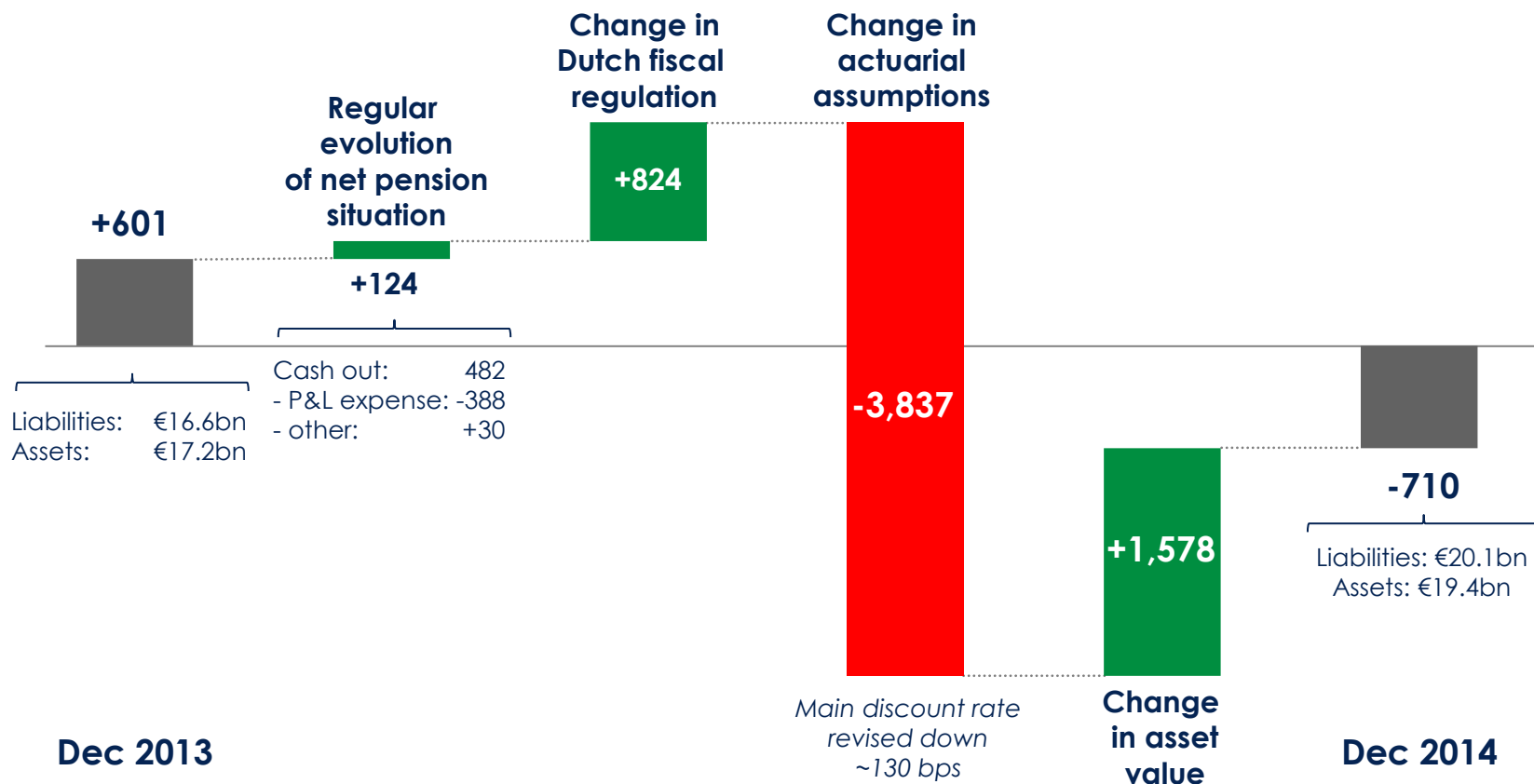
Change in total employee costs

(€m, including temporary staff)



Well covered pension liabilities in spite of large impact from falling discount rate

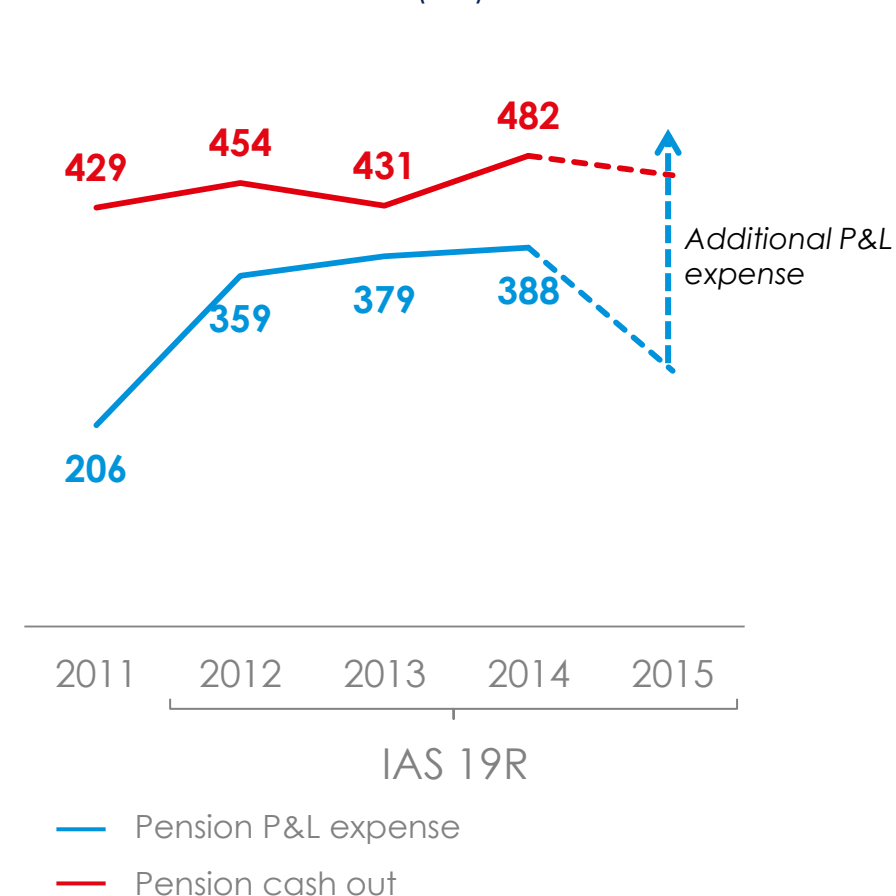
Evolution of net pension balance sheet situation, in million euros



Expected impact on 2015 P&L

- ◆ Fall in discount rate leads to significant increase in P&L pension cost
- ◆ Cash outflow is determined independently
- ◆ Multiple impacts of new Dutch fiscal regulation
 - ◆ Reduction of cost of existing scheme
 - ◆ Compensation for higher employee contributions under negotiation
- ◆ Net negative P&L impact of ~€100m (no additional cash out)
- ◆ Pensions are part of the current Collective Labor Agreement negotiations

Pension P&L expense and cash out (€m)

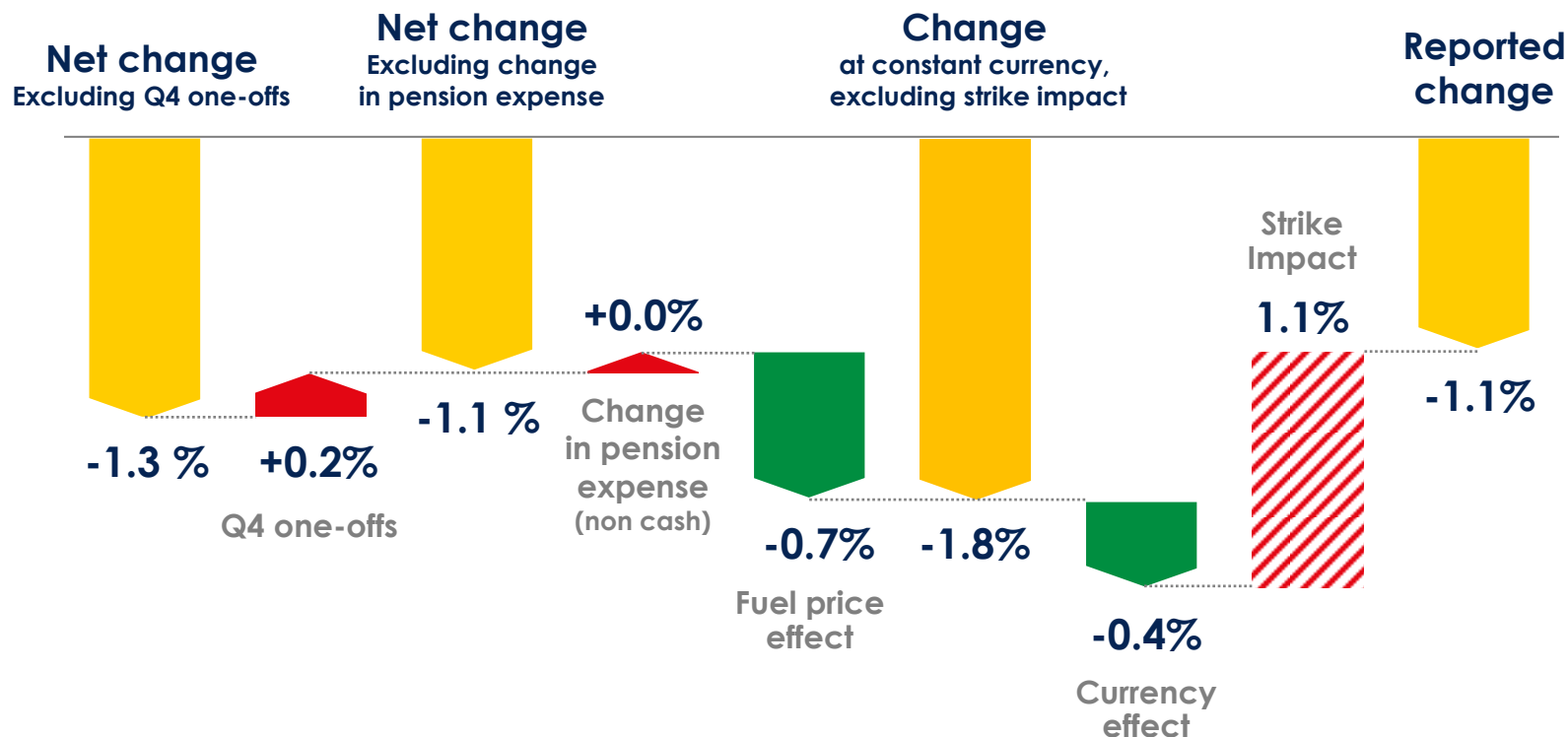


Full Year 2014: Further reduction in unit costs

Net Costs: € 22,334m (-1.3%); excluding impact of pilot strike: €22,404m

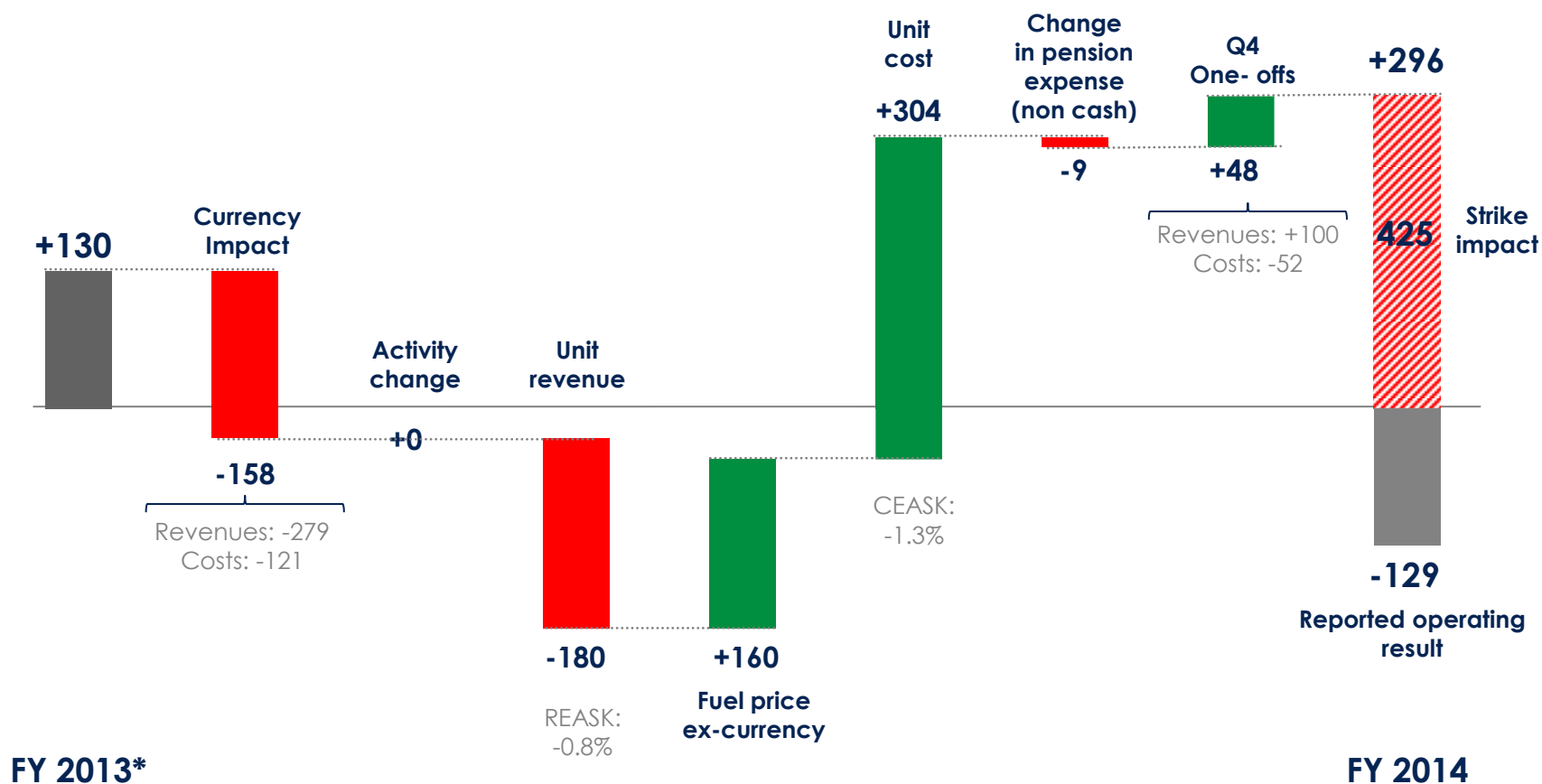
Capacity in EASK: 332,602m (-0.3%) ; excluding impact of pilot strike: 337,352m (+1.2%)

Unit cost per Equivalent Available-Seat Kilometer (EASK): €6.71 cents ; excluding impact of pilot strike: €6.64 cents



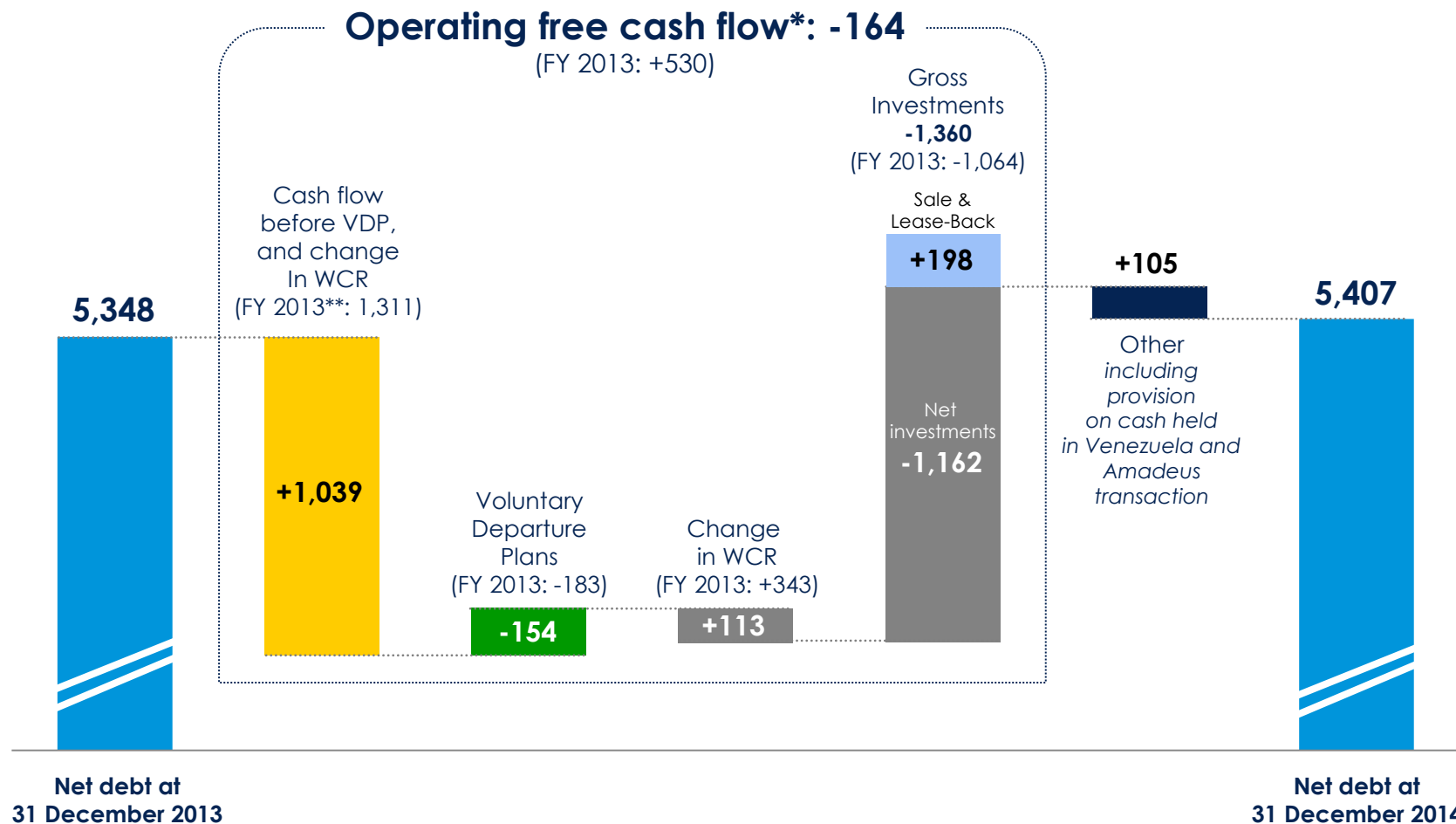
Results impacted by strike, currency and unit revenue weakness

Operating result, in million euros



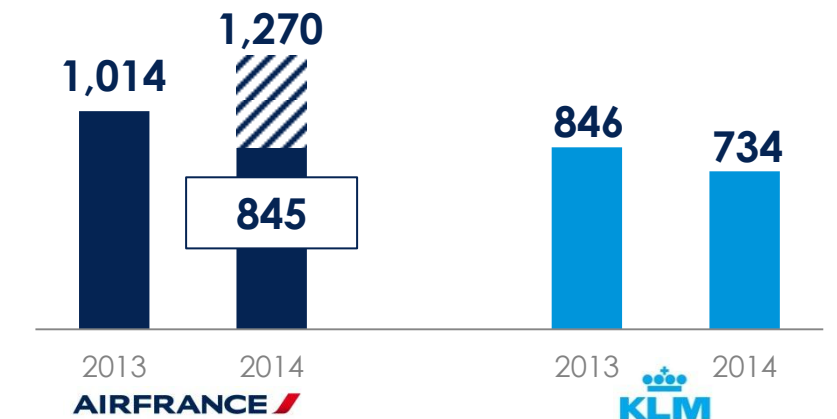
Full Year operating free cash flow

Analysis of change in net debt, Full Year 2014, in million euros

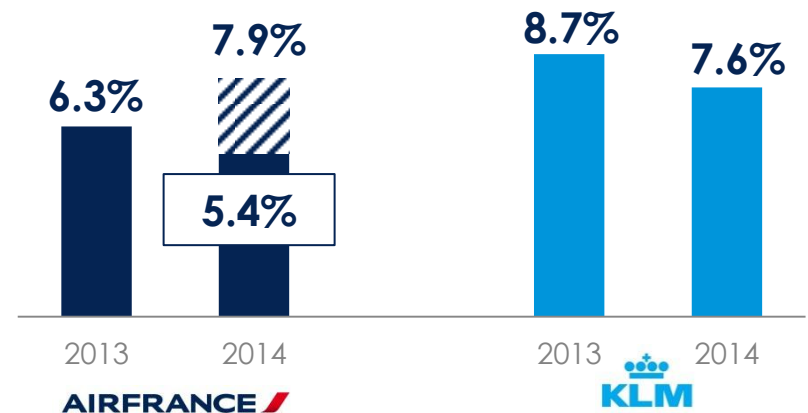


EBITDA and operating cash flow per airline

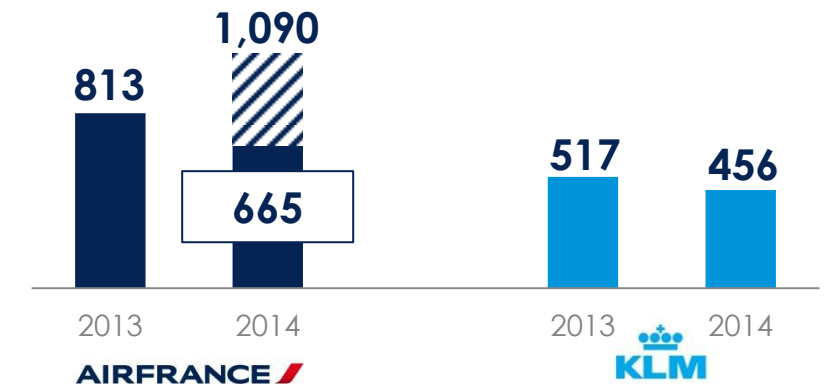
EBITDA (€m)



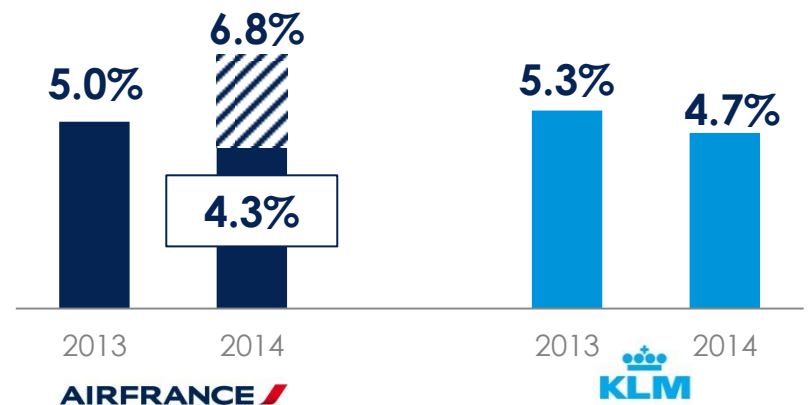
EBITDA margin



Operating Cash Flow (€m, before VDP and WCR)



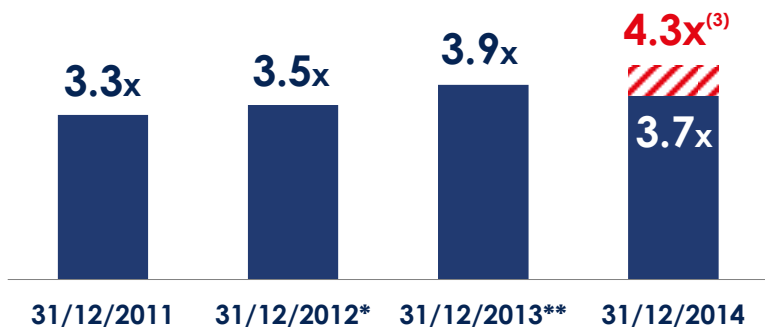
Operating Cash Flow margin (before VDP and WCR)



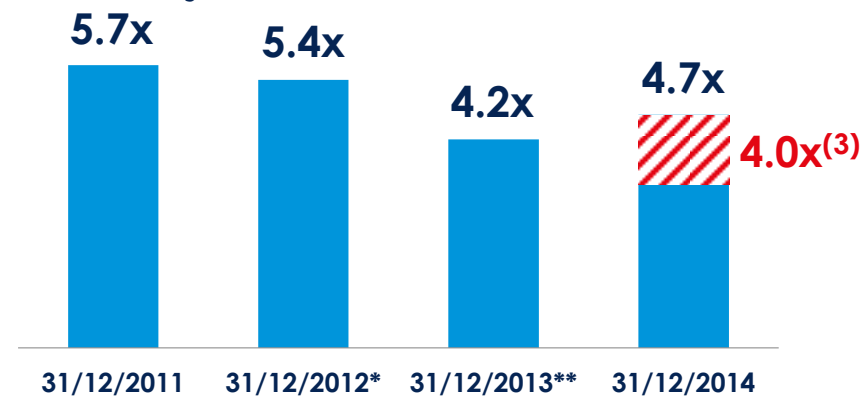
Strike adjusted

Financial ratios at 31 December 2014, trailing 12 months

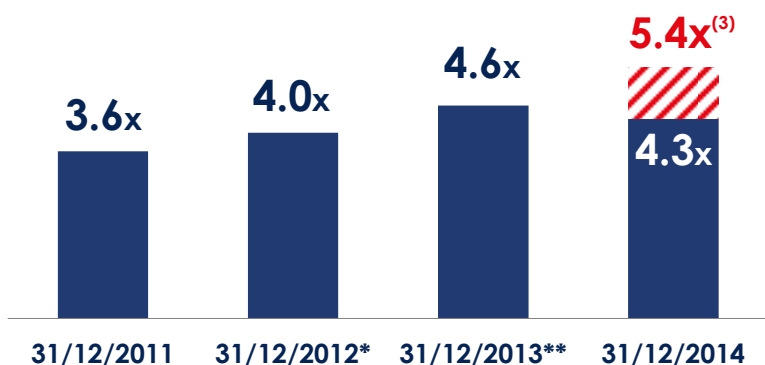
EBITDAR / adjusted net interest costs⁽¹⁾



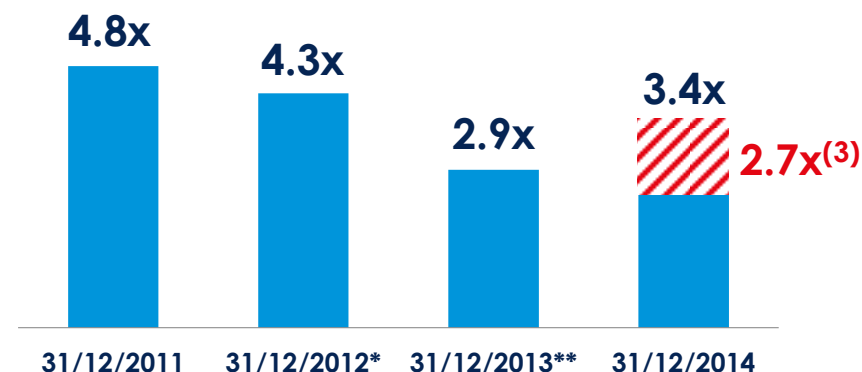
Adjusted net debt⁽²⁾ / EBITDAR



EBITDA / net interest costs



Net debt / EBITDA



Strike adjusted (EBITDA(R) only, net debt not corrected for strike)

* IAS19 Restated

** Restated for IFRIC 21, CityJet reclassified as discontinued operation

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

(2) Adjusted for the capitalization of operating leases (7x yearly expense)

(3) Excluding strike impact on EBITDA(R) (net debt unchanged)

High level of liquidity

- ◆ Cash of €3.5 billion at 31 December 2014
- ◆ Undrawn credit lines of €1.75 billion
 - ◆ Air France: €1.06 billion until 2016
 - ◆ KLM: €540 million until 2016
 - ◆ Air France-KLM: €150 million until 2017
- ◆ Active debt refinancing program
 - ◆ Successful €600 million bond issue in June 2014
 - ◆ Bonds representing €94 million euros repurchased on the same occasion
- ◆ Further Amadeus share sale in January
 - ◆ Net proceeds of €327m
 - ◆ Remaining 9.9m shares hedged in November 2014

Strategy



◆ Conclusion of Transform 2015

◆ Update on Perform 2020

- ◆ Key growth initiatives
- ◆ Strict framework of financial discipline
- ◆ Deployment of cost reduction initiatives at Air France
- ◆ Deployment of cost reduction initiatives at KLM

Transform 2015: first phase of group turnaround accomplished

✓ Strict capacity discipline

Capacity growth
(CAGR 2011-14)

+0.9%

✓ Successful renegotiation of labour agreements

Net employee
cost reduction
(2014 vs 2011)

-€300m

✓ Operational transformation

Short and medium-haul restructuring well underway

Point-to-point
capacity 2012-15

-30%

Accelerated development of Transavia

Transavia passengers
2011-14

+60%

Full-freighter activity significantly downsized

Full-freighter
capacity 2011-14

-23%

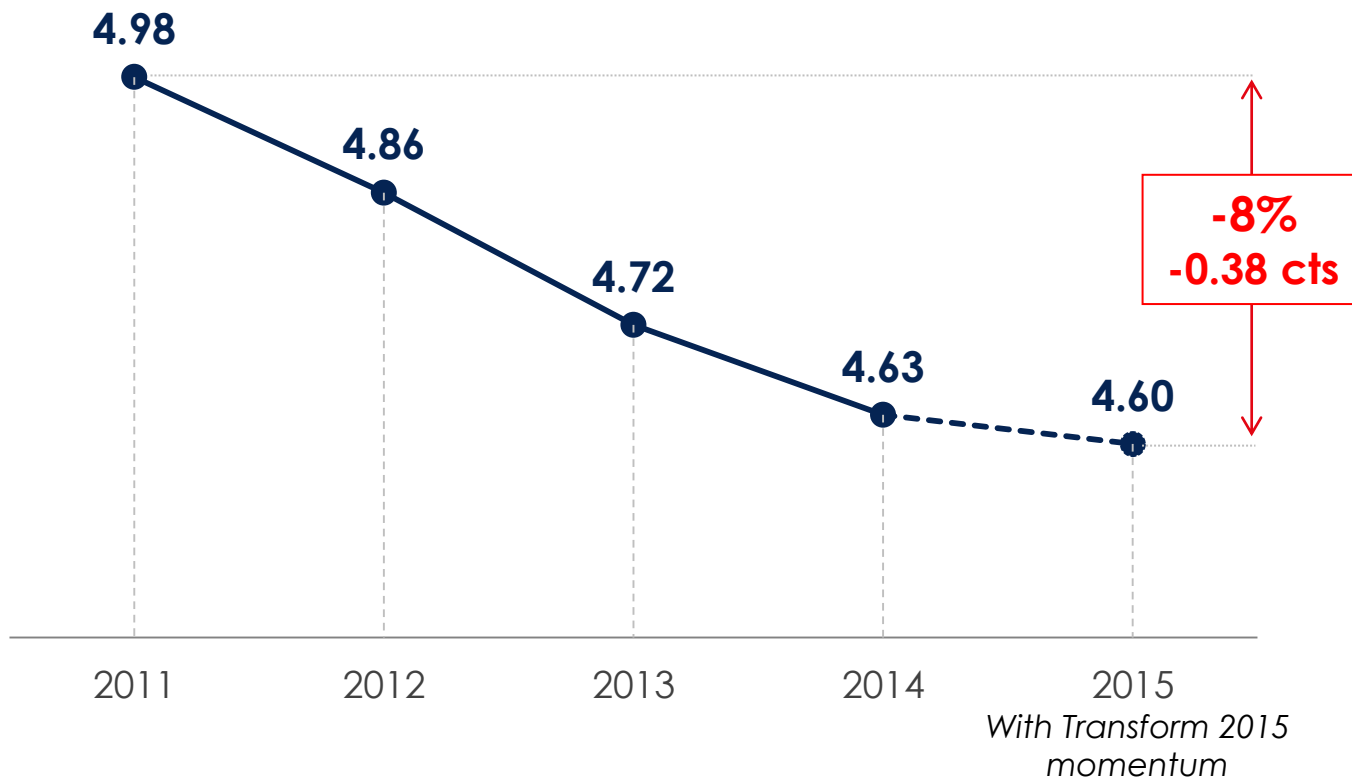
Successful roll-out of new long-haul products
underpinning upscaling strategy

Number of aircraft
equipped with new cabins
at 31/12/14

29

Transform 2015 has delivered on unit cost reduction...

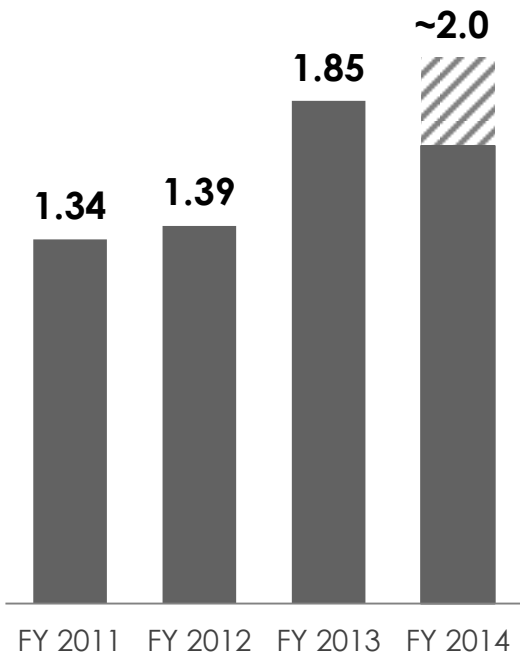
Ex-fuel net unit cost, in € cents per EASK, like-for-like



Annual costs reduced by over €1 billion in 3 years

...leading to a strong improvement in financial situation

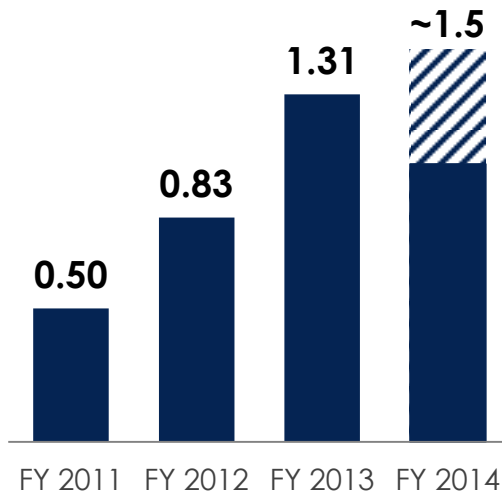
Full Year EBITDA (€bn)



▨ Strike impact

➔ 2014* vs 2011:
+€670m

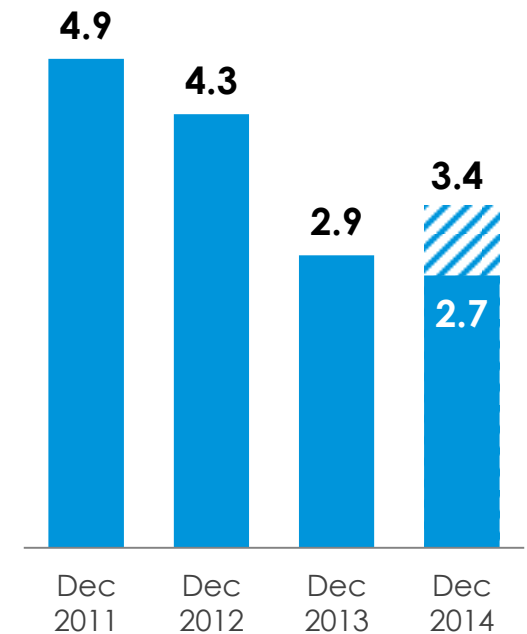
Full Year Operating cash flow (€bn, before change in WCR and Voluntary Departure Plans)



▨ Strike impact

➔ 2014* vs 2011:
+€960m

Net debt/EBITDA ratio - trailing 12 months



▨ Strike impact

➔ Dec 2014* vs Dec 2011:
almost halved

Agenda

- ◆ Conclusion of Transform 2015
- ◆ **Update on Perform 2020**
 - ◆ Key growth initiatives
 - ◆ Strict framework of financial discipline
 - ◆ Deployment of cost reduction initiatives at Air France
 - ◆ Deployment of cost reduction initiatives at KLM

PERFORM 2020

AIRFRANCE / KLM HOP / transavia AIRFRANCE INDUSTRIES / KLM / TRANSAVIA AIRFRANCE / KLM / MARTINUS / SERVAIR

- ◆ Selective development on growth markets
- ◆ Product and service upgrade

- ◆ Capacity and investment discipline
- ◆ Further restructuring and unit cost reduction

Key growth initiatives

- ◆ Smart growth in passenger operations
 - ◆ Increased customer focus
 - ◆ Upgraded product offer
 - ◆ Leveraging brand portfolio
 - ◆ Long-haul partnerships, with a focus on Asia-Pacific
- ◆ Accelerated development of Transavia
- ◆ Successful growth in maintenance

2015-17: customer experience improved thanks to €900m investment in product and service upgrade across all segments

◆ Long-haul

- ◆ Ongoing deployment of new products at both Air France and KLM
- ◆ Two Skytrax awards for La Première lounge

◆ Short and medium-haul

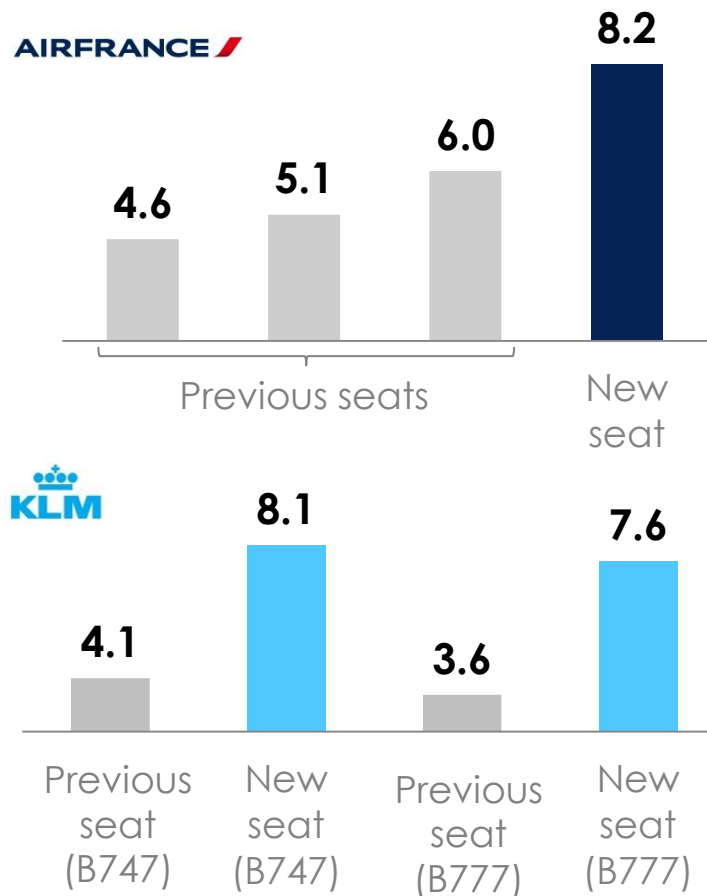
- ◆ New Air France product deployed as of April 2015

◆ Digital



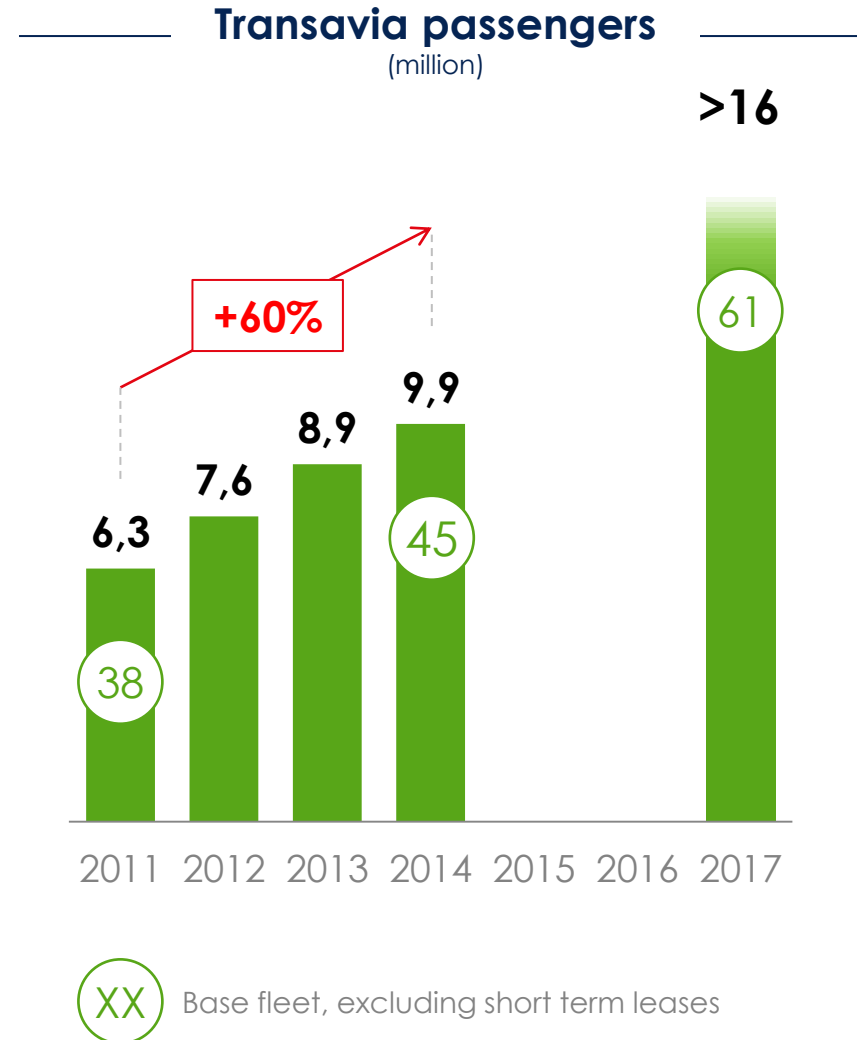
37% of long-haul fleet equipped with new product at end 2015

Customer scores on business class seat comfort



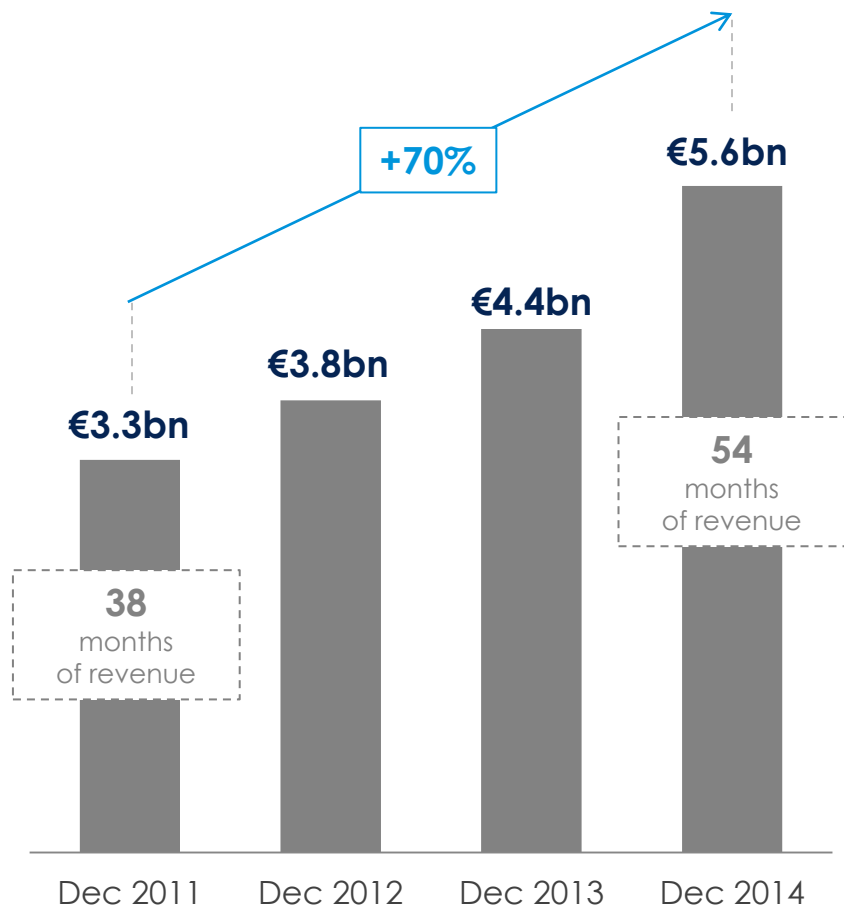
Transavia: a solid footprint in the growing low-cost market, targeting breakeven in 2017 and profitability by 2018

- ◆ Successful development in France
 - ◆ Already low-cost leader in the Netherlands
 - ◆ 2011-14 traffic growth in France: +78%
 - ◆ 2014 results better than expected
- ◆ Further momentum in 2015
 - ◆ Number 1 low-cost carrier at Orly in 2015, operating 49 destinations out of France
 - ◆ Roll out of new positioning, brand image and digital platform
 - ◆ Flying Blue earning and burning
 - ◆ Order for 20 Boeing 737s
- ◆ Medium-term operating margin above 5%
 - ◆ Ongoing efforts at cost control
 - ◆ 2015-17 profitability impacted by ongoing ramp-up



Maintenance: rapid growth of order book secures significant share of future revenues

Growth of order book

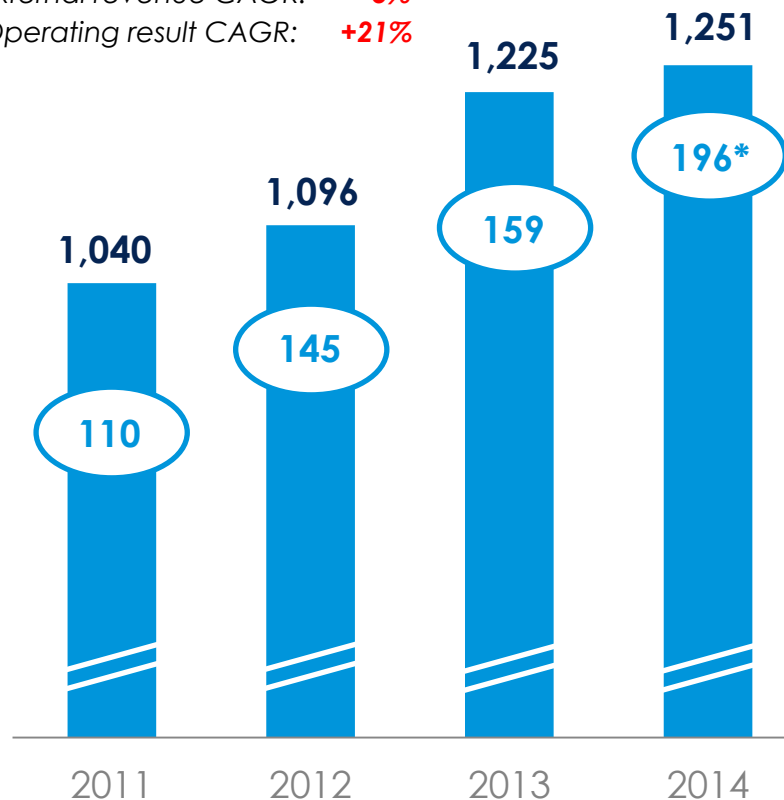


External revenue and operating result

(€m)

External revenue CAGR: +6%

Operating result CAGR: +21%



xx Operating result External revenue

PERFORM 2020

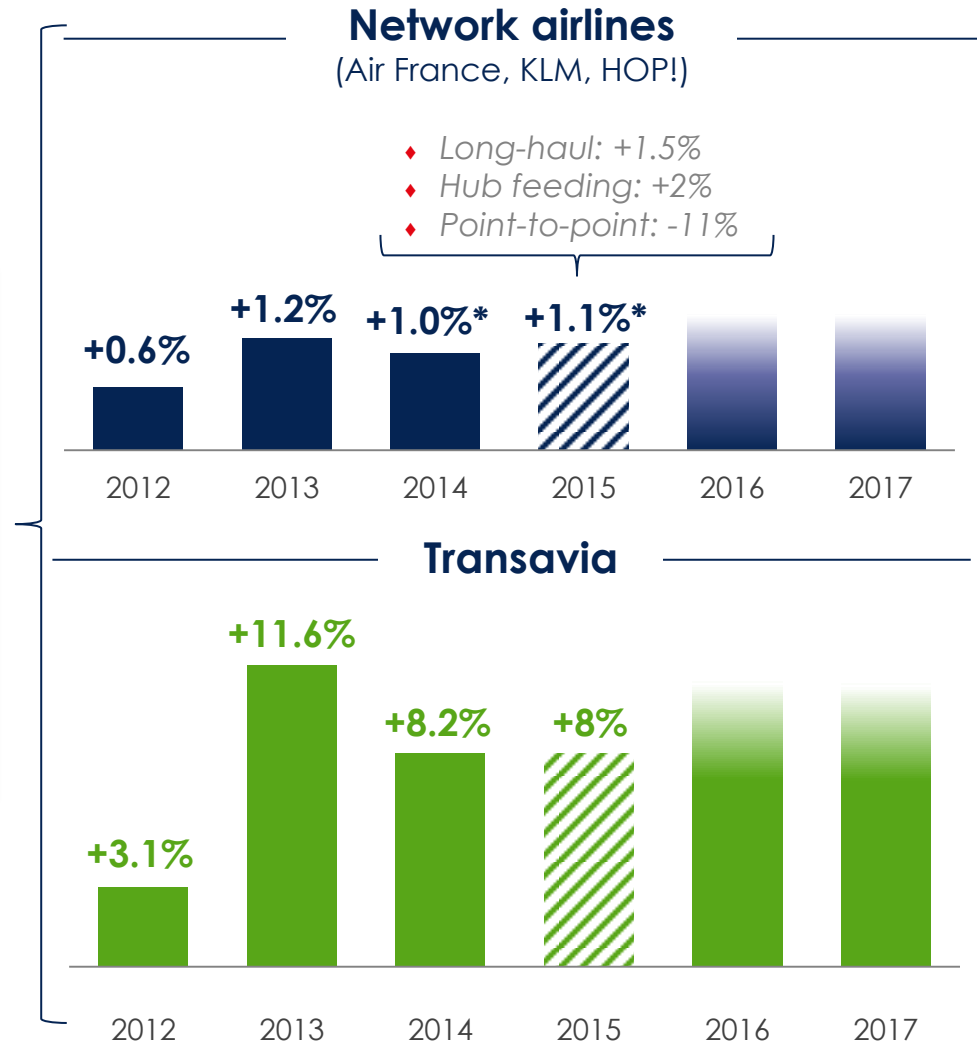
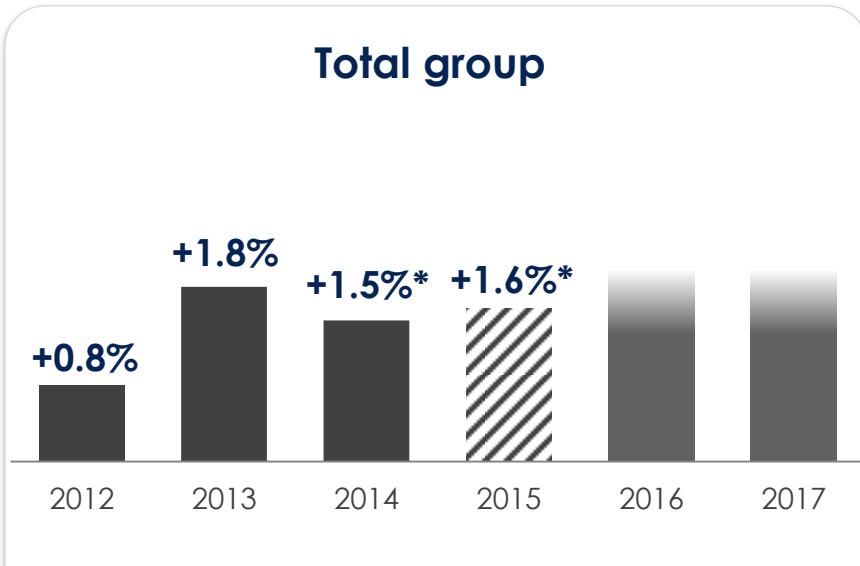
AIRFRANCE / KLM HOP / transavia AIRFRANCE INDUSTRIES / KLM / TRANSNORTHWEST AIRFRANCE / KLM / MARTINair CARGO SERVAIR

- ◆ Selective development on growth markets
- ◆ Product and service upgrade

- ◆ Capacity and investment discipline
- ◆ Further restructuring and unit cost reduction

Maintaining ongoing capacity discipline...

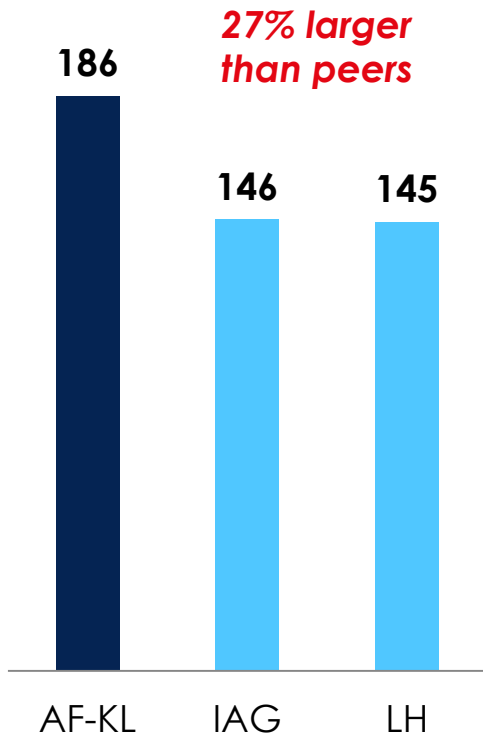
Capacity growth plan (ASK)



...while retaining leadership from Europe to long-haul routes

Long-haul traffic to/from Europe

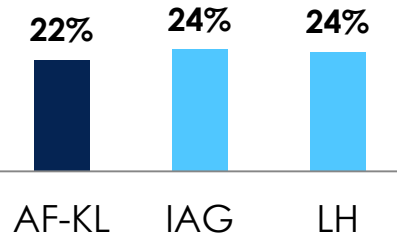
(2014, bn RPK)



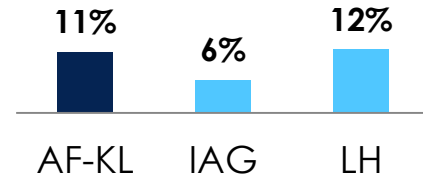
Market share per long-haul region

(OAG, Winter 2014)

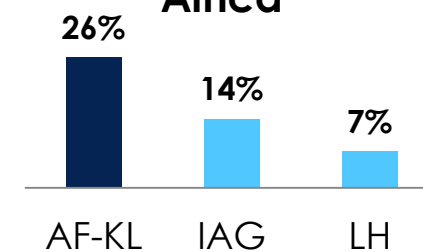
North America*



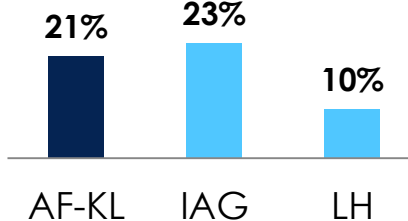
Asia



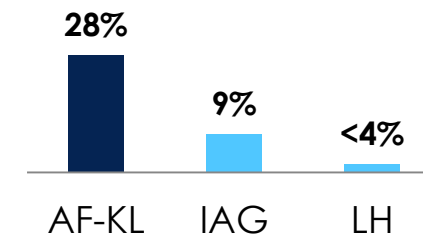
Africa



Latin America



Caribbean/Indian Ocean

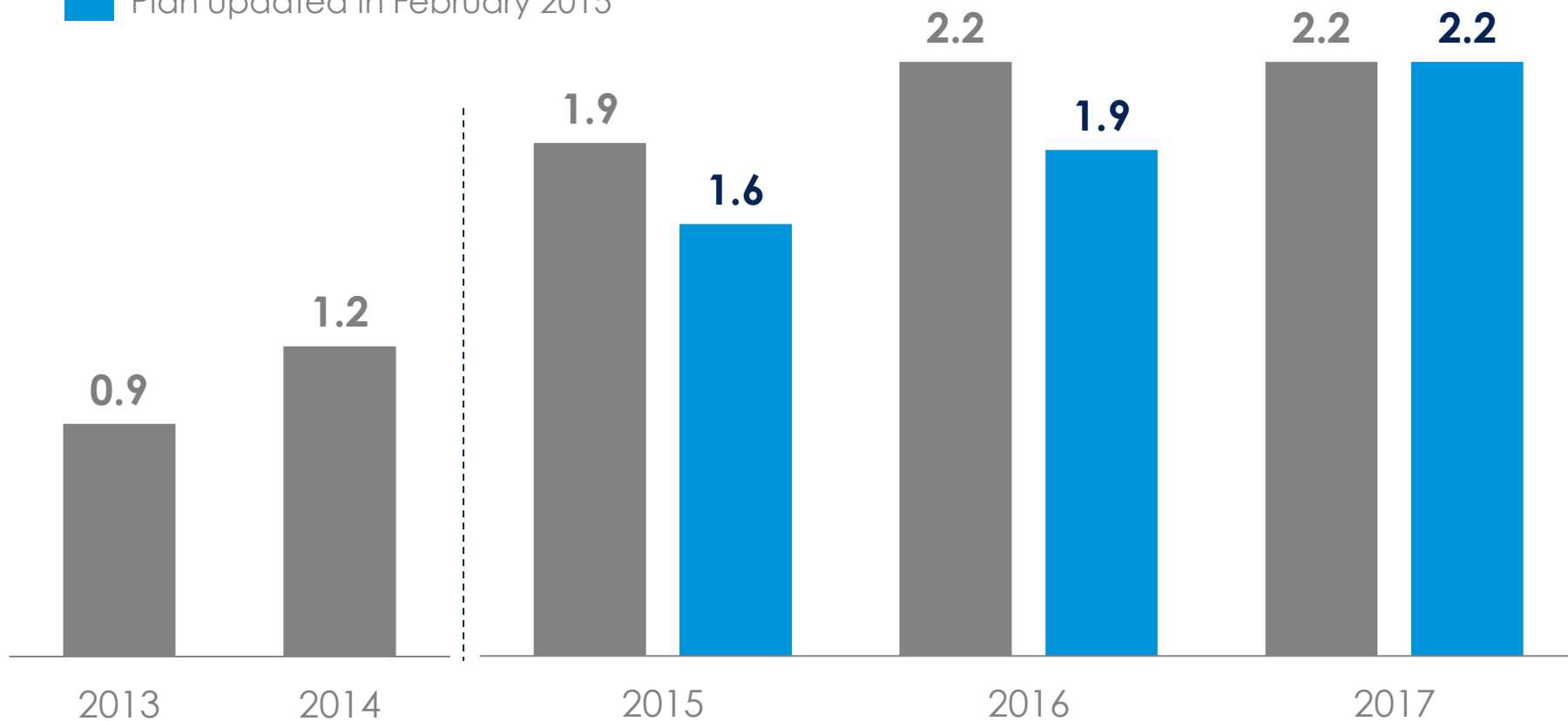


2015-16 investment plan revised down by €600m

Net investment plan, € billion

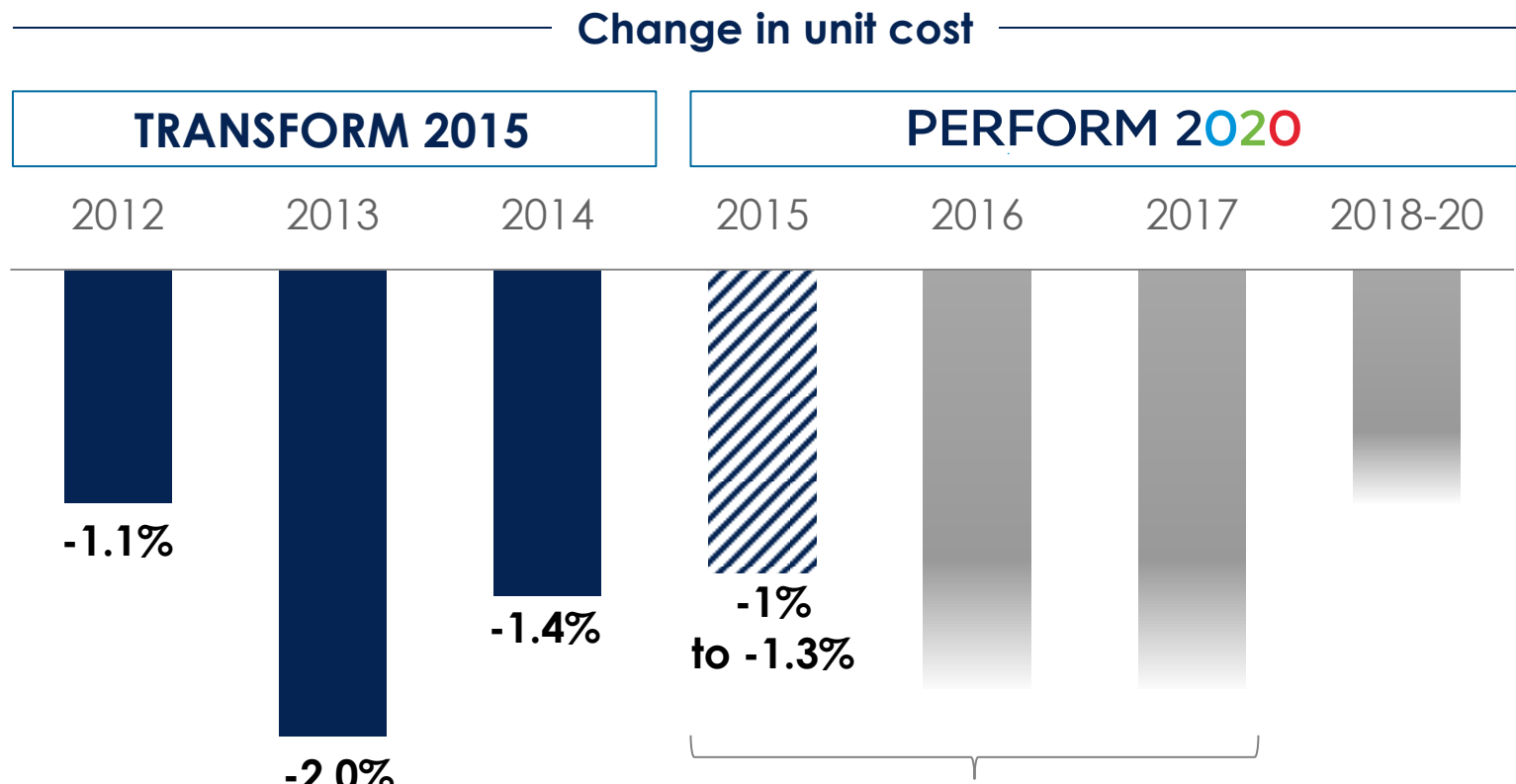
■ Plan presented in September 2014

■ Plan updated in February 2015



Unit cost reduction target revised up to an average of 1.5% per year

Net unit cost per EASK in € cents, at constant currency, fuel price and pension expense



→ **Target: average -1.5% per year**
2015-17: ~€1bn

Air France: €650m
KLM: €390m

Rigorous organization adapted to social context in each airline

Phase 1

- ◆ Gathering and validation of benchmarks
- ◆ Budget and 3-year planning

Sept-Nov 2014

Phase 2

- ◆ Bottom-up approach per cluster
- ◆ Consolidation of plans
- ◆ Implementation of immediate measures

*Dec 2014-
March 2015*

Phase 3

- ◆ Negotiations with all categories of staff
 - ◆ KLM negotiations started in December 2014
 - ◆ Air France presentation and negotiations after March 2015 union elections

From Dec 2014

From April 2015

Phase 4

- ◆ Implementation of plans

Ongoing

Leveraging all contributions beyond traditional efforts on operational excellence and external costs



Operational excellence

- ◆ Renewal of long-haul fleet
- ◆ Fleet densification
- ◆ Smarter processes
- ◆ Activity by activity benchmarking



Restructuring

- ◆ Point-to-point
- ◆ Cargo
- ◆ Smaller underperforming business units
- ◆ G&A



External cost reduction

- ◆ Procurement: make or buy
- ◆ Fleet optimization
- ◆ IT and overheads
- ◆ ...



Labor costs and productivity

- ◆ Amendments to Collective Labor Agreements: “productivity and flexibility for growth”
- ◆ Internal mobility as process change enabler

Agenda

- ◆ Conclusion of Transform 2015
- ◆ **Update on Perform 2020**
 - ◆ Key growth initiatives
 - ◆ Strict framework of financial discipline
 - ◆ **Deployment of cost reduction initiatives at Air France**
 - ◆ Deployment of cost reduction initiatives at KLM

Air France approach to Perform 2020

Perform 2020 plans defined per business area, along a common framework

Build profitable and sustainable growth

Be customer minded



Bottom-up workshops per business area : bring additional ideas and refine initial plans

Early launch of cross-functional measures to secure 2015 result

- ◆ General wage increase freeze for all categories of staff
- ◆ New Voluntary Departure Plan
- ◆ Procurement actions
- ◆ Stricter capacity discipline
- ◆ Reduction of investments

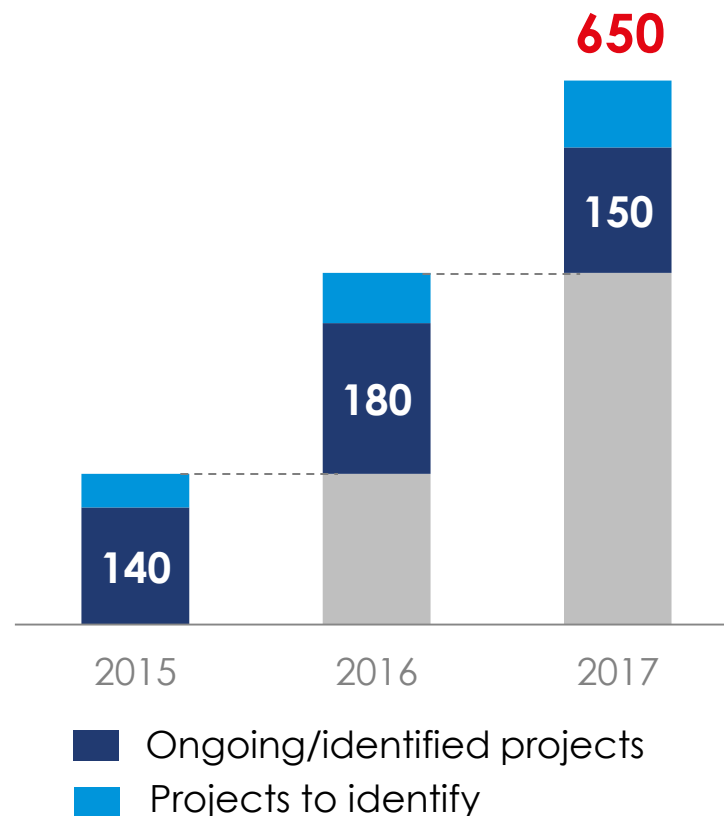
Air France: phasing of cost reduction plan



Reducing the cost base by an average of -1.5% per year means **€650m net cost savings by 2017**

- ◆ 2015 driven by Transform 2015 momentum
- ◆ 2016-17 projects under review
 - ◆ 65% of savings already identified

Perform 2020 schedule of cost saving initiatives
(€ million)



Main Air France 2015 initiatives



Main actions already implemented

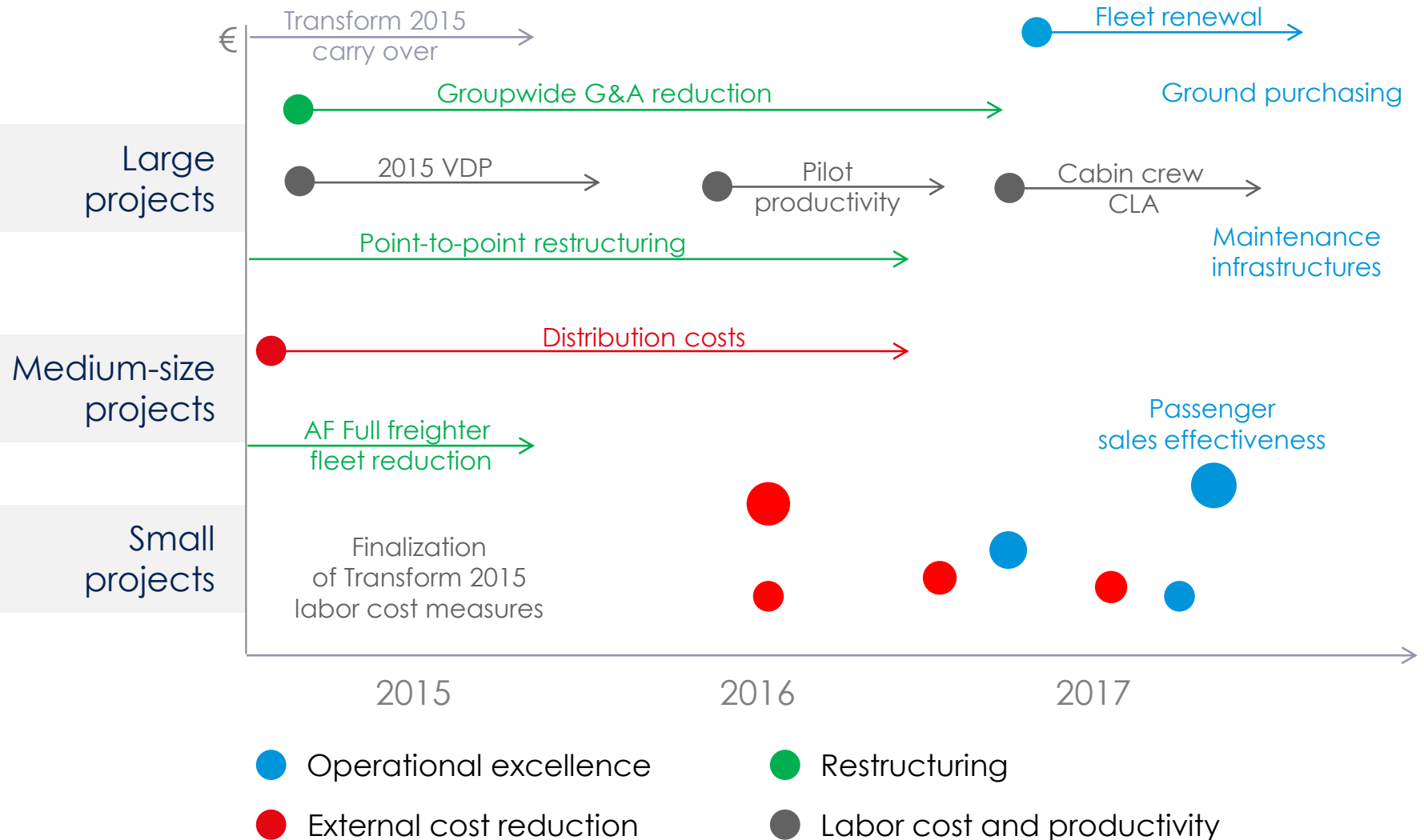
- ◆ Full impact of 2014 Voluntary Departure Plans
- ◆ Capacity discipline
- ◆ Further cargo restructuring (phase out of B747-F)
- ◆ Further restructuring of point-to-point network
- ◆ Launch of new Medium-Haul offering



Additional actions recently initiated

- ◆ Extension of general pay freeze
- ◆ New Voluntary Departure Plan targeting 800 FTEs
- ◆ Reinforced capacity discipline
- ◆ New procurement actions
- ◆ Reduction of investment plan

Air France initiatives generate cost reductions across all areas



Key Air France projects under implementation



Passenger business

- ◆ Ground process automation
 - ◆ Self-boarding
 - ◆ Automatic baggage drop-off
- ◆ Point-to-point restructuring
 - ◆ Single Hop! Air France business unit
 - ◆ Network restructuring and capacity reduction
 - ◆ Voluntary Departure Plan targeting French stations



Maintenance business

- ◆ Optimization of maintenance facilities
- ◆ Change in internal vs external workload allocation
- ◆ Process optimization and shorter engine turnaround times

Perform 2020 timeline for Air France

- | | |
|---|----------------------------|
| <ul style="list-style-type: none">◆ Works council: new 2015 measures | <i>22 January 2015</i> |
| <ul style="list-style-type: none">◆ Internal communication initiatives◆ Continued Perform 2020 bottom-up working groups◆ Task-setting per cluster at 2017 horizon◆ Union elections | <i>February-March 2015</i> |
| <ul style="list-style-type: none">◆ Presentation of Perform 2020 projects to works councils, including social consequences of business rationalization (examples: CLA amendments and potential FTE reduction) | <i>April-May 2015</i> |
| <ul style="list-style-type: none">◆ Negotiations with all categories of staff in parallel with progressive implementation of Perform 2020 measures | <i>May to October 2015</i> |

Agenda

- ◆ Conclusion of Transform 2015
- ◆ **Update on Perform 2020**
 - ◆ Key growth initiatives
 - ◆ Strict framework of financial discipline
 - ◆ Deployment of cost reduction initiatives at Air France
 - ◆ **Deployment of cost reduction initiatives at KLM**

KLM approach to Perform 2020

PERFORM 2020

AIRFRANCE KLM HOP/ L'Espresso AIRFRANCE KLM AIRFRANCE KLM AIRFRANCE KLM AIRFRANCE KLM SERVAIR

Build profitable and sustainable growth

Be competitive

Be customer minded

Change the way we work



Our vision

Inspirational view of our end-point
Supported by specific strategic objectives & targets



Becoming Europe's most customer centric, innovative and efficient network carrier



Customer-Centric



Innovative



Efficient



Network Carrier

Supported by Highly Engaged Organization



Our transformation agenda

Concrete projects to reach our vision & strategic objectives
Needs to balance between Funding the Journey and "transformation projects"



Our flight plan 2015

Our concrete management agenda & targets for this year
As such, subset of the Transformation agenda

KLM transformatie

Veranderen, Meedoen, Winnen

Korte termijn initiatieven

CAO 2015

Ancillary

Operationale performance

WBC + vloot

Winnen op de middellange termijn

24/7 Product verbetering

Partnering Proces verbetering

Operational excellence Leading productiviteit

Frontline staff

Juiste team, urgentie, organisatie, leiderschap, en cultuur

Minder lagen, snellere besluiten, hogere betrokkenheid, samenwerken

FLIGHT PLAN 2015

CUSTOMER & PRODUCT

- 177-200 Renewal
- Expand social media and e-services
- 40% of flights on board
- 80% of flights on board
- 80% of flights on board
- 80% of flights on board
- 80% of flights on board

NETWORK & FLEET

- Introduce 187
- Choose E75 replacement
- Accomplish seat densification of 20%
- Customer sensibility
- Execute long haul network optimization and rationalization
- Approve and execute customer experience plans
- Introduce CTR 22
- Approve and execute customer experience plans
- Approve and execute customer experience plans
- Approve and execute customer experience plans
- Approve and execute customer experience plans

OPERATIONS

- Introduce disruptive purchase 80% of 2015
- Start operational excellence with pilot on operations
- Introduce 187
- Introduce 187
- Introduce 187
- Introduce 187

PEOPLE & ORGANIZATION

- Improve productivity by 2%
- Reduce labor cost by 2%
- Improve productivity by 2%
- Reduce labor cost by 2%
- Improve productivity by 2%
- Reduce labor cost by 2%

FINANCE

- Reduce operating income / EBITDA targets
- Lower unit cost by 1.5%
- Reduce operating income / EBITDA targets
- Reduce operating income / EBITDA targets
- Reduce operating income / EBITDA targets
- Reduce operating income / EBITDA targets

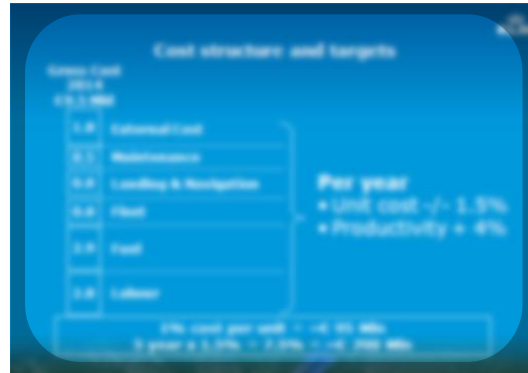
PERFORM 2020

AIRFRANCE KLM HOP/



Sense of urgency created amongst KLM staff

Change, participate and win



Short-term KLM initiatives within Perform 2020 framework



Revenues

Investments

Labour & Organization

Suppliers

Other initiatives

Bottom-up

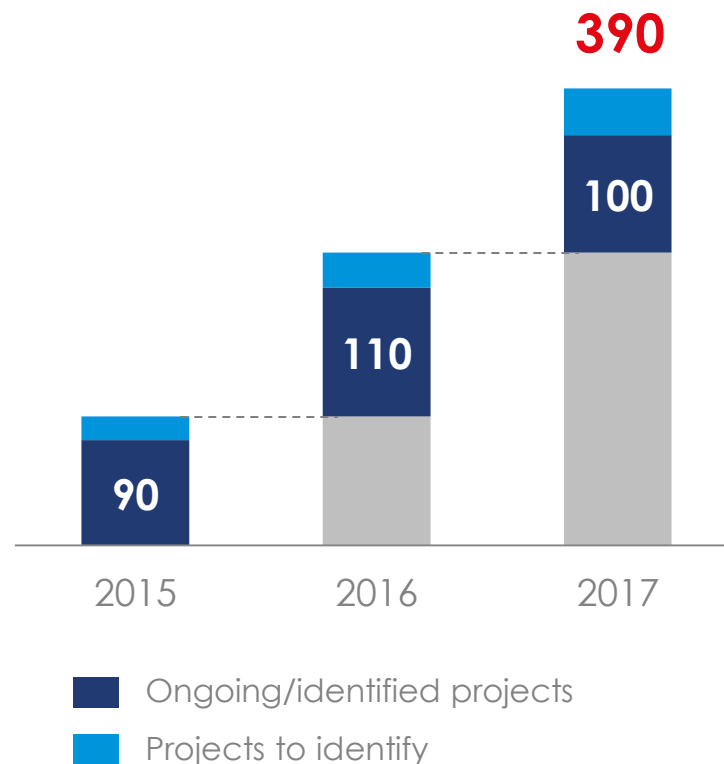
KLM: phasing of cost reduction plan



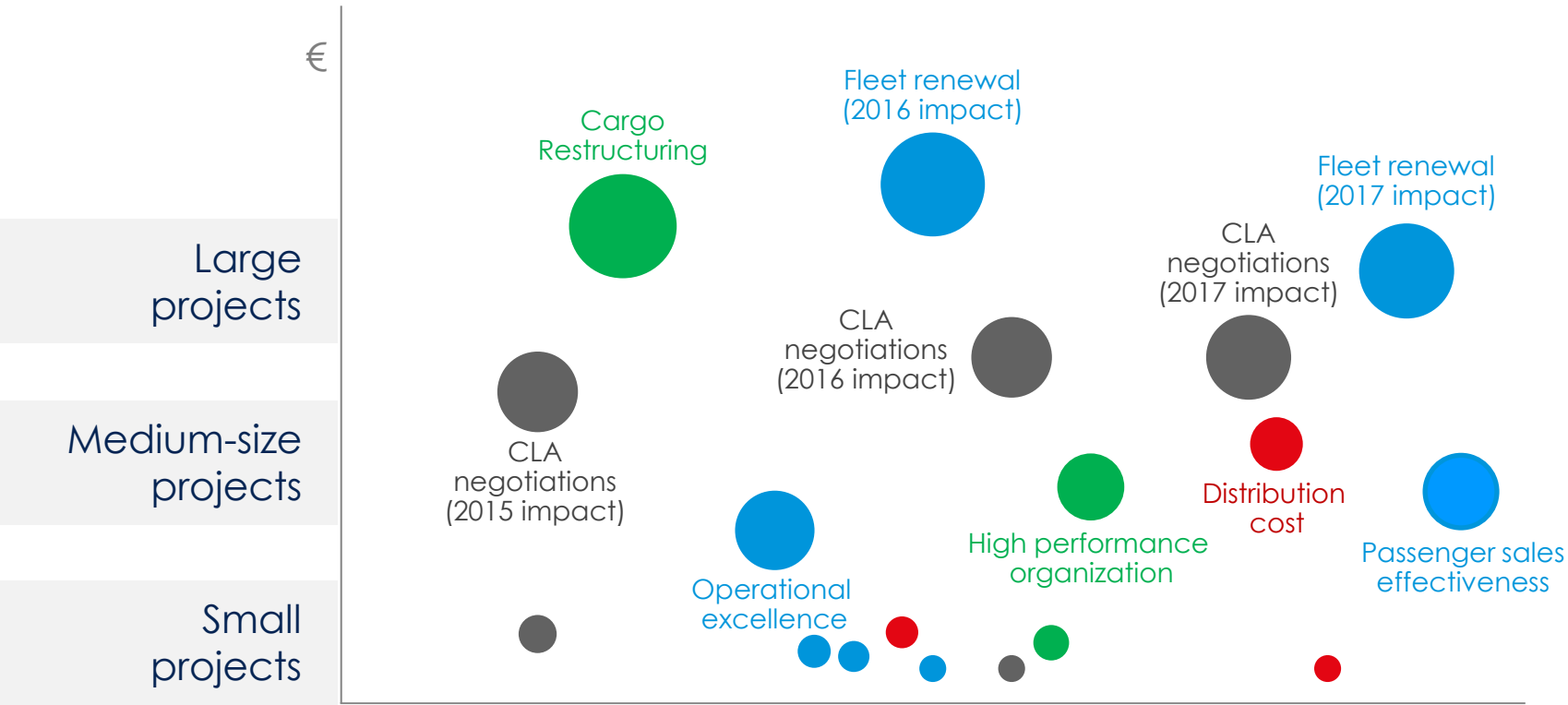
Reducing the cost base by an average of -1.5% per year means **€390m cost savings by 2017**

- ◆ 2015: “funding the journey” short-term projects and start of Transformation
- ◆ 2016-17: Winning in the mid term, execution of transformation

Perform 2020 schedule of cost saving initiatives
(€ million)



KLM: initiatives generate cost reductions across all areas



- Operational excellence
- External cost reduction
- Restructuring
- Labor cost and productivity

KLM: examples of major transformation projects

Coordinated by a transformation office

→ High performance organization



- ◆ De-layer organization by optimizing span of control
- ◆ Optimize/centralize support functions (incl. minimize waste)
- ◆ Behavior and performance reboot
- ◆ Optimize our workplace for productivity and engagement

→ Operational excellence



- ◆ Structurally & integrally improve operational performance related to customer demand
- ◆ Achieve excellent performance in operations – simultaneously financially and operationally

Customer centricity as core KLM value



World Business Class



Next Generation Kiosk

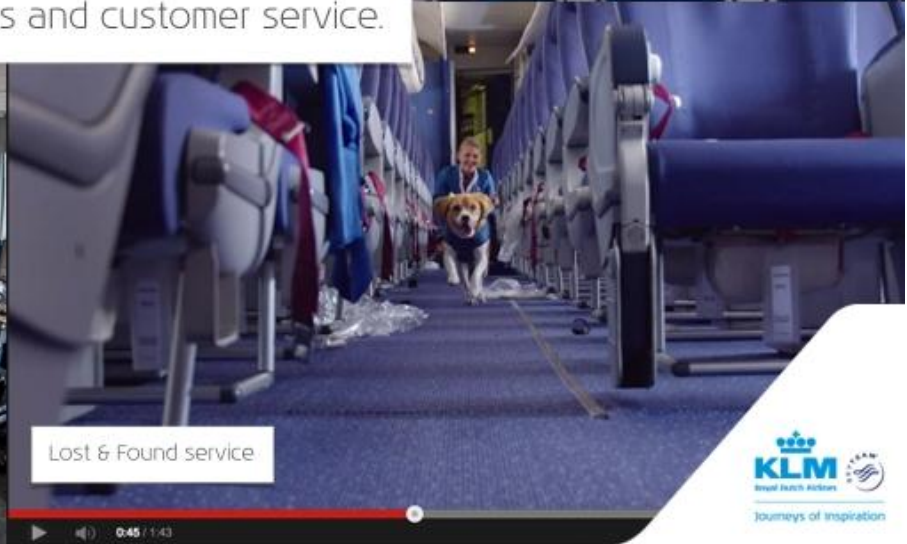


iPad on board

INNOVATION
to excel our operations and customer service.



Social Media Hub



Lost & Found service



Status of KLM Collective Labor Agreement negotiations

- ◆ Negotiations started on 18 December 2014
- ◆ Framework established with most unions
 - ◆ Framework finalized with Cockpit & Ground unions
 - ◆ No consensus on framework with Cabin unions; negotiations continue without framework
- ◆ Current focus on detailing commitment of unions and specific measures for the first 12-18 months
- ◆ In parallel, discussions to address specific restructuring plans: cargo, airframe maintenance

PERFORM 2020



- ◆ Development initiatives moving at full speed
- ◆ Rigorous approach to investments, capacity and cost actions
- ◆ Timeline adapted to social context of each airline



**A de-risked business and
a deleveraged balance sheet,
delivering healthy ROCE**

An aerial night view of a city skyline, likely New York City, with numerous skyscrapers illuminated. A large white diamond shape is overlaid on the center of the image, containing the text. The background is a blurred cityscape with warm lights from the buildings and a dark sky.

AIRFRANCE KLM

Outlook

PERFORM 2020

◆ Full Year 2015 targets

- ◆ The significant upside expected on the fuel bill could be almost completely offset by unit revenue pressure and negative currency impacts
- ◆ Further cost reduction: 1 to 1.3% unit cost reduction, equivalent to €250m to €350m
- ◆ Net debt around 5 billion euros at end 2015

◆ Medium-term objectives


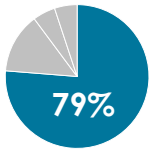

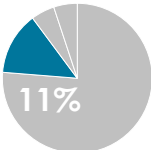

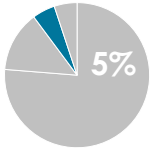
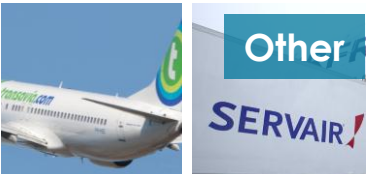
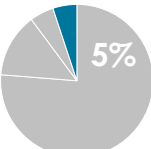
- ◆ Adjusted net debt / EBITDAR ratio around 2.5 by end 2017
- ◆ Base businesses to consistently generate annual positive free cash flow
- ◆ EBITDAR growth target no longer applicable in view of significant fall in fuel price and implications on unit revenue development



Appendix

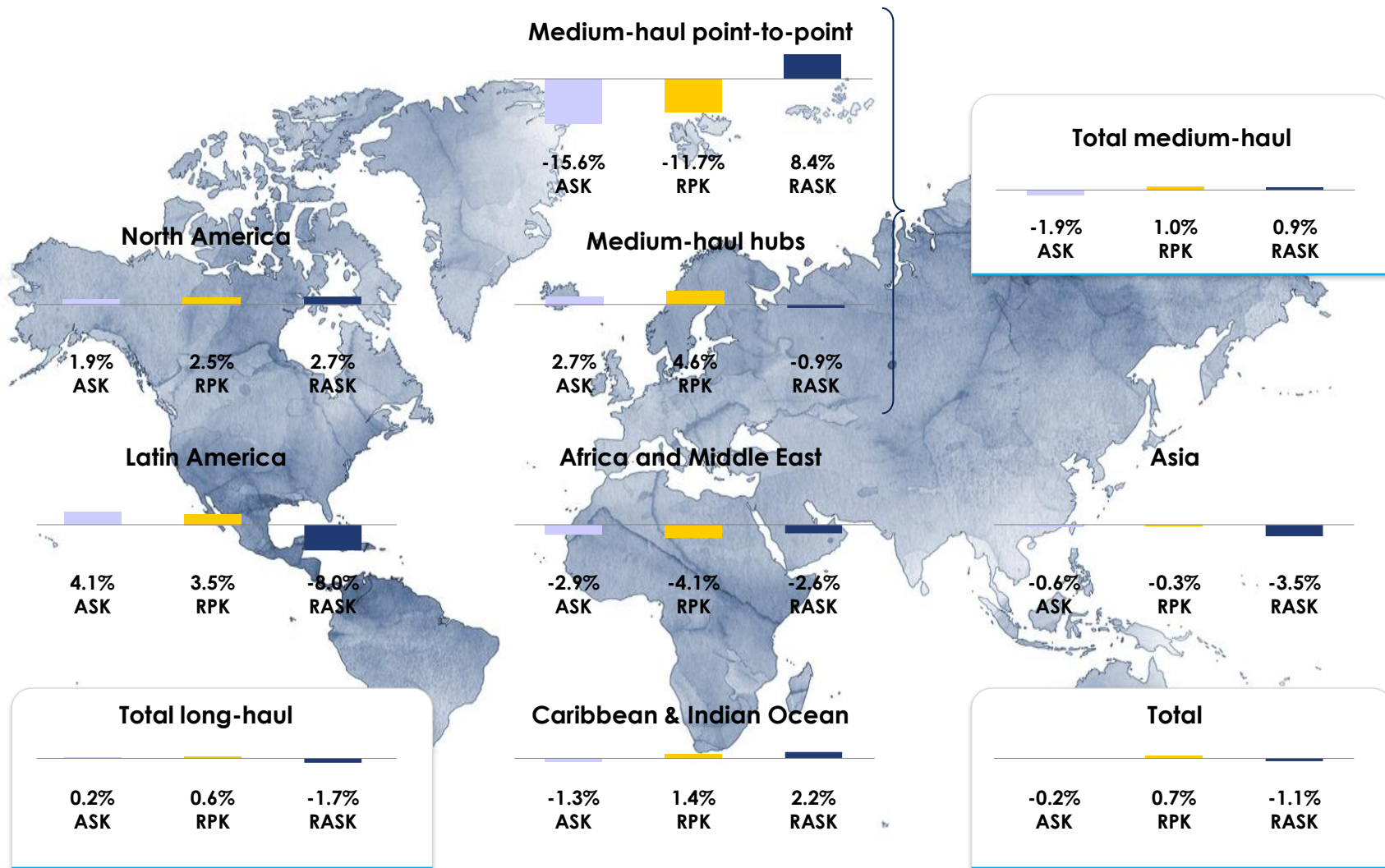
AIRFRANCE **KLM**

Fourth Quarter 2014: Contribution by business segment

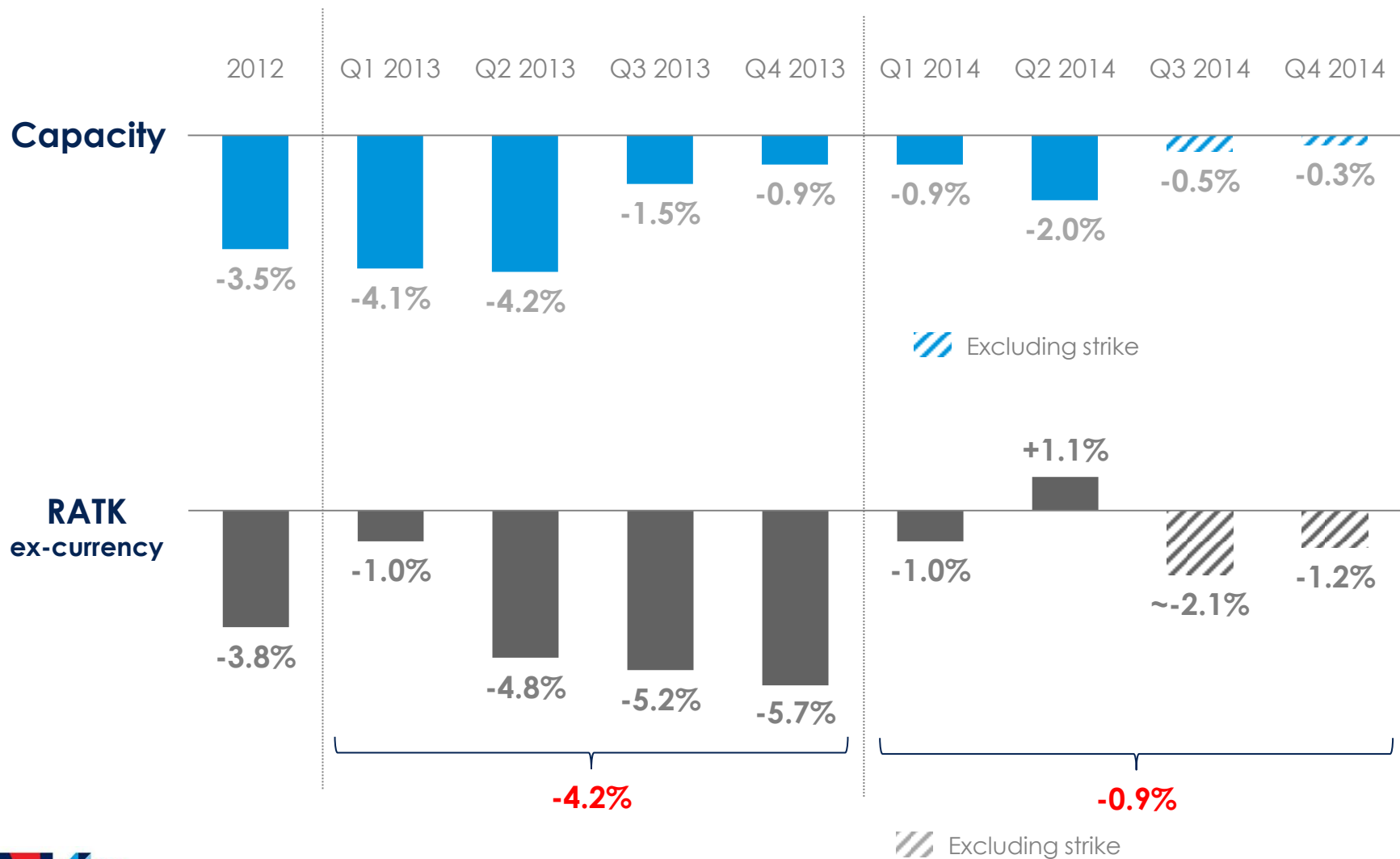
| | | Revenue (€ bn) | Reported Change (%) | Change Like for like (%) | | Op. result (€m) | Change (€m) | Change Like for like (€m) | |
|---|--|-------------------|---------------------------|--------------------------------|---|--------------------|----------------|---------------------------------|---|
|  |  | 4.86 | +0.3% | -1.4% | ↘ | -171 | -112 | -19 | ↘ |
|  |  | 0.71 | -1.2% | -2.8% | ↘ | -31 | -13 | 10 | ↗ |
|  |  | 0.36 | +19.5% | +11.6% | ↗ | 61 | +13 | +9 | ↗ |
|  |  | 0.28 | +9.3% | +9.3% | ↗ | -28 | +6 | +6 | ↗ |
| Total | | 6.21 | +1.5% | -0.5% | ↘ | -169 | -106 | +6 | ↗ |

Fourth Quarter passenger unit revenue by network

Like-for-like








Cargo capacity and unit revenue per quarter



Fourth Quarter: Change in operating costs



| | €m | Reported change | Change at constant currency | Like-for-like ⁽⁴⁾ |
|---|--------------|-----------------|-----------------------------|------------------------------|
|  Total employee costs <i>including temps</i> | 1,859 | +1.4% | +1.1% | |
|  Supplier costs⁽¹⁾ <i>excluding fuel and purchasing of maintenance services and parts</i> | 1,578 | +2.1% | +1.0% | |
|  Aircraft costs⁽²⁾ | 821 | +6.6% | +3.6% | |
|  Purchasing of maintenance services and parts | 377 | +14.9% | +7.0% | |
| Operating costs ex-fuel⁽³⁾ | 4,678 | +3.2% | +2.0% | 0.7% |
|  Fuel | 1,703 | +3.1% | -3.3% | -3.3% |
| Grand total of operating costs | 6,381 | +3.2% | +0.5% | -0.4% |
| <i>Capacity (EASK)</i> | | | +0.5% | |

(1) Catering, handling, commercial and distribution charges, landing fees and air-route charges, other external expenses, excluding temps

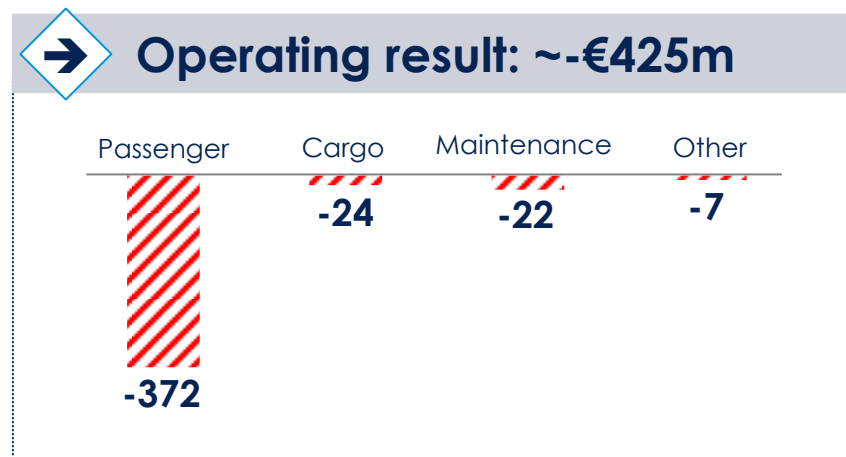
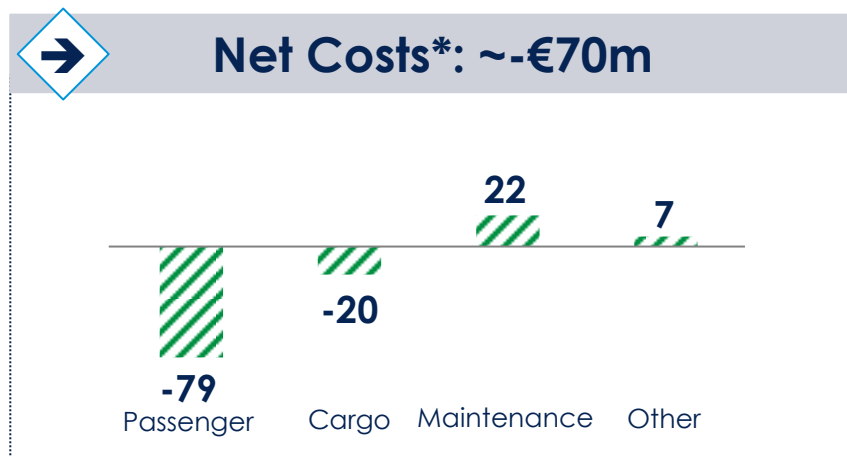
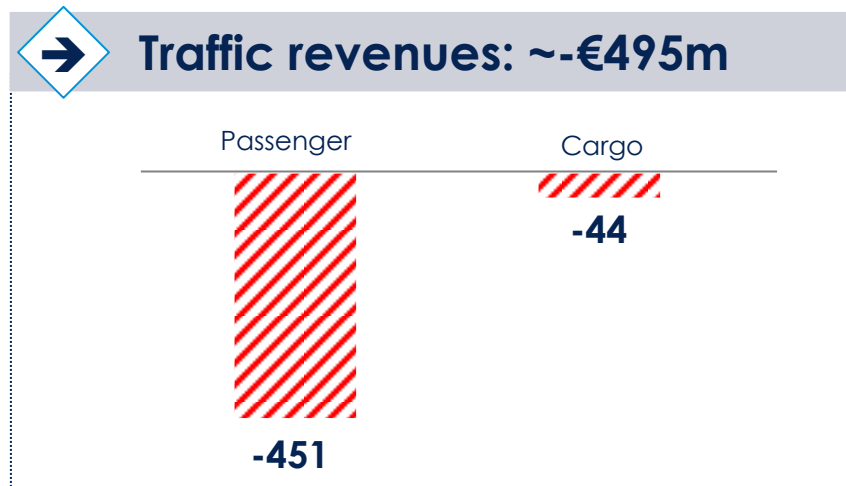
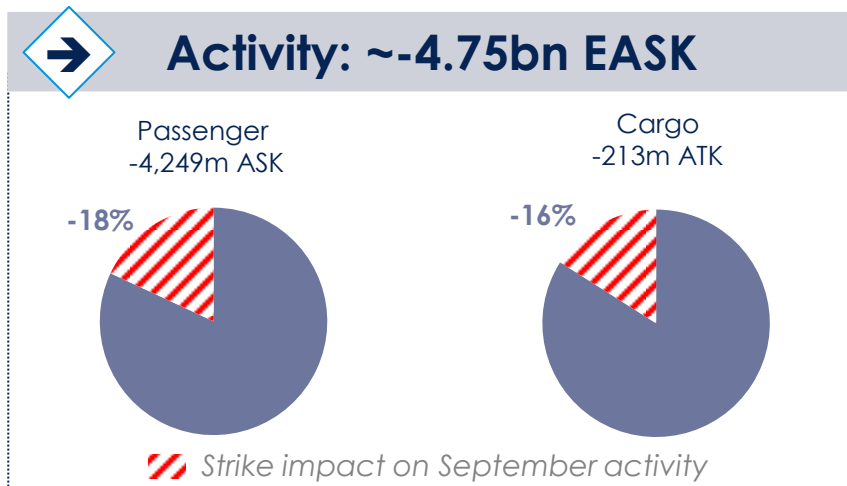
(2) Chartering (capacity purchases), aircraft operating leases, amortization, depreciation and provisions

(3) Including other taxes, other revenues, other income and expenses

(4) Like-for-like: at constant currency, excluding strike impact and Q4 one-offs

Impact of pilot strike on Full Year 2014 profit and loss statement

14 days of strike from 15 to 28 September, plus one day affected by cancellations



Other businesses: Catering

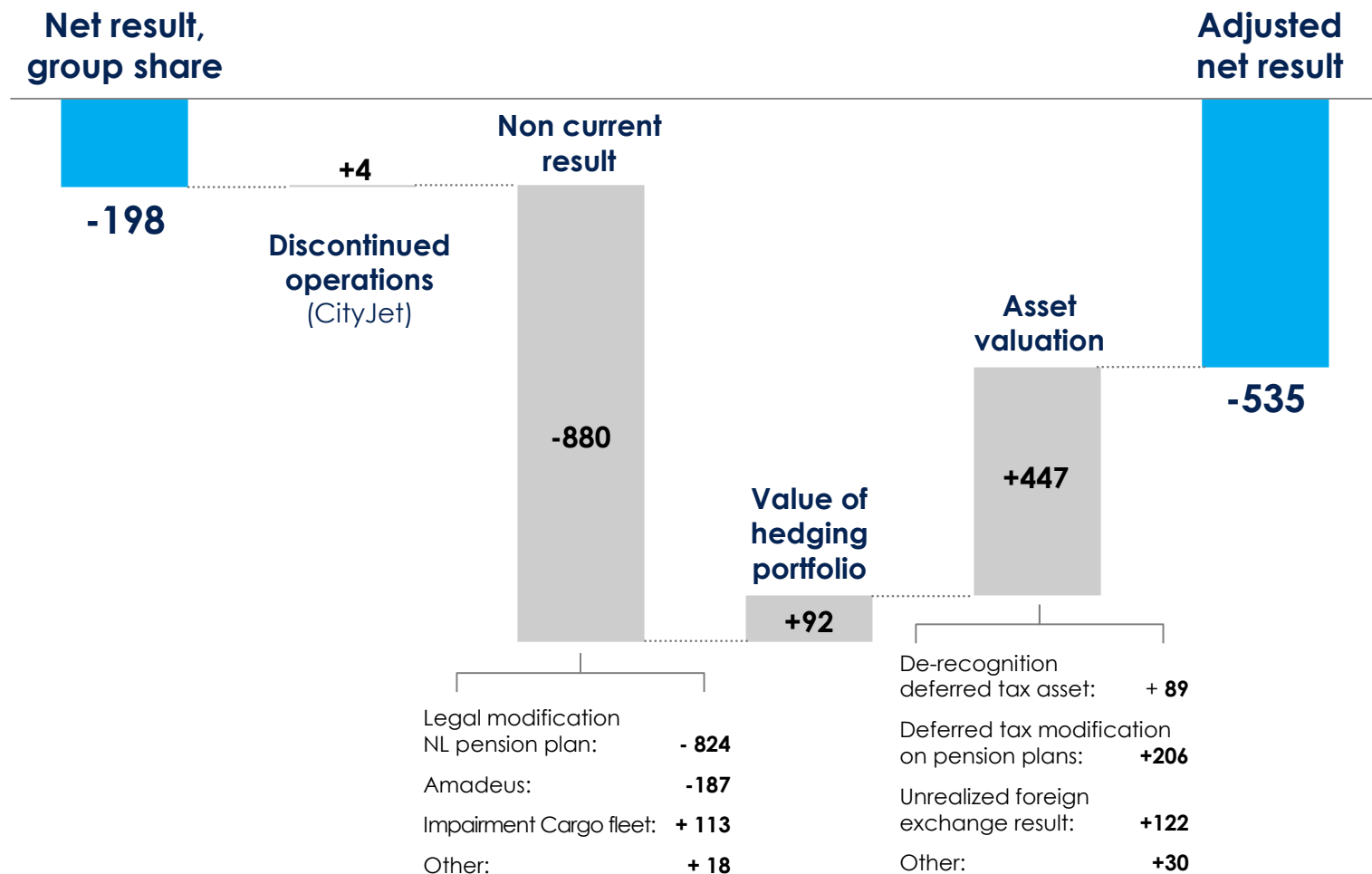
- ◆ Increase in third party revenues excluding impact of disposal of Air Chef
 - ◆ Examples: Jet Airways, US Airways, Cathay Pacific
- ◆ Improvement in profitability while continuing to reduce cost for internal customers
- ◆ Emphasis on quality of service
- ◆ Further extension of operations
 - ◆ Launch of operations in Sao Paulo
 - ◆ Extension with partners in Belgium, Canada, Chile and DR Congo



| Catering | FY 14 | FY 13 | Change | Like-for-Like* |
|---------------------|------------|-------|--------|----------------|
| Total revenue | 871 | 915 | -4.8% | +2.1% |
| Third party revenue | 311 | 341 | -8.8% | +5.9% |
| Operating result | 18 | 24 | -25.0% | +20.8% |

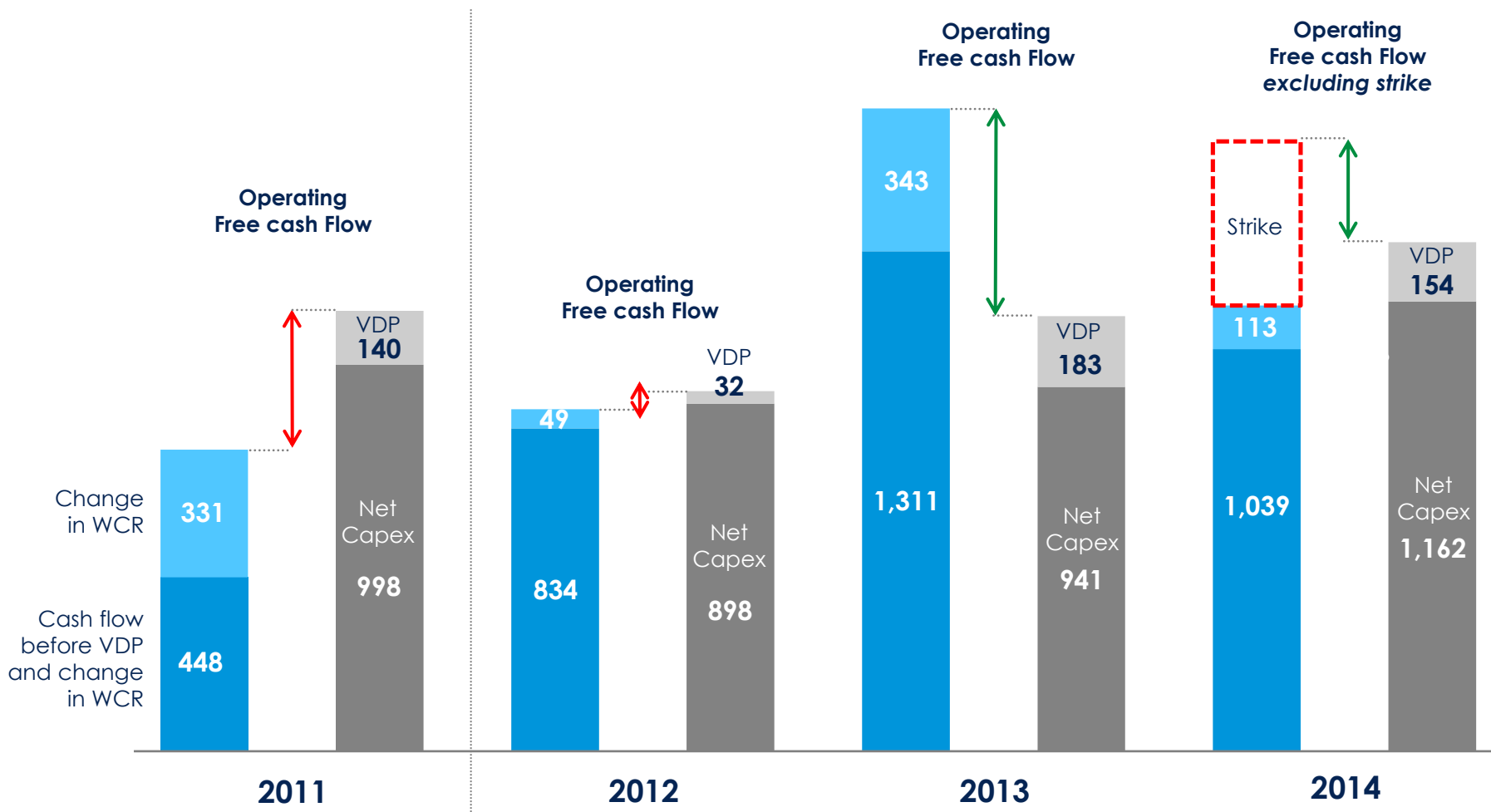
Full Year 2014: Adjusted net result

Calculation of Full Year 2014 adjusted net result, in million euros



Adapting capex levels to cash generation

€ million



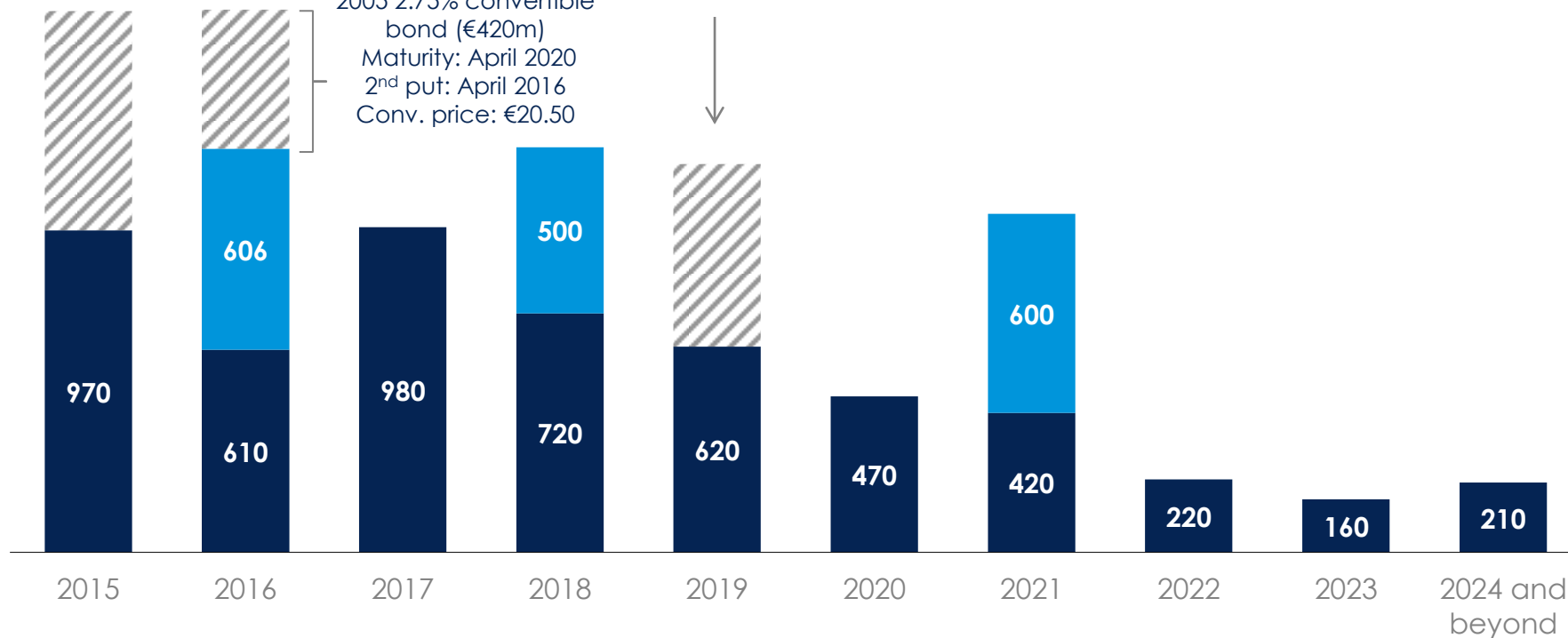
Debt reimbursement profile at 31 December 2014*

2009 4.97% convertible bond (€661m)
Maturity: April 2015
Conv. price: €11.80

2013 2.03% convertible bond (€550m)
Maturity: Feb. 2023
Put: Feb. 2019
Conv. price: €10.30

2005 2.75% convertible bond (€420m)
Maturity: April 2020
2nd put: April 2016
Conv. price: €20.50

- ▨ Convertible bonds
- Plain vanilla bonds
October 2016: Air France-KLM 6.75% (€700m)
January 2018: Air France-KLM 6.25% (€500m)
June 2021: Air France-KLM 3.875% (€600m)
- Other long-term debt – mainly asset-backed (net of deposits)



An aerial view of an airplane's wing and tail section flying over a vast sea of white clouds. The sky is a mix of blue and golden-yellow, suggesting a sunset or sunrise. The sun is visible in the upper right corner, casting a warm glow over the scene. A large white diamond shape is superimposed in the center of the image, containing the text.

Full Year 2014 Results

19 February 2015

AIRFRANCE **KLM**