

An aerial photograph 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 bright glow. A large white diamond shape is superimposed over the center of the image, containing text.

Information meeting

AIRFRANCE **KLM**

Agenda

- ◆ **Full Year 2014 results**
- ◆ Conclusion of Transform 2015
- ◆ Key Perform 2020 initiatives
- ◆ Perform 2020 financial framework and targets

Key data


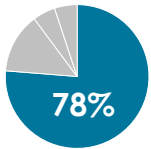

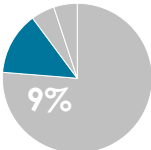

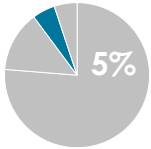
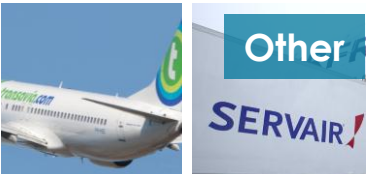
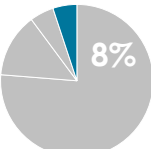
In € millions	Q4 2014	Q4 2013 ⁽¹⁾	Change	FY 2014	FY 2013 ⁽¹⁾	Change
Revenues	6,212	6,123	+1.5%	24,912	25,520	-2.4%
<i>Change like-for-like⁽³⁾</i>			-0.5%			+0.3%
EBITDA ⁽²⁾	316	382	-66m	1,589	1,855	-266m
EBITDA excluding strike	411	382	+29m	2,014	1,855	+159m
<i>Change like-for-like⁽³⁾</i>			-6m			+216m
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

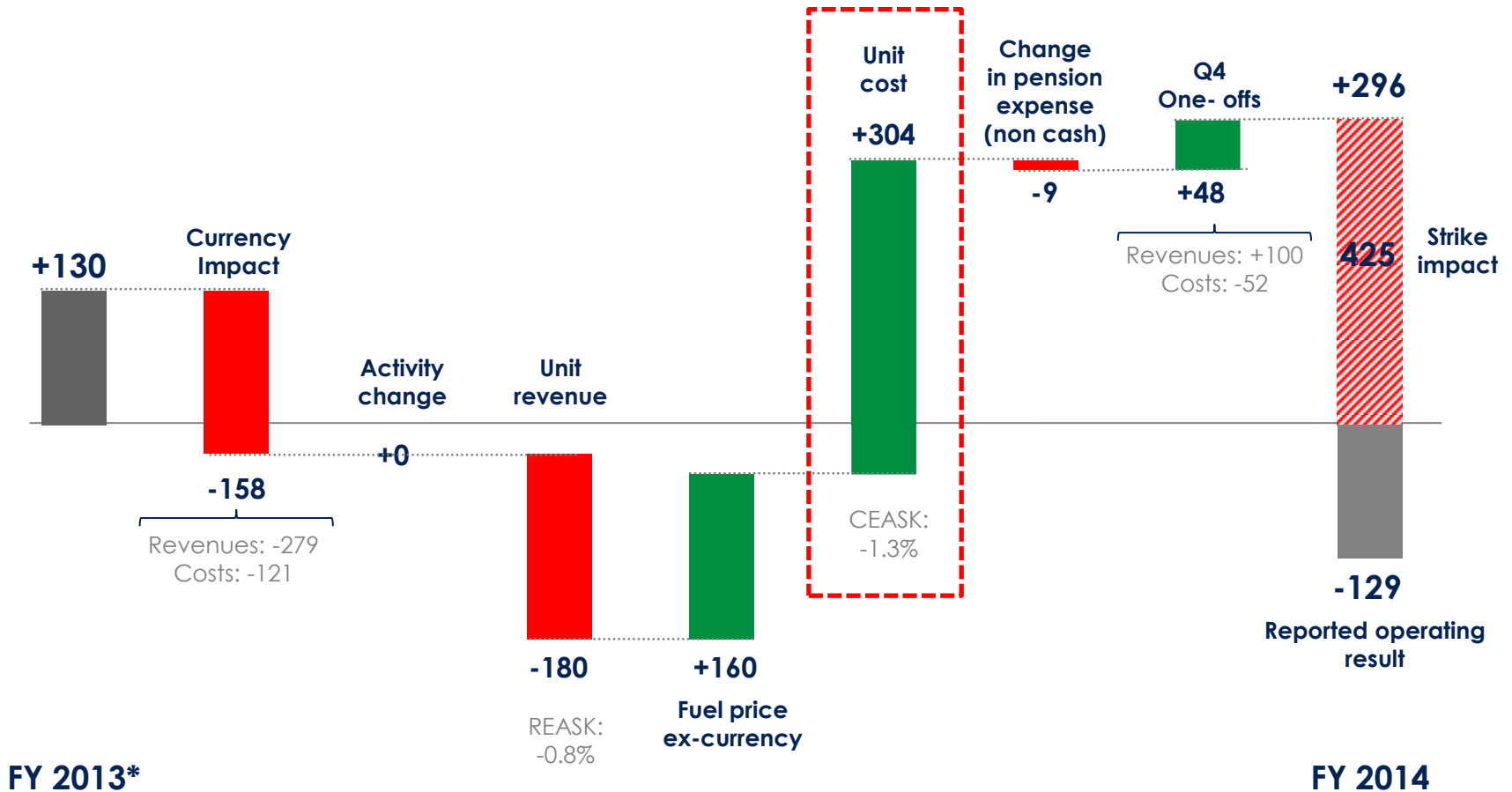
(3) Like-for-like: excluding currency, pilot strike impact and Q4 one-offs. Same definition applies in rest of presentation unless otherwise stated

Contribution by business segment to Full Year 2014 results

		Strike-adj. revenue (€bn)	Y-o-Y change (%)	Change Like-for-like (%)		Strike-adj op. result (€m)	Y-o-Y change (€m)	Change Like-for-like (€m)	
		20.02	-0.5%	+0.3%	➔	289	+115	+208	➔
		2.72	-3.2%	-2.4%	➔	-188	+14	+33	➔
		1.25	+2.1%	+3.5%	➔	196	+37	+42	➔
		1.41	+3.1%	+3.0%	➔	-1	0	-8	➔
Total		25.40	-0.4%	+0.3%	➔	296	+166	+275	➔

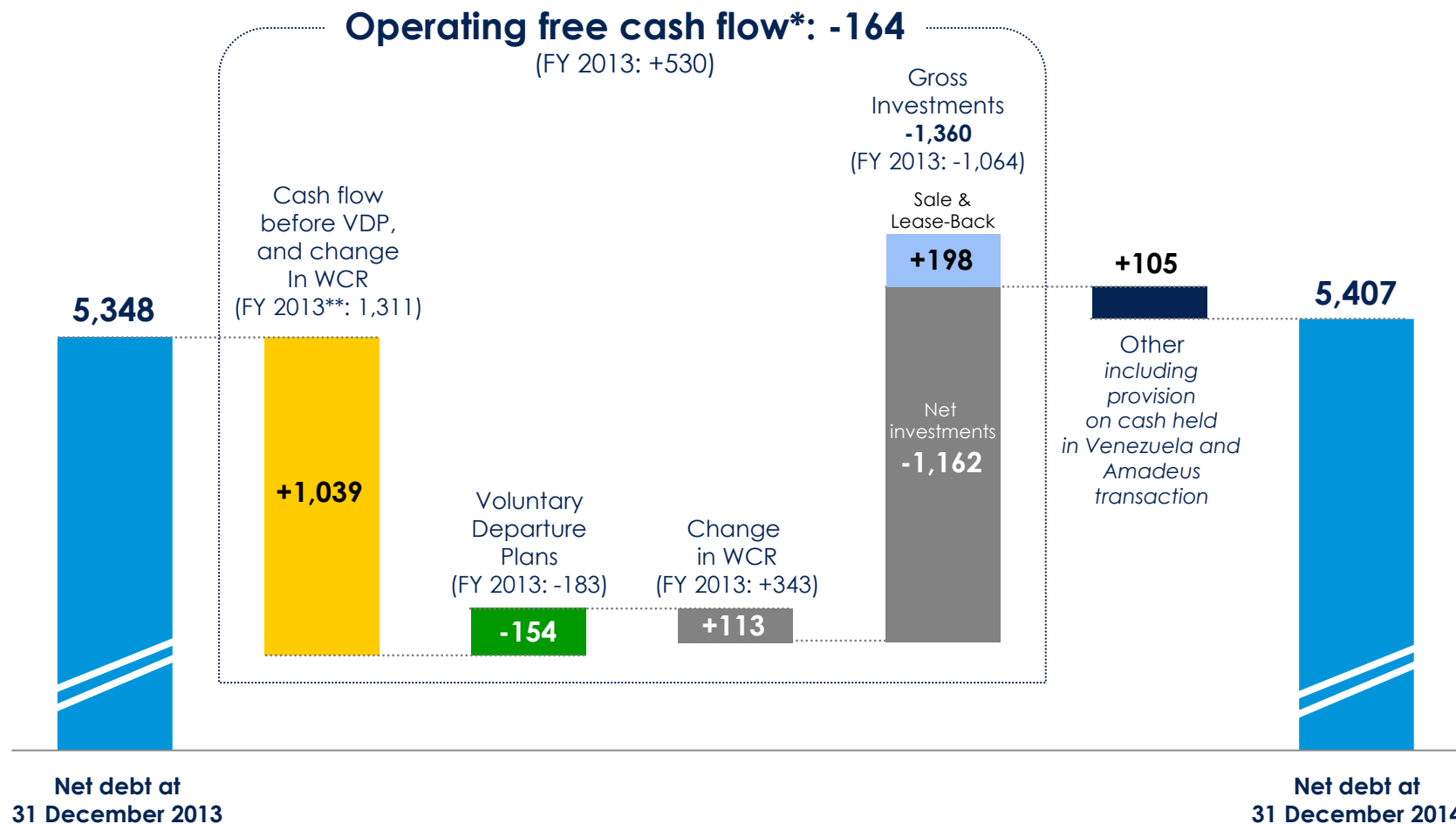
Improvement in results driven by continued strong unit cost performance

Operating result, in million euros



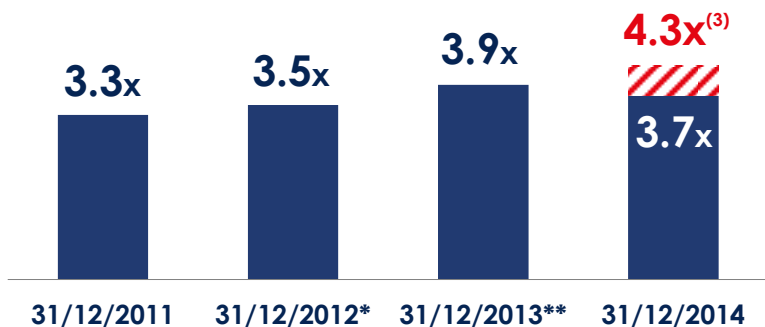
Full Year operating free cash flow

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

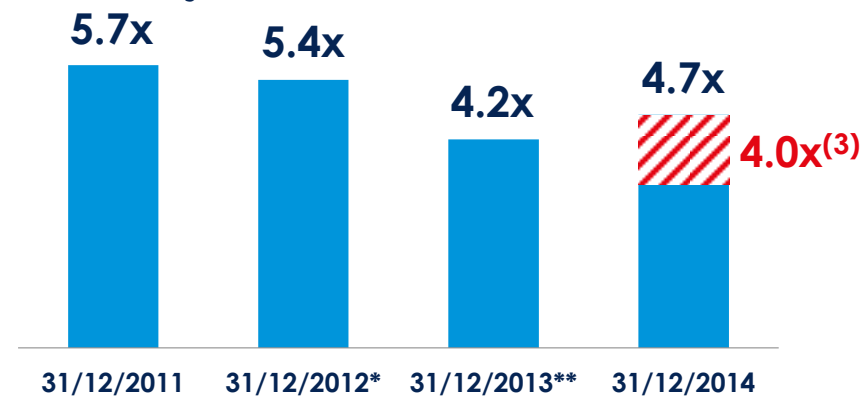


Financial ratios at 31 December 2014, trailing 12 months

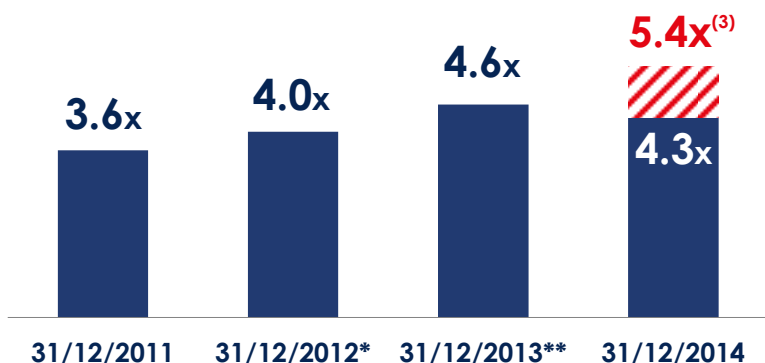
EBITDAR / adjusted net interest costs⁽¹⁾



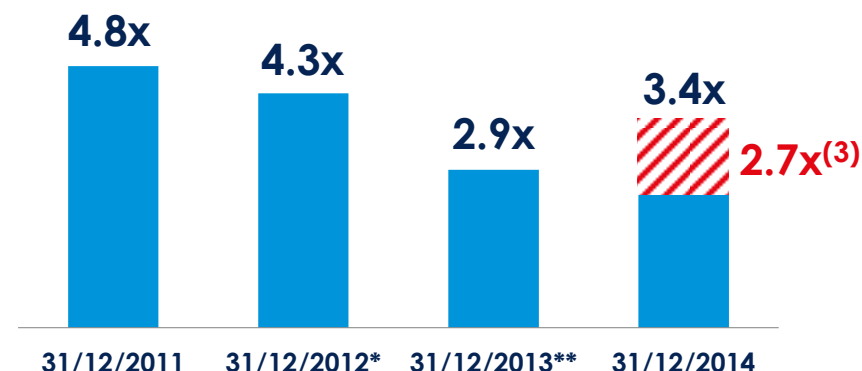
Adjusted net debt⁽²⁾ / EBITDAR



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)

Agenda

- ◆ Full Year 2014 results
- ◆ **Conclusion of Transform 2015**
- ◆ Key Perform 2020 initiatives
- ◆ Perform 2020 financial framework and targets

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%

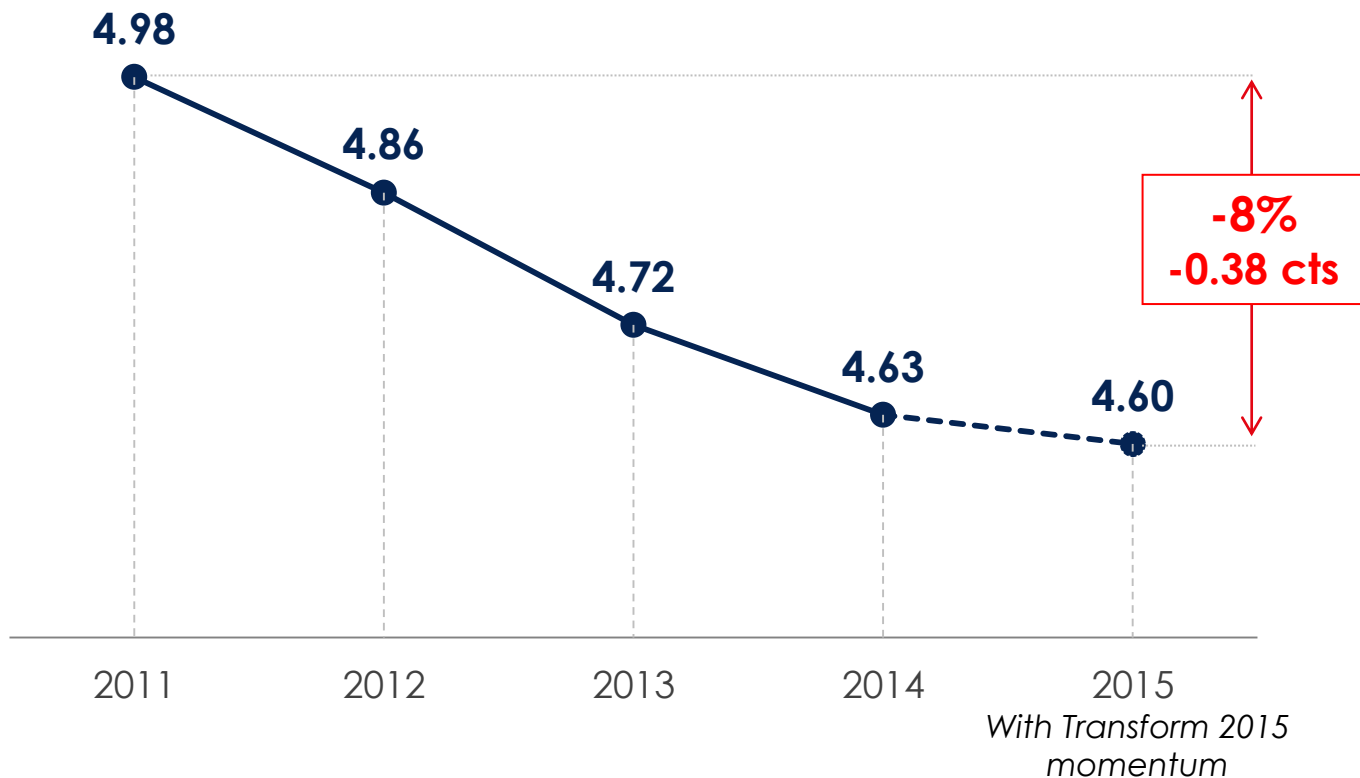
Successful roll-out of new long-haul products
underpinning upscaling strategy

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

29

Transform 2015 has delivered on unit cost reduction...

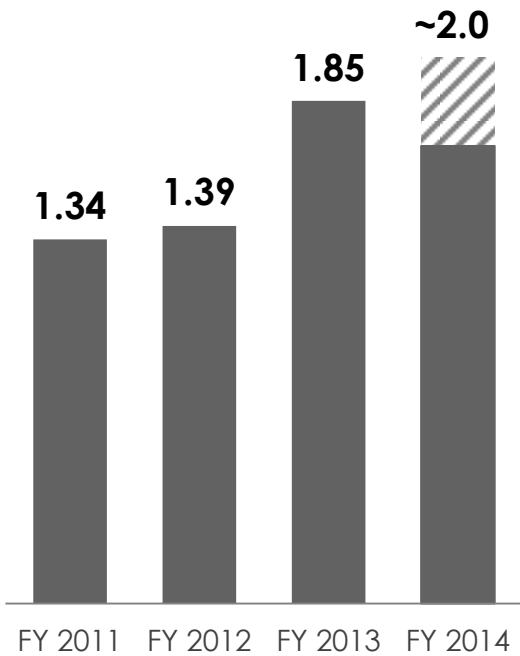
Ex-fuel net unit cost, in € cents per EASK, like-for-like



**Annual costs reduced by
over €1 billion in 3 years**

...leading to a strong improvement in financial situation

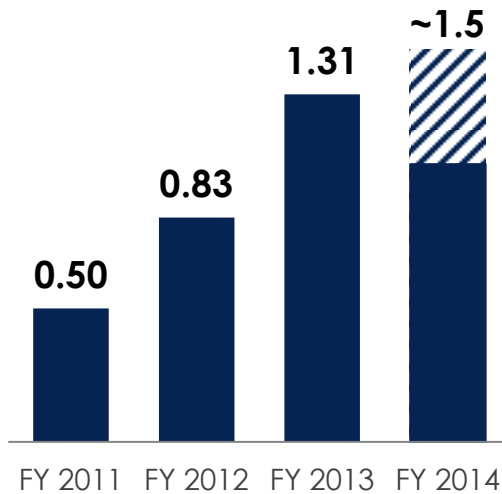
Full Year EBITDA (€bn)



▨ Strike impact

➔ 2014* vs 2011:
+€670m

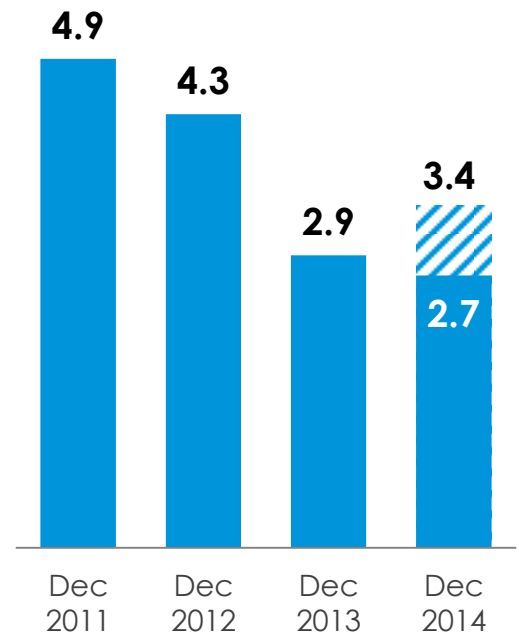
Full Year Operating cash flow (€bn, before change in WCR and Voluntary Departure Plans)



▨ Strike impact

➔ 2014* vs 2011:
+€960m

Net debt/EBITDA ratio - trailing 12 months



▨ Strike impact

➔ Dec 2014* vs Dec 2011:
almost halved

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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

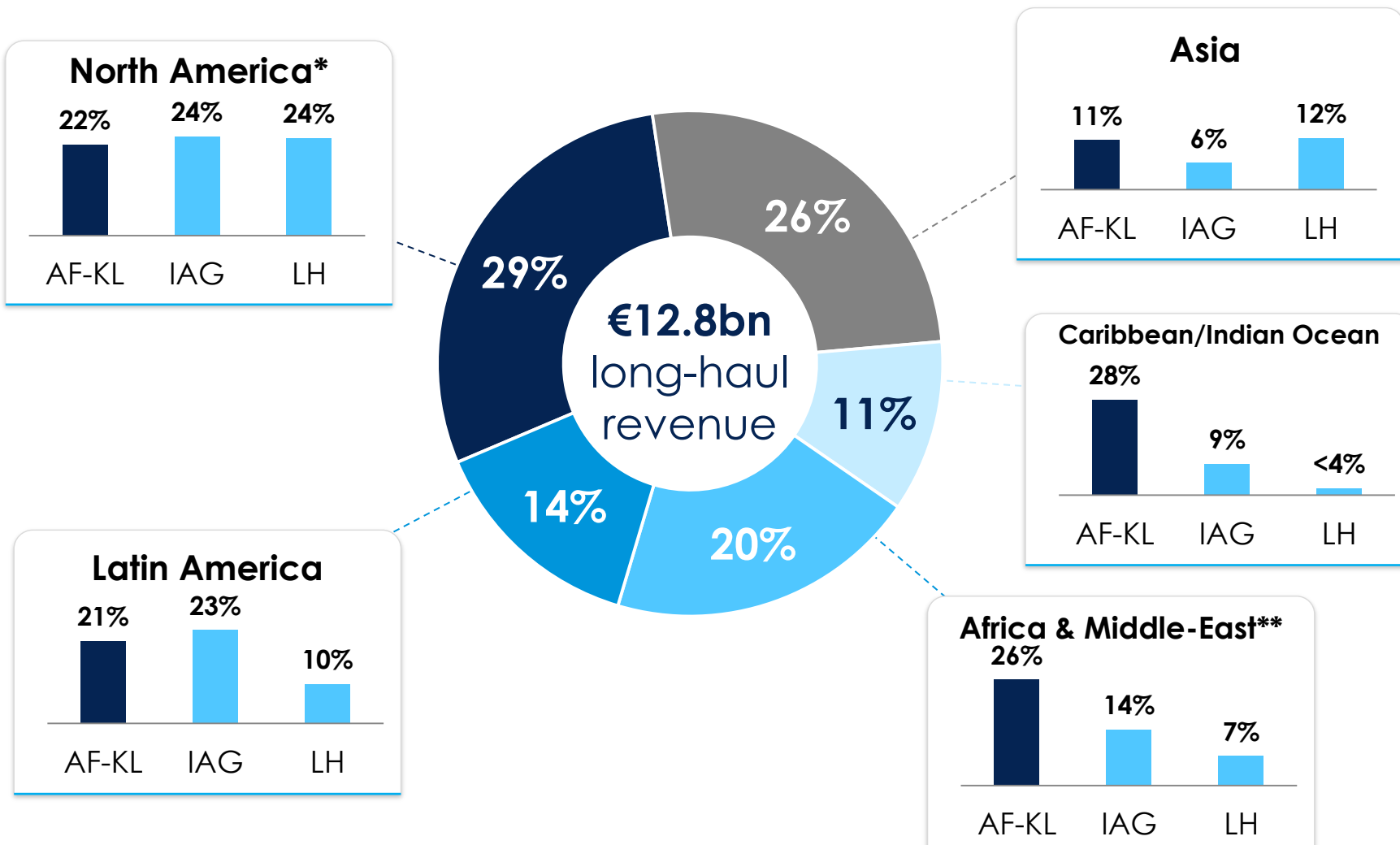
Key growth initiatives

- ◆ 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

Retaining leadership from Europe to long-haul routes

Long-haul traffic to/from Europe 27% larger than peers IAG and Lufthansa group

2014 long-haul revenue excluding strike, market share per long-haul region from OAG, Winter 2014



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

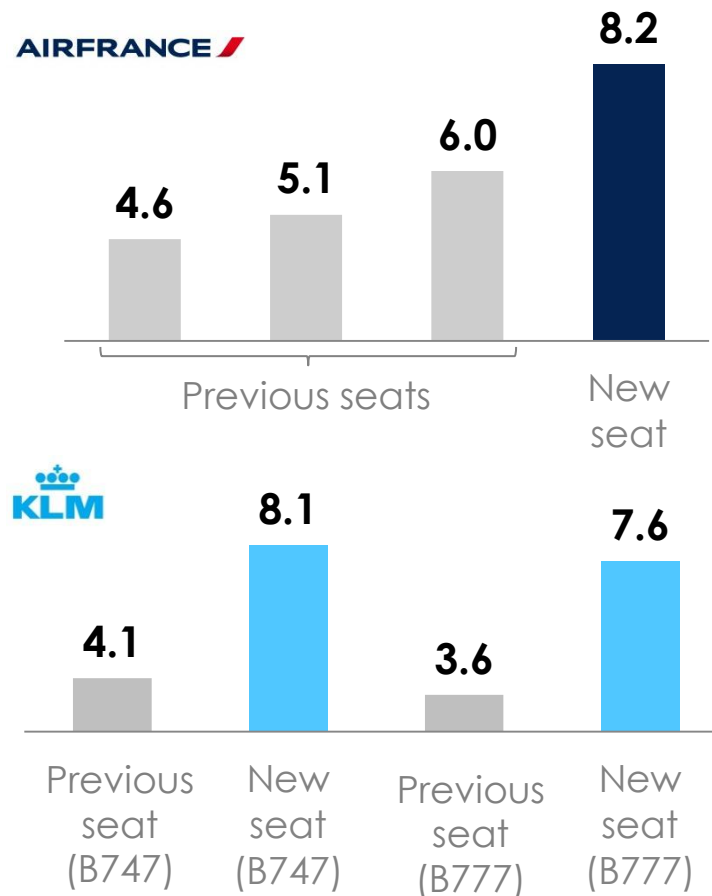
◆ Short and medium-haul

- ◆ New Air France product deployed as of April 2015

◆ Digital

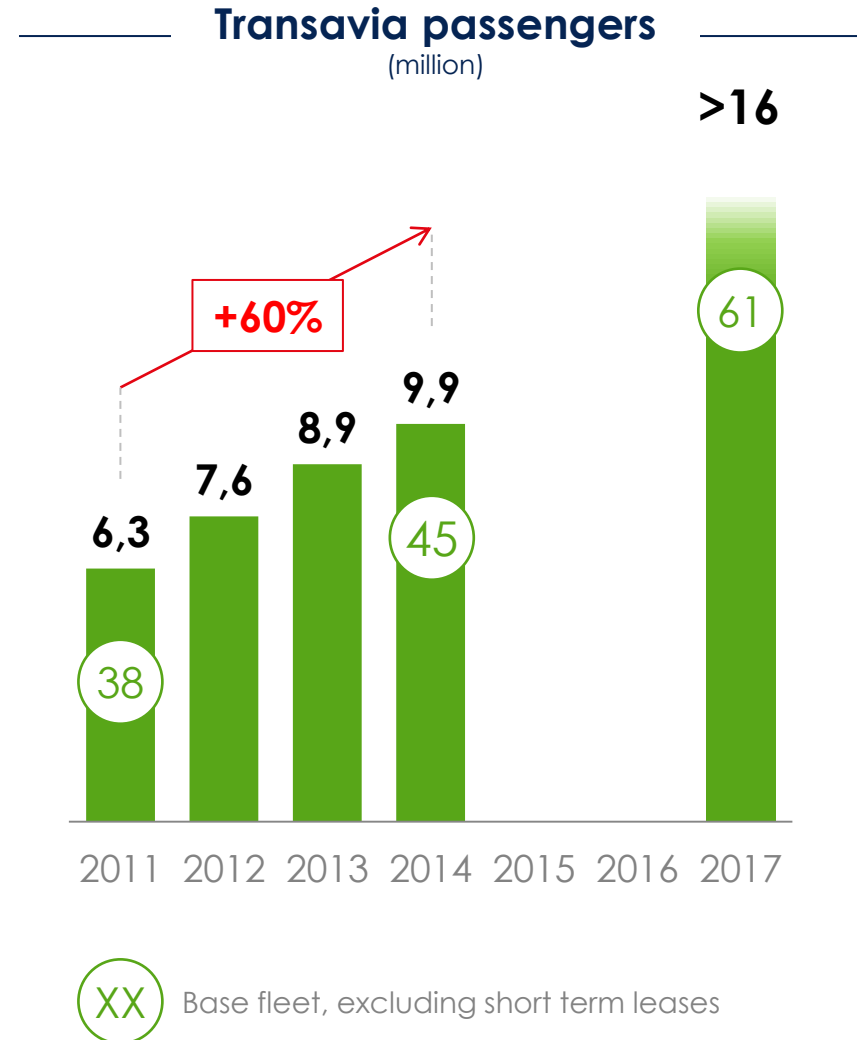
➔ **37% of long-haul fleet equipped with new product at end 2015**

Customer scores on business class seat comfort



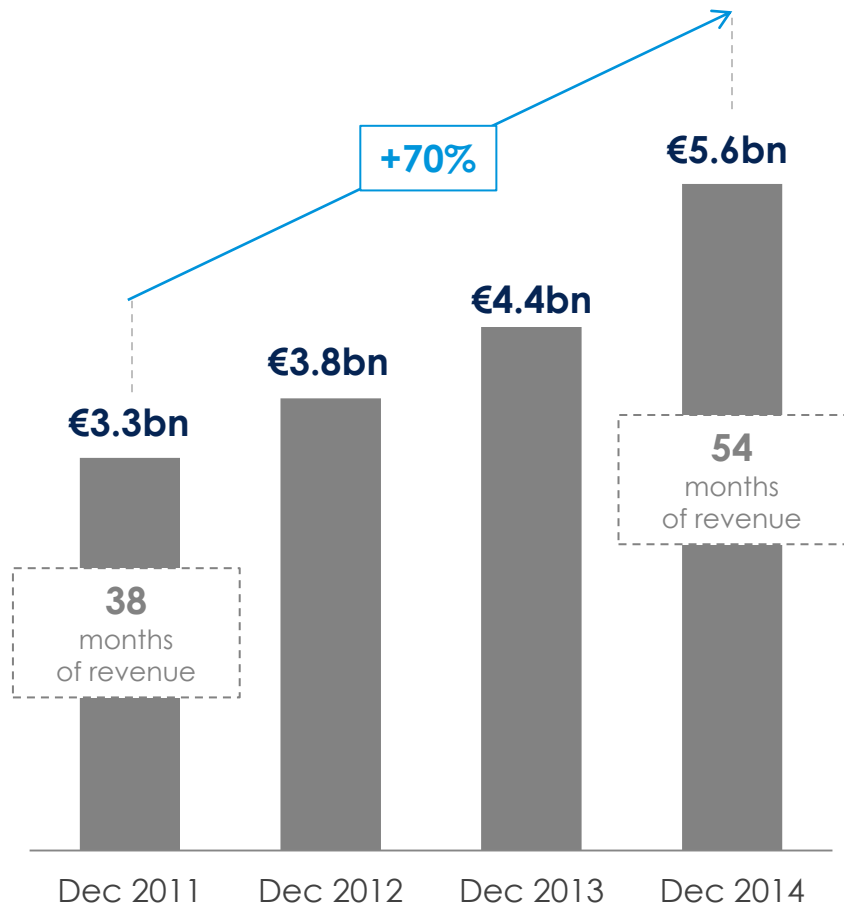
Transavia: a solid footprint in the growing low-cost market, targeting breakeven in 2017 and profitability by 2018

- ◆ 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



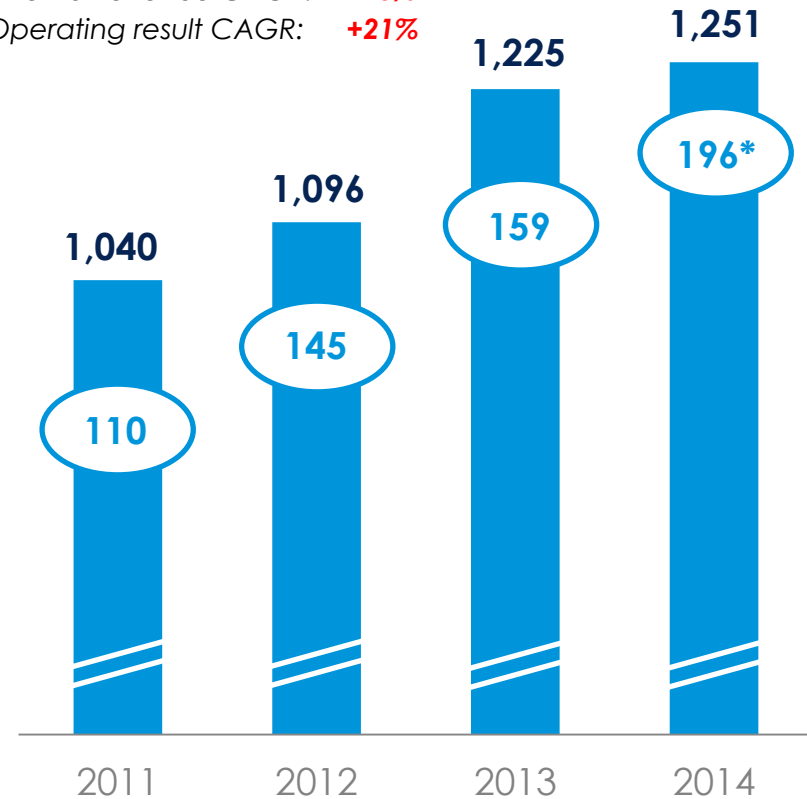
Maintenance: rapid growth of order book secures significant share of future revenues

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

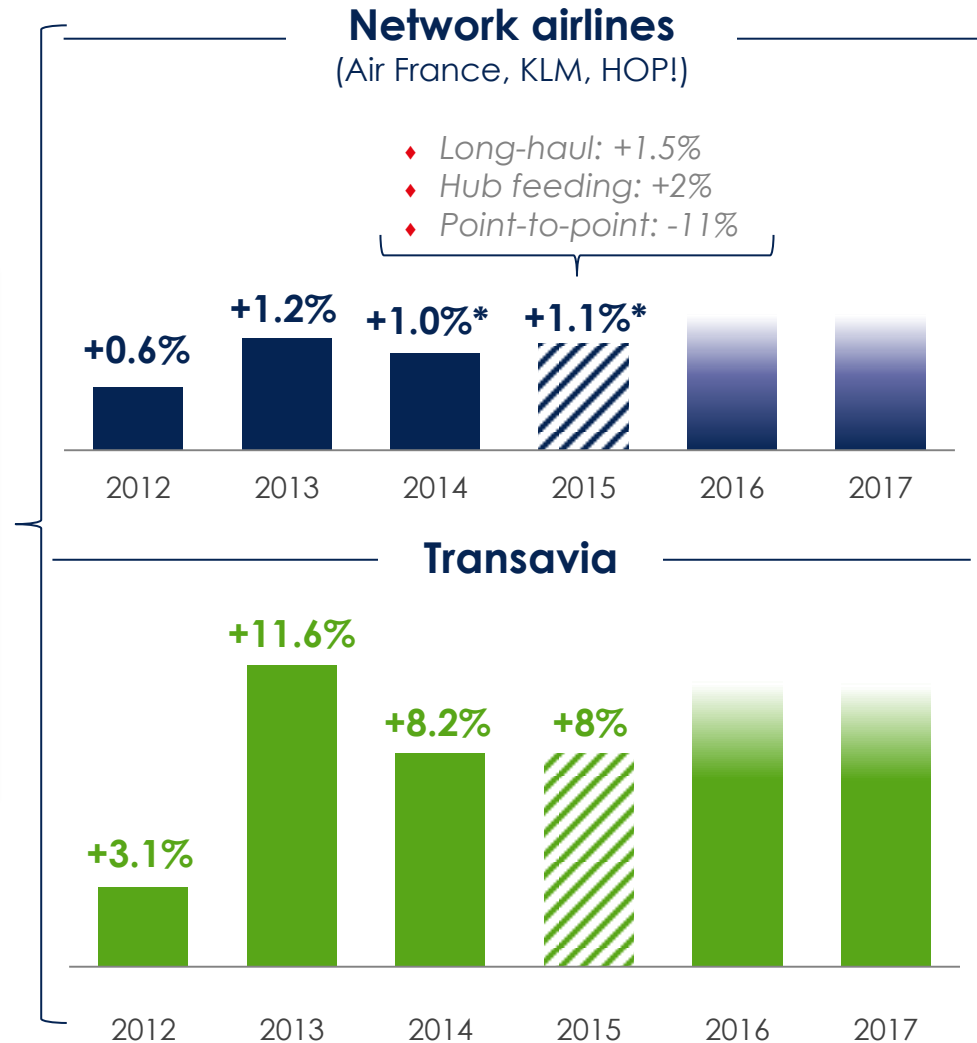
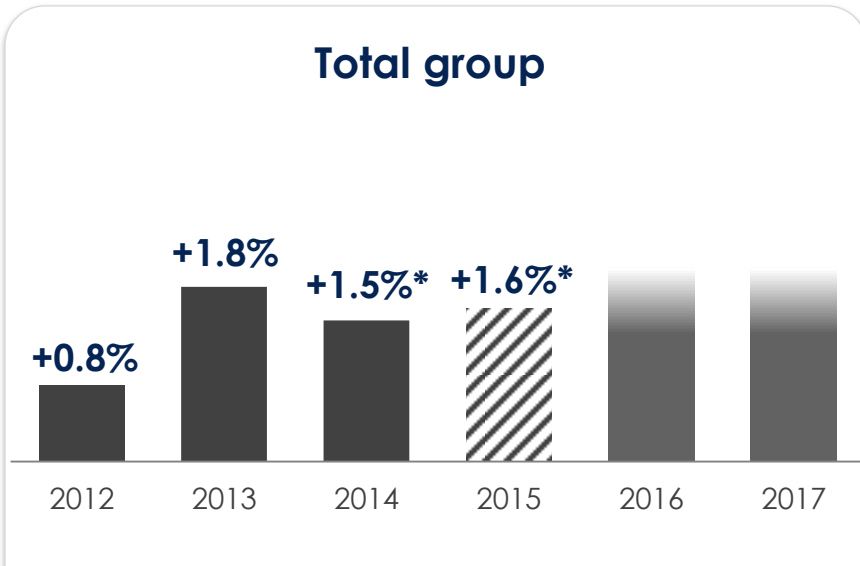
AIRFRANCE / KLM HOP / transavia AIRFRANCE INDUSTRIES / KLM / TRANSNORTHWEST AIRFRANCE / KLM / MARTINair CARGO SERVAIR

- ◆ 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)

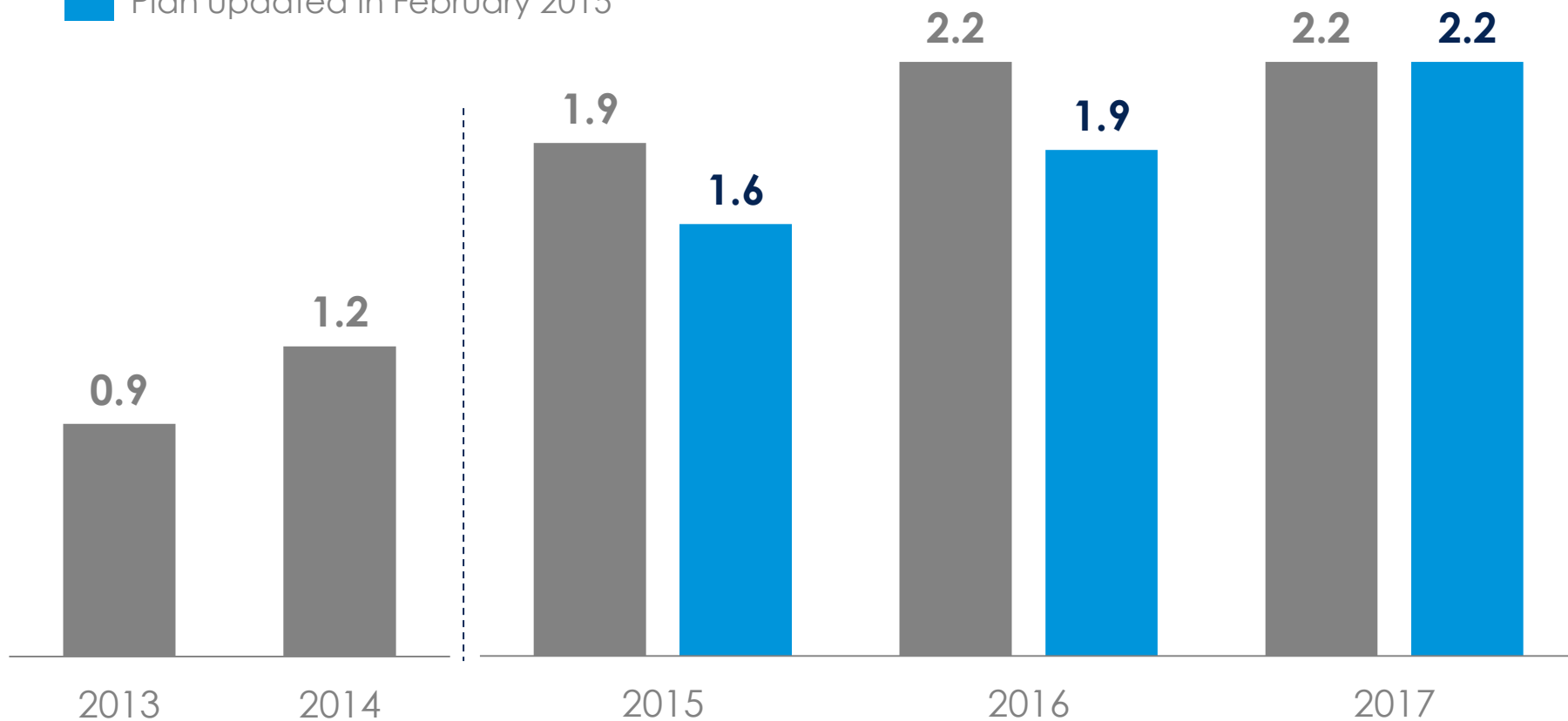


2015-16 investment plan revised down by €600m

Net investment plan, € billion

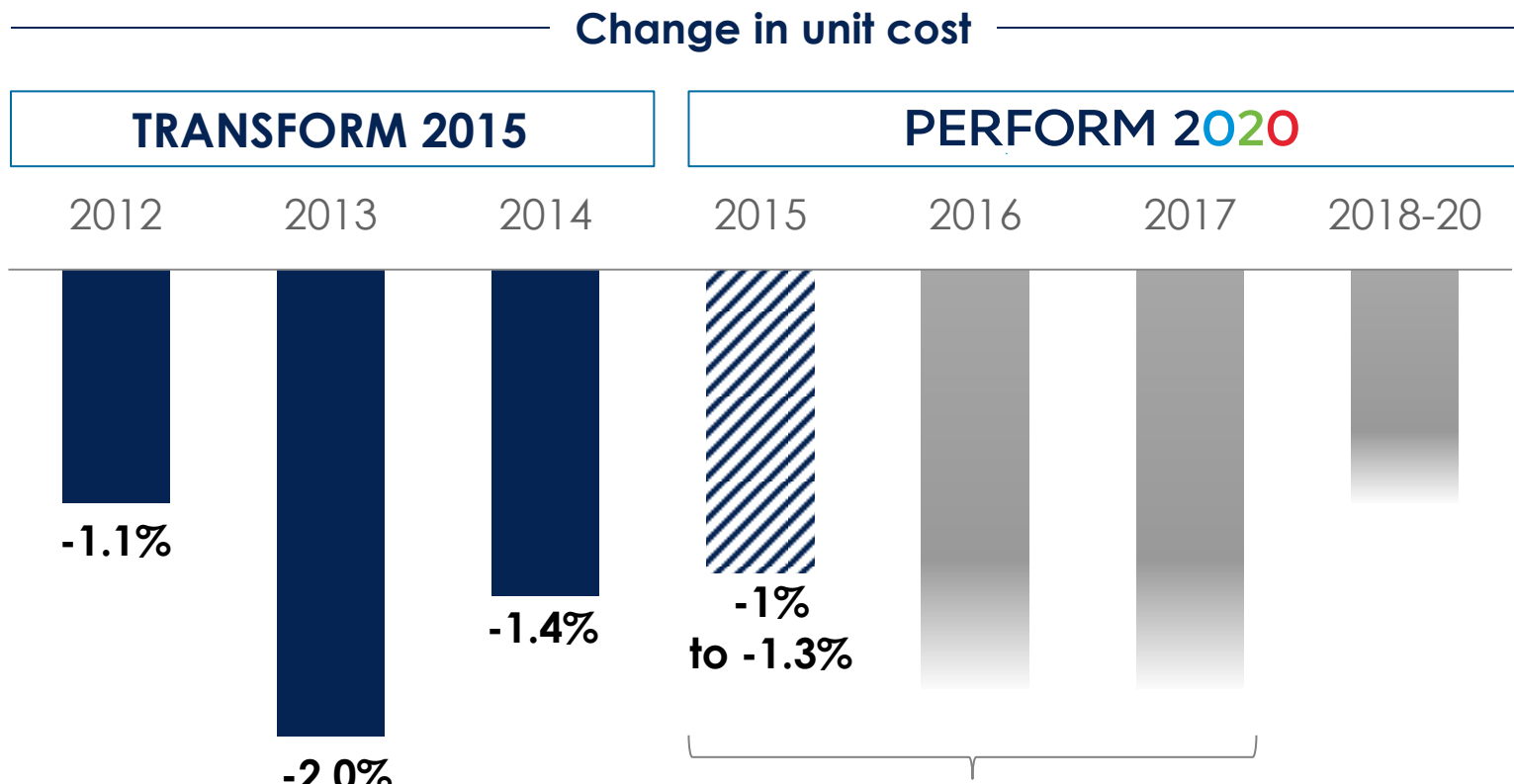
■ Plan presented in September 2014

■ 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

Phasing of cost reduction plan

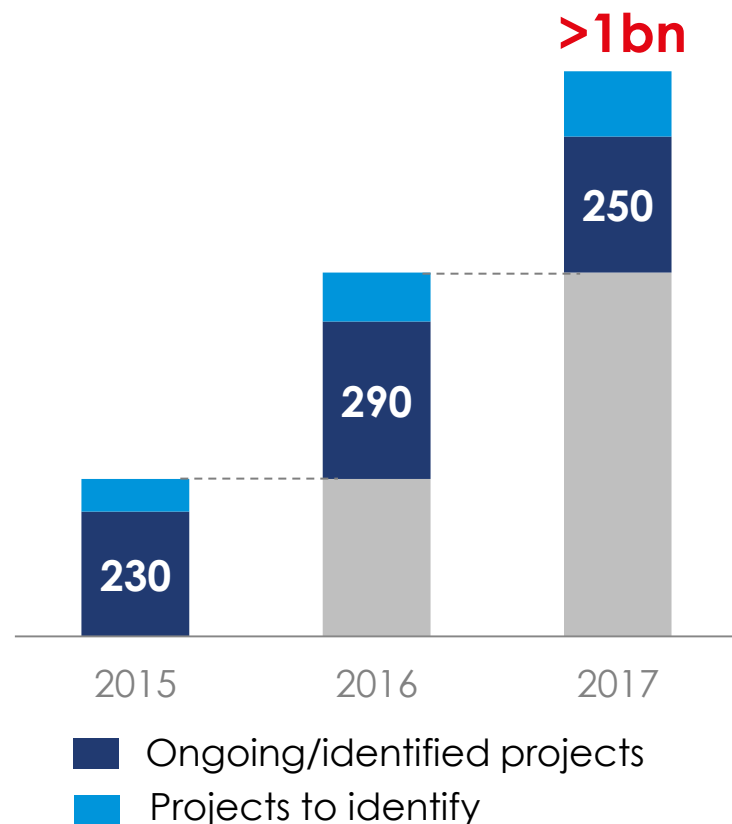


- ◆ 2015 driven by
 - ◆ Transform 2015 momentum
 - ◆ Additional actions recently initiated, including new Voluntary Departure Plan targeting 800 FTEs
- ◆ 2016-17 projects under review

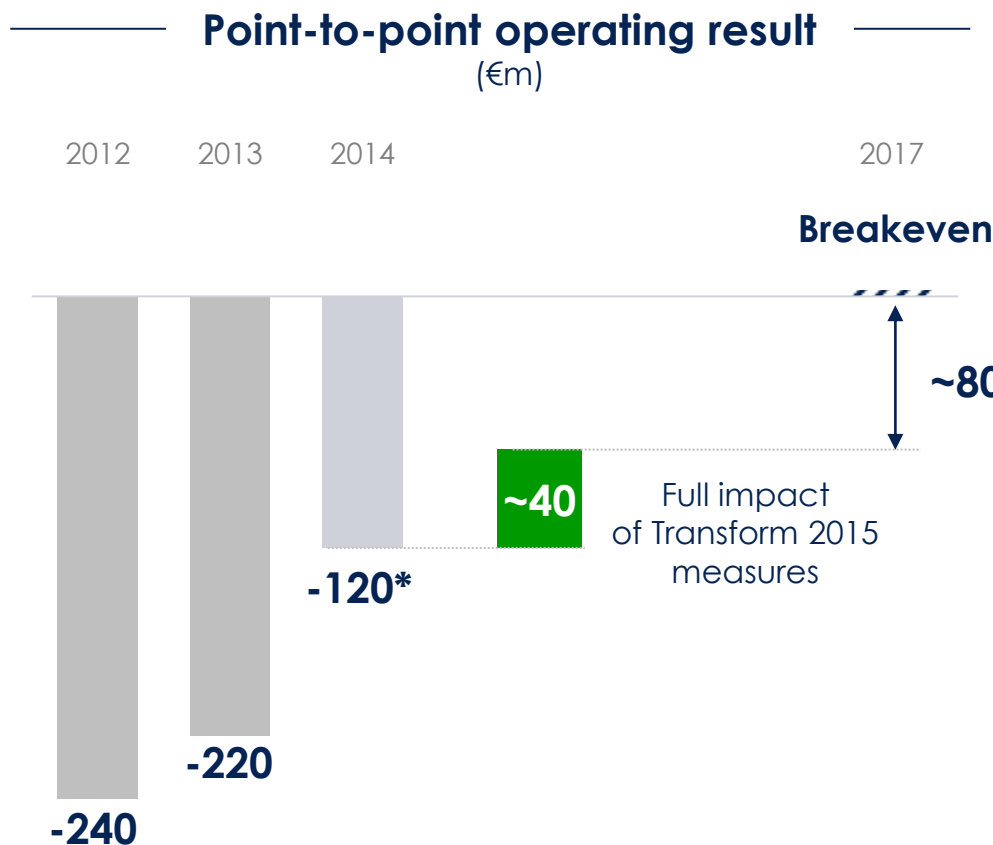


- ◆ 2015: “funding the journey”, short-term projects
 - ◆ Focus on detailing commitments of unions and specific measures for the first 12-18 months
- ◆ 2016-17: “winning in the mid term”, execution of transformation

Perform 2020 schedule of cost saving initiatives (€ million)



Point-to-point: aiming for breakeven in 2017



PERFORM 2020



- ① Further restructuring of network
- ② Further cost reduction
- ③ Repositioning of offer
- ④ Reorganization in single business unit

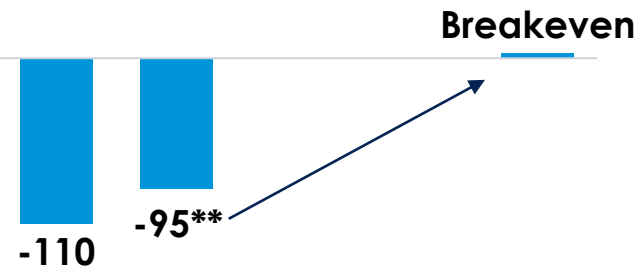
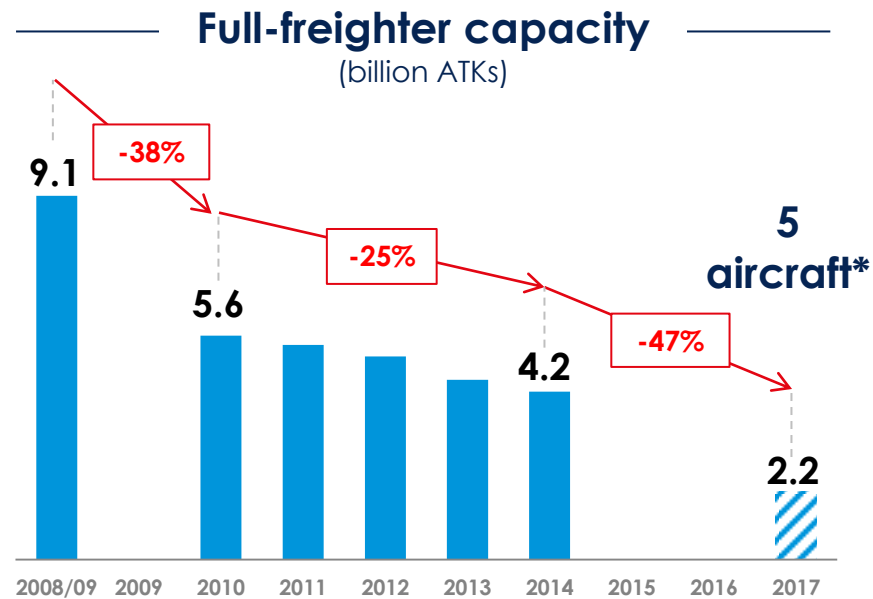


**Breakeven in 2017
and profitable beyond**

Cargo: further full-freighter fleet reduction in Amsterdam

- ◆ Accelerated phase out of 5 MD11s in Amsterdam
 - ◆ On top of phase-out of 5 full-freighters already decided in October 2013
- ◆ Maintaining a small full-freighter fleet as important commercial lever to maintain revenue premium in bellies
- ◆ Planned ~400 employee reduction achieved mainly through internal mobility
 - ◆ Expecting limited restructuring cost

→ **3 full-freighters in operation in Amsterdam by 2016**



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**

Agenda

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- ◆ **Perform 2020 financial framework and targets**

◆ 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

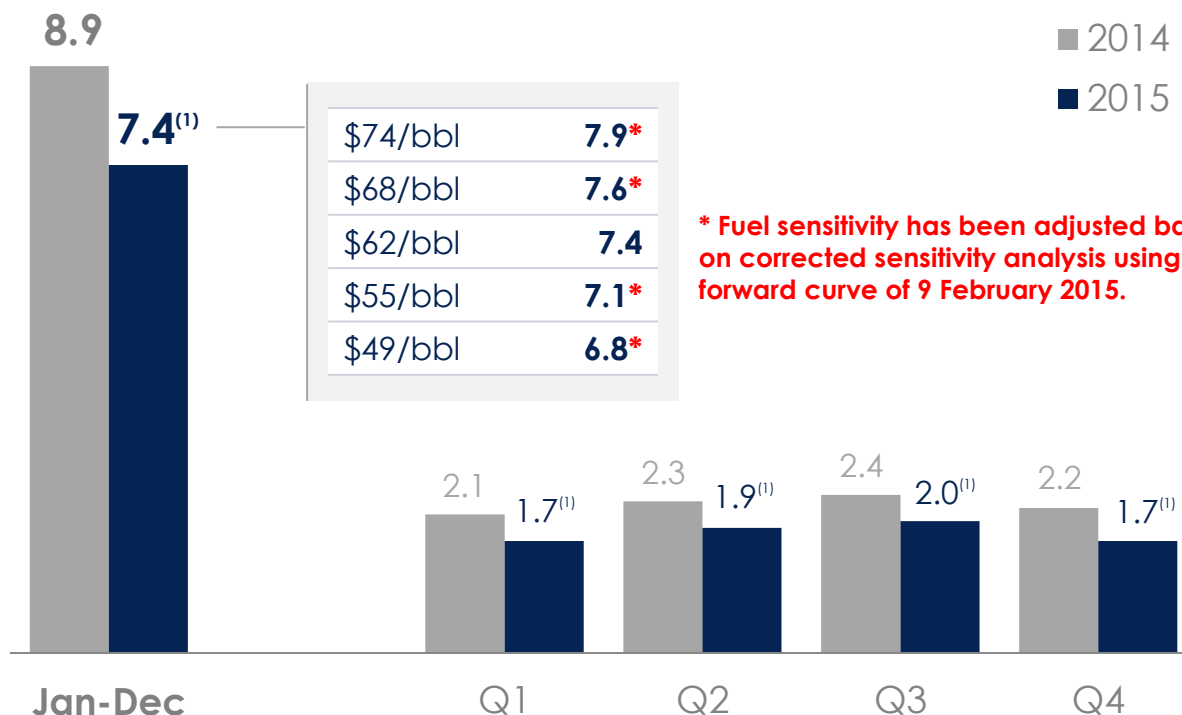
Update on 2015 fuel bill

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.

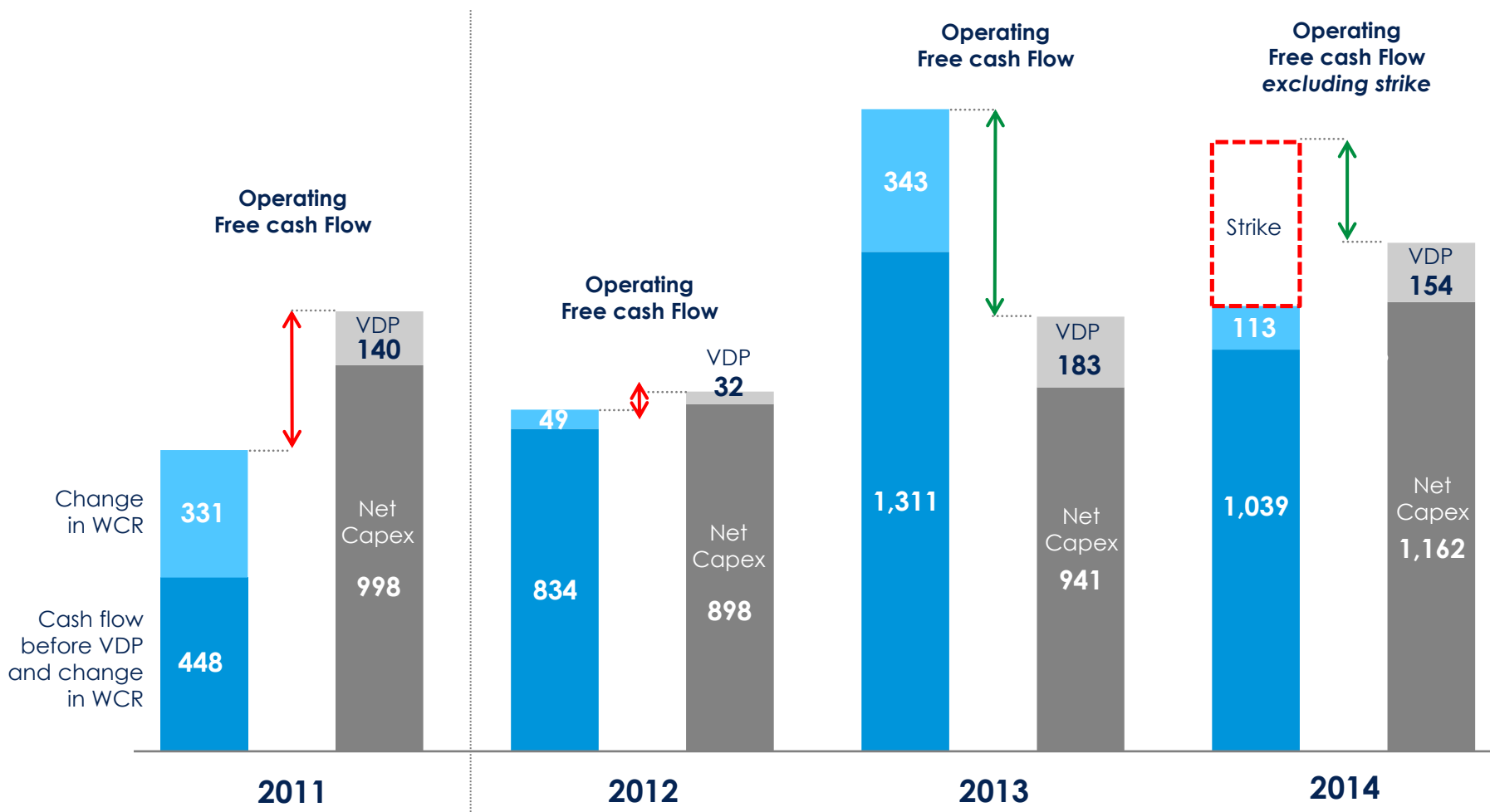
MARKET PRICE	Brent (\$ per bbl) ⁽¹⁾		Q1		Q2		Q3		Q4	
		62	56	61	64	66				
	Jet fuel (\$ per metric ton) ⁽¹⁾		Q1		Q2		Q3		Q4	
	605	574	602	616	629					
	% of consumption already hedged		Q1		Q2		Q3		Q4	
	62%	64%	66%	61%	57%					

(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

Adapting capex levels to cash generation

€ million

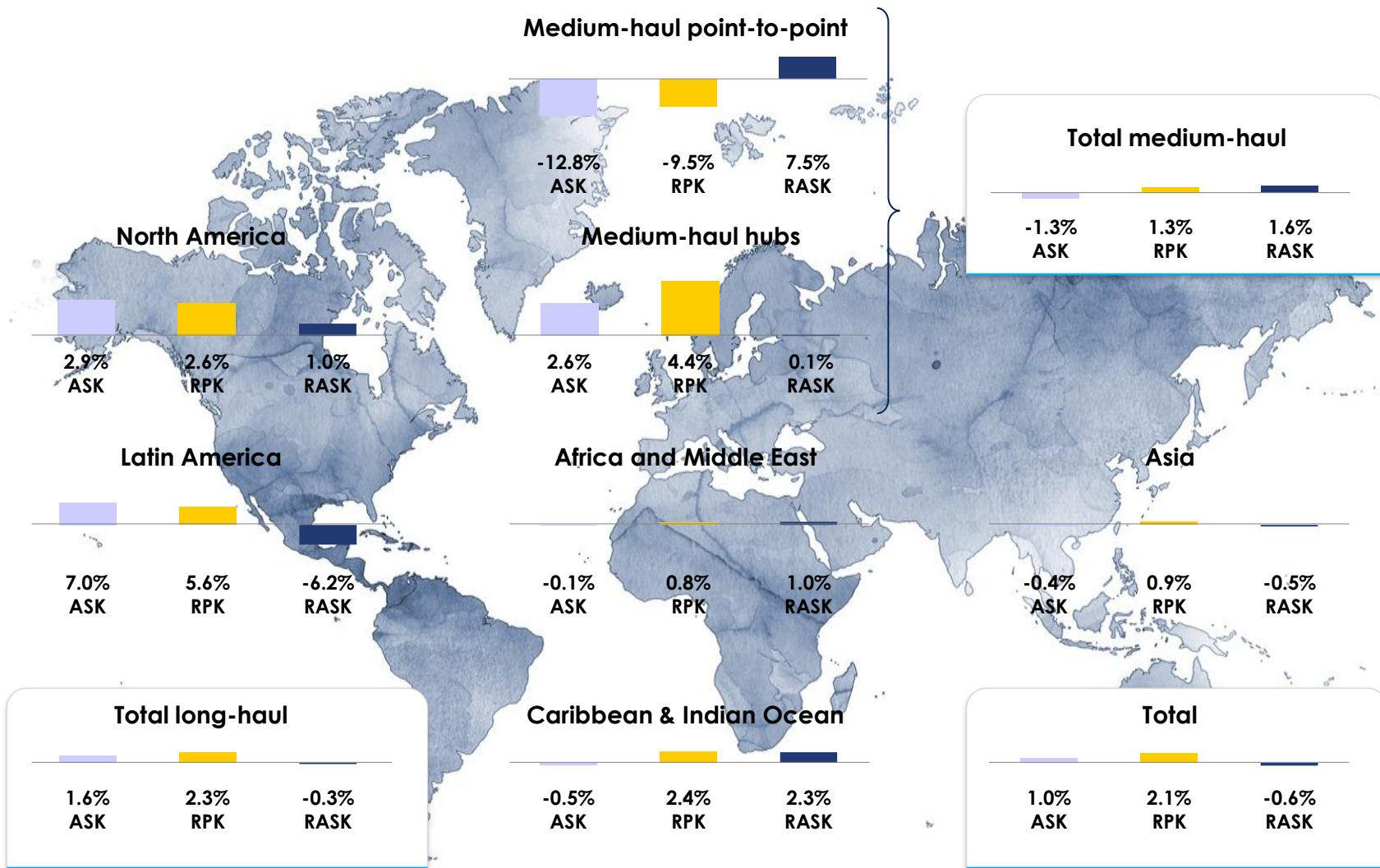


Appendix



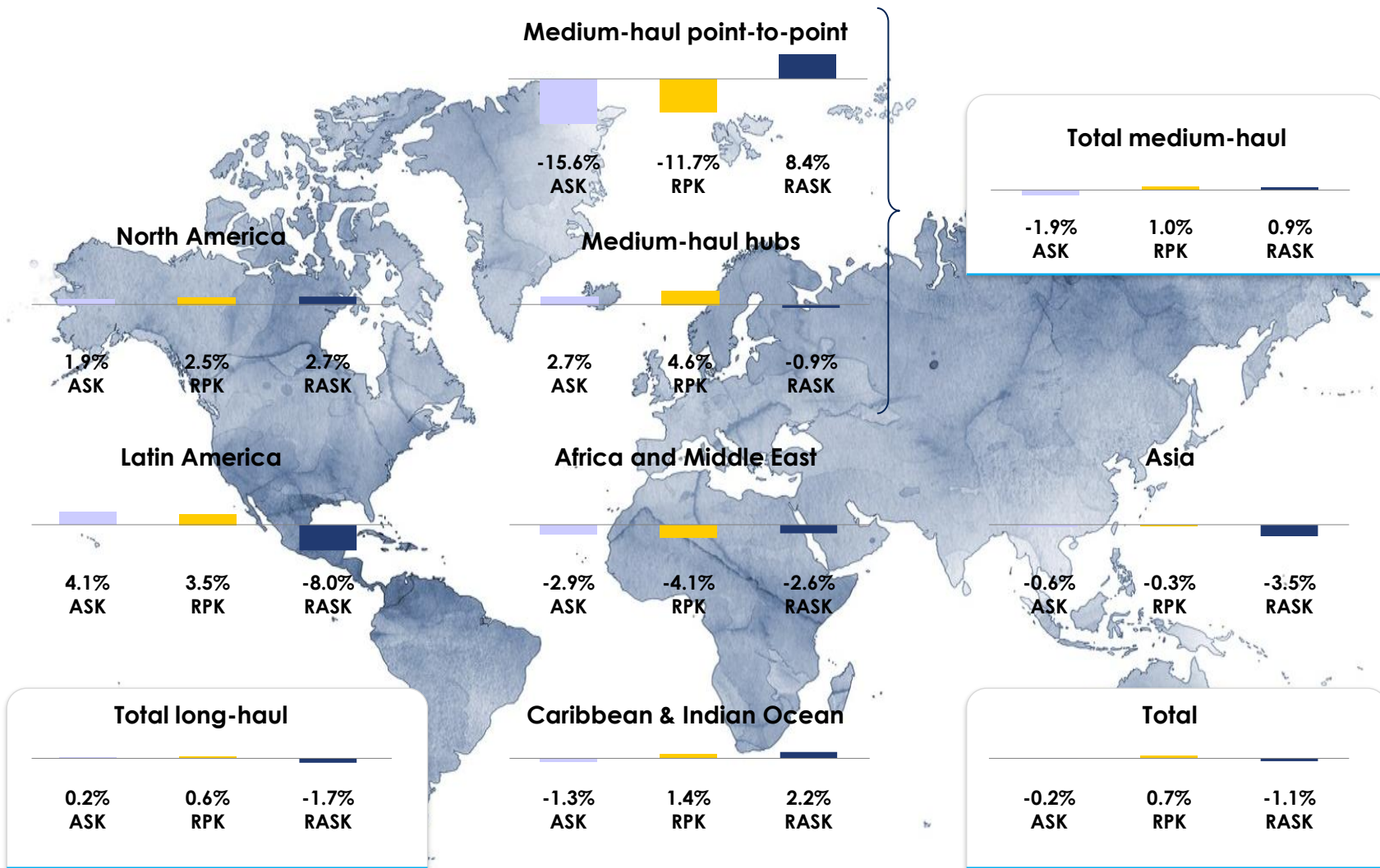
Full Year passenger unit revenue by network

Like-for-like

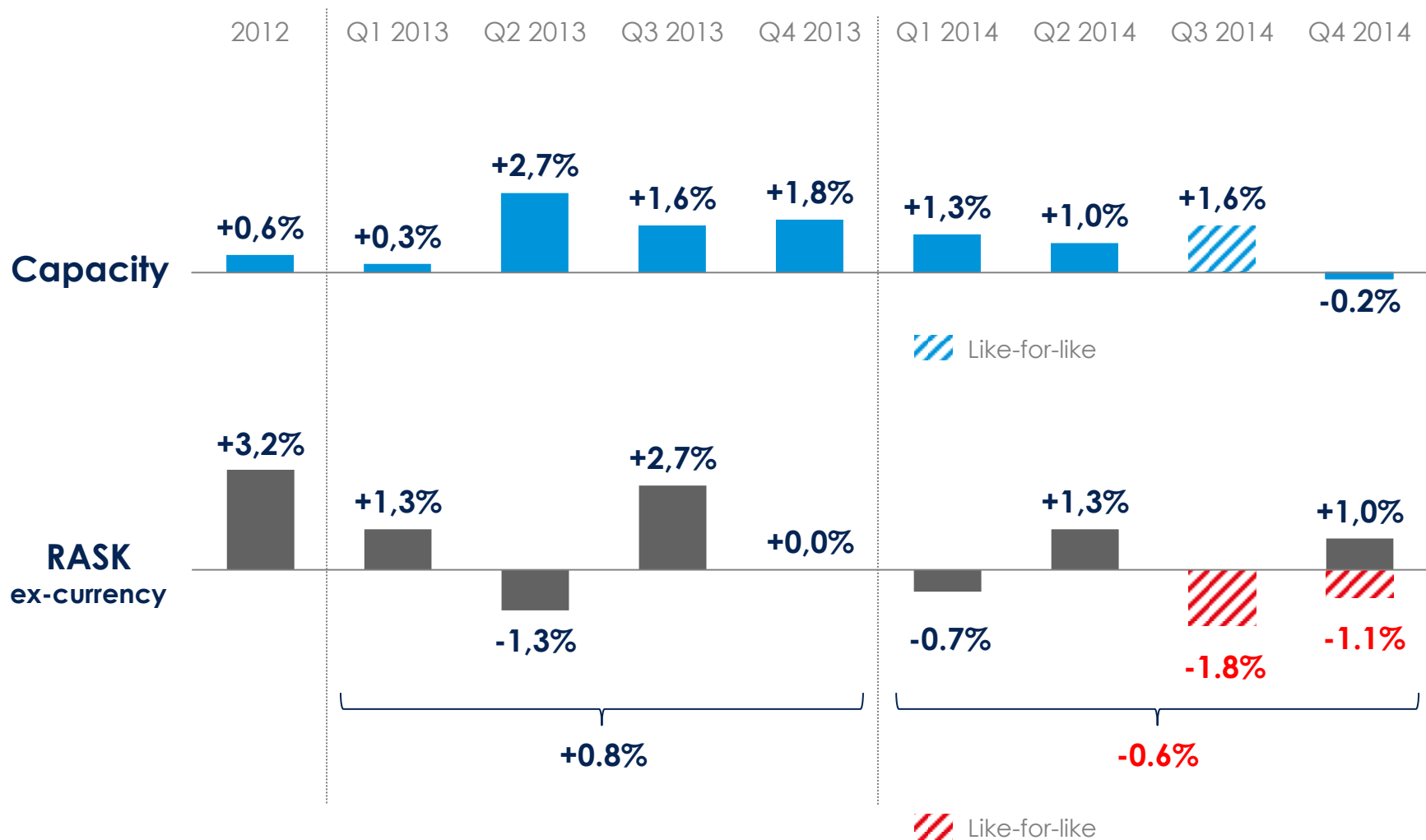


Fourth Quarter passenger unit revenue by network

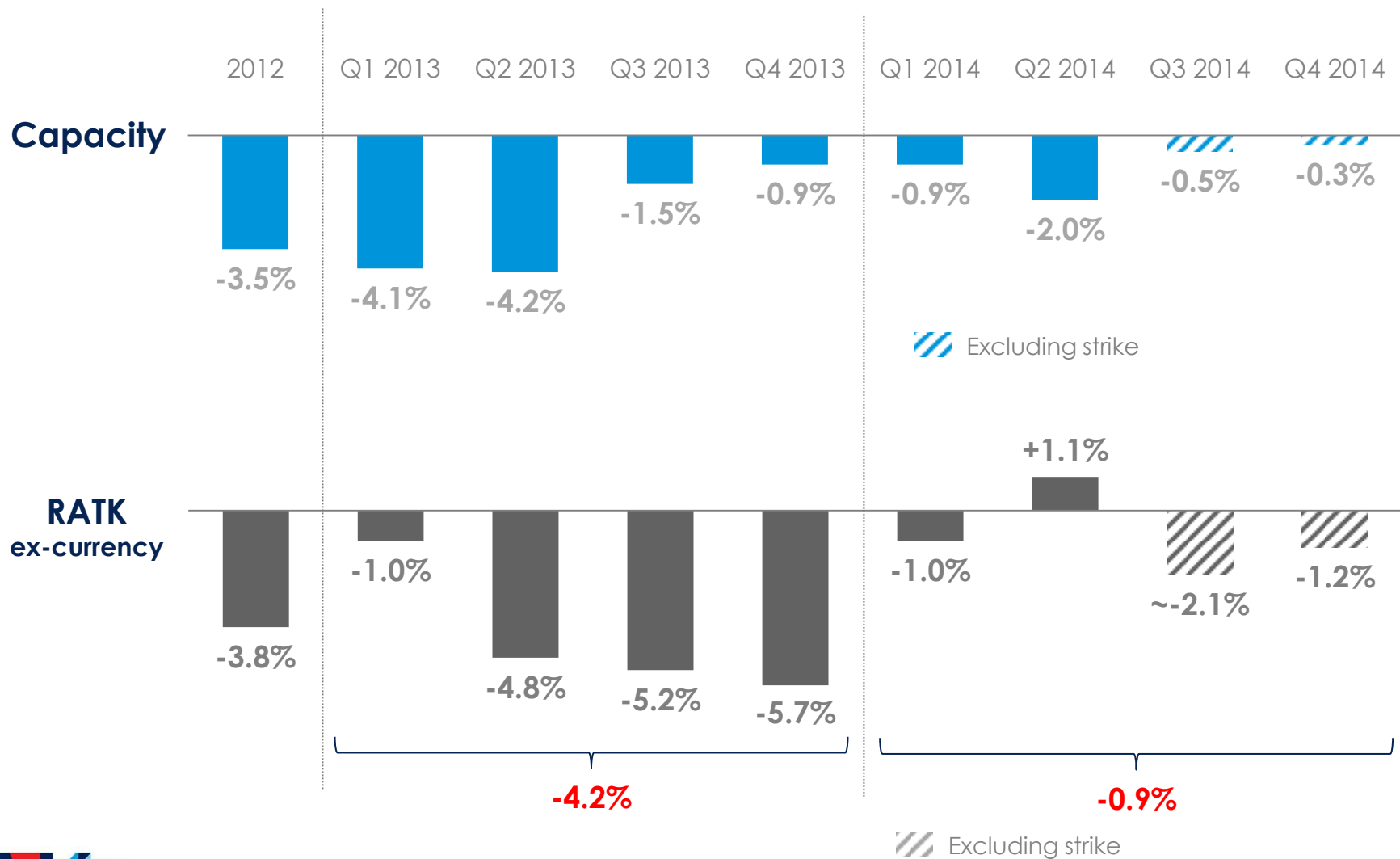
Like-for-like



Passenger capacity and unit revenue per quarter

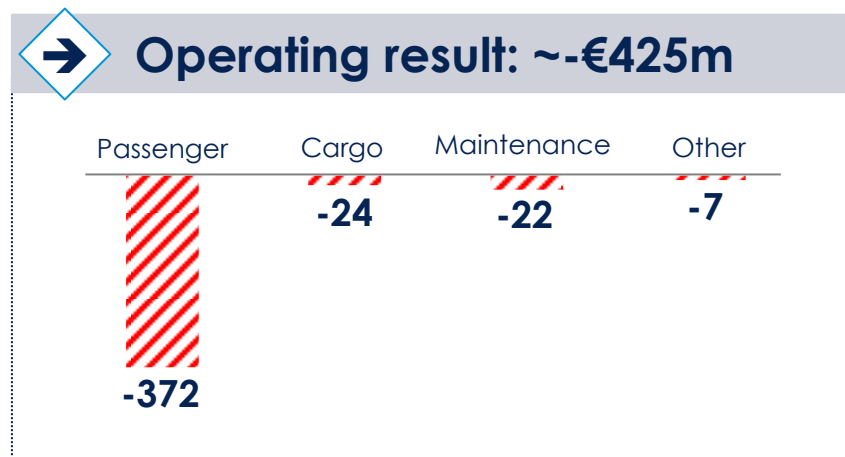
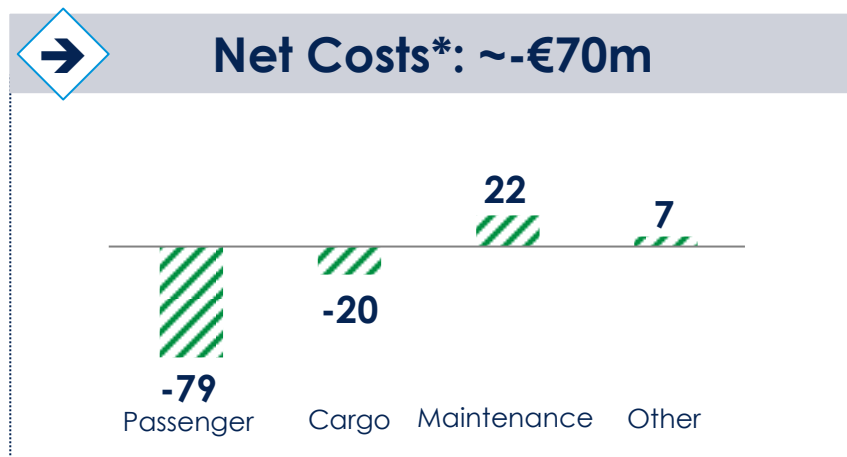
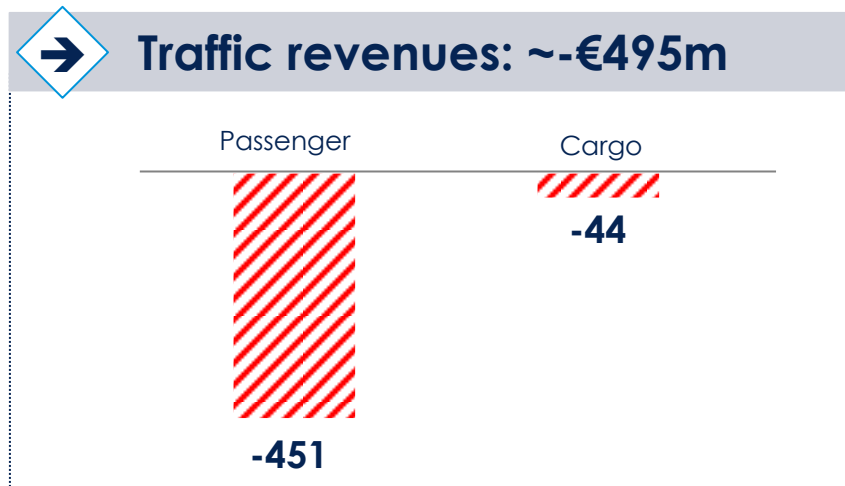
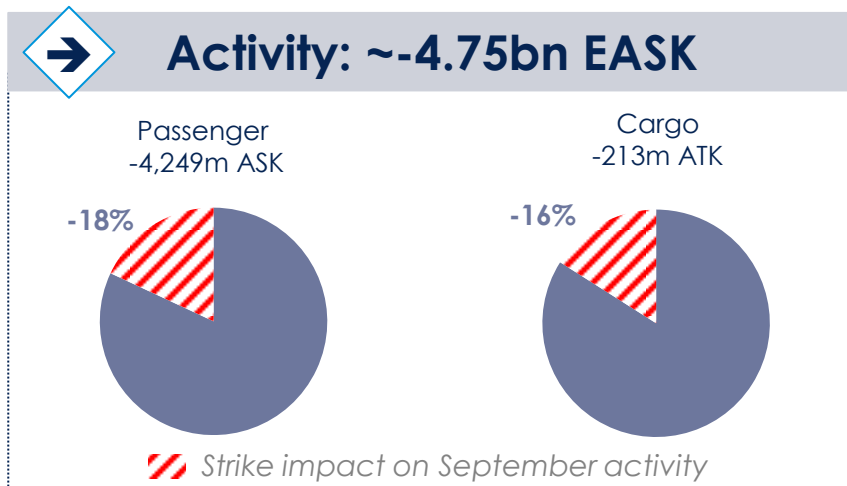


Cargo capacity and unit revenue per quarter



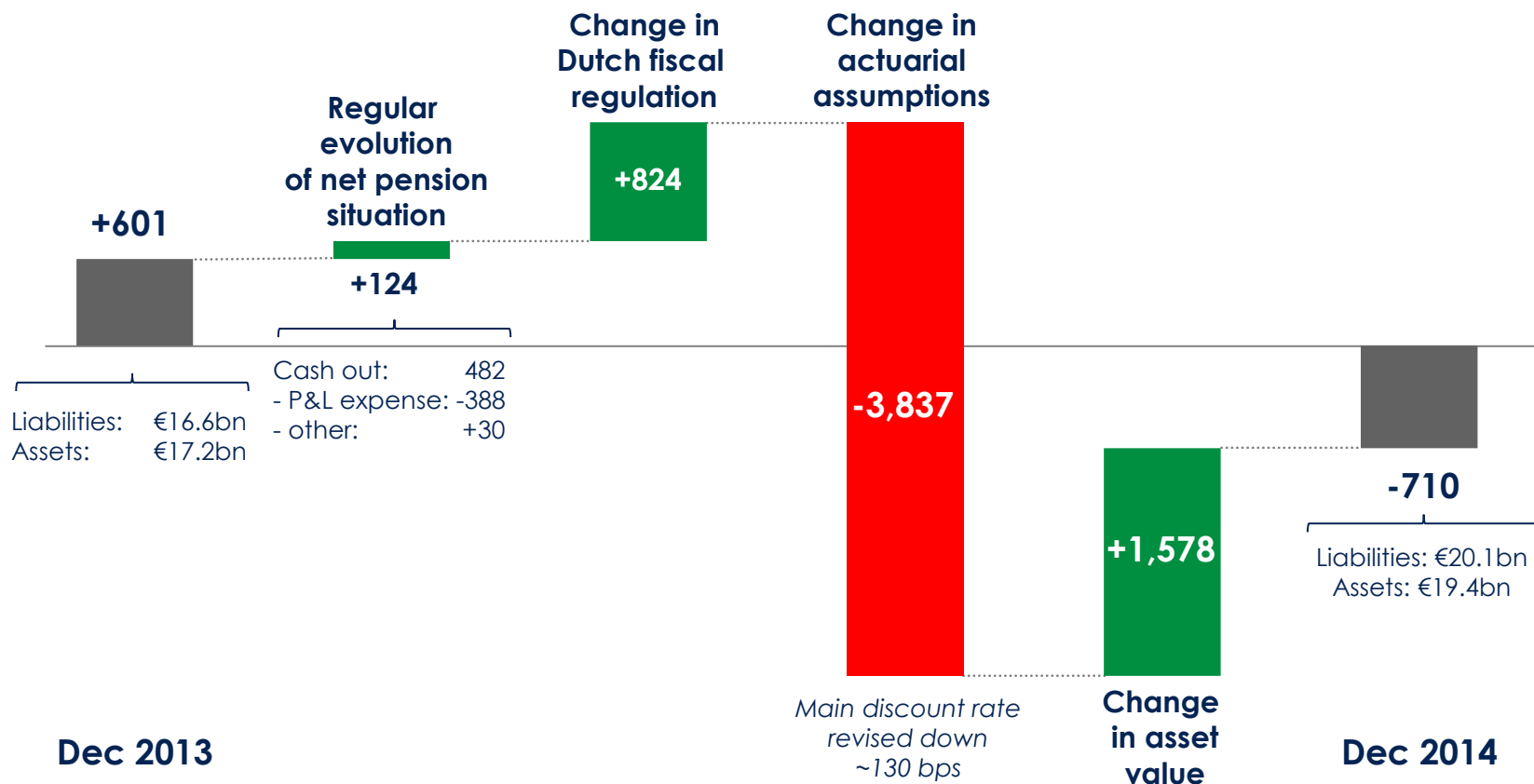
Impact of pilot strike on Full Year 2014 profit and loss statement

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

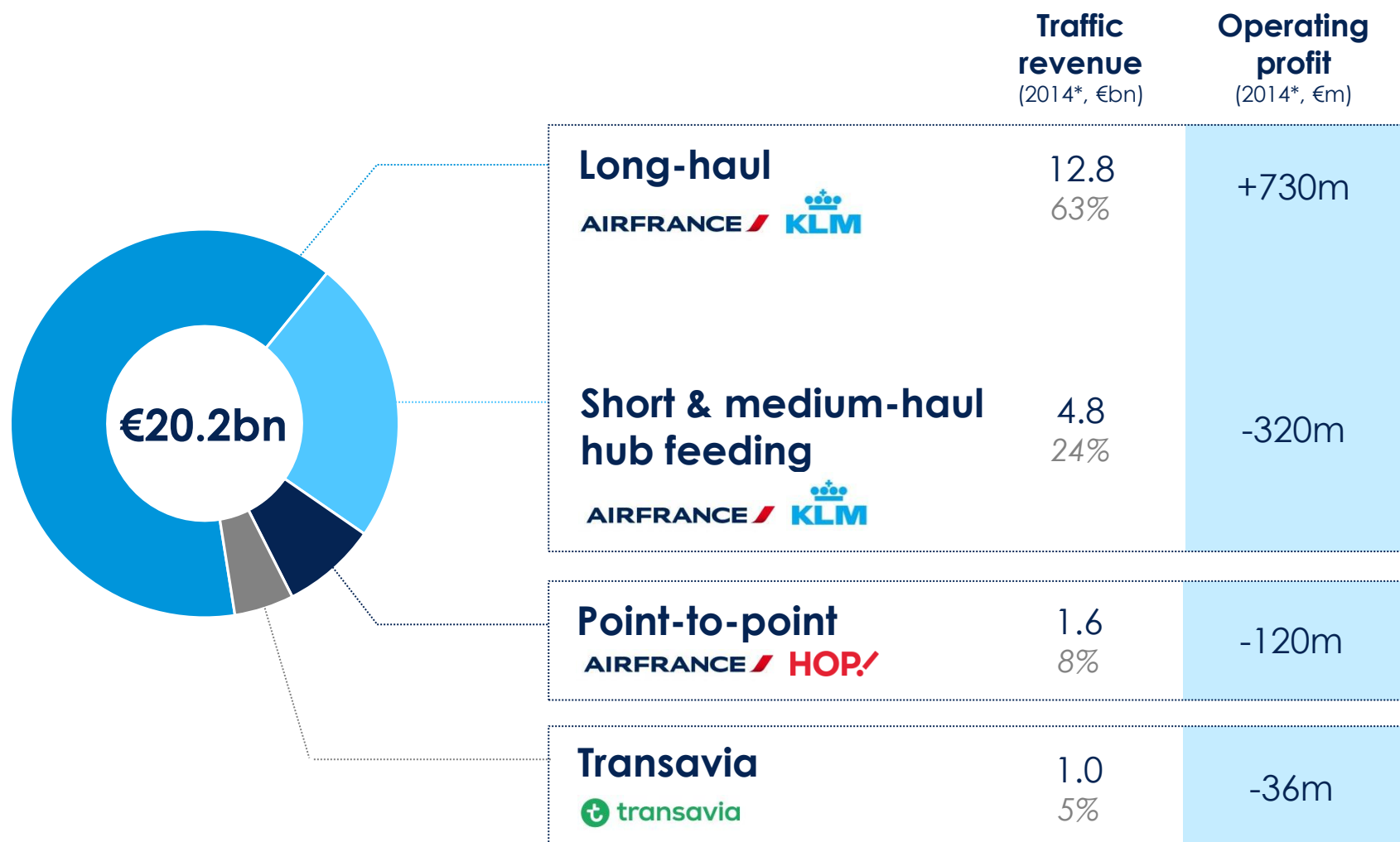


Well covered pension liabilities in spite of large impact from falling discount rate

Evolution of net pension balance sheet situation, in million euros

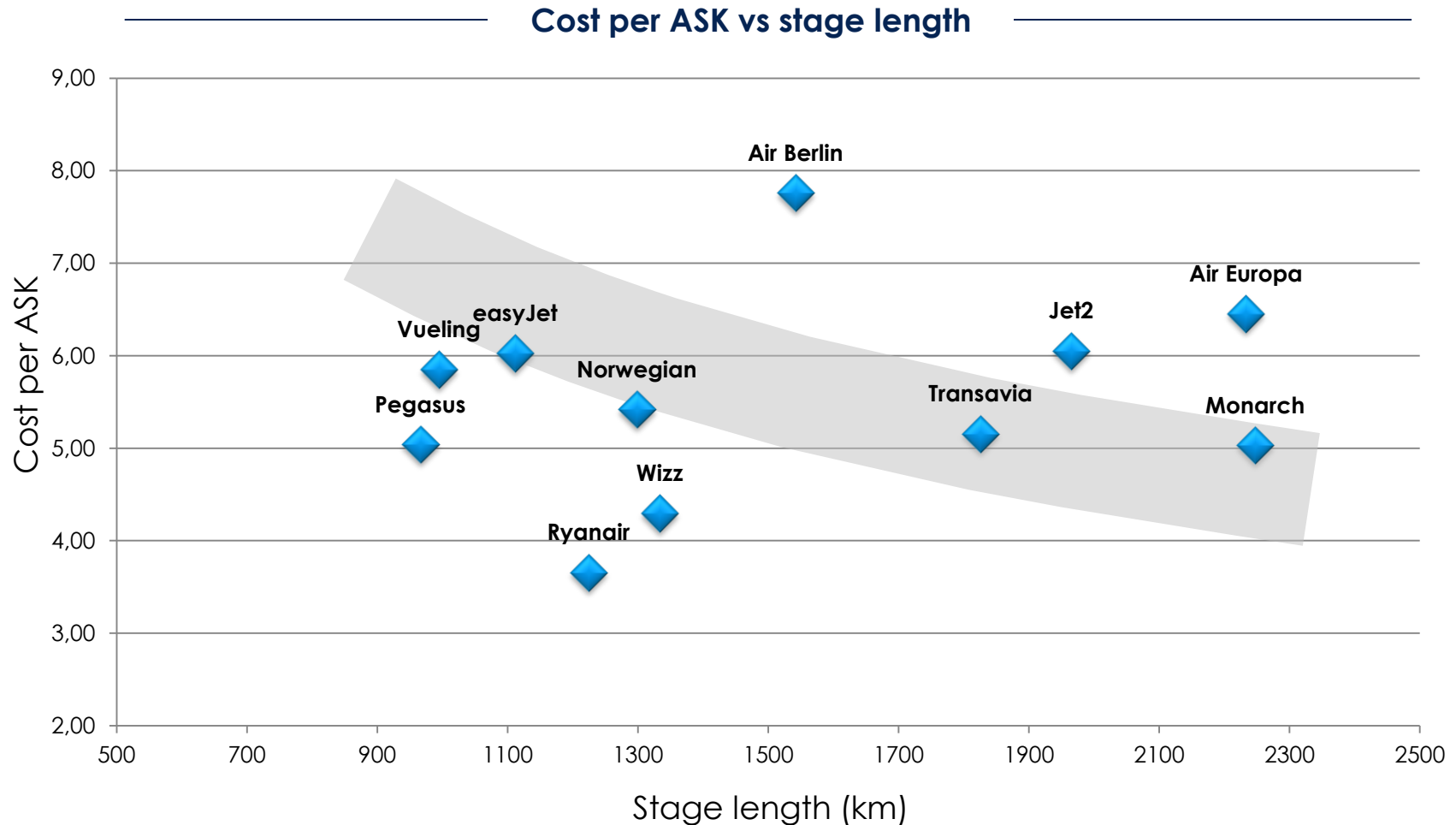


Three operating platforms for passenger air transportation



Short and medium-haul low-cost market: unit cost is the key factor in achieving profitable growth

€ cents per ASK, 2013. Source: Airline business, financial reports

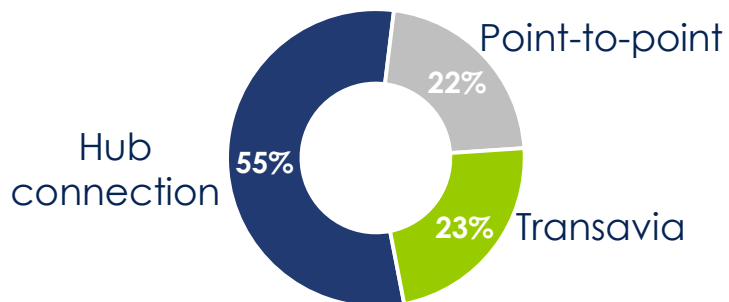


A deep transformation of the business mix

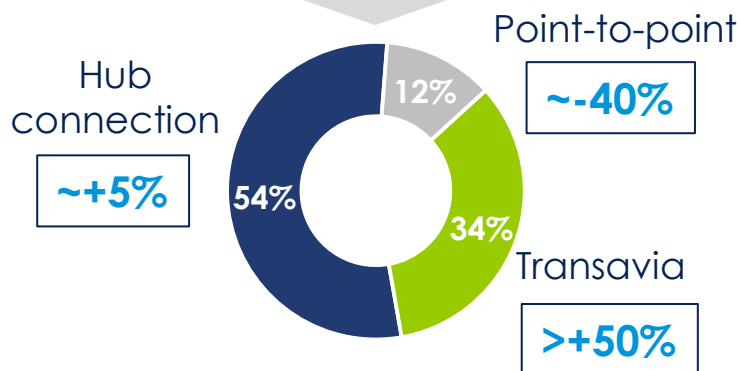
Medium-haul capacity

(ASK)

2012



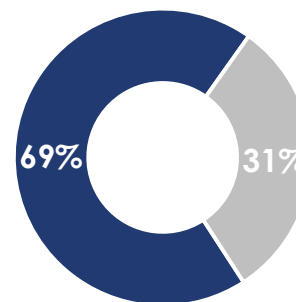
2017



Cargo capacity

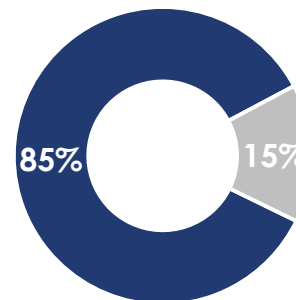
(ATK)

Bellies



Full-freighters

Bellies



Full-freighters

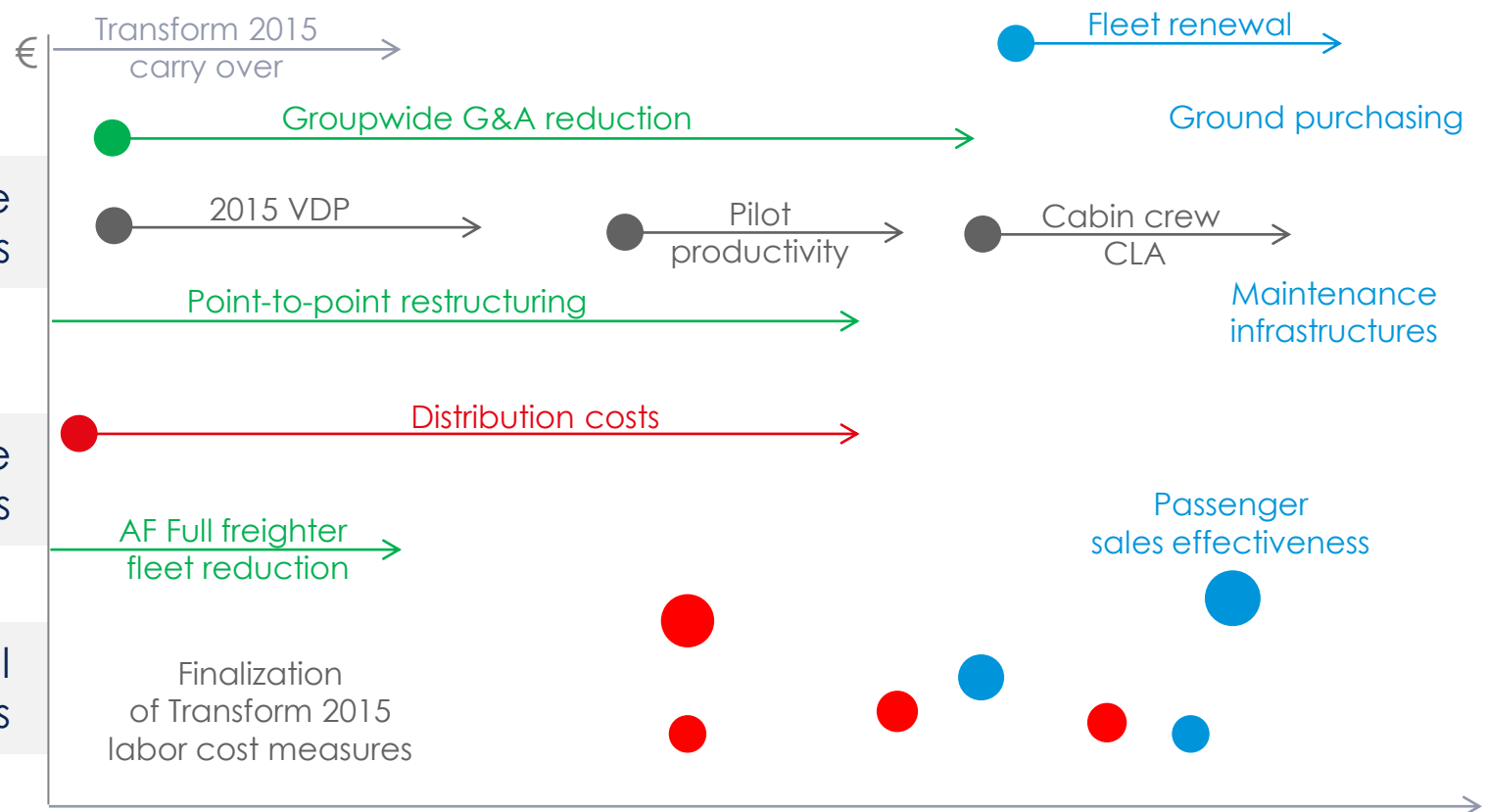
Air France: initiatives generate cost reductions across all areas



Large projects

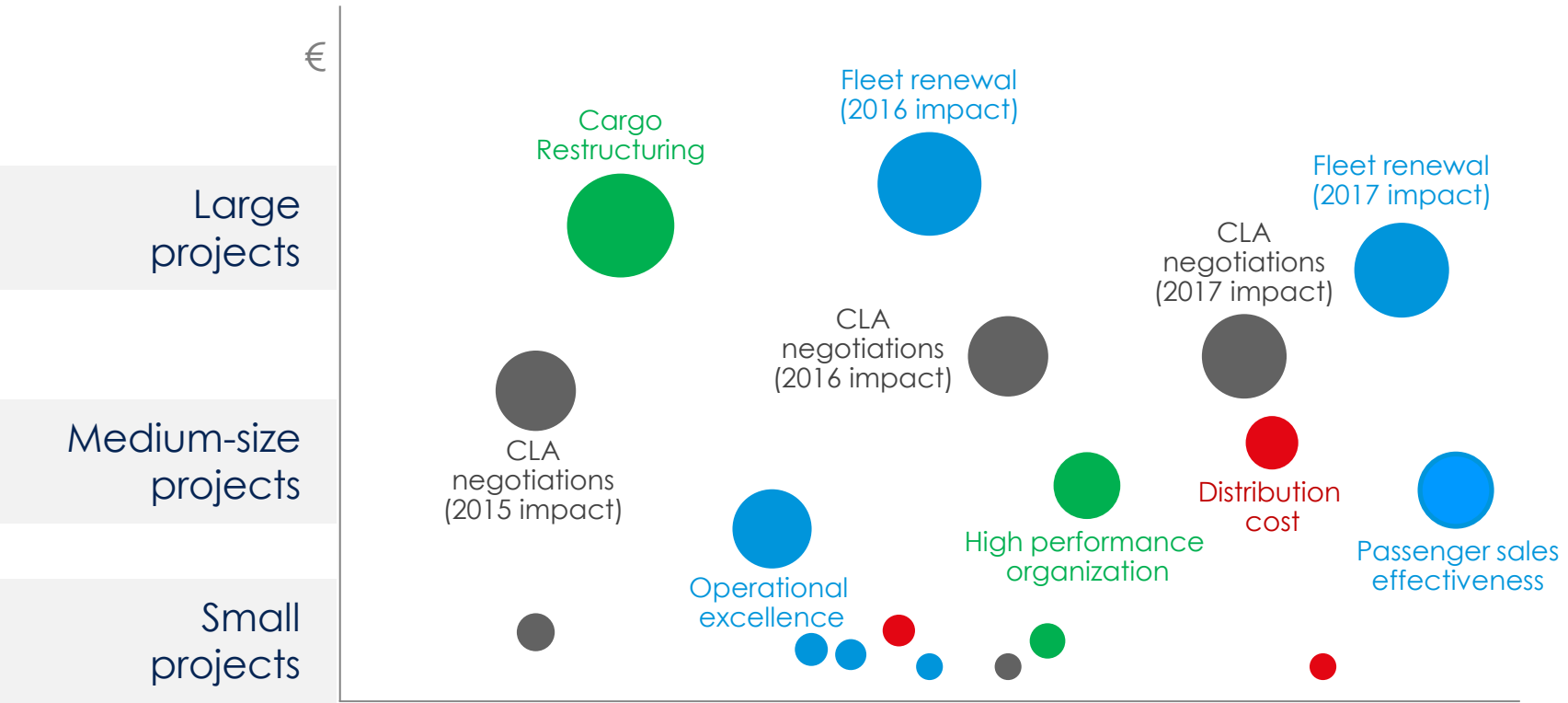
Medium-size projects

Small projects



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

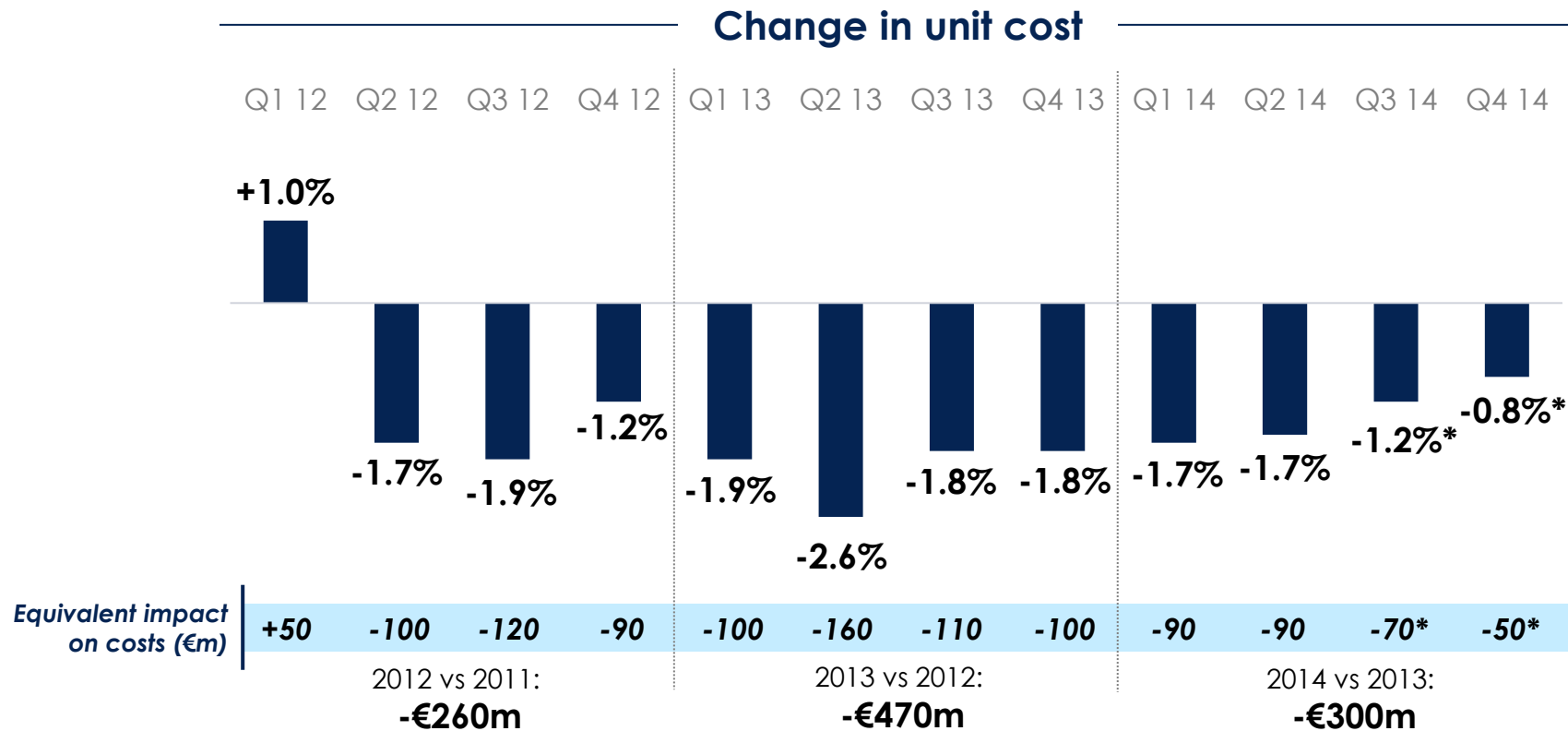
KLM: initiatives generate cost reductions across all areas



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

Transform 2015 has delivered on unit cost reduction

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



Costs reduced by over €1 billion in 3 years

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)

