

ACTION

Air France-KLM's
Shareholders' Newsletter
March 2016

air



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

Dear Shareholders,

A little more than a year after the launch of the Perform 2020 strategic plan, and following several years of losses, we have just announced our first positive results.

In 2015, your Group significantly reduced its debt and returned to a growth path, proof that everyone's initiatives and efforts of the past few years are paying off.



Air France's most stunning cabins

La Première offers a real "haute couture" suite...

[For more, see page 2](#)

Last flight for Air France's Boeing 747

On January 14, 2016, two final tribute flights were operated...

[For more, see page 6](#)



KLM: delivery of a second B787 Dreamliner

After the "Zonnebloem", the "Anjer"...

[For more, see page 5](#)

ANNUAL RESULTS 2015

[For more, see page 3](#)

→ Alexandre de Juniac editorial continued

Our strategy focused on targeted growth for the long-haul, maintenance and European low-cost businesses is an integral part of a structured approach to reducing costs.

Our product innovation and successive moves up-market have, however, also been appreciated by customers, as reflected in Air France moving up the Skytrax ranking and KLM being voted best airline in the Netherlands.

Unfortunately, 2015 was also the year of the terrible Paris attacks. The decline in the oil price is clearly favorable for us but shouldn't make us forget the weak trends in some markets and an uncertain geopolitical and economic environment. Hence the need to pursue our efforts to improve the Group's competitiveness at a time when our competitors continue to improve their own performance.

Only then will be able to guarantee the Group's long-term growth. Within this context, I would like to thank you, our shareholders, for your unwavering confidence and loyalty.

One click to board Air France's new cabins



Air France has a new mini-website dedicated to its exceptional new cabins and the destinations to which they fly.

Go to best.airfrance.com to discover this new travel concept prior to boarding.

The most stunning Air France cabins

Depending on their destinations, B777 passengers now have new "haute couture" suites in La Première and seats which have been completely redesigned in the Premium Economy and Economy cabins.



La Première offers a veritable "haute couture" suite affording absolute privacy. Air France has draped each of its suites with thick curtains, secured with leather tie-backs. A unique and daring concept, they enable passengers to choose either total or partial privacy. Furthermore, the La Première seat turns into a real fully-flat bed over two meters long. During the flight, passengers benefit from a personal 24-inch (61cm) HD touch screen.

In the **Business** cabin, Air France has created a veritable cocoon in the sky. The seat adapts to the shape of individual passengers, from seating position to a real bed measuring nearly two meters long. From the soft duvet to the XXL-sized feather-down pillow, everything has been conceived on board to sleep amidst the clouds. The personal HD touch screen measures 16 inches (41 cm).

In **Premium Economy**, customers now have more comfortable seats and multi-position foot-rests. In **Economy**, the new seat has been completely redesigned with more legroom, new seat cushions, softer headrests and a wider tray table, etc. New functionalities are also appearing like electric sockets. Here too the size of the HD touch-screens has been significantly increased: 12 inches in Premium Economy, 9 inches in Economy. Films, games, music, etc., more than 1,000 hours of programming are available on demand.

30 Boeing 777s to 28 destinations

At the end of the Winter season (March 2016) the company will have 30 aircraft equipped with the new travel cabins flying to 28 destinations world-wide:

- ✍ The Air France hub at Paris-Charles de Gaulle*;
- ✍ **North America:** Boston, Los Angeles, New York*, Toronto, Washington* ;
- ✍ **South America:** Buenos Aires, Montevideo, Panama-City, Sao Paulo* ;
- ✍ **Africa:** Abidjan*, Bangui, Douala, Johannesburg*, Libreville*, Malabo, Yaoundé* ;
- ✍ **Middle East:** Beirut*, Dubai* ;
- ✍ **India:** Bangalore ;
- ✍ **Asia:** Canton, Hong Kong*, Jakarta*, Osaka, Beijing*, Shanghai*, Singapore*, Tokyo (Haneda* and Narita* airports).

* The new La Première "haute couture" suites are also available to these destinations.

2015 results: a return to profitability

«We are very pleased to post positive results and a reduced net debt for the Group in 2015, reflecting the efforts of all the staff and the loyalty of our clients. The measures deployed with Transform 2015 have paid off and we are delivering the strategy implemented in the Perform 2020 plan, with focused growth in long haul, E&M and the European low-cost operations, while restructuring loss-making businesses and reducing unit costs. In spite of the favorable environment created by lower fuel prices, we confirm our ambition to improve our competitiveness within an economic and geopolitical context that remains very uncertain.»

Alexandre de Juniac, Chairman and Chief Executive Officer

> Positive results in 2015

In an environment marked by the decline in oil prices and prevailing uncertainty due to geopolitical instability and the high level of industry capacity, Air France-KLM generated operating income of €816 million in 2015, a €698 million like-for-like⁽¹⁾ improvement relative to the 2014 financial year, together with an EBITDA of €2,447 million. Net income, Group share amounted to €118 million.

Total revenues stood at €26.1 billion, up by 4.6%. Restated for a very favorable currency effect and the 2014 strike, revenues were down by 3.2%. Unit costs were down by 0.6% like-for-like⁽¹⁾, benefiting from the on-going restructuring measures in the Transform 2015 plan and the Perform 2020 initiatives, together with the decline in the fuel bill.

In the passenger networks business (Air France, HOP! and KLM), the Group pursued its capacity growth but was impacted, notably, by the sharp decline in demand in Brazil and Japan as well as on the routes used by oil-industry customers, particularly in Africa. The operating result for this activity nonetheless reached €850 million, up by nearly €700 million like-for-like.

Transavia accelerated its growth with a capacity increase of more than 5% reflecting, notably, its development in France. With virtually 11 million customers over the year,

revenues from this business stood at €1.1 billion.

The Group continued to restructure its cargo business to adapt to the situation of structural industry overcapacity, reducing its capacity by 4.5% over the year and by more than 23% in the full-freighter operations. This reduction enabled a €42 million reduction in the loss posted by the full-freighter activity.

The maintenance business continued its growth in 2015, with a 7.3% like-for-like increase in third-party revenues and an order book up by 12% to US\$8.4 billion. Operating income amounted to €214 million, reflecting a 5.3% operating margin. The Group's net debt⁽²⁾ stood at €4.3 billion at December 31, 2015, i.e. down by €1.1 billion over the financial year.

> Outlook

The global context in 2016 remains highly uncertain regarding fuel prices, the continued overcapacity situation on several markets and the geopolitical and economic context in which we operate. As a result, the Group expects a significant portion of the savings on the fuel bill to be offset by unit revenue pressure and negative currency impacts.

Within this framework, the Group will pursue the deployment of its Perform 2020 plan and is targeting a unit cost reduction of around 1% for 2016 and free operating cash flow generation after disposals of between €0.6 billion and €1 billion, enabling a continued significant reduction in net debt.

(1) Like-for-like: excluding currency and 2014 pilot strike impact.

(2) See definition in the press release.

	2015	2014	Variation
Passengers transported	89.8	87.4	+2.8%
Revenues (€m)	26,059	24,912	+4.6%
EBITDA (€m)	2,447	1,589	+858
Operating result (€m) Operating result like-for-like (€m)	816	-129	+945 +698
Net result, Group share (€m)	118	-225	+343
Restated net result, Group share (€m)	220	-540	+760
Net debt at the end of the period (€m)	4,307	5,407	-1,100

Air France-KLM strengthens its strategic partnerships in the East

From March 27, 2016, the KLM Royal Dutch Airlines hub at Amsterdam-Schiphol airport will become the main European hub of the Indian airline Jet Airways for its customers travelling through Europe or to North America, departing from India and beyond. As a result, KLM and Air France-KLM are thus strengthening their position between India and the transatlantic area.

In total, thanks to the combined network of Jet Airways, KLM Royal Dutch Airlines and its partner Delta Air Lines within the framework of the transatlantic joint venture, this agreement will offer customers of the three airlines optimized connecting flights from Amsterdam-Schiphol to:

- eight Indian destinations as well as Kathmandu (Nepal) and Dhaka (Bangladesh) on the flights operated by Jet Airways and KLM;
- 30 European destinations on the flights operated by KLM;
- 11 North American destinations on the flights operated by Delta Air Lines and KLM departing from Amsterdam.



Furthermore, KLM and Delta Air Lines customers will also benefit from improved connections on Jet Airways' domestic Indian network.

This agreement builds on the partnerships that have existed between Air France and Jet Airways since June 2013. The codeshare agreement enables Air France to market flights under AF flight numbers to key Indian cities on departure from Bangalore, Delhi and Mumbai. Likewise, KLM uses its marketing code (KL) on Jet Airways' domestic flights to four major cities in India out of Delhi.

Air France-KLM in Greater China



During the Winter season, the Air France-KLM Group is operating up to 77 weekly flights between the

Paris-Charles de Gaulle and Amsterdam-Schiphol hubs to nine destinations in Greater China: Beijing, Chengdu, Guangzhou (Canton), Hangzhou, Hong Kong, Shanghai, Taipei, Wuhan and Xiamen.

AFI KLM E&M voted "MRO of the Year" for the third consecutive year



On January 18, in Dublin, AFI KLM E&M received the "MRO* of the Year" accolade at the "Airline Economics Aviation 100 Awards" ceremony organized by the trade magazine Airline Economics.

Winning this award for the third consecutive year underscores AFI KLM E&M's commitment to maintaining optimal standards of quality and performance over the long-term, and its efforts to be continuously improving them.

This award was the result of voting by numerous industry professionals in recognition of the high-value-added aeronautics engineering and maintenance services delivered by AFI KLM E&M and the quality of its customer service.

**Maintenance Repair Overhaul*

Xiamen Airlines and KLM reinforce their partnership



On January 15, in Xiamen, the two airlines signed an exclusive, long-term agreement for the maintenance of Xiamen Airlines' GEnx General Electric engines. These next-generation engines will power the six new Boeing 787-8 aircraft on order by Xiamen Airlines.

Xiamen Airlines and KLM are stepping up their partnership by extending code-sharing to more flights, giving their customers a broader range of options for travel beyond their Xiamen and Amsterdam hubs.

Xiamen Airlines now operates a direct flight between Xiamen and Amsterdam, supplementing the direct flight KLM has operated between the two cities since 2011.

The two airlines also decided to make use of each other's catering services and to explore opportunities for skills exchanges between staff with a view to making their cooperation more effective.



Air France voted “Best First Class”

On 14 January, Air France won the “Best First Class available on flights between Greater China and Europe” award within the framework of the Hurun Best of the Best Awards, organized in Shanghai by the Hurun Report, a monthly magazine dedicated to the luxury industry.

In January each year, the event rewards the brands offering luxury services, the prizes being awarded on the basis of satisfaction surveys carried out by the Hurun Report with hundreds of wealthy Chinese people who are invited to vote for their favourite brands.

Air France-KLM, a founding member of Airlines for Europe (A4E)



On January 20, 2016, at the European Aviation Summit, the five largest European airline groups - Air France-KLM, easyJet, International Airlines Group, Lufthansa Group and Ryanair - announced the creation of the Airlines for Europe association (A4E).

The five groups, which carry more than 50% of passengers in Europe, chose to join forces with the aim of influencing European aviation policy.

On this occasion, Alexandre de Juniac, Chairman and CEO of Air France-KLM, stressed the opportunity for the Group to defend the interests of European airlines with the national and EU authorities to enable them effectively to compete with the world's leading airlines.

Airlines for Europe will campaign on (at least) three important issues:

- Reduce European airport costs;
- Establish a safe and efficient airspace by reducing the costs of air traffic control (ATC);
- Stimulate increased economic activity and employment by creating an appropriate regulatory framework.

Within this new association, Air France-KLM also commits to maintaining flight safety at the highest possible level and to respecting the rights of consumers.

KLM takes delivery of its second Boeing 787 Dreamliner

After the “Zonnebloem” (or Sunflower), the “Anjer” (Carnation) is the second aircraft to be delivered in Amsterdam of a total of 21 aircraft on order by KLM. By the end of 2016, ten Dreamliners will be brought into revenue service, each bearing the name of a flower.

The deployment plan for these aircraft initially plans a service to Abu Dhabi, followed by Dubai in December 2016 then Rio de Janeiro.

The A380 flies to Mexico!

This winter, Air France is offering six weekly frequencies between Paris-Charles de Gaulle and Mexico. Since January 12, three flights a week have been operated in Airbus A380s, the airline's largest super jumbo, with a further three in Boeing 777-300s. Starting from March 27, 2016, the A380 will fly between the two cities daily.

On board, customers benefit from four travel cabins for an optimal level of comfort: La Première, Business, Premium Economy and Economy.

This offer of Air France flights supplements those of KLM Royal Dutch Airlines proposing up to nine weekly frequencies in Boeing 747s between the Amsterdam-Schiphol hub and Mexico.



First Smart&Beyond A320

The Air France Maintenance division's Toulouse-based entity has just delivered the very first new-series A320. On leaving the hangar in mid-January, the aircraft operated its first commercial flight to Berlin.

Amongst the new developments on board: the densification of the cabin (moving from 165 to 174 seats), the Smart&Beyond design modelled on the A319 medium-haul fleet, a more comfortable and elegant seat, a new ambient lighting design and the installation of two redecorated and optimized toilets at the rear of the cabin.

The 24 remaining aircraft in the A320 fleet will be equipped by July 2016.

Final exceptional “Tour de France” flights for the Air France Boeing 747

On January 14, 2016, two tribute flights were operated in the Boeing 747 around France and its historic landmarks, with customers on board able to enjoy an exceptional experience!

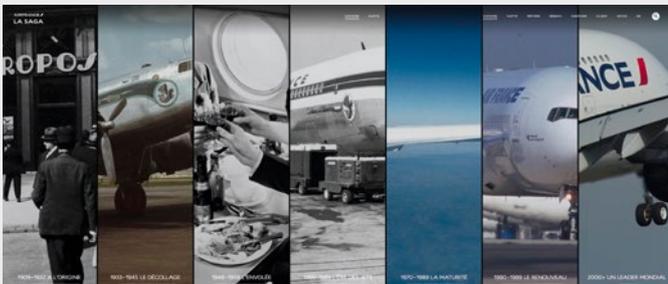
Flights AF744 and AF747, carried the Air France Boeing 747's last passengers over France in a convivial setting: a Business class lunch and champagne all round with commentary from aviation specialists during the flight over France, in the company of Alexandre de Juniac, Chairman and CEO of Air France-KLM and Frédéric Gagey, Chairman and CEO of Air France.



Members of the Individual Shareholders' Committee on arrival of the last B747 flight.

On their return to Paris-Charles de Gaulle, the passengers visited the airline's maintenance workshops and enjoyed a drink at the foot of the aircraft.

More than 45 years after the first Paris to New York flight on June 3, 1970 in the aircraft affectionately known as the “Jumbo Jet,” Air France waved an emotional farewell to this mythical aircraft.



Air France the saga: the historic reference website

To coincide with this event and the turning of a page in history, Air France unveiled the address of its new historic reference website: airfrancelasaga.com

Through videos and photos, Air France offers an opportunity to learn more about the airline's history, businesses, fleet and network as well as the attention it has always paid to customers.

Enjoy the comfort of a Boeing 777 from €45 a seat

Within the framework of the replacement of the seats in Air France's B777 fleet, the Air France Museum, in association with the Maintenance division, is offering you an opportunity to purchase the seats in the Business and Economy cabins.

These seats, sold as seen, come complete without screens (and seat belts for Economy class)*.

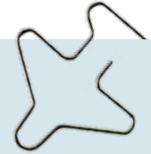
Prices for the blocks of Economy seats: €120 for a two-seat block, €150 for three seats and €180 for four seats.

Prices for the blocks of Business seats: €290 for a two-seat block and €390 for three-seats.

If you are interested you can place your order, specifying the desired models and quantities, by email to beblox@airfrance.fr



*Purchasers must commit to never installing these seats in aircraft and to no resale for a five-year period.



Minutes...

...of a meeting between the Individual Shareholders' Committee and Pierre Albano, Head of Flight Product Logistics at Air France.

On Wednesday September 23, 2015, the members of the Individual Shareholders' Committee had the pleasure of sharing a very informative working lunch with Pierre Albano, Head of Flight Product Logistics at Air France.

A 145-strong team at the service of the customer

Heading a team of 145 people, Pierre Albano plays a transverse role in choosing products to be embarked on board aircraft through to the management of the end to their useful lives.

One priority: customer satisfaction

Flight product logistics is about handling everything entering or exiting an aircraft with the exception of passengers.

From crockery and cups through to other supplies like pillows, blankets, amenity products, audio headsets, etc., without forgetting the items in duty free.

Different products are offered based on travel class with a particularly high-end range in La Première (crystal glasses, fine porcelain, vintage wines and dishes created by famous chefs).

It thus involves showcasing the French tradition in service, tableware and cuisine, and promoting Air France-KLM's image and strengths within a highly competitive airline environment.

A subtle alchemy

On board a Paris-Tokyo flight, some 33,000 items are embarked before each takeoff their selection being based on a tried-and-tested process.

The major constraints concern weight and compliance with strict standards, but also the specific requirements of the cabins in each aircraft. Work thus starts as of the selection of new aircraft for the fleet with particular attention paid to the storage and reheating spaces.

The choice of service providers is based on the strictest international

standards and the aeronautical constraints of each aircraft type.

In terms of recycling, international regulations currently enable the recycling of only a limited number of products since the health standards mostly require incineration.

However, the subject of "flight products" is a real priority for the Sustainable Development division whose aim is to ensure that the Group remains a world leader in this area.



Renewal of the Individual Shareholders' Committee

A number of Air France-KLM Individual Shareholders' Committee member mandates come up for renewal this year.

If you would like to join us and contribute to improving the Group's communication with individual shareholders, then you can request an application form by mail at:

Air France-KLM
Fl.IR Comité des actionnaires
 45 rue de Paris
 95737 Roissy Charles-de-Gaulle Cedex

You can also download an application form from our website in the "Consultative Committee" section.

Created in 2000, the Individual Shareholders' Committee currently numbers 12 members with a six-year term of office. Its role is essentially the functioning of our communication with individual shareholders and its principal tasks are to formulate comments

and recommendations on the Group's financial communication. The members also submit proposals on the various aspects of communication and relations with individual shareholders (materials, communication initiatives, etc.) and communicate the expectations of individual shareholders.

The Individual Shareholders' Committee meets a minimum of four times per year, at Roissy, in the Air France head office.

Amongst the many subjects addressed by the Committee last year was digitizing the Club's newsletter. The Committee decided to maintain one printed number per year and to introduce an electronic version for the other three numbers.

You will continue to receive the April newsletter preceding the Annual General Shareholders' Meeting and the other numbers will be available on our website at the following address:
www.airfranceklm.com.



MY MEETINGS

Annual General Shareholders' Meeting
Thursday May 19, 2016

Next news
Wednesday May 4, 2016
First quarter 2016 results

Forthcoming site visits
Thursday April 7, 2016
Air France Hub at Roissy

Tuesday April 12, 2016
Visit to Air France Cargo at Roissy

Number of places limited and exclusively for Club members.
Sign up until March 22 (inclusive) by email at:
mail.actionnaires@airfranceklm.com

Forthcoming invitations
Wednesday April 6, 2016
"Naked Lunch" dance evening by Club Guy & Roni
Théâtre de Chaillot à Paris

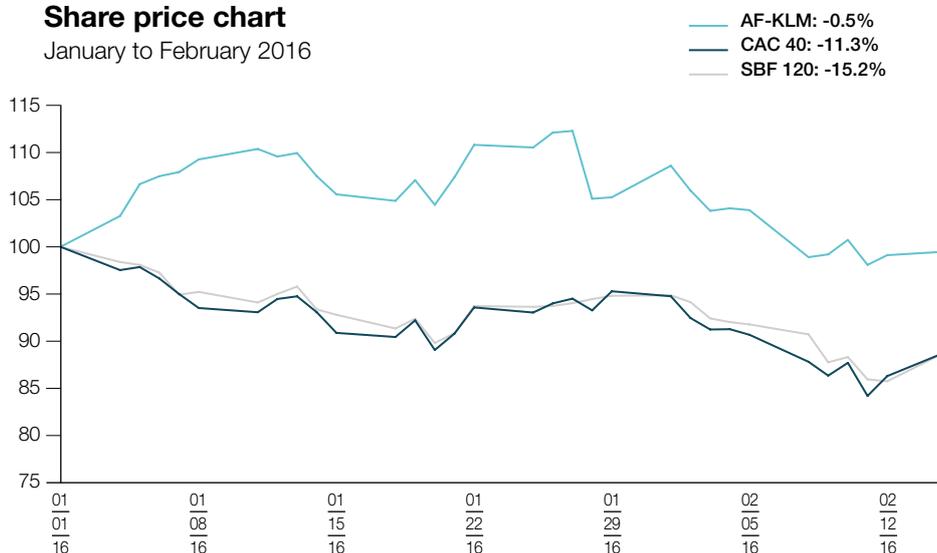
Number of places limited
Sign up until March 22 (inclusive) by email at:
mail.actionnaires@airfranceklm.com

Forthcoming meetings in the French provinces
April 13, 2016
September 21, 2016
November 30, 2016

My shares

Share price chart

January to February 2016



Stock information

Eligible for deferred settlement and for PEAs (tax-exempt equity savings plans)

INCLUDED IN THE FOLLOWING MAIN INDICES

National: 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

DUAL LISTING

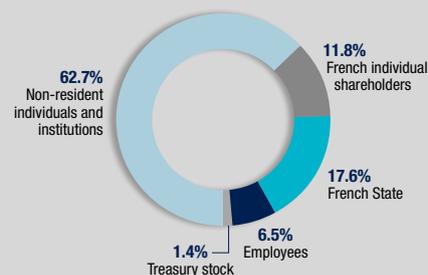
Euronext Paris and Amsterdam

ISIN equity code FR0000031122
Reuters code AIRF.PA
Bloomberg code AFFP
OTC Market AFLYY

2015 DECLARATION

Wealth Tax share price: €7.96

SHAREHOLDER BREAKDOWN AT DECEMBER 31, 2015



Contact information

Website: www.airfranceklm.com

By mail:
Air France-KLM
Shareholder relations
FI.IR
95735 Roissy Ch. de Gaulle Cedex

By email:
mail.actionnaires@airfranceklm.com