

AIRFRANCE KLM










Information meeting

Activity and Results



■ Increasing effects of Transform 2015

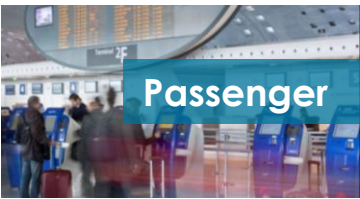
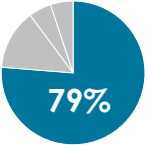

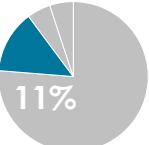

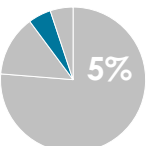
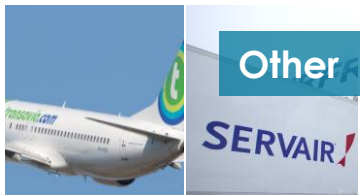
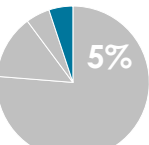
Key data: underlying improvement at every level

	FY 13		FY 12 ⁽¹⁾	Change
Revenue (€bn)	25.52		25.42	Reported: +0.4% Ex-currency: +2.3%
EBITDA ⁽²⁾ (€m)	1,855		1,394	+461m
Operating result (€m)	130		-336	+466m
Net result, group share (€m)	-1,827		-1,225	-602m
Adjusted net result ⁽²⁾ (€m)	-349		-696	+347m
Operating free cash flow ⁽²⁾ (€m)	538		-47	+585m
Net debt ⁽²⁾ (€bn)	5.35		5.97	-618m

(1) Restated for IAS 19 revised, CityJet reclassified as discontinued operation

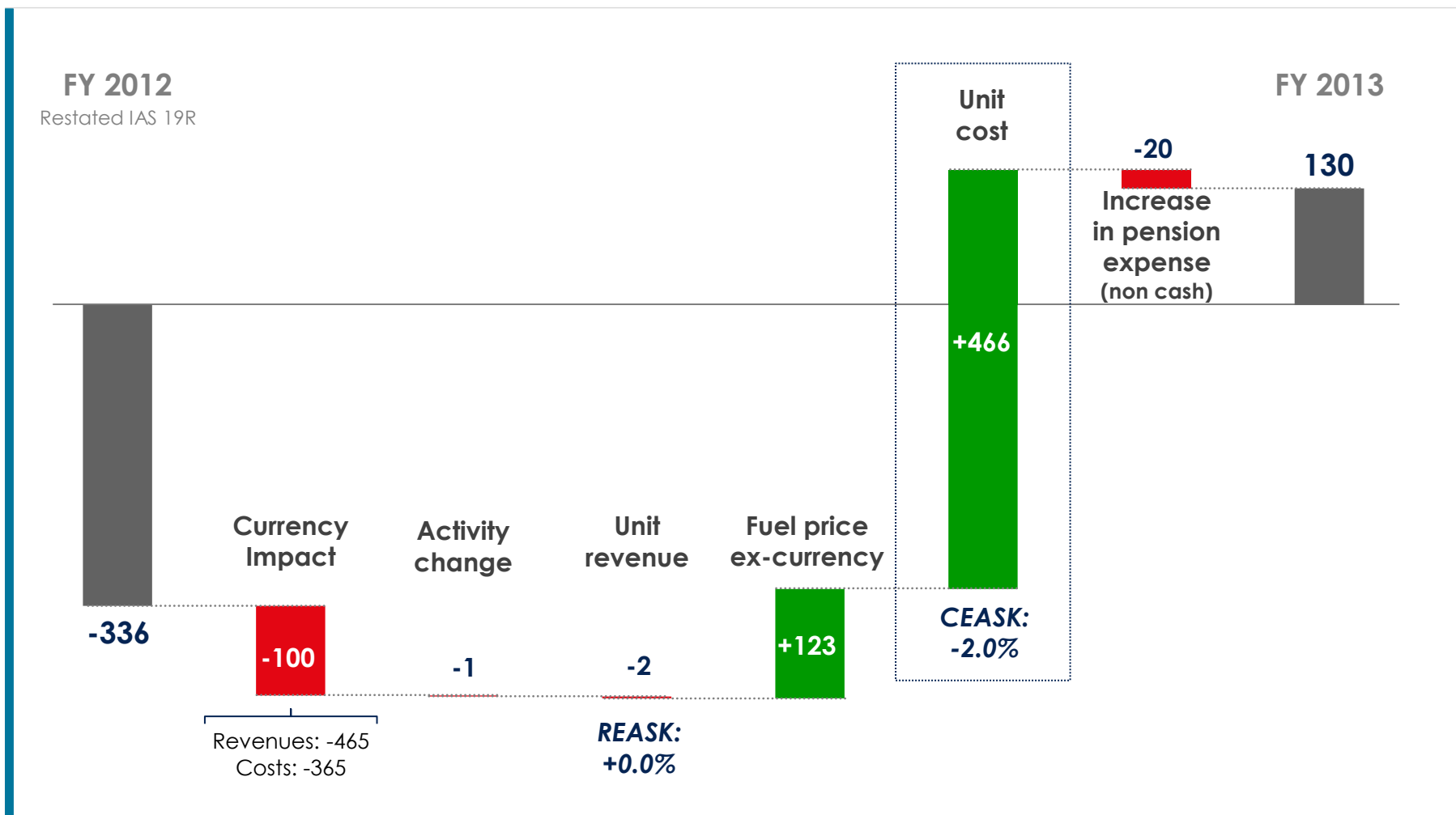
(2) See definition in press release

Contribution by business to Full Year results

		Revenue (€ bn)	Change (%)	Change ex-currency (%)		Op. result (€m)	Change (€m)	Change ex-currency (€m)	
 Passenger		20.11	+0.7%	+2.6%	↗	174	+434	+499	↗
 Cargo		2.82	-7.9%	-5.7%	↘	-202	+28	+37	↗
 Maintenance		1.22	+11.8%	+15.1%	↗	159	+19	+29	↗
 Other		1.37	+5.6%	+5.3%	↗	-1	-15	+0	→
Total		25.52	+0.4%	+2.3%	↗	130	+466	+566	↗

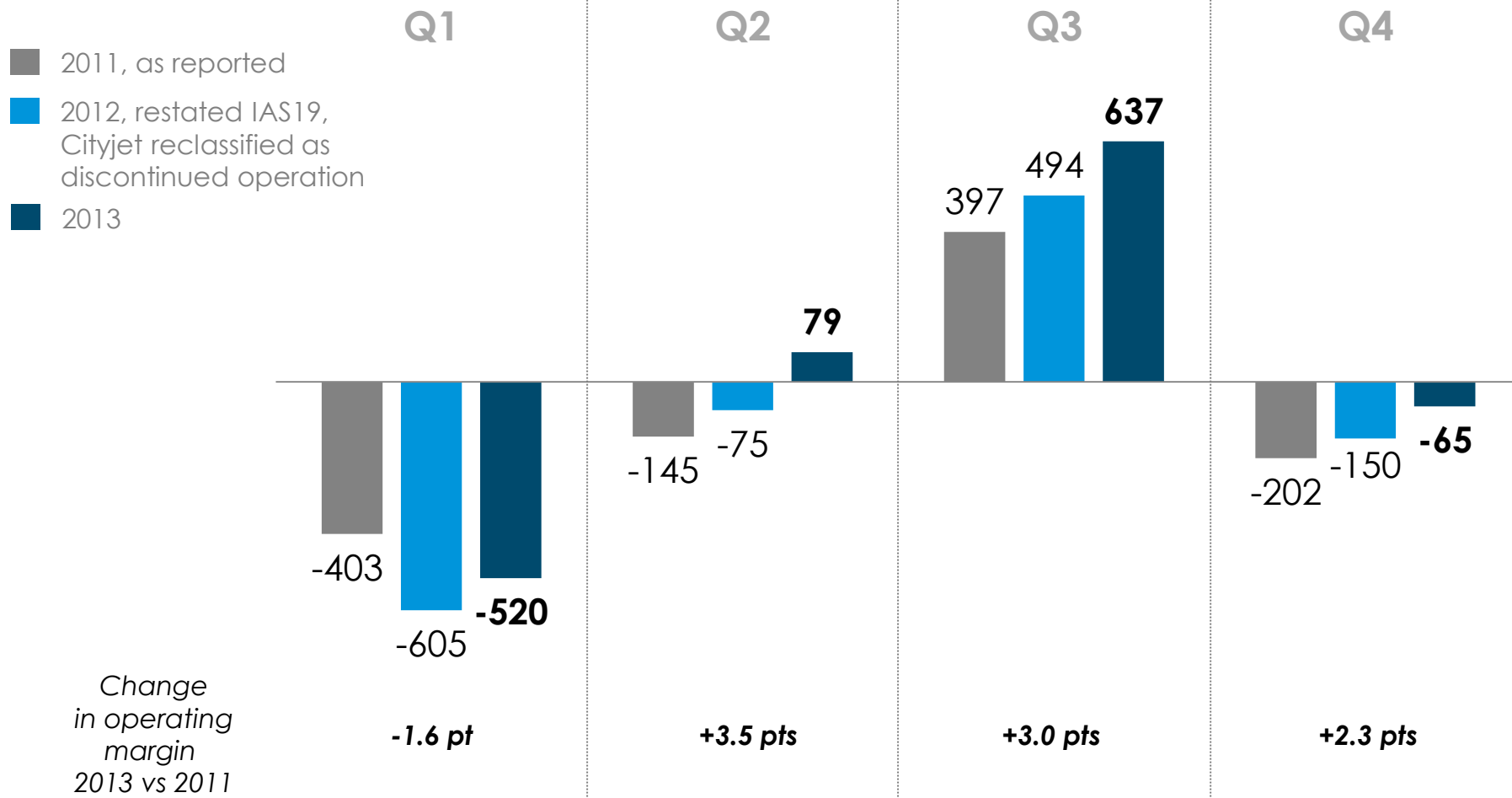
Cost reduction drives improvement in operating result...

In € billions



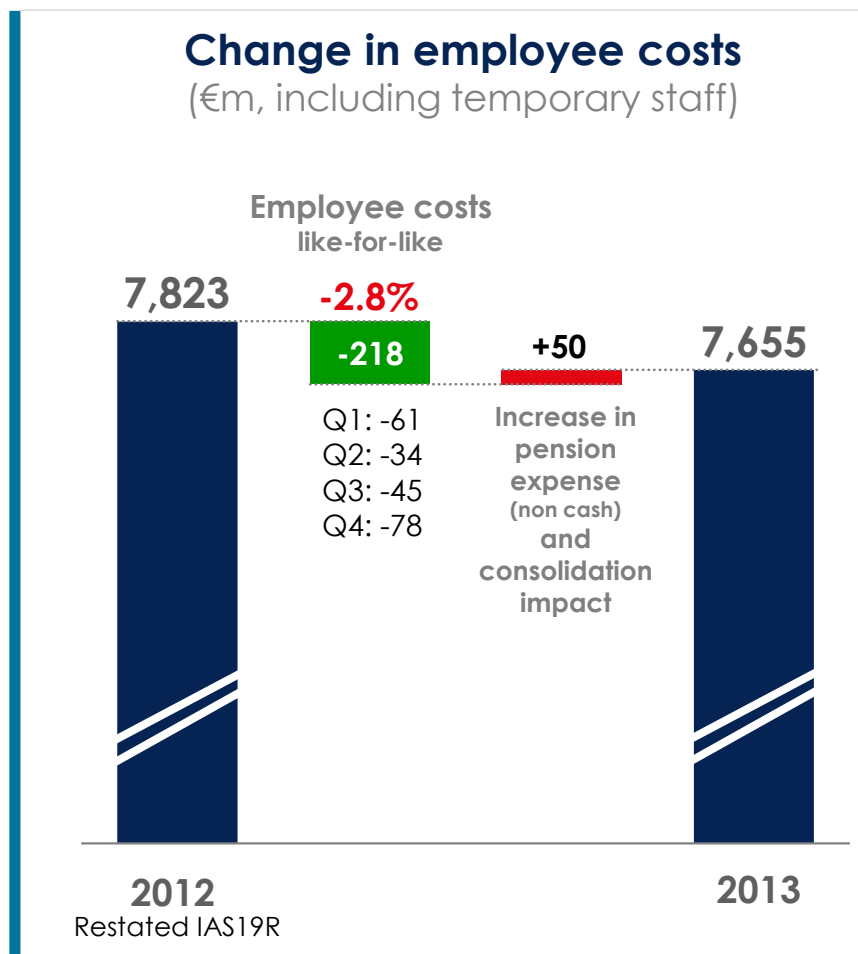
...with a positive momentum since Transform 2015 launch

In € billions



Significant decline in employee costs

- + Headcount reduction
 - ▶ -3,700 FTEs⁽¹⁾
- + General pay freeze at both Air France and KLM
- + On track to achieve further reduction⁽²⁾ in 2014



(1) December 2013, at constant scope

(2) Like-for-like: excluding increase in pension expense

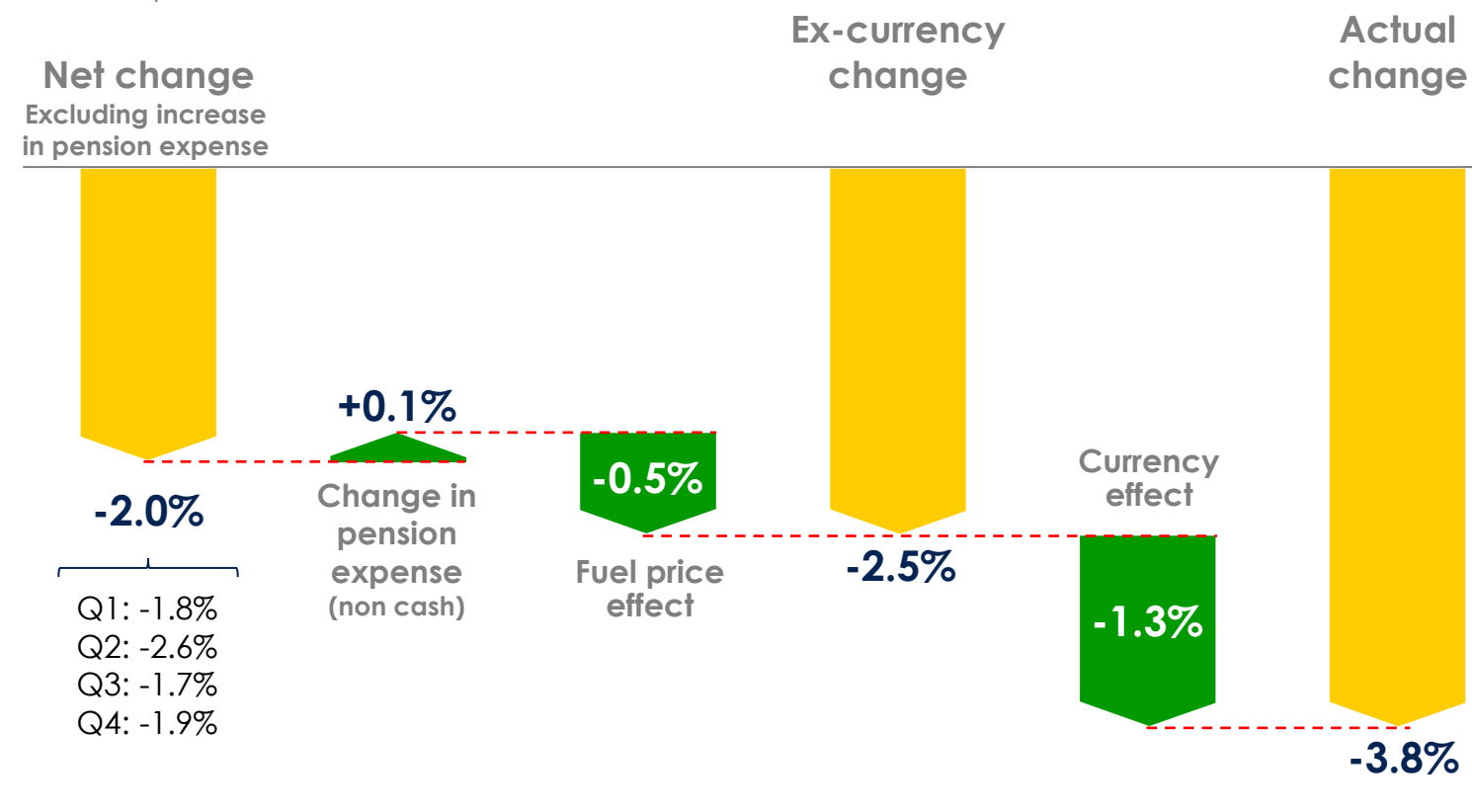
Further reduction in unit costs

FY 2013

Net cost: €22,613m (-2.2%)

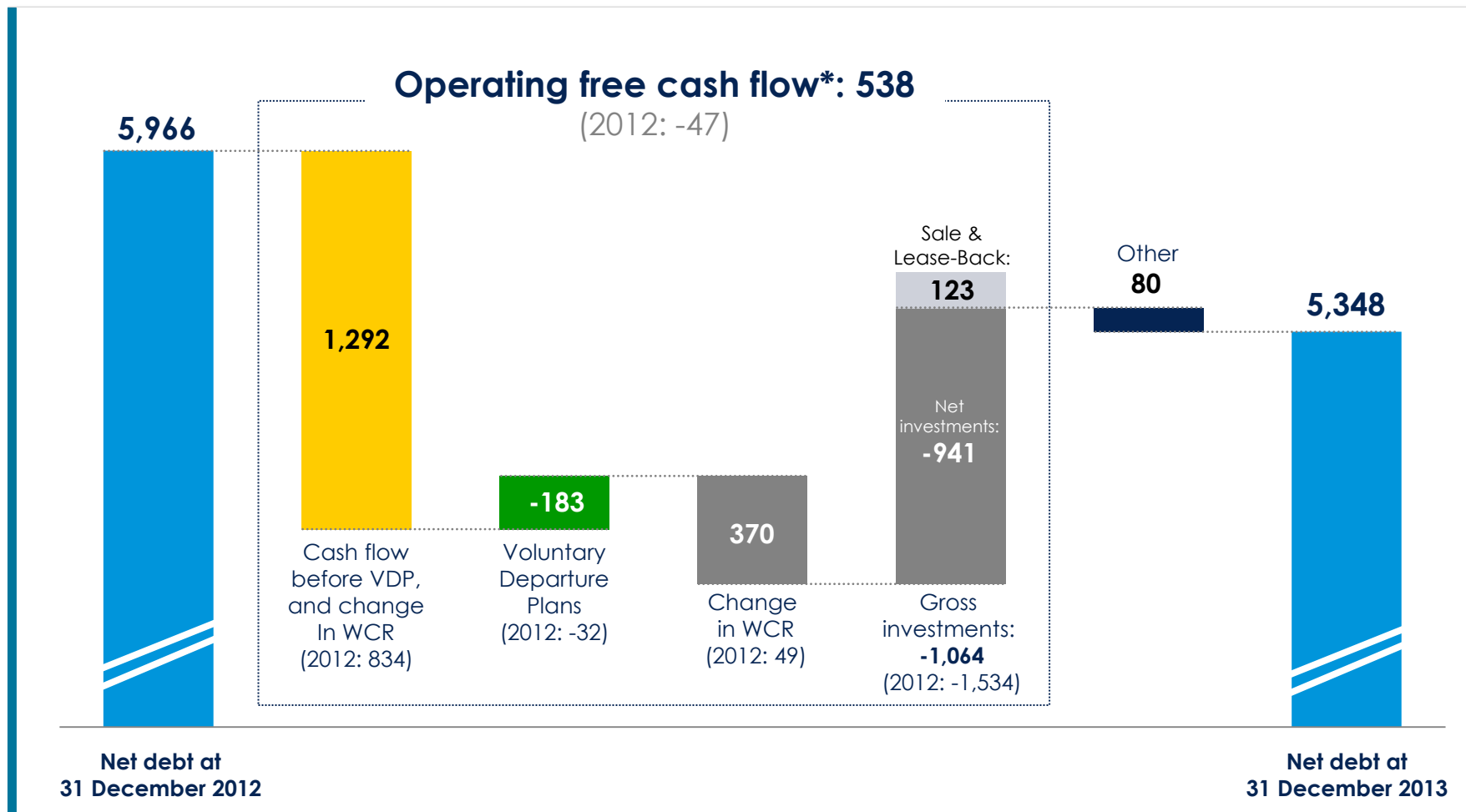
Capacity in EASK: 333,480m (+1.6%)

Unit cost per EASK: €6.78 cents



Strong free cash flow generation

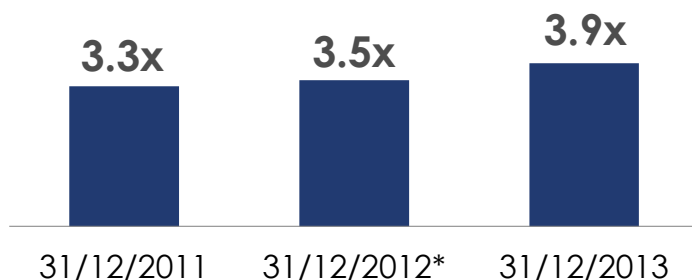
In € billions



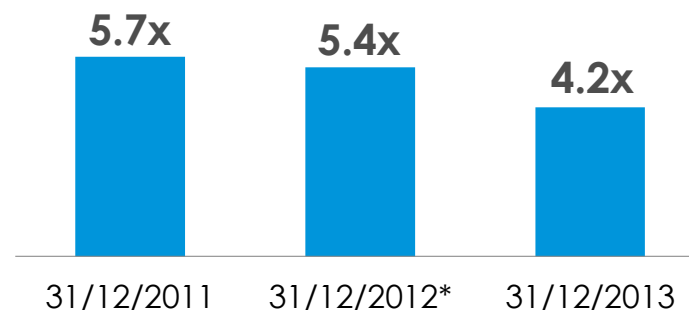
* Net cash flow from operating activities less net capex on tangibles and intangibles. See definition in press release

Improved financial ratios at 31 December 2013

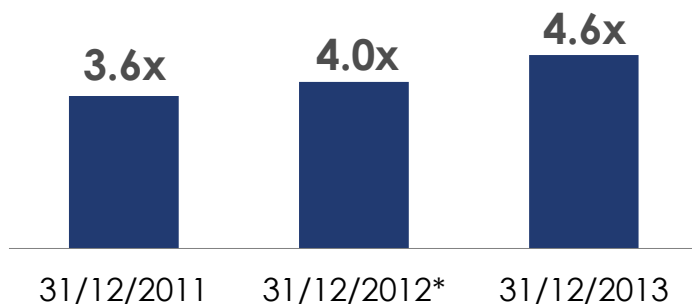
EBITDAR / adjusted net interest costs⁽¹⁾



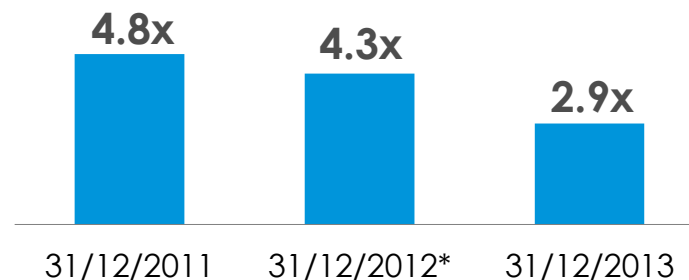
Adjusted net debt⁽²⁾ / EBITDAR



EBITDA / net interest costs



Net debt / EBITDA



* Restated for IAS 19 revised, 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 charge)

Strategy

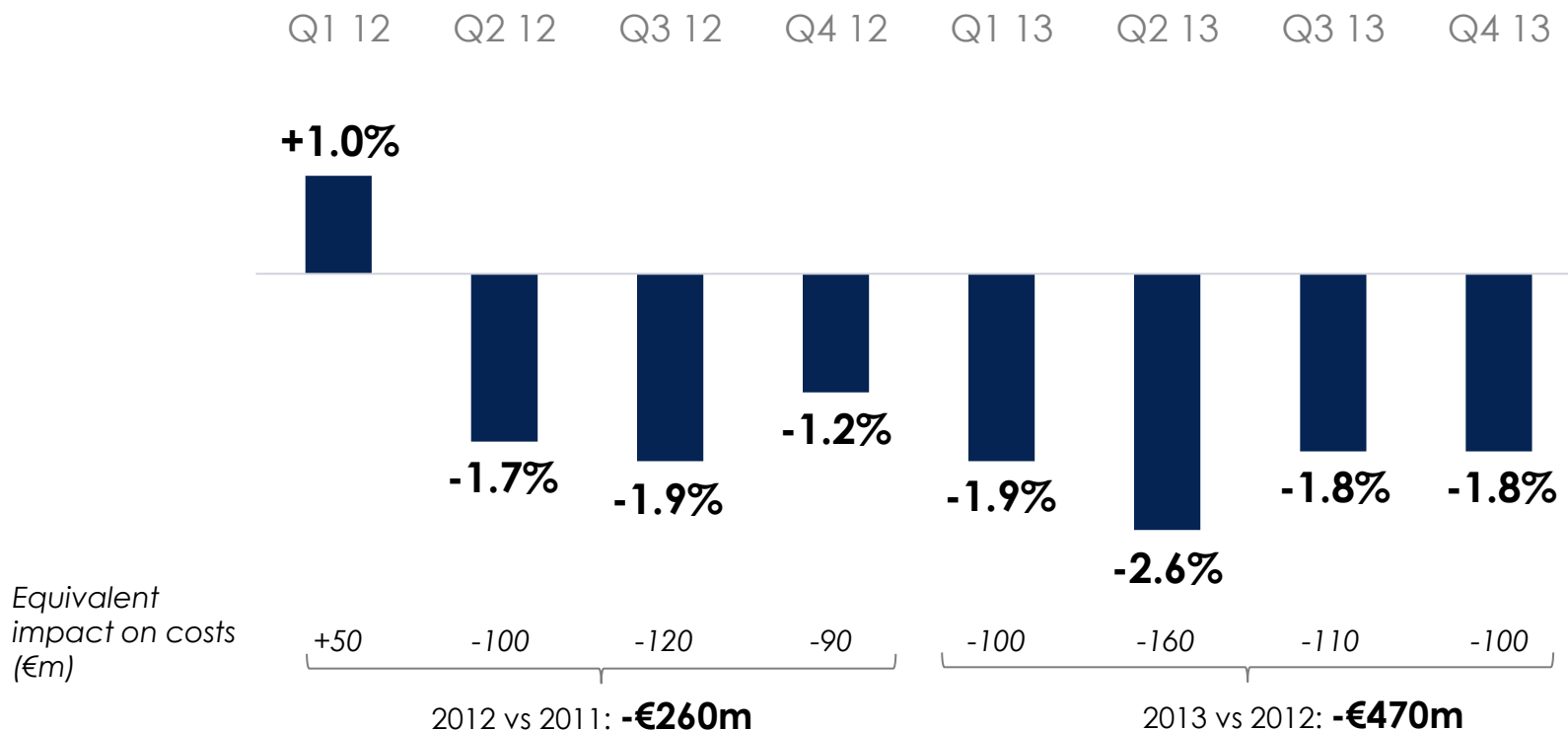


Agenda

- ✦ **Transform 2015: securing structural cost reductions**
- ✦ Driving a new revenue dynamic
- ✦ Expanding and strengthening our international networks

Significant reduction in costs since launch of Transform 2015

Change in unit cost*

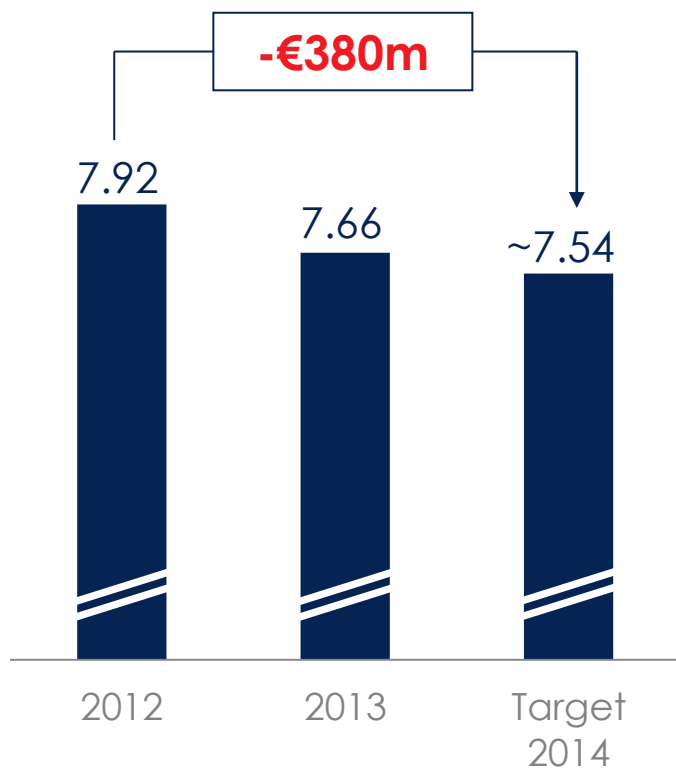


Costs reduced by over €700 million in 2 years

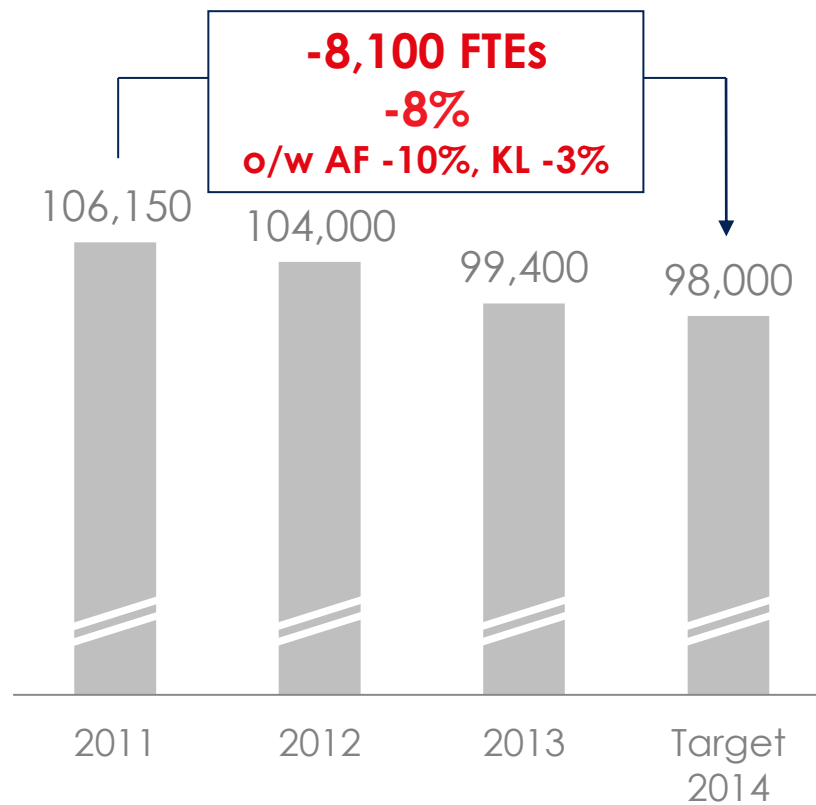
* Net unit cost per EASK in € cents, at constant currency, fuel price and excluding (non cash) pension charge impact

Reduction in both headcount and employee costs

Employee cost*
incl. temporary staff



Headcount*
incl. temporary staff (Full Time Equivalent)



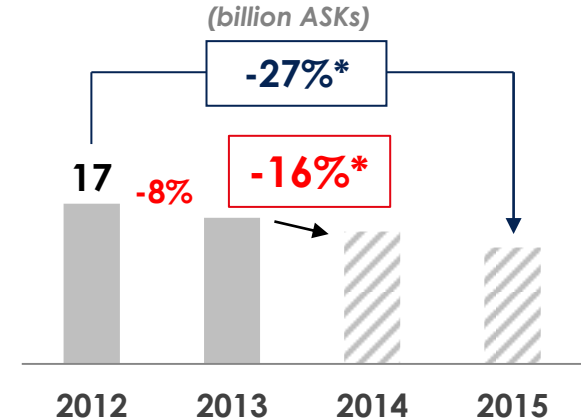
* At constant pension cost, CityJet removed in 2013 and 2014

Medium-haul: new measures on track

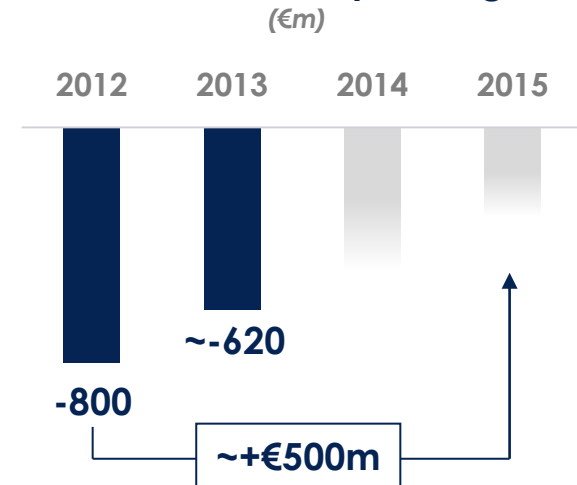
- + Losses reduced by €180m in 2013
 - ▶ Hubs: productivity gains, cabin densification, shorter turnaround times and ancillary revenues
 - ▶ Point-to-point: reduction of activity in provincial bases, sale of CityJet

- + Deployment of new measures announced in October 2013
 - ▶ Paris-CDG hub: additional fleet reduction and productivity improvements
 - ▶ Amsterdam hub: further actions to increase asset utilization
 - ▶ Point-to-point: capacity cuts
 - ▶ New Voluntary Departure Plan underway targeting 1,400 FTEs in French stations

French point-to-point capacity



Medium-haul total operating result

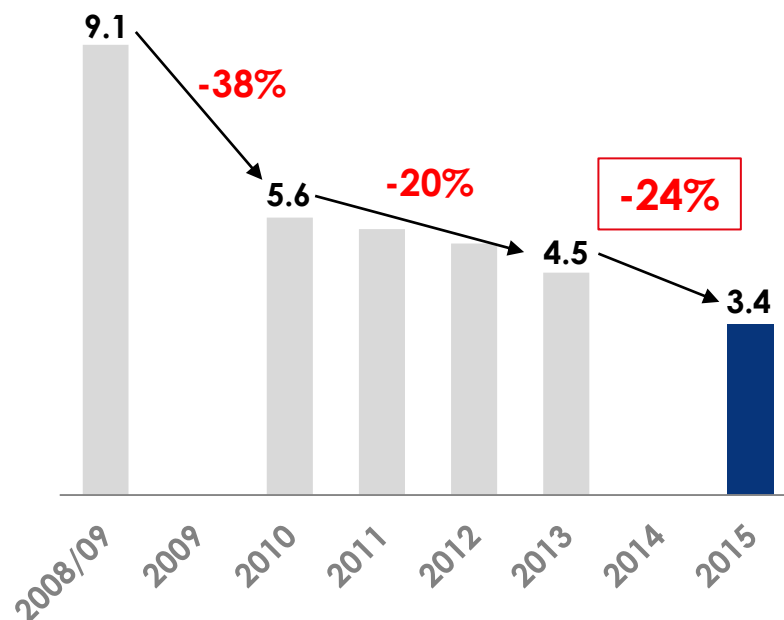


* o/w 5% due to sale of CityJet

Cargo restructuring: ready to further adapt

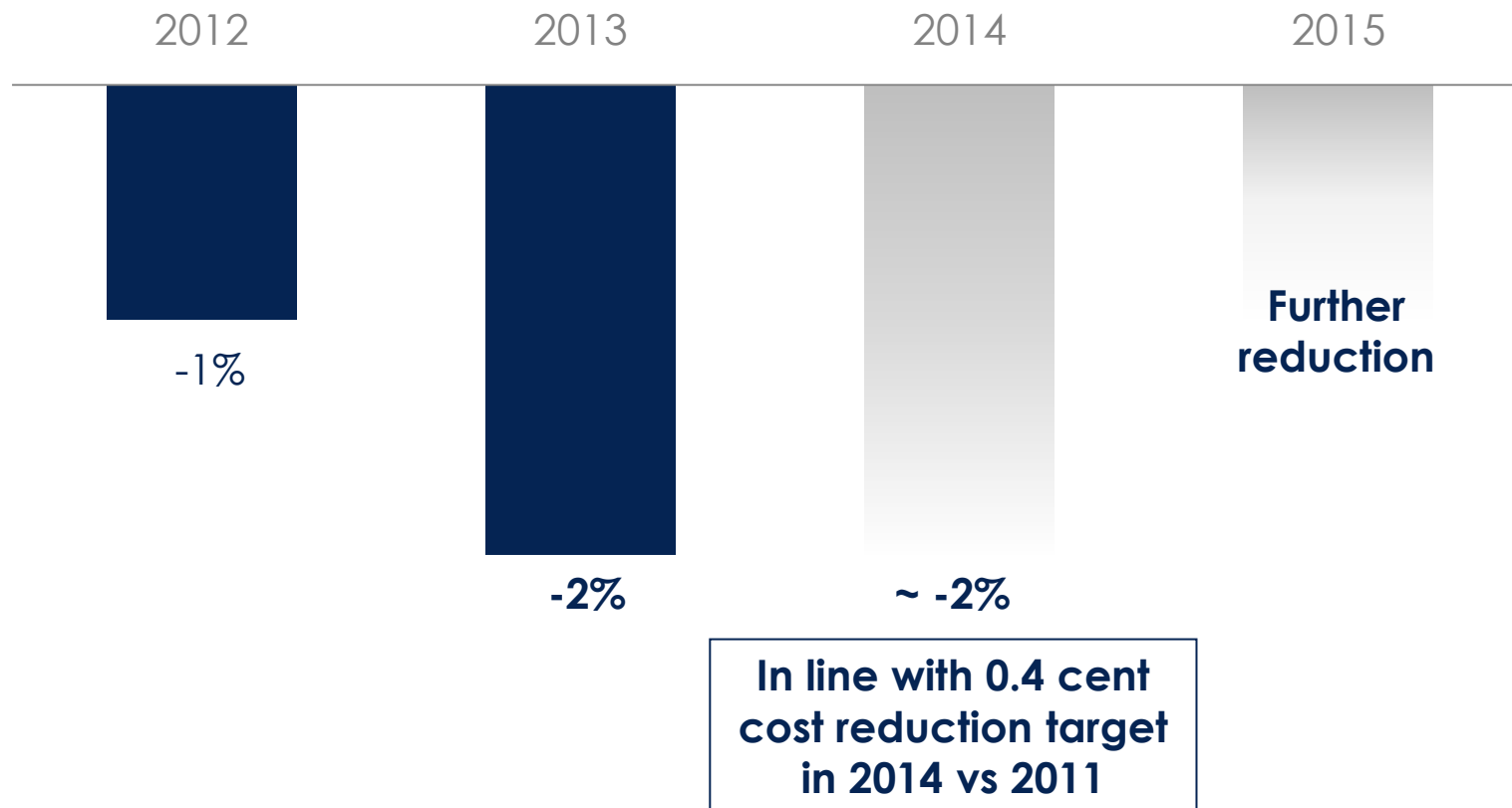
- + Significant cost and capacity reduction achieved in 2013
 - ▶ Full freighter capacity down 11%
 - ▶ CATK down 4%
- + New measures announced in October 2013 on track
 - ▶ Further full freighter fleet reduction, down from 14 in 2013 to 10 in 2015
 - ▶ Outsourcing of handling at Orly, VDP in France targeting 280 FTEs
 - ▶ New revenue initiatives
- + Ready to further adapt in the absence of market recovery

Full-freighter cargo capacity
(billion ATKs)



Targeting a further reduction in unit costs in 2014 and 2015

Trend in unit costs*



* Net unit cost per EASK in € cents, at constant currency, fuel price, and pension expense. Restated following reclassification of CityJet as discontinued operation. See definition in press release.

Agenda

- + Transform 2015: securing structural cost reductions
- + **Driving a new revenue dynamic**
- + Expanding and strengthening our international networks

Air France long-haul product upgrade

- + €500m investment in long-haul product by end of 2015
- + New cabins in 44 B777s
 - ▶ Launch in June 2014
 - ▶ New seats and new In-Flight Entertainment in all cabins
- + Business class seat positioned at highest standards
 - ▶ “full flat”
 - ▶ “full access”: direct aisle access
 - ▶ “full privacy”
 - ▶ Incorporates “quick change” feature to match demand seasonality

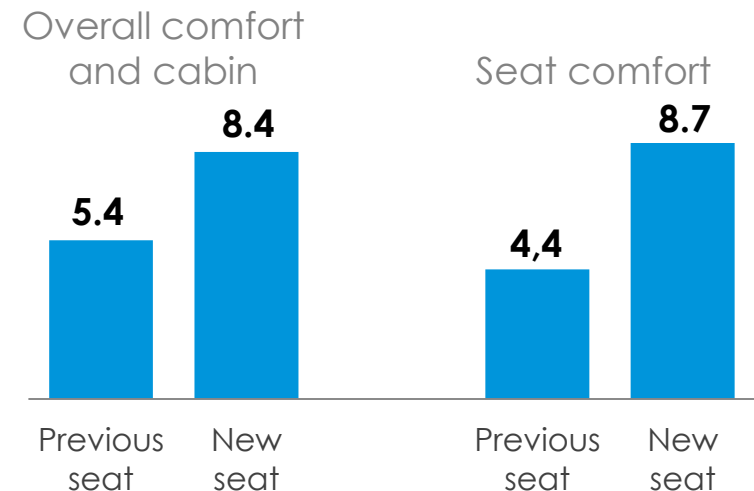


KLM long-haul product upgrade

- + €200m investment in long-haul product by end of 2015
- + New World Business Class seat
 - ▶ Launched in July 2013
 - ▶ 22 B747-400s upgraded by Summer 2014
 - ▶ “full flat”
 - ▶ Marked improvement in customer satisfaction
- + Accelerated replacement of MD11s
- + KLM frontline staff ranked #1 in Europe by SkyTrax



Customer satisfaction*



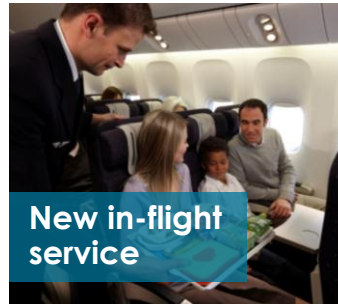
* First results on 7 upgraded B747s

Reorganization of medium-haul brands

April 2012



October 2012



April 2013



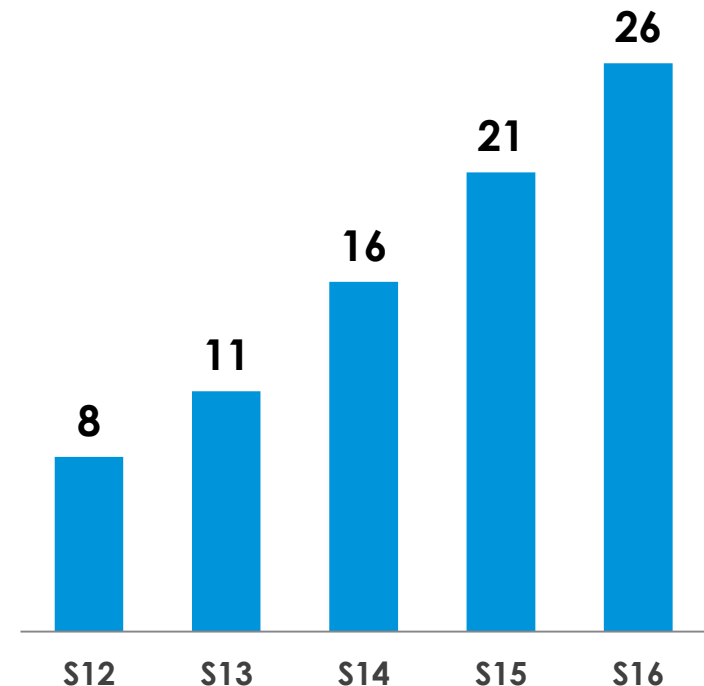
- + Investment in medium-haul product
 - ▶ New in-flight service at Air France (October 2012)
 - ▶ Introduction of Economy Comfort at KLM (December 2012)
- + Revised business model on regional point-to-point activity
 - ▶ New brand (HOP!) supporting product and fare adaptation
 - ▶ Capacity reduction
- + Adaptation of mainline fare structure
 - ▶ Air France: successful launch of fares without bag (Mini)
 - ▶ KLM: smooth introduction of paid first bag

Accelerated development of Transavia France

- + Transavia to capture growth opportunities in French leisure market
 - ▶ Positioned as a high-end leisure product
 - ▶ Based in Orly
- + Significant network development
 - ▶ Aiming at both “sun” and “city-breaks” routes
 - ▶ Served or not by Air France
- + Brand position adapted
 - ▶ Investment in brand awareness
 - ▶ Development of distribution channels, in both France and in inbound markets
 - ▶ Link with Flying Blue

Transavia France fleet plan

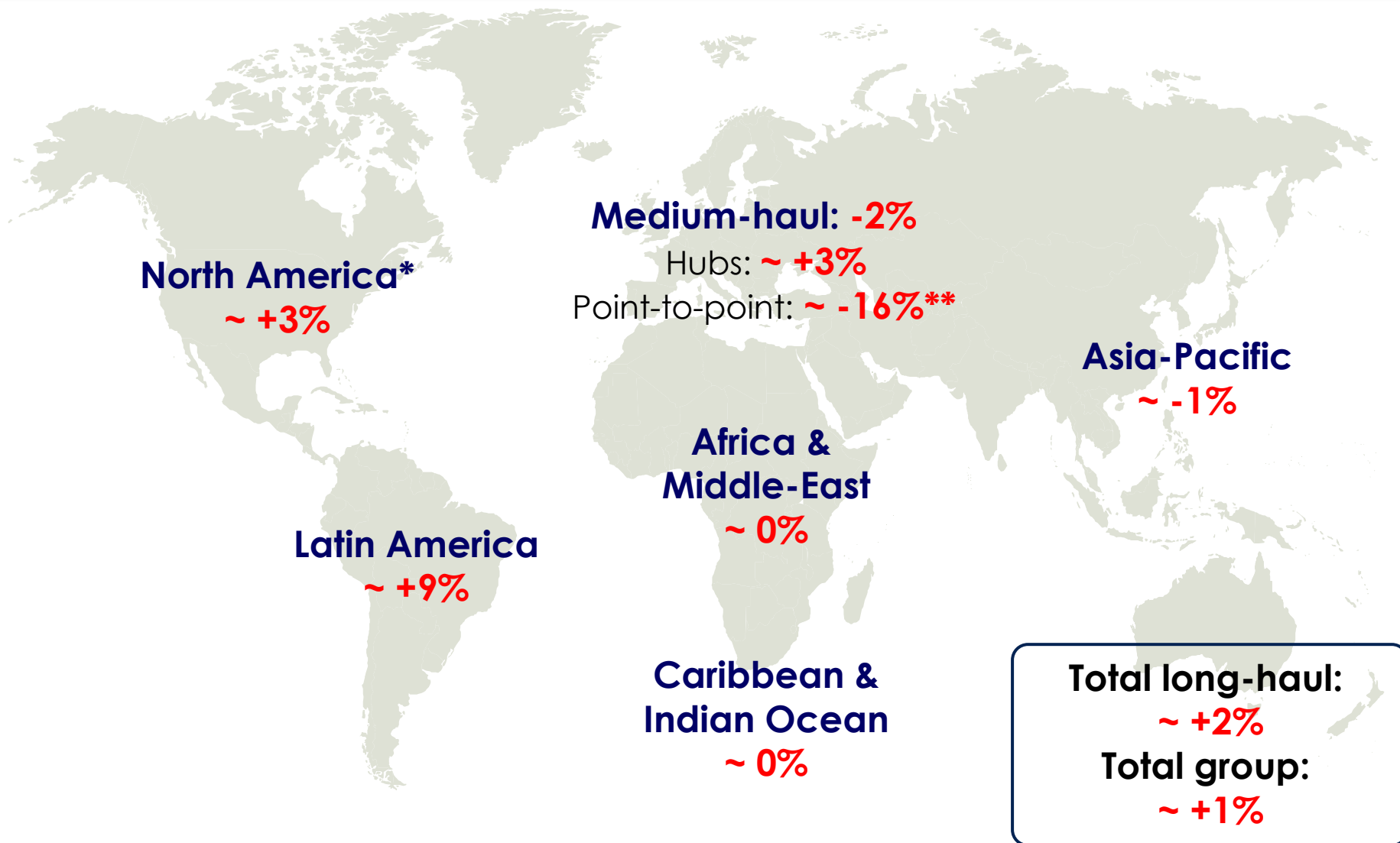
(number of aircraft)



Agenda

- + Transform 2015: securing structural cost reductions
- + Driving a new revenue dynamic
- + **Expanding and strengthening our international networks**

Targeted capacity growth in 2014



* Including Mexico

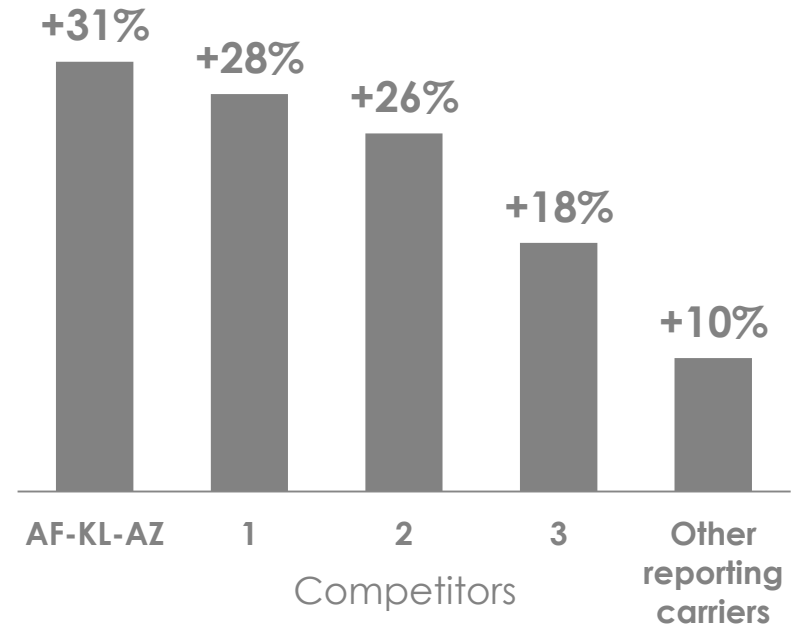
** o/w 5% due to sale of CityJet

The North Atlantic JV: a unique asset

- + JV represents 23% of industry transatlantic capacity
 - ▶ 98 flights per day
 - ▶ Revenue: \$11bn
- + Leading improvement in RASK since 2008
- + New initiatives
 - ▶ Ancillary seat sales
 - ▶ Enhanced integration of Frequent Flyer programs
 - ▶ Cargo

11 point rise in profit margin since 2008

North Atlantic RASK 2013 vs 2008*



* Among 13 participating European carriers, January-September 2013 RASK compared to January-September 2008, in € cents, source: AEA

Accelerated development in Latin America

- + Air France-KLM: strong organic growth in last 5 years
 - ▶ 12 destinations, o/w 6 served from both hubs
 - ▶ Summer 2014: #1 carrier between Europe and Latin America
- + Air France-KLM and GOL
 - ▶ A strong local player in Brazil
 - ▶ Code share agreement on 28 destinations since 2009
- + 2014: new strategic agreement
 - ▶ Exclusive access to domestic network
 - ▶ Coordination stepped up between the 2 networks
 - ▶ Extension of code shares
 - ▶ Coordination of sales teams in Europe and Brazil
 - ▶ Maintenance agreement
 - ▶ Cemented by an equity investment

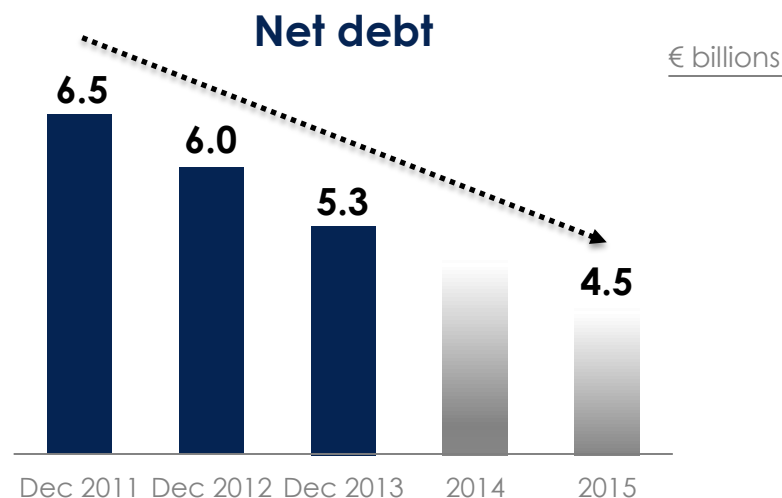
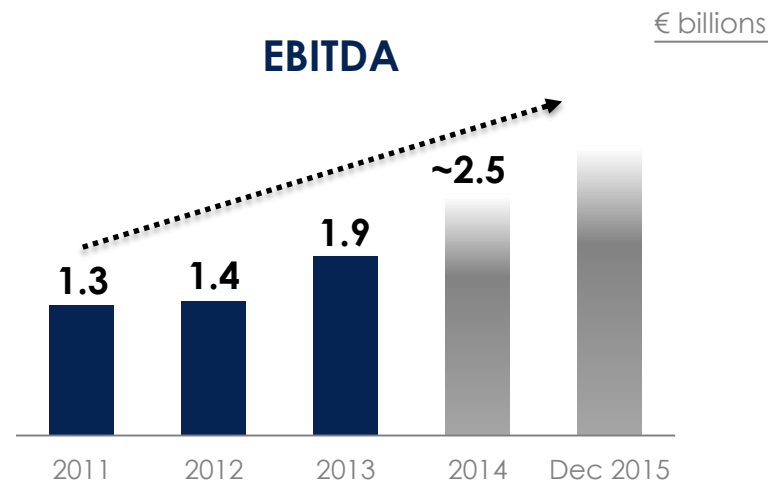
Development of Air France-KLM Latin American network

(Summer 2014 vs Summer 2009)



Outlook for 2014

- + Operating environment remains uncertain
 - ▶ Timing/strength of economic recovery in different regions
 - ▶ Still volatile currencies and fuel prices
 - ▶ Industry capacity
- + Positive impact of Transform measures
 - ▶ Initial measures fully delivering
 - ▶ Additional measures delivering as of H2 2014
- + EBITDA expected in the region of €2.5bn in 2014, subject to there being no reversal in current operating trends
- + Ongoing reduction in net debt
 - ▶ Towards our 2015 objective of €4.5bn



Appendices



Full Year and Q4 2013 results summary

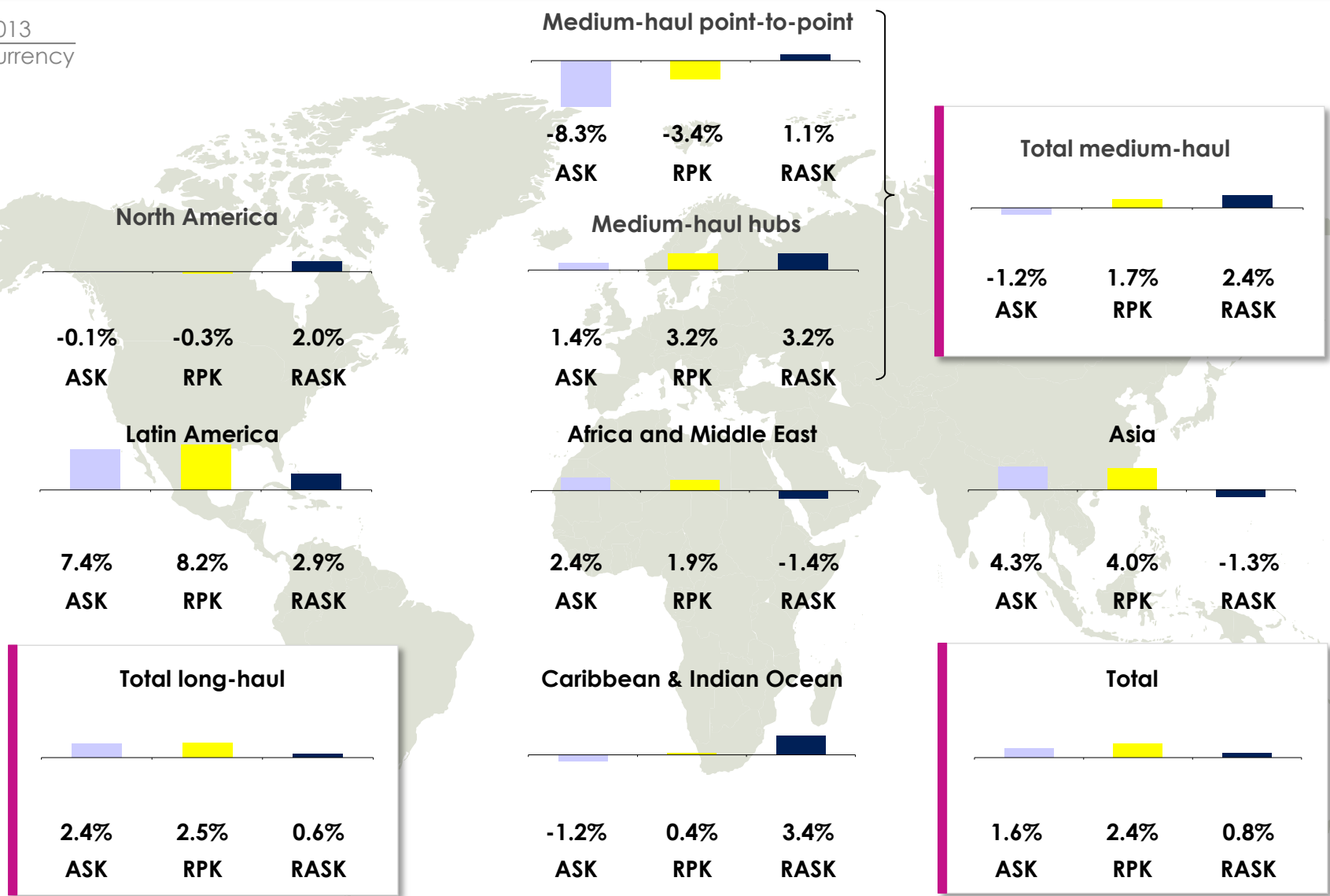
In € millions	Q4-13	Q4-12 ⁽¹⁾	Change	FY-13	FY-12 ⁽¹⁾	Change
Revenues	6,123	6,258	-2.2%	25,520	25,423	+0.4%
<i>Change ex-currency</i>			+0.7%			+2.3%
EBITDA ⁽²⁾	381	281	+100	1,855	1,394	+461
<i>EBITDA margin</i>	+6.2%	+4.5%	+1.7 pts	+7.3%	+5.5%	+1.8 pts
Operating result	-65	-152	+87	130	-336	+466
<i>Operating margin</i>	-1.1%	-2.4%	+1.3 pts	0.5%	-1.3%	+1.8 pts
Net result, group share	-1,177	-244	-933	-1,827	-1,225	-602
Adjusted net result, group share ⁽²⁾	-112	-126	+14	-349	-696	+347
Operating free cash flow ⁽²⁾				538	-47	+585
Net debt at end of period ⁽²⁾				5,348	5,966	-618

(1) Restated for IAS 19 revised, Cityjet reclassified as discontinued operation

(2) See definition in press release

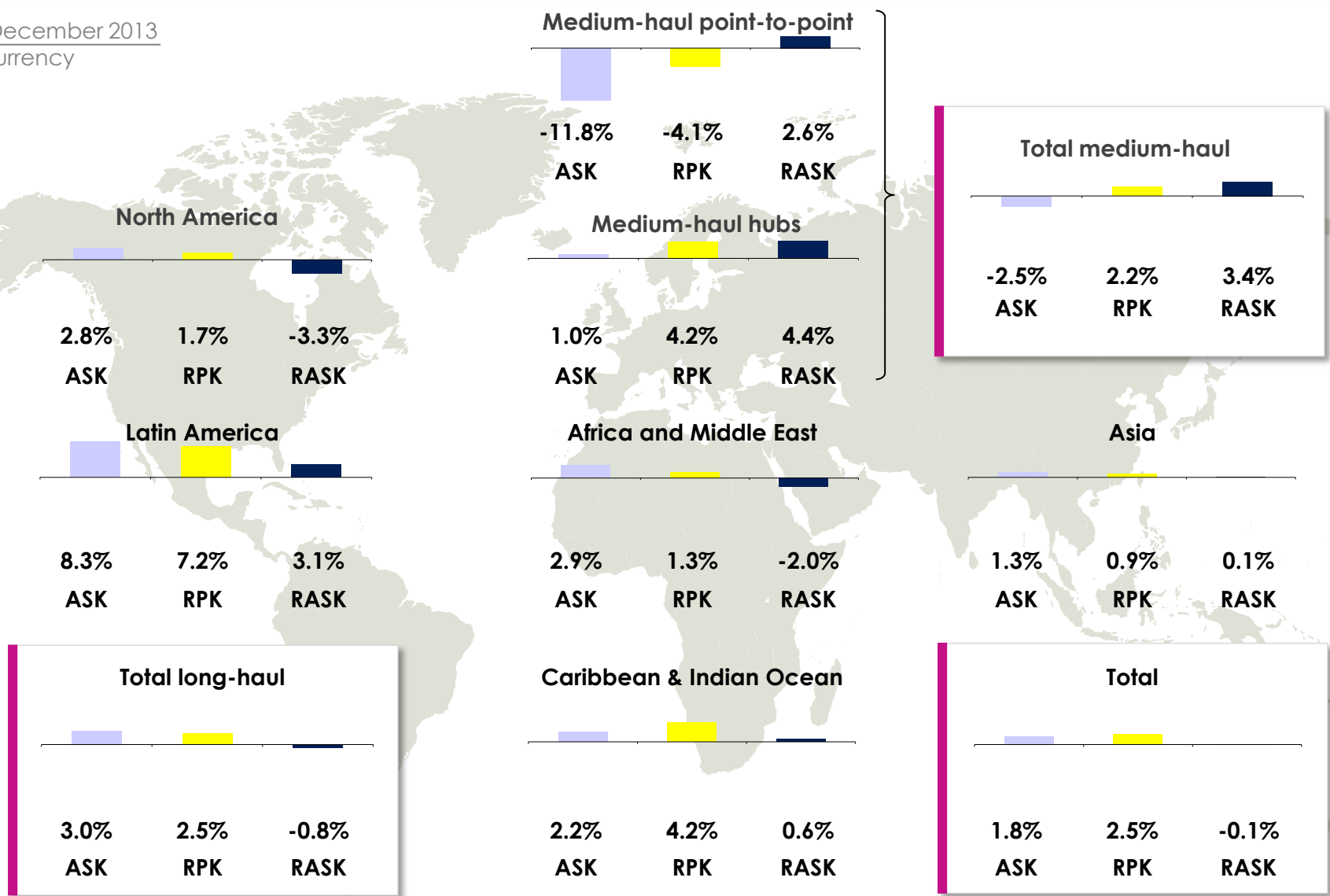
Full Year: passenger unit revenue by network

Full Year 2013
RASK ex-currency








Fourth quarter: passenger unit revenue by network

October-December 2013
RASK ex-currency



Full Year: change in operating costs

	€m	Actual change	Ex-currency change
 Employee costs	7,482	-2.3%	-2.1%
 Supplier costs⁽¹⁾ <i>excluding purchasing of maintenance services and parts</i>	6,429	+1.0%	+2.4%
 Aircraft costs⁽²⁾	3,093	-4.2%	-2.4%
 Purchasing of maintenance services and parts	1,303	+15.2%	+18.4%
Operating costs ex-fuel⁽³⁾	18,493	+0.1%	+0.8%
 Fuel	6,897	-5.2%	-2.2%
Grand total of operating costs	25,390	-1.4%	-0.0%
<i>Capacity (EASK)</i>			+1.6%

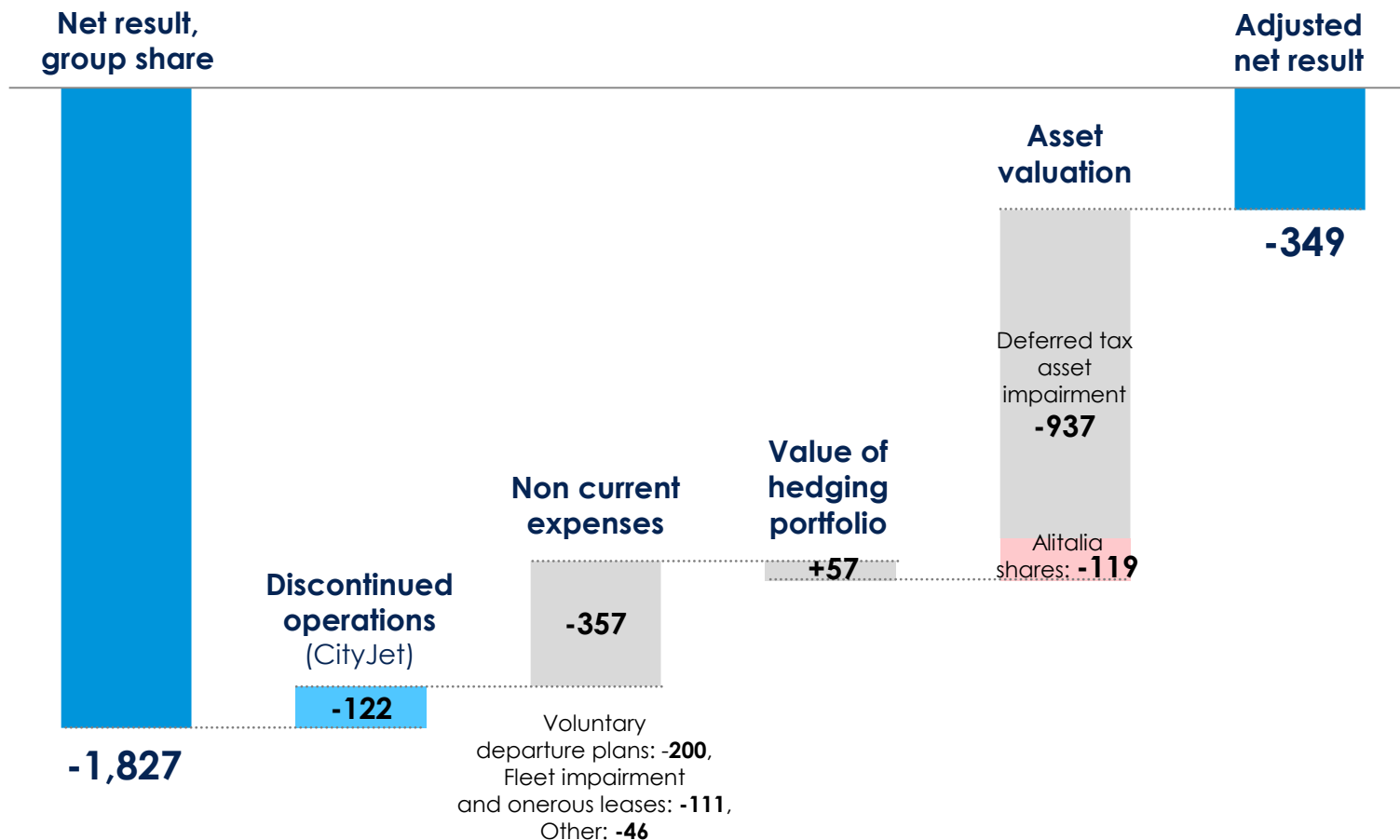
(1) Catering, handling charges, commercial and distribution, landing fees and air-route charges, other external expenses

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

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

Net result impacted by restructuring and impairment expenses

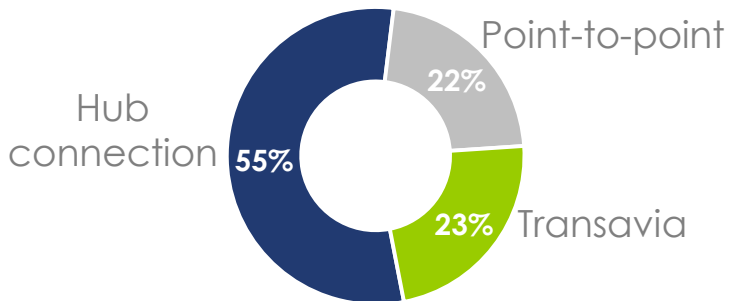
FY 2013
In € millions



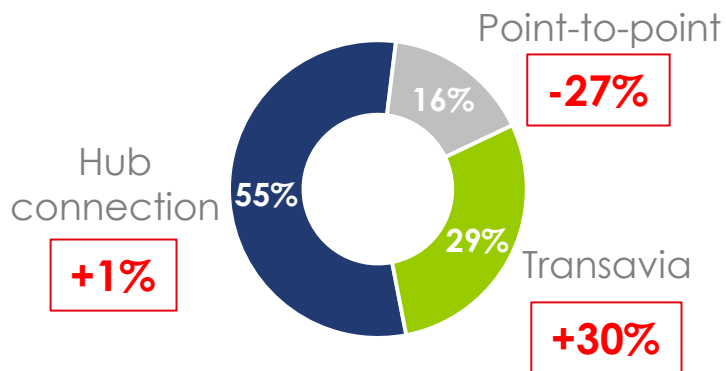
Significant capacity adjustment in medium-haul and cargo

Medium-haul capacity (ASK)

2012



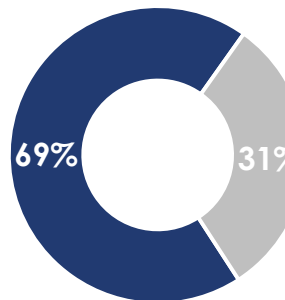
2015



Capacity Evolution
2015 vs 2012

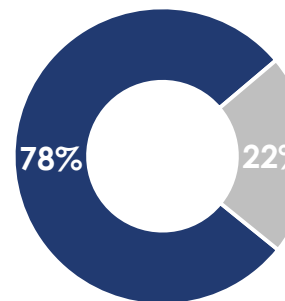
Cargo capacity (ATK)

Bellies



Full-freighters

Bellies



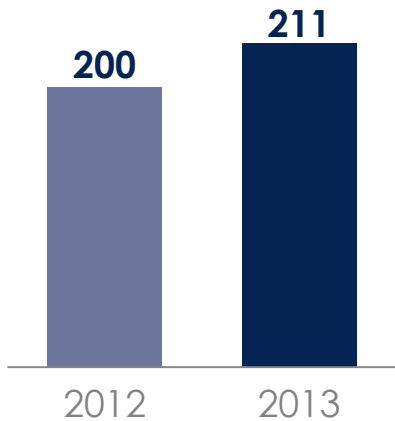
Full-freighters

New collective agreements lead to improved efficiency and productivity at Air France

Ground

Ground staff:
days worked per year

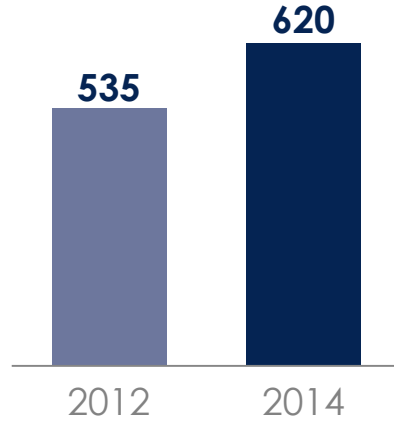
+5.5%



Medium-haul

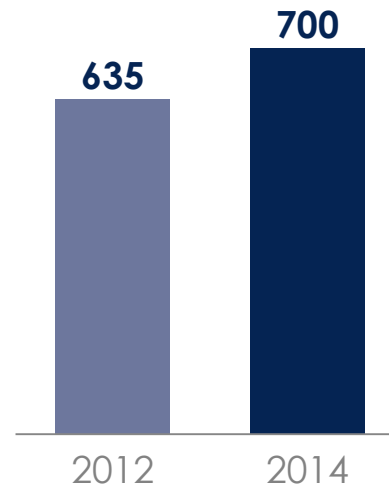
Annual cabin crew
flight hours

+16%



Annual cockpit crew
flight hours

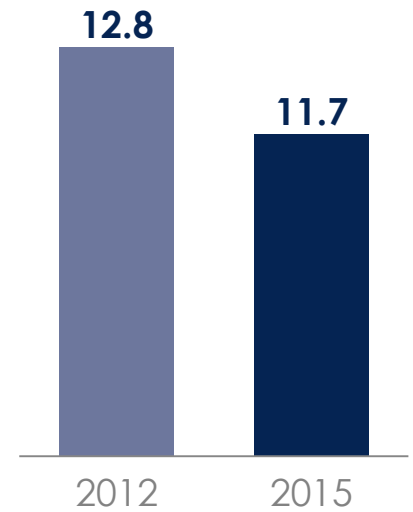
+10%



Long-haul

Average cabin
crew complement

-8%



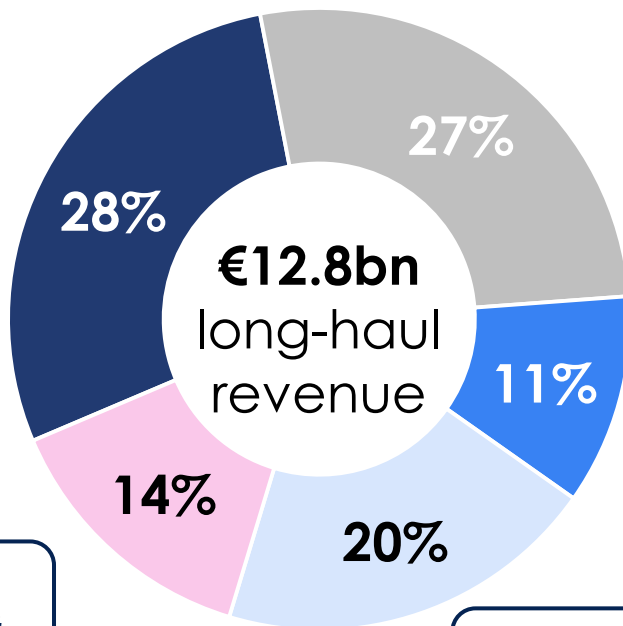
Balanced long-haul network with strong exposure to high growth markets and high quality partners

North America Benefits from JV with Delta

#1*	51*	25*
Market position	Daily flights	Destinations

Asia-Pacific JVs with Chinese airlines Development of partnership with Etihad

#2	34	23
Market position	Daily flights	Destinations



Caribbean & Indian Ocean

#1	13	14
Market position	Daily flights	Destinations

Latin America Accelerated development Partnership with GOL

#2	15	11
Market position	Daily flights	Destinations

Africa & Middle-East Expansion of Kenya Airways JV

#1	42	46
Market position	Daily flights	Destinations

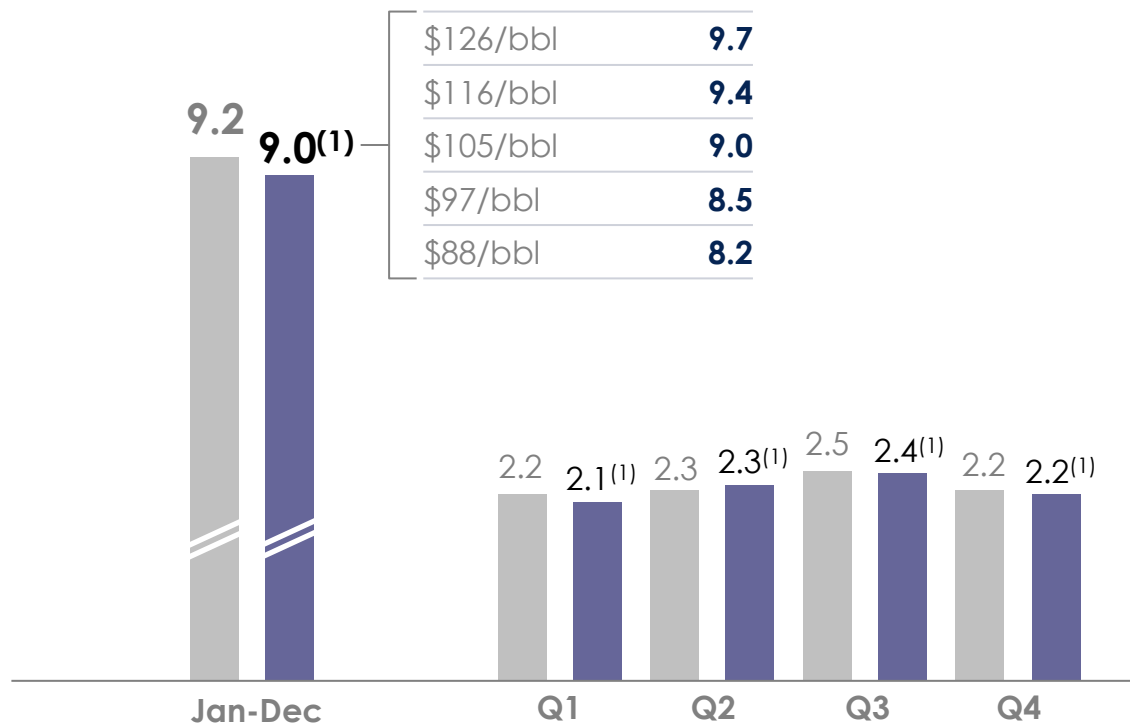
* Including flights and destinations served by Delta as part of JV, Summer 2013 data

Update on fuel bill

In \$ billions

Fuel bill after hedging

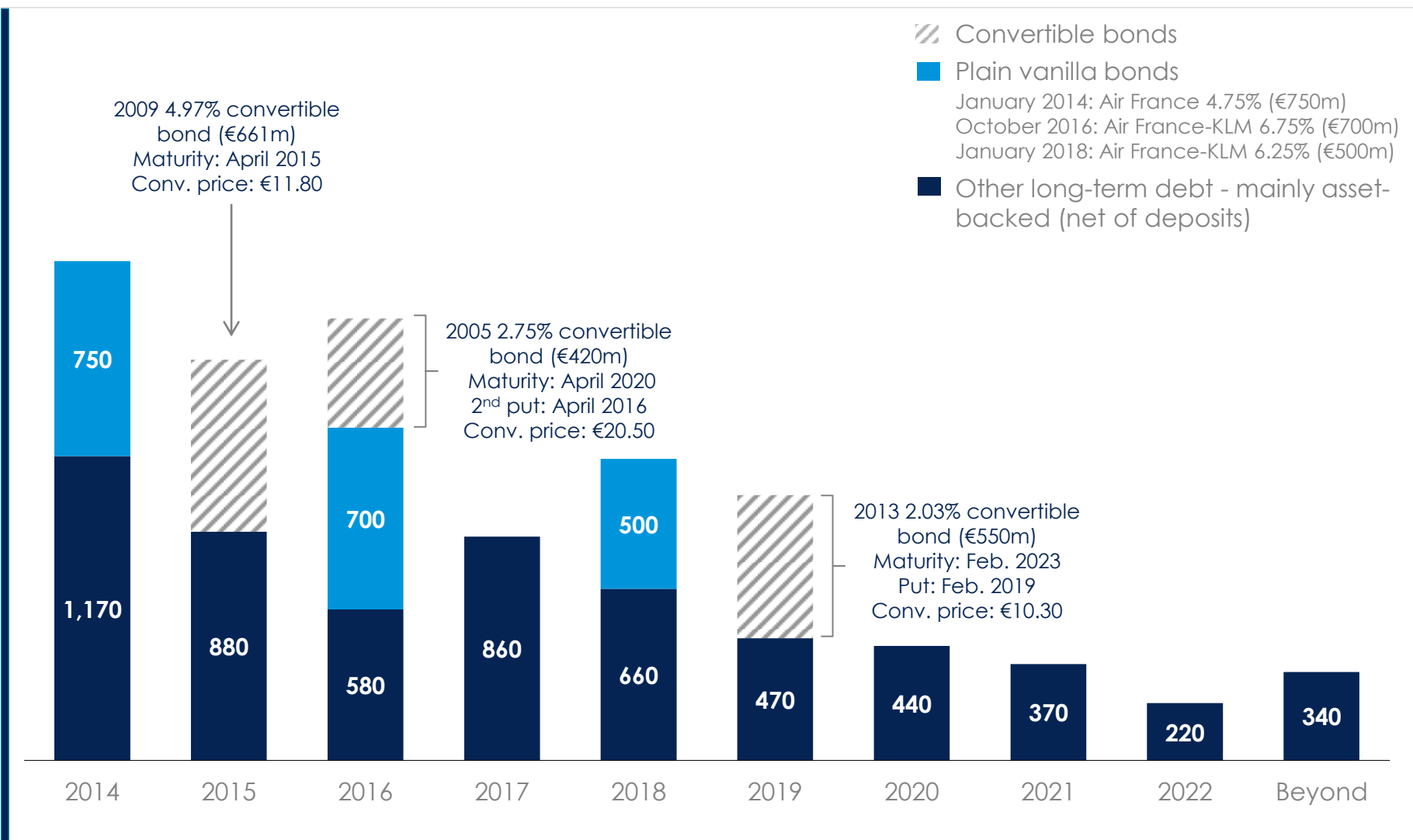
- 2013
- 2014



Market price	Brent (\$ per bbl)⁽¹⁾	105	107	106	104	103
	Jet fuel (\$ per metric ton)⁽¹⁾	970	980	970	965	960
% of consumption already hedged		63%	66%	67%	64%	54%

(1) Average of forward curves of past 5 weeks (10 January to 7 February 2014)
Sensitivity computation based on February-December 2014 fuel price

Debt reimbursement profile at 31 December 2013*



* In € millions, net of deposits on financial leases and excluding KLM perpetual debt (€550m)