

ACTION

Air France-KLM's
Shareholders' Newsletter
May 2015

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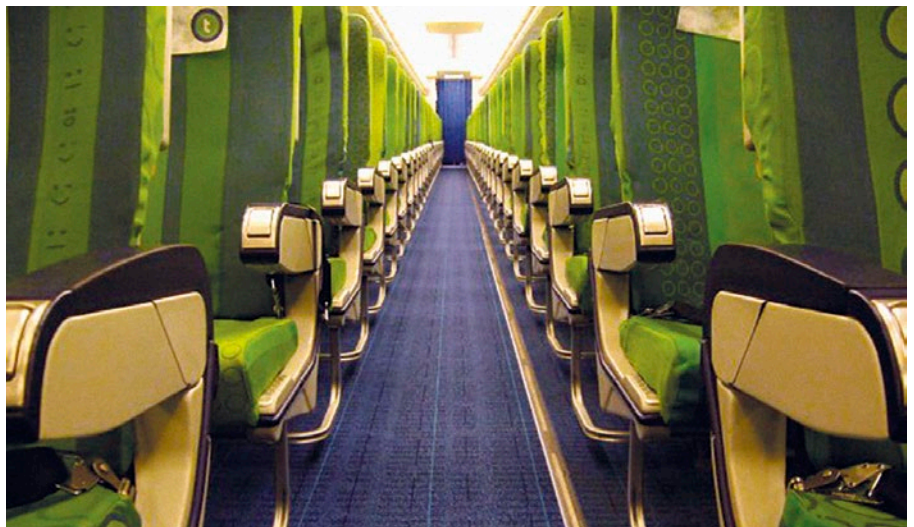
Alexandre de Juniac
Chairman and Chief Executive
Officer of Air France-KLM

“ Dear Shareholders,

This newsletter arrives a few weeks before your Annual General Shareholders' Meeting which will take place on May 21.

Besides voting on this year's particularly full agenda, the Shareholders' Meeting represents a privileged opportunity for information, discussion and dialogue on your Group's strategy and ambitions.

On the occasion of this Meeting, we are introducing two innovations.



New initiatives at Transavia

Transavia is pursuing its strong growth in France and unveiling its new brand identity with a new look and a new simpler, clean-lined logo.

[See page 6](#)

Annual General Shareholders' Meeting of May 21, 2015

We are counting on your participation.

[See page 3](#)

2014 RESULTS

Continued recovery in profitability.

[See page 3](#)

New Air France advertising film

[See page 5](#)



→ Alexandre de Juniac
editorial continued

Firstly, to facilitate an even higher level of shareholder participation, the Votaccess internet-based voting system, which had already been offered last year, is now available for all shareholders holding their shares with a securities account holder using this system, irrespective of the number of shares held.

Secondly, I urge you to fill in and return the questionnaire attached to this letter, which will help us to identify your expectations more clearly and to address them more effectively during the Meeting.

With Perform 2020, the new strategic plan launched a few months ago, your Group is going to become more competitive and accelerate initiatives to return to a profitable growth path.

Ahead of the pleasure of meeting you at the Shareholders' Meeting, I thank you for your trust and support of Air France-KLM and send you my best wishes.





Annual General Shareholders' Meeting of May 21, 2015

The Annual General Shareholders' Meeting will take place at 14h30 on May 21 at the Carrousel du Louvre, 99 rue de Rivoli, 75001 Paris.

If you would like to attend the Shareholders' Meeting



You just need to hold at least one share, at the latest by 00h00 (Paris time) on May 19, 2015.

• Holders of shares in registered form (registered/direct registered in France):

	<		>		OR	
		Air France-KLM's agent, Société Générale, sends you the convening notice containing all the information required to participate or be represented at the Shareholders' Meeting.		To participate, print your admission card from the Sharinbox website (www.sharinbox.societegenerale.com) using your usual login and password between 9h00 on April 17, 2015 and 15h00 (Paris time) on May 20, 2015.		Check box A of the voting form which will have been mailed to you and return it to Société Générale using the pre-paid envelope.




Registered shareholders: if you have forgotten to request an admission card, you can still participate in the Meeting provided you bring a document proving your identity.


• Holders of shares in bearer form:

	>		OR		>	
		To participate, print your admission card from your financial intermediary's internet portal by clicking on the "VOTACCESS" icon using your usual login and password between 9h00 on April 17, 2015 and 15h00 (Paris time) on May 20, 2015.		Return the admission card request form to Société Générale.		You will receive your admission card by mail. If you haven't received your admission card two days before the Meeting, ask your financial intermediary for a certificate of shareholding.

If you are unable to attend the Shareholders' Meeting

• Holders of registered shares (registered/direct registered shares in France) or bearer shares:

	>		>	You can vote over the internet using your usual login and password between 9h00 on April 17, 2015 and 15h00 (Paris time) on May 20, 2015.
				OR
	>	You can grant a proxy by completing the voting form you will have received from Société Générale for shareholders in registered form or from your financial intermediary for bearer shareholders.		

 The last date for the receipt of voting forms by Société Générale is May 19, 2015 at:

Société Générale in France - Service Assemblées - CS30812 - 44308 NANTES Cedex 3.

For additional information: Air France-KLM Shareholder Relations at +33 (0)1 49 89 50 50 or mail.actionnaires@airfranceklm.com

2014 results: on-going recovery in profitability

Reinforced implementation of the new strategic plan

PERFORM 2020

“The Transform 2015 strategic plan was completed at the end of Full Year 2014 and enabled a considerable recovery in Air France-KLM’s competitiveness. The Full Year 2014 results speak for themselves: despite the challenging economic and competitive context, adjusted for the impact of the Air France pilot strike, EBITDA would have been up by more than 50% in three years and operating cash flow would have more than tripled to nearly €1.5 billion. This essential step in the turnaround of the Group was only achieved thanks to the full commitment of all its staff. With Perform 2020, Air France-KLM is now focusing on the future: while continuing its deep transformation, the Group is investing in products, brands, and growth segments like low-cost and aeronautical maintenance...”

Alexandre de Juniac, Chairman and Chief Executive Officer

> On-going improvement in results

In a continued difficult economic environment and despite negative currency effects throughout the 2014 financial year, the operating result stood at €296 million excluding the impact of the September strike, up by €166 million.

EBITDA exceeded €2 billion, up by more than 50% relative to 2011, the year preceding the launch of the Transform 2015 plan.

The reported operating result stood at a €129 million loss after an estimated €425 million impact of the strike.

Revenues for 2014 amounted to €24.9 billion, down by 2.4% but stable (+0.3%) like-for-like. Unit costs were down by 1.3% like-for-like.

The Transform 2015 plan achieved its cost-saving objectives with a 7% reduction in the unit cost excluding fuel relative to 2011.

The results improvement from the passenger transportation business excluding Transavia was slowed by weak unit revenues (-0.6% like-for-like).

Transavia continued its rapid growth: revenues exceeded €1 billion, growth of 7%.

The full-freighter activity pursued its restructuring, reducing capacity by more than 7%. The maintenance operating result continued to progress, reaching €196 million excluding the impact of the strike.

At €5.4 billion, the Group’s net debt saw a slight increase due to the strike. Excluding the strike, the Group would have reduced its debt by more than €350 million for total deleveraging of over €1.5 billion in three years.

> Outlook

The global context in early 2015 remains uncertain, with a significant

drop in fuel prices, the prolongation of the overcapacity situation on several long-haul markets continuing to weigh on unit revenues, and a negative currency impact on results.

In these conditions, the Group intends to step up the measures planned within the framework of Perform 2020, with 2015-16 investment scaled back by €600 million, the implementation of further measures at Air France and the reinforcement of the target on unit cost reduction.

The Group is targeting a unit cost reduction of 1% to 1.3%, equivalent to €250 million to €350 million of savings, and net debt at around €4.4 billion at the end of 2015.

	2014 reported	2014 excluding strike	2013	Variation excluding strike
Passengers carried (million)	87.4	-	86.2	
Revenues (€m)	24,912	25,407	25,520	-0.4%
EBITDA (€m)	1,589	2,014	1,855	+159
Operating result (€m)	-129	296	130	+166
Net result, Group share (€m)	-198	-	-1,827	-
Net debt at the year end (€m)	5,407	-	5,348	-

New Air France-KLM website

Air France-KLM is launching its new www.airfranceklm.com website, giving access to all the key information about the Group in a few clicks: news on Air France-KLM, its strategy, strengths and commitments, the businesses, network, fleet, the press space and the share price. Navigation is fluid and intuitive and the topics addressed are accessible by profile: journalist, shareholder, analyst/investor and passenger. The “bespoke” information is available in French and English and the website ergonomics automatically adapt to the access technology used (computer, tablet computer or mobile phone).

The highlight of the new website is an interactive network map giving a snapshot of all the flights offered by Air France, KLM, HOP!, Transavia and the Group’s airline partners. Financial information benefits from a dedicated section posting the annual results, the Registration Document and information for shareholders and analysts/investors, accessible from the “Finance” section of the new website.



Summer 2015 schedule

For the Summer season which runs from March 29 to October 24, 2015, the Air France-KLM Group foresees 1.7% increase in capacity.

Long-haul capacity is up by 1.8% while capacity in the medium-haul business, which is continuing its restructuring, is down by 1.9%.

The Transavia low-cost business (+7.8%) is seeing strong growth in France and consolidation in the Netherlands.

For the Long-haul destinations: Air France-KLM is adding to its capacity in Canada with the opening of the Vancouver service operated by Air France since March 25 and Edmonton served by KLM from May 5, 2015. The Group is also increasing its positioning in South America thanks to the inauguration by KLM of a new service to Bogota and Cali on March 31.

For the Medium-haul destinations: Air France-KLM is developing its European network on departure from Amsterdam-Schiphol with three new destinations operated by KLM Citihopper as of May 18, 2015: Belfast, Krakow and Montpellier.

At Paris-Charles de Gaulle, Air France is increasing its offering to Bordeaux, Naples, Billund, Bucarest and Budapest.

On departure from Paris-Orly and the regional airports, the Group continues the reorganization of its short-haul activity, now regrouped within the HOP! Air France entity.

Low-cost business: Transavia is continuing its rapid growth in France (+30%) while consolidating its operations in the Netherlands.

The company is opening 14 new routes and reinforcing its offer of flights to the most popular summer destinations.

New products and services: Air France-KLM is pursuing its move up-market dynamic. At the end of the Summer 2015 season, 20 Air France Boeing 777s will be equipped with the last BEST cabins, Having refurbished its World Business Class cabins on all its Boeing 747-400s, KLM is progressively equipping its Boeing 777 fleet with a new World Business Class and Economy Class. As of April 2015, Air France is also deploying a new leather seat on 24 Airbus A319s on departure from Paris-Charles de Gaulle. It will then equip 25 Airbus A320s during the 2016 first half.

Partnerships: In addition to stepping up its joint-ventures (Delta, Alitalia, China Southern, China Eastern, Kenya Airways, Air Mauritius) and its strategic agreements (GOL), Air France-KLM is pursuing the development of its world-wide partnerships. To be able to propose ever more frequencies, flights and destinations, the group is extending its cooperation with the Canadian airline WestJet. Air France-KLM also has big ambitions in Asia, as seen in the signature of a cooperation agreement between KLM and Xiamen Airlines and the code sharing agreement with Garuda on flights between Amsterdam and Jakarta.



Air France-KLM wins “Most elegant airline for 2014” award in China

At the very beginning of the year, on the occasion of the third edition of the “Tourism Awards 2014” organized by the Shanghai Morning Post, Air France-KLM was named the “Most elegant airline for 2014”. This award was obtained following a vote by millions of internauts and readers of the Chinese daily newspaper. This ceremony presents awards relating to the whole travel industry including travel agencies, destinations, airlines and hotels.

AFI KLM E&M once again named **MRO of the Year**

On January 19, 2015, during the Airline Economics Aviation 100 Awards, trade magazine Airline Economics again named AFI KLM E&M MRO of the Year (Maintenance, Repair, Overhaul) for the second year running.

This award, presented following a vote by professionals in the aeronautics sector, confirms the recognition of the excellence of the overhaul and maintenance services delivered by AFI KLM E&M, as well as the quality of its customer service. The winning of this award for the second consecutive year also highlights AFI KLM E&M’s commitment to maintaining a high level of performance over the long term.

KLM trials its “smartwatch app” on the Android technology

Thanks to this new technology, connected passengers have access to a wide range of information and can benefit from totally “dematerialized” services.

This “smartwatch app” will enable them to receive updates concerning their chosen flights and to check in simultaneously with booking. In addition, all the information relating to their flights will be transmitted 24 hours prior to departure.



At the airport, connected passengers will be “geolocated”, kept informed and guided right through to the boarding gate. One hour before takeoff, they will receive on their watch face, their scan-ready boarding card and, just prior to departure, their seat number. KLM is currently trialing this new technology with passengers for a likely wider roll out very shortly.

Air France reduces the noise footprint of its A320s

Air France has decided to equip its entire A320 fleet with deflectors on the aircraft wings to minimize the whistling sound made during landing. The first aircraft was retrofitted back in December 2014 and all the aircraft in the A320 family are expected to be equipped by the end of 2015. Air France is one of the first airlines in the world to upgrade its fleet with this solution which involves installing an aerodynamic deflector in front of the lower wing cavities.

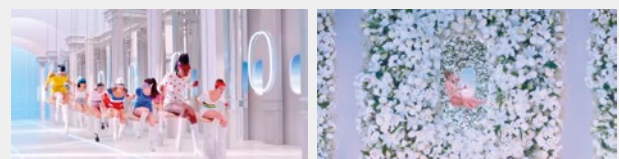
This solution was developed thanks to research carried out by Airbus, in partnership with the French Civil Aviation Authority and airlines including Air France. It is now installed on all new aircraft leaving the Airbus factories.

The company is thus demonstrating its determination to reduce the noise footprint of its operations. This is why Air France takes every possible measure – anti-noise procedures on take off, optimization of landing gear and flap extension, withdrawal of noisier aircraft. Since 2000, the overall noise energy generated by the entire Air France fleet has been reduced by 31% while the number of take-offs and landings is up by 16%.



A new advertising film for Air France

In early March, Air France launched its new “*France is in the Air*” advertising film in France and five other countries (United States, Brazil, Japan, China and Italy). Broadcast on TV stations, in cinemas and in the digital and social media (including, for the first time, Vine), it is a continuation of the campaign launched in March 2014. This new advertising film is accompanied by a new sound logo and is aimed at reinforcing the brand value and supporting the commercial offensive.



A new brand identity for transavia

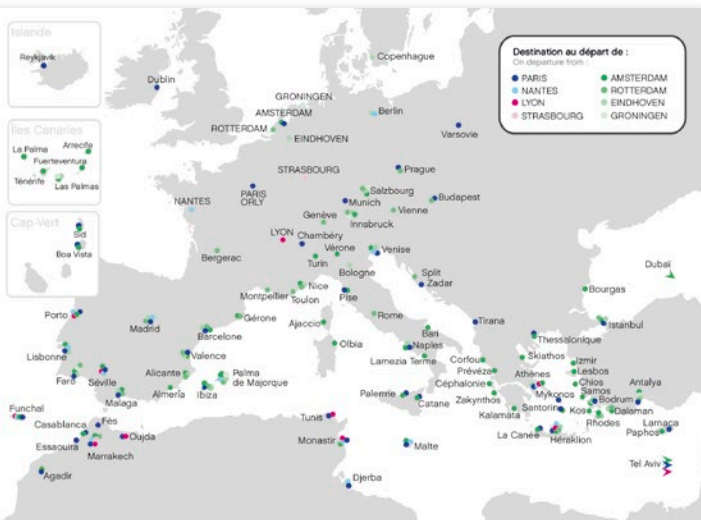
-  **45 Boeing 737-700s and 737-800s, of which 31 based in the Netherlands and 14 in France**
-  **2,400 full time employees**
-  **98 destinations in Europe and North Africa operated from 6 bases: Amsterdam, Rotterdam, Eindhoven, Paris-Orly, Nantes and Lyons**
-  **200 destinations**
-  **9.9 million passengers carried**

at December 31, 2014

Early this year, Transavia, unveiled its new brand identity with a simpler, uncluttered logo and a new look. Green remains the main color and will be used in next summer's new flight crew uniforms created via a collaborative platform and with contributions from all the staff. The aircraft have also been given a makeover with the application of different icons alongside the logo on the fuselage.

To become "The" French low-cost carrier of choice and "The" leading carrier on departure from Orly bound for Europe, Transavia now offers more destinations: 72 destinations in Spain, Italy, Morocco and Portugal as of the Summer 2015 season.

With growth of 20% in 2014, the airline is targeting 30% for 2015 and is looking to exceed the threshold of 4 million passengers in France thanks, notably, to the arrival of additional aircraft.



In 2014, Transavia carried 9.9 million passengers, growth of 11% and, in the Netherlands where Transavia is the low-cost leader, the emphasis has been placed on the development of scheduled flights with capacity up by 12% whereas the "charter" activity has continued to be scaled back.

Twenty more B737s

Transavia has placed an order for 20 Boeing B737-800s, with 17 on firm order and three under option, whose deliveries will begin in January 2016 and be staggered through to 2018. These new aircraft will support Transavia's rapid growth in France and development in the Netherlands.

The aircraft will have 189 seats and the "Boeing Sky Interior", and will be equipped with next-generation CFM56-7BE engines.



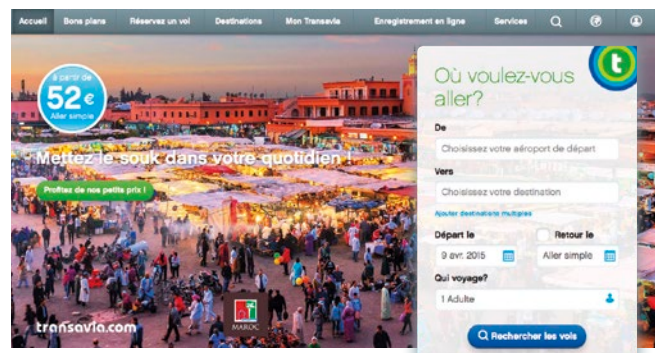
Above all, a digital experience

Transavia is also unveiling an enhanced digital offering based on a new website, itself having been rethought for mobile use, proposing new functionalities such as earning and burning Flying Blue Miles.

Designed for more efficiency, speed and ease of use, the new website offers simplified navigation. The mobile version offers a modern design and improved functionalities for a faster and more user-friendly customer experience.

The new features include a completely redesigned search engine and new pages to be discovered. The whole digital customer experience has been revisited and optimized down to the booking confirmation emails. A more functional calendar and additional bespoke services designed in cooperation with customers themselves are also offered.

For more go to www.transavia.com.





A report back from...

The Individual Shareholders' Committee lunch on January 28, 2015 in the company of Didier Raffaud



During the January 28 Committee meeting, members had the opportunity to meet Mr. Didier Raffaud, Air France-KLM's Head of Fuel Purchasing and Risk Management.

In 2013, the Air France-KLM Group consumed 9 million tons of fuel for a cost of around €7 billion, an item which traditionally represents 33% of an airline's costs (based on \$110 a barrel).

Currently, the price of crude oil is significantly lower but the variation in the euro, moving from \$1.35 to \$1.13, has mitigated this impact in euro terms.

Upside and downside fluctuations are moderated by the hedging policy. The risks linked to changes in the jet fuel price are effectively hedged within the framework of hedging over a two-year horizon (24 rolling months)

with a hedging ratio of 60% over the 12 first months.

This hedging, which acts like an insurance policy, is justified by a highly volatile and irrational market.

In June 2008, after 18 months of increase taking the oil price from \$55 to \$140, the question was "when will it reach \$200?", and yet the price collapsed to \$40 in December 2008....

Last June, after three years of stagnation around the \$110 to \$120/bbl level, the consensus was forecasting an oil price at \$110 a barrel in 2015.

We are currently seeing a significant fall due to the combined effects of a substantial increase in US production (shale oil), OPEC's reluctance to reduce its quotas and a slowdown in Chinese consumption. But the market is in contango and the oil price could well rebound.

What is jet fuel?

Jet fuel is kerosene, a hydrocarbon mix respecting certain specific properties. With a density of close to 0.8, it must have a freezing point below -47°C to avoid the petroleum crystals plugging the filters at altitude. For the same reason and to avoid bacterial growth it must also be water-free. Civil aircraft are also equipped with filterheaters to avoid any risk of engine shut-down.

What is bio-fuel?

The first bio-fuels originated from edible plants like corn but the only slightly beneficial overall impact on

carbon and the negative effect on food prices meant that there was no incentive to develop this technology.

However, since 2008, there has been experimentation with second-generation bio-fuels originating from algae, jatropha, used oils and vegetable waste.

Air France is participating in a bio-fuel from forestry waste demonstration project headed by France's Atomic and Renewable Energy Commission and last, October, on the launch of "Lab'line For the Future", Air France inaugurated a series of flights between Toulouse and Paris-Orly powered by bio-fuel (10% added to standard kerosene). Such bio-fuels remain, however, very expensive.

Air France-KLM purchases its jet fuel from major oil companies using forward contracts with prices set monthly, fortnightly or even weekly. Supply security is ensured by contracts with local refiners who have, furthermore, a legal obligation to maintain 90 days of stocks.

To benefit from market opportunities and optimize its costs, the Group also purchases three to four "spot" shipments on the international market.

Lastly, since prices vary between markets, the Group implements optimization programs by trading the volumes purchased.

31 MY MEETINGS

Annual Shareholders' Meeting
Carrousel du Louvre
Thursday May 21, 2015

Forthcoming results
Friday July 24, 2015
First half results

Tuesday June 3, 2015
"Les fausses confidences"
by Marivaux
 Théâtre National de l'Odéon

Forthcoming site visits
Thursday June 4, 2015
BEPN (Flight crew training center at Roissy), at Roissy-CDG Hub

Number of places limited and exclusively for Club members.
 Sign up by Wednesday May 6, 2015 by email at the following address:
mail.actionnaires@airfranceklm.com

Forthcoming meetings of the Individual Shareholders' Committee

Wednesday September 23, 2015
Wednesday November 25, 2015

Meetings in the French regions

June 1, 2015
Marseille with *Le Revenu*

June 15, 2015
Tours with *F2iC*

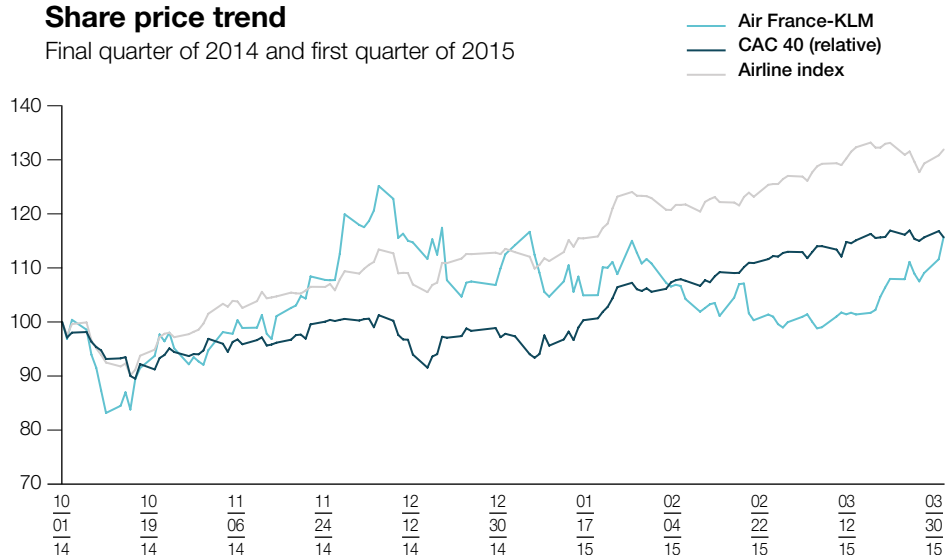
November 27, 2015
Bordeaux with *Investir*

December 1, 2015
Clermont-Ferrand with *Investir*

My shares

Share price trend

Final quarter of 2014 and first quarter of 2015



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
 France

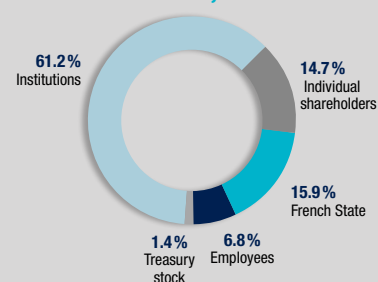
DUAL LISTING

Euronext Paris and Amsterdam
ISIN equity code FR0000031122
Reuters code AIRF.PA
Bloomberg code AFFP
OTC Market AFLYY

2015 DECLARATION

ISF share price € 7.96

SHAREHOLDER BREAKDOWN AT DECEMBER 31, 2014



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