FIRST HALF 2015 RESULTS

24 July 2015

AIRFRANCE KLM

Results

Highlights of the Second Quarter 2015

Environment

- Weak economic environment in several key markets including Japan, Brazil and oil routes
- Significant currency and fuel price volatility affecting unit revenue development and results

Operations

- Passenger network: strict capacity discipline limiting drop in unit revenue; weak supply-demand balance in Latin America, Africa and Asia
- Cargo: sharp fall in unit revenues on the back of structural air cargo industry overcapacity
- Very dynamic maintenance activity, record high order book

Strategy/ Perform2020

- Continued roll-out of successful product upgrade
- Significant ongoing full-freighter capacity reduction
- Negotiations finalized with KLM unions, ongoing with Air France unions, with their conclusion expected at the end of September
- Further strong reduction in net debt

Key data

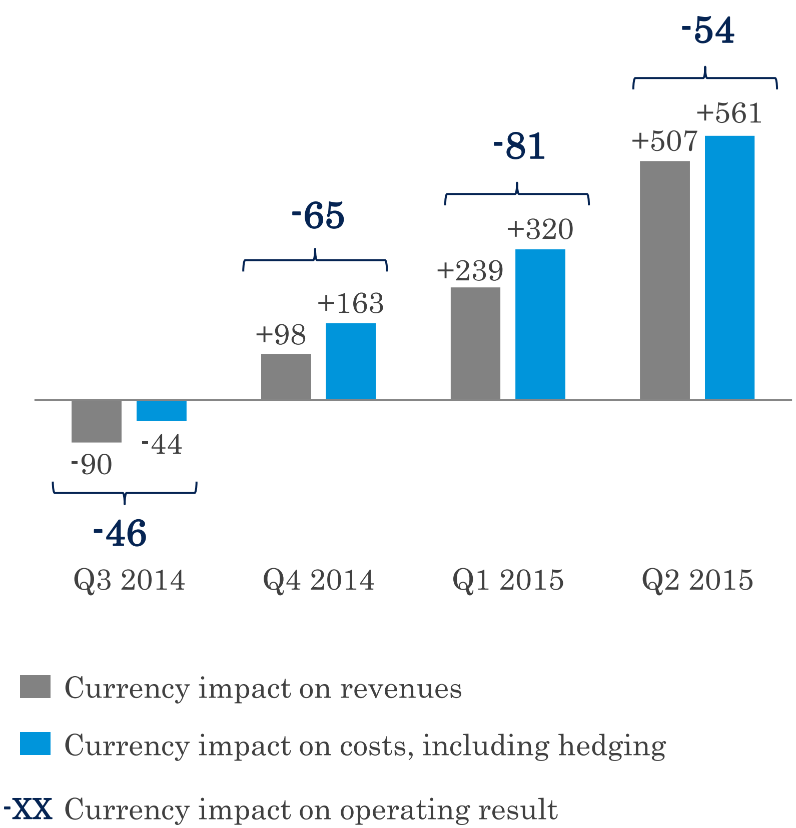
In €m	Q2 2015	Q2 2014	Change	H1 2015	H1 2014	Change
Revenues	**6,642**	6,451	+3.0%	**12,298**	12,005	+2.4%
Change like-for-like[1]			*-4.5%*			*-3.6%*
EBITDAR[2]	**824**	854	-30m	**1,053**	1,021	+32m
EBITDA[2]	**569**	641	-72m	**548**	591	-43m
Operating result	**185**	238	-53m	**-232**	-207	-25m
Net result, group share	**-79**	-11	-68m	**-638**	-619	-19m
Adjusted net result[2]	**77**	146	-69m	**-427**	-339	-88m
Operating free cash flow[2]	**311**	175	+136m	**274**	95	+179m
ROCE[2, 4]				**5.5%**	5.0%	+0.5 pts
Net debt at end of period				**4,550**	5,407[3]	-857m
Adjusted net debt / EBITDAR[2, 4]				**3.8x**	4.0x[3]	-0.2

(1) Like-for-like: excluding currency. Same definition applies in rest of presentation unless otherwise stated
(2) See definition in press release
(3) At 31 December 2014
(4) Trailing 12 months; EBITDAR and ROCE excluding strike

Continued significant negative currency impact on operating result

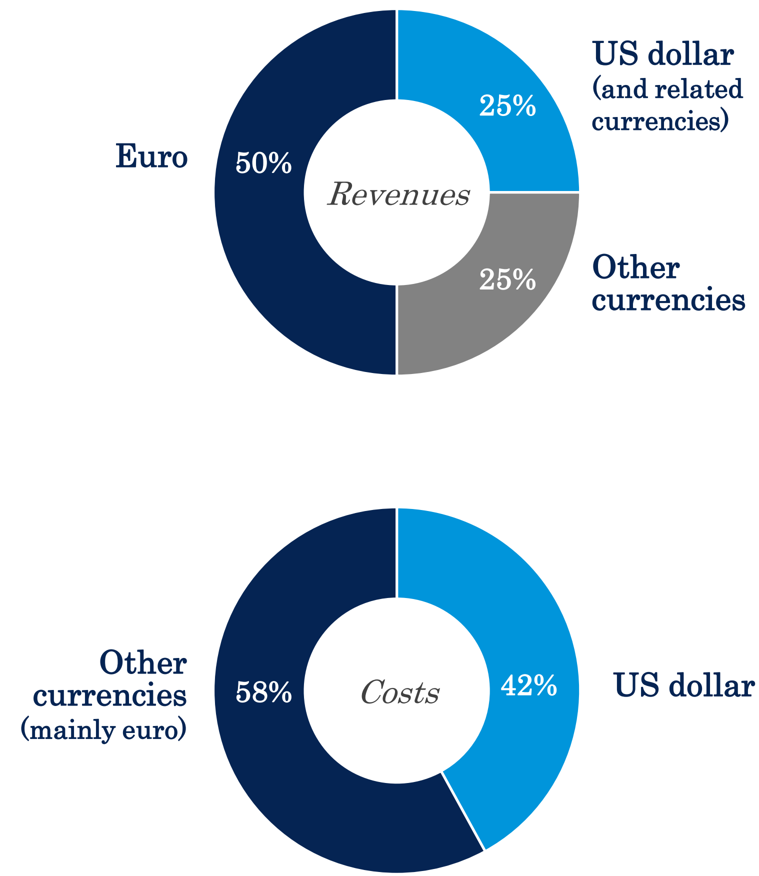
Currency impact on revenues and costs

In €m



Revenues and costs per currency

FY 2014



Contribution by business segment to Second Quarter 2015

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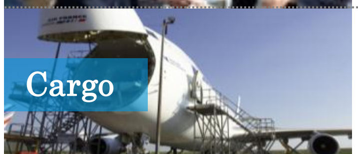
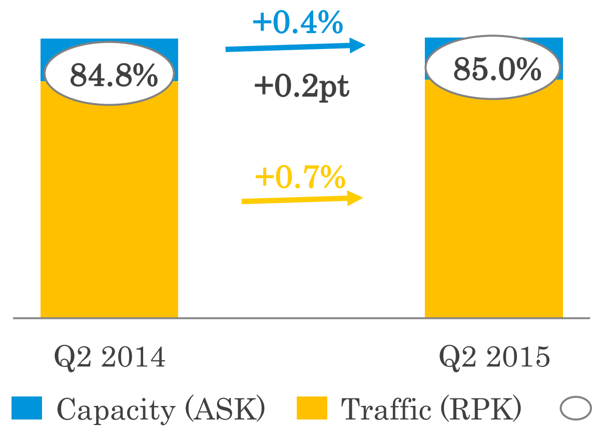
Segment	Share	Revenue (€bn)	Reported change (%)	Change Like-for-like (%)		Op. Result (€m)	Reported change (€m)	Change Like-for-like (€m)	
 Passenger network[1]	79%	5.24	*+2.5%*	*-4.3%*	↘	210	-45	-3	=
 Cargo	9%	0.60	*-9.6%*	*-18.6%*	↘	-78	-33	-29	↘
 Maintenance	6%	0.40	*+38.5%*	*+13.0%*	↗	51	+21	+16	↗
 Transavia	4%	0.30	*+2.7%*	*+2.5%*	↗	-6	+0	+11	↗
 Other	2%	0.10	*+7.9%*	*+7.8%*	↗	8	+4	+7	↗
Total		6.64	*+3.0%*	*-4.5%*	↘	185	-53	+2	=

(1) Passenger network: Air France, KLM and HOP!

Passenger network activity in Second Quarter 2015

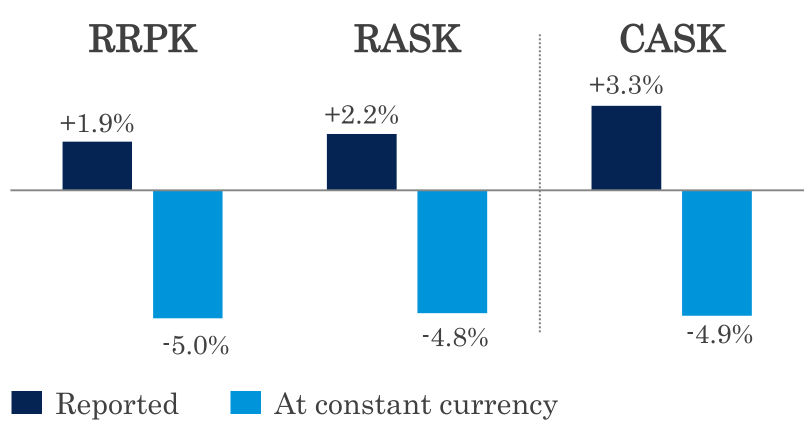
- Strict capacity discipline
  - Reported unit revenue up 2.2% on the back of currency
- Increased pressure on unit revenue excluding currency
  - Unit revenue down 4.8% at constant currency
    - Long-haul down 5.5%
      - Premium: -3.5%
      - Economy: -5.8%
  - Large drop in demand out of Brazil and Japan, two markets representing 10% of total capacity
  - Oil and gas related customers reducing their travel budgets, notably to Africa
- Operating result down €45m
  - Stable at constant currency

Activity



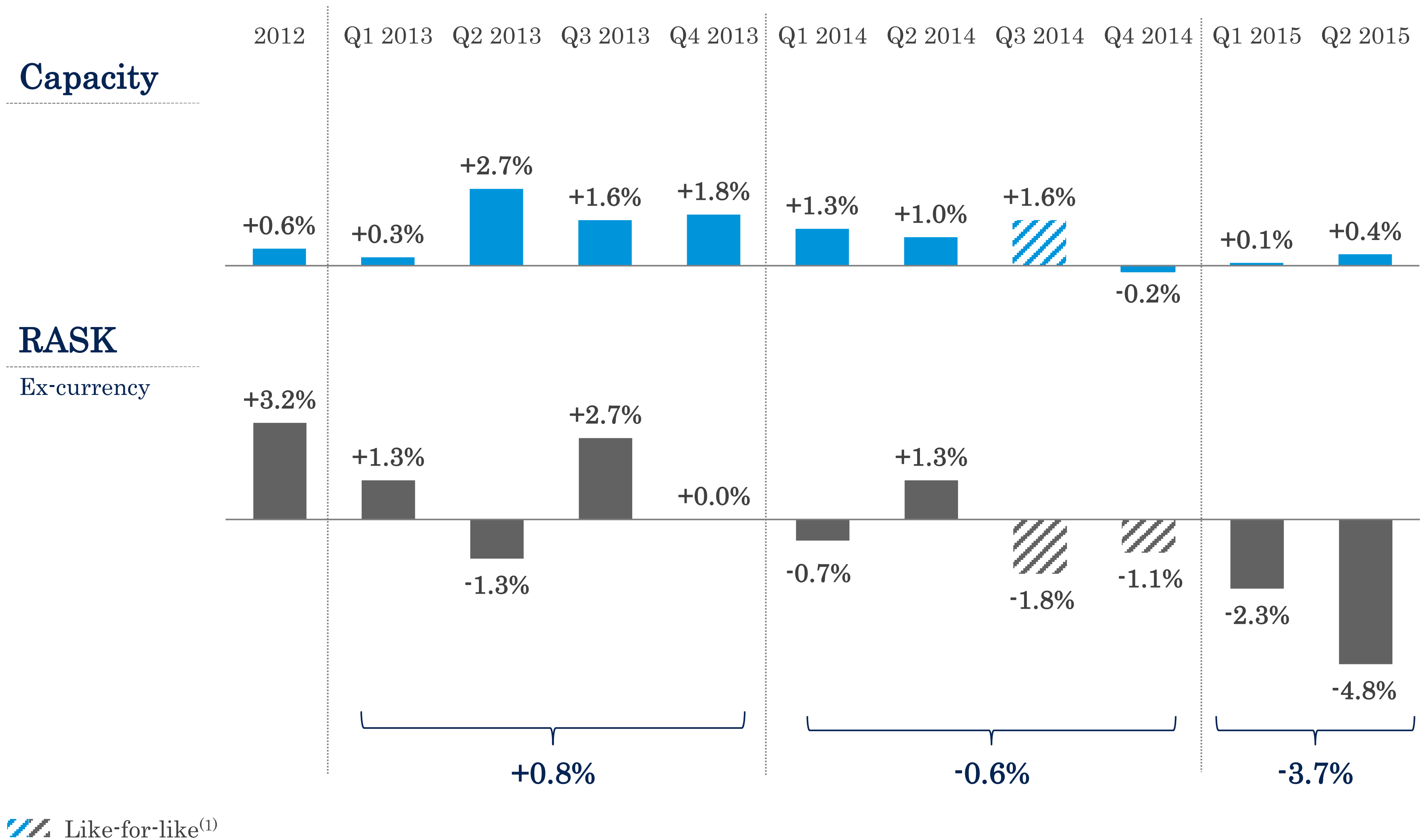
Unit Revenue

Unit Cost



NB: Passenger network: Air France, KLM and HOP!

Passenger network capacity and unit revenue by quarter



NB: Passenger network only: Air France, KLM and HOP!

(1) Like-for-like: excluding currency, pilot strike (Q3, Q4 2014) and one-offs (Q4 2014)

Second Quarter 2015 Passenger network unit revenue by network

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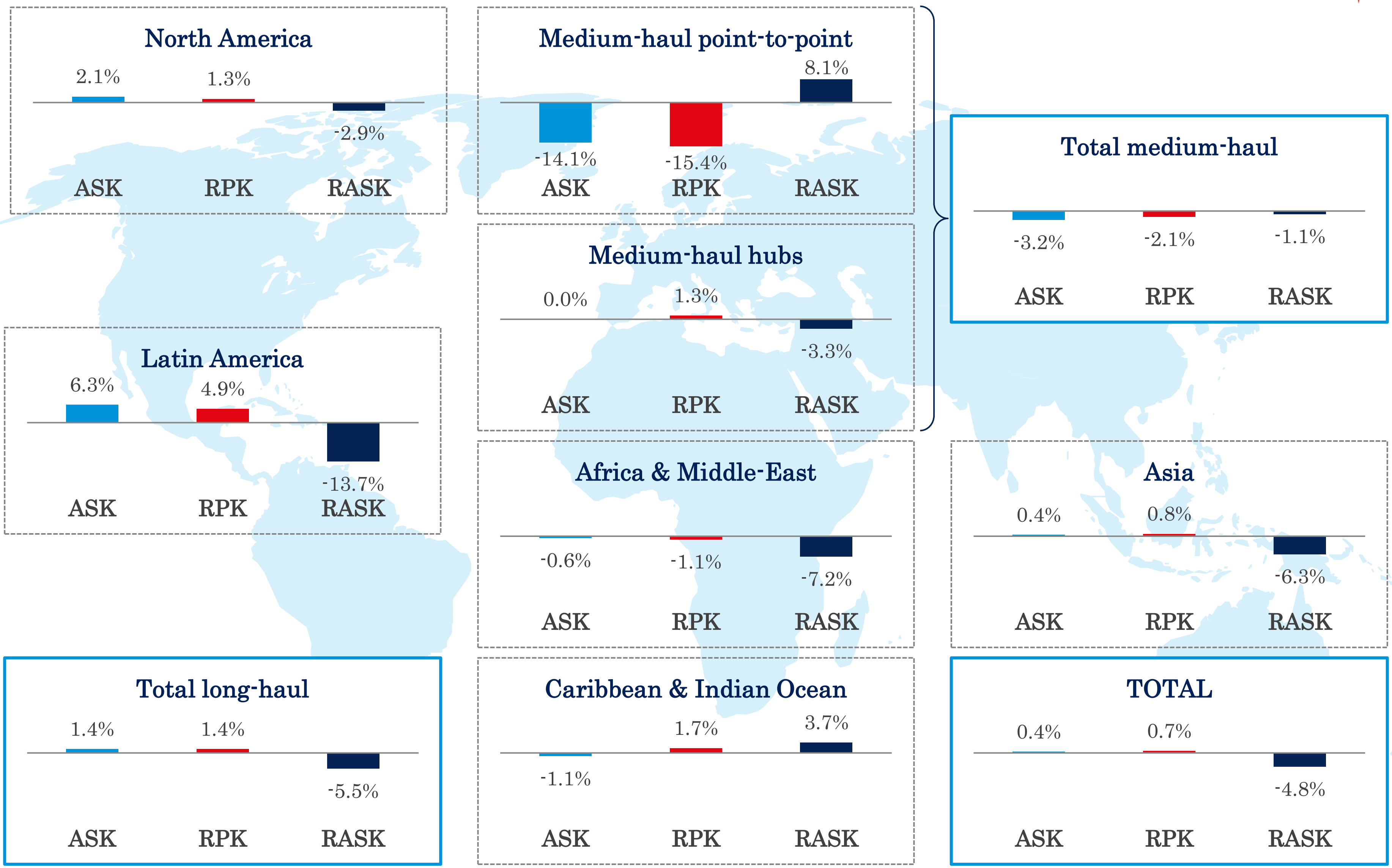
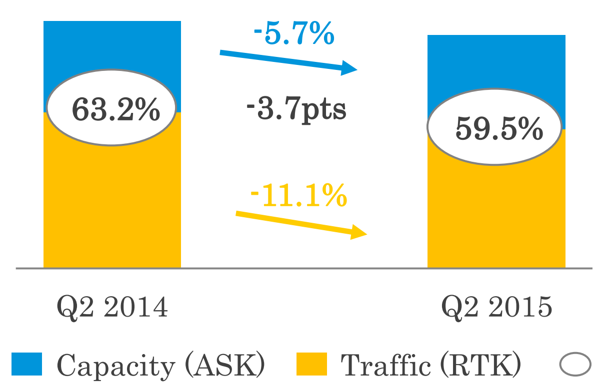


NB: Passenger network: Air France, KLM and HOP!

Cargo activity in Second Quarter 2015

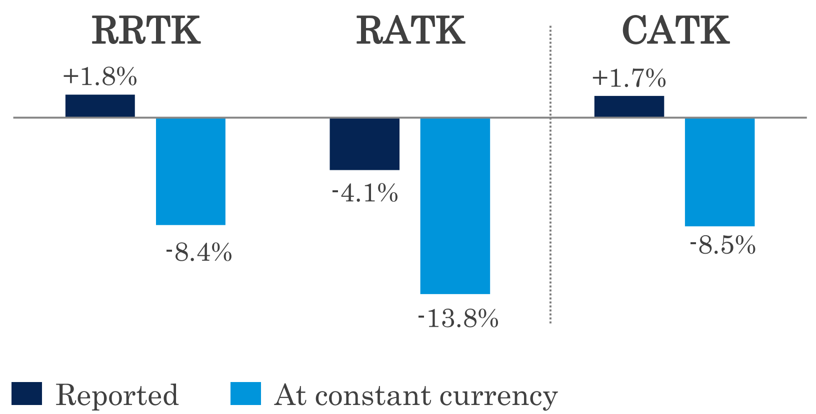
- Full-freighter capacity further reduced by 26.0%
- Persistently weak demand
  - RATK down 13.8% at constant currency
  - Pricing environment dictated by non-hedged players
- Ongoing reduction of full-freighter fleet
  - 3 B747s already retired
  - All MD11s to be retired by June 2016
  - Operating only 5 full-freighters by the end of 2016
  - Voluntary Departure Plans launched in Amsterdam
- Operating result down €33m
  - Up €24m excluding fuel hedging

Activity



Unit Revenue

Unit Cost

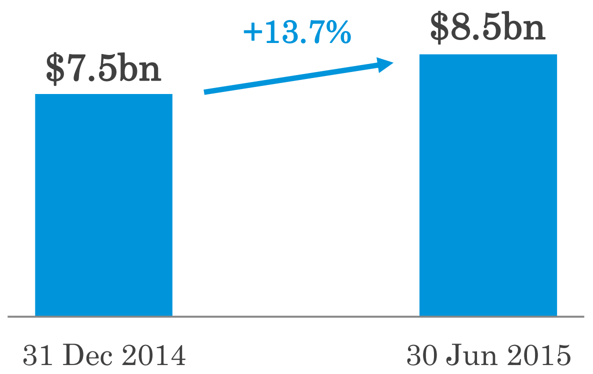


Maintenance activity in Second Quarter 2015

- Third party revenue up more than 38%
  - Revenues up 13.0% at constant currency
  - Strong dollar supporting revenue
  - Benefiting from weak comps in Q2 2014 and integration of US component business completed at beginning of H2 2014
- New contract wins contribute to record high order book
  - Signature of four $100m+ contracts in the Half Year

Order book

In USD

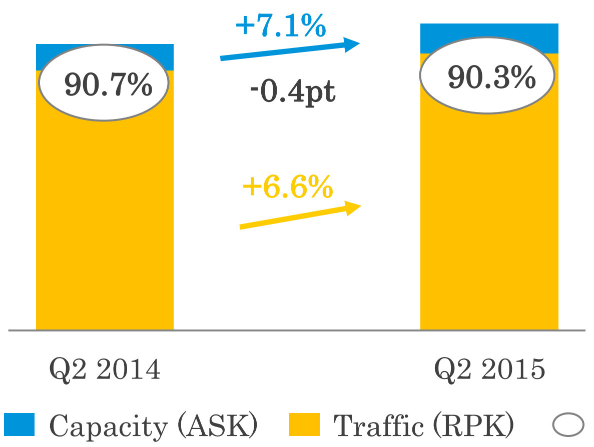


In €m	Q2 2015	Q2 2014	Change	At const. currency
Total revenue	**1,005**	810	+24.1%	
Third party revenue	**396**	286	+38.5%	+13.0%
Operating result	**51**	30	+21	+16
Operating margin	***5.1%***	*3.7%*	*+1.4pt*	*+0.9pt*

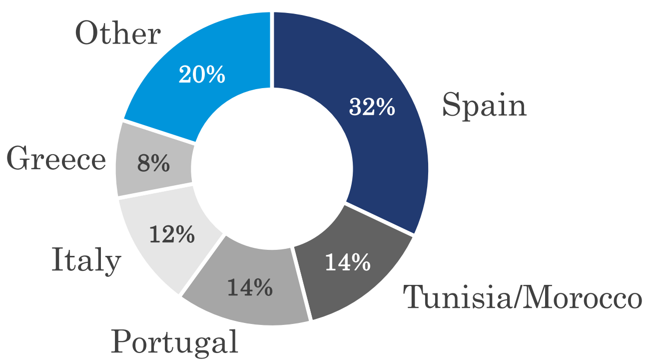
Transavia activity in Second Quarter 2015

- 3.1 million passengers, up 8.9%
- Accelerated ramp-up in France on track
  - Capacity up 22.5%
- Temporary negative impact expected in H2 from Tunisia/ Morocco/Greece exposure

Activity



Summer 2015 frequencies



In €m	Q2 2015	Q2 2014	Change
Total revenue	**304**	296	+2.7%
RRPK *(€ cts per RPK)*	**5.19**	5.39	*-3.9%*
RASK *(€ cts per ASK)*	**4.68**	4.90	*-4.4%*
CASK *(€ cts per ASK)*	**4.78**	5.00	*-4.4%*
Like-for-like			*-8.1%*
Stage length (km)	**1,882**	1,923	*-2.1%*
Operating result	**-6**	-6	+0

Second Quarter 2015: change in operating costs(1)

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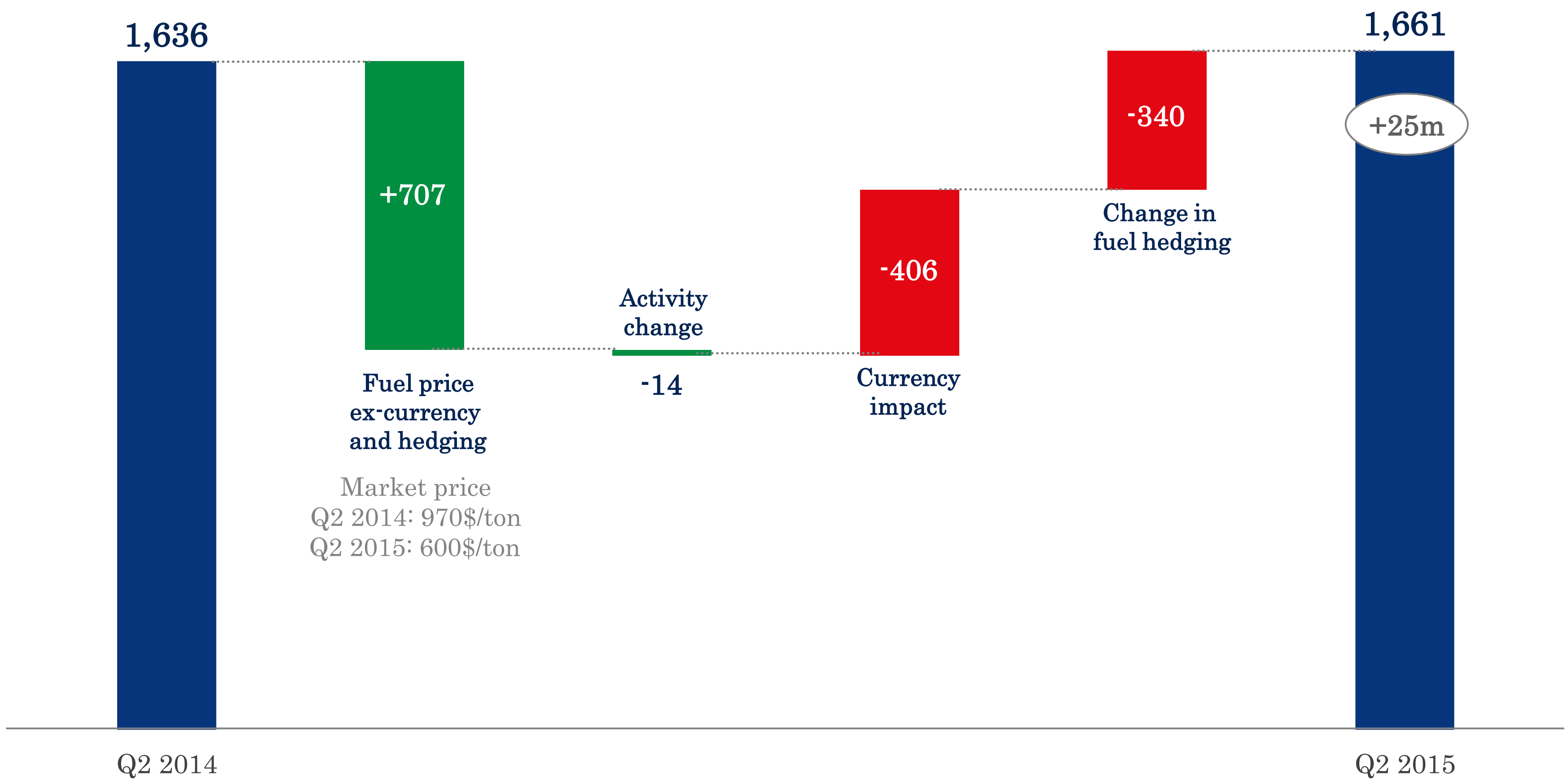
		In €m	Reported change	Change at constant currency
30%	**Total employee costs** *including temps*	**2,013**	+2.5%	+1.8%
27%	**Supplier costs**(2) *excluding fuel and purchasing of maintenance services and parts*	1,727	+10.4%	+5.1%
12%	**Aircraft costs**(3)	749	+3.0%	-4.1%
9%	**Purchasing of maintenance services and parts**	581	+40.7%	+14.9%
-4%	**Other income and expenses** *including capitalized production*	-274	+204.4%	+56.9%
	Operating costs ex-fuel	**4,796**	**+4.8%**	**+1.3%**
26%	**Fuel**	1,661	+1.5%	-18.7%
	Grand total of operating costs	**6,457**	**3.9%**	**-4.7%**
	Capacity (EASK)			*+0.2%*

(1) Some cost line items have been restated, notably to transfer capitalized production to the "other income and expenses" line. See explanation in press release
(2) Catering, handling, commercial and distribution charges, landing fees and air-route charges, other external expenses, excluding temps
(3) Chartering (capacity purchases), aircraft operating leases, amortization, depreciation and provisions

Second Quarter 2015: stable fuel bill in euros

Fuel bill

In €m



Update on 2015 fuel bill

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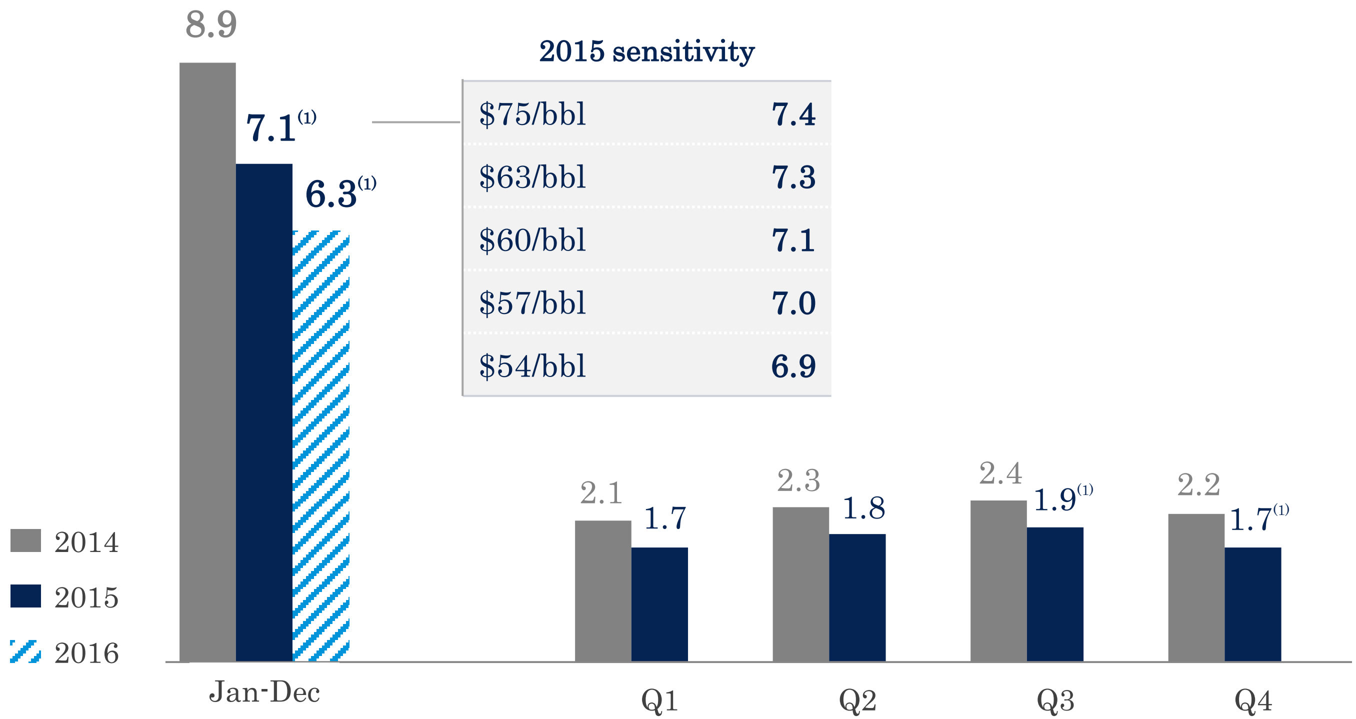
Fuel bill after hedging

In $bn

2014:
fuel bill $8.9bn / €6.6bn

2015:
fuel bill $7.1bn / €6.4bn(2)

2016:
fuel bill $6.3bn / €5.7bn(2)



2015 sensitivity

$75/bbl	7.4
$63/bbl	7.3
$60/bbl	7.1
$57/bbl	7.0
$54/bbl	6.9

2015 MARKET PRICE	Jan-Dec	Q1	Q2	Q3	Q4
Brent ($ per bbl)(1)	60	55	64	59	61
Jet fuel ($ per metric ton)(1)	578	565	603	563	578
% of consumption already hedged				75%	76%

(1) Based on forward curve at 10 July 2015. Sensitivity computation based on July-December 2015 fuel price, assuming constant crack spread between Brent and Jet Fuel
(2) Assuming average exchange rate of 1.10 US dollar per euro from Q3 2015 onwards

Second Quarter 2015: further headcount reduction

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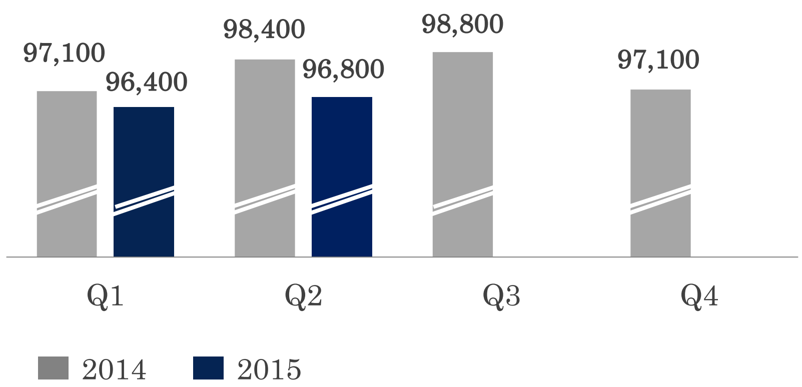
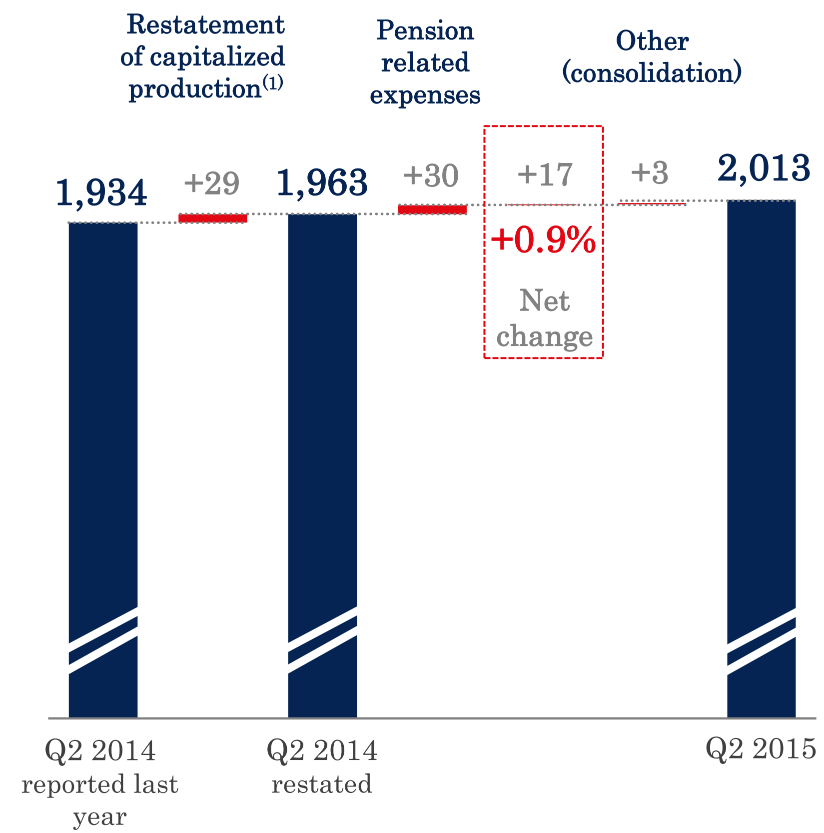
- Headcount down 1,600 FTEs in Q2 2015



- Increase in pension-related expenses (no additional cash out)
- Additional €71m provision recorded for Voluntary Departure Plans within KLM

Change in total employee costs

In €m, including temporary staff



(1) Capitalized production: see explanation in press release

Operating result: currency and pressure on unit revenues offset all fuel price benefits

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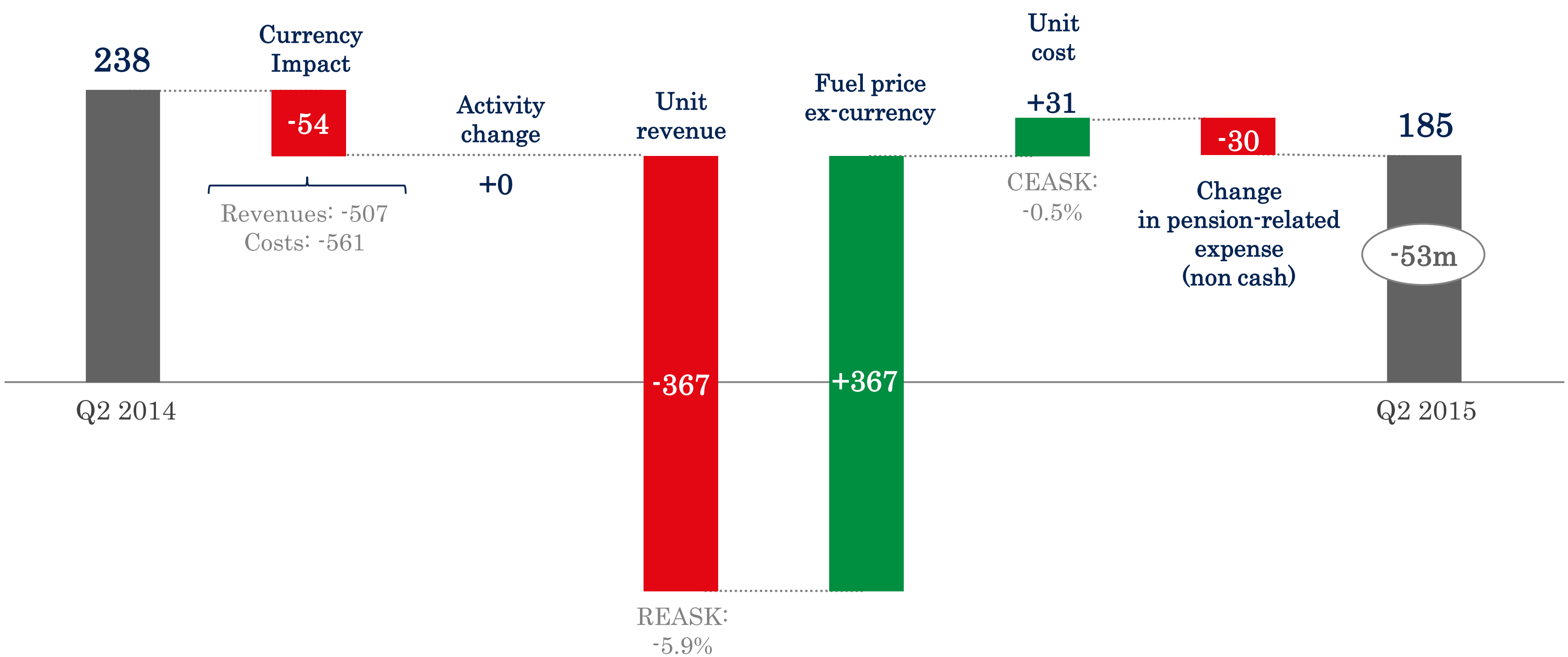
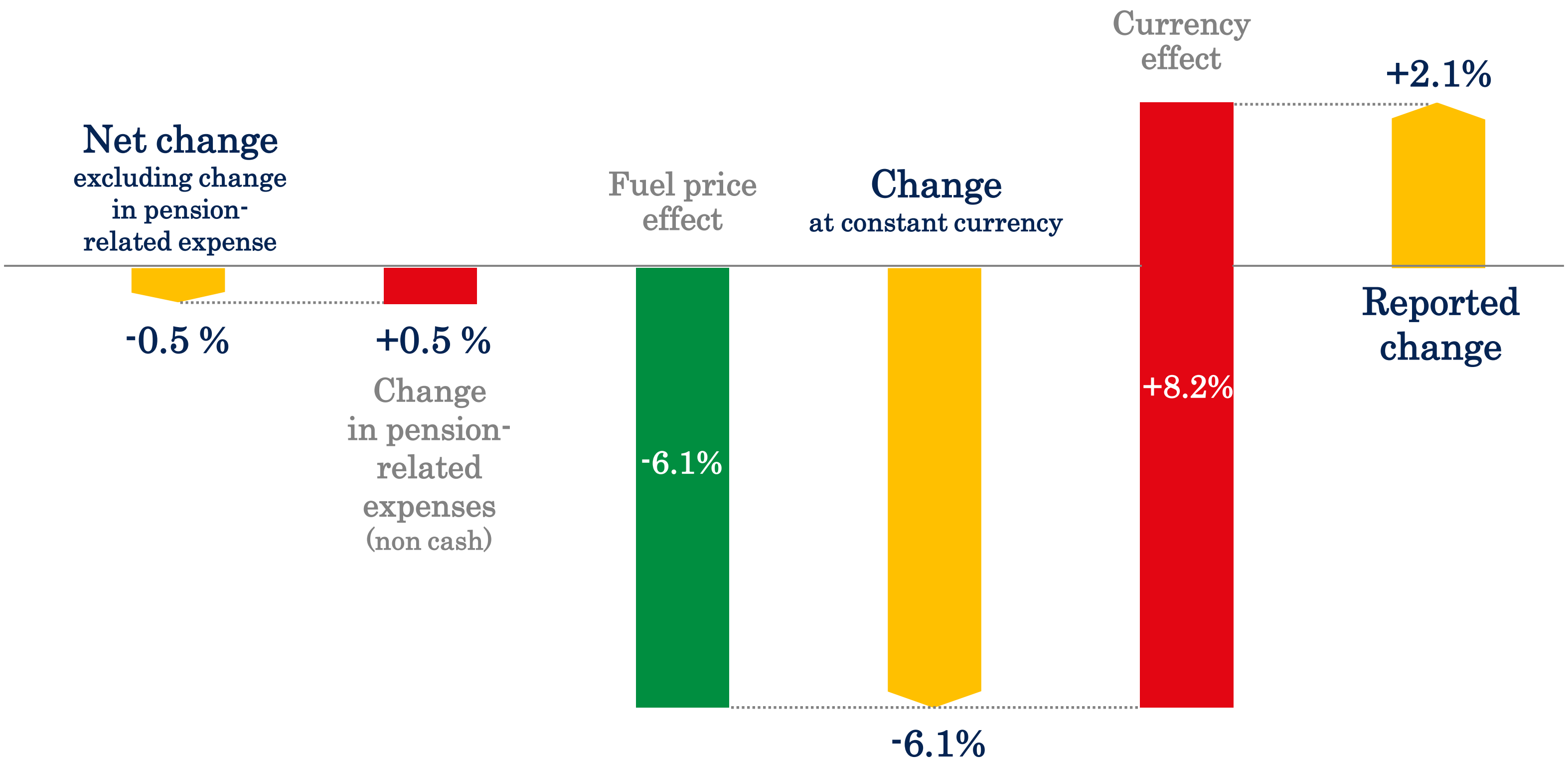
Operating results

In €m



Second Quarter 2015 unit cost performance impacted by low capacity growth

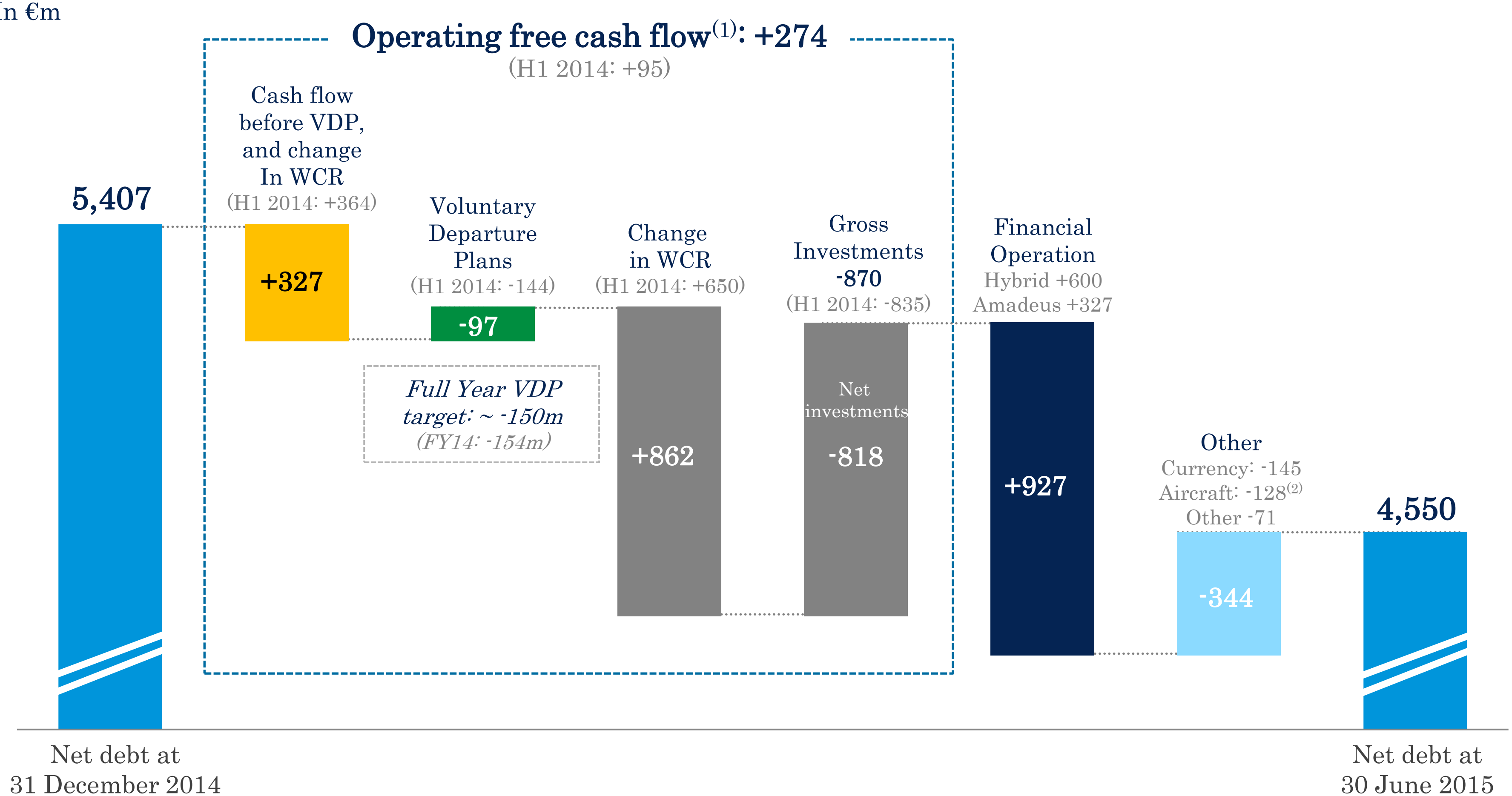
Net Costs: €5,703m (+0.5%)
Capacity in EASK: 85,948m (+0.2%)
Unit cost per Equivalent Available-Seat Kilometer (EASK): 6.64 euro cents



First Half 2015: significant net debt reduction…

Analysis of change in net debt, First Half 2015

In €m



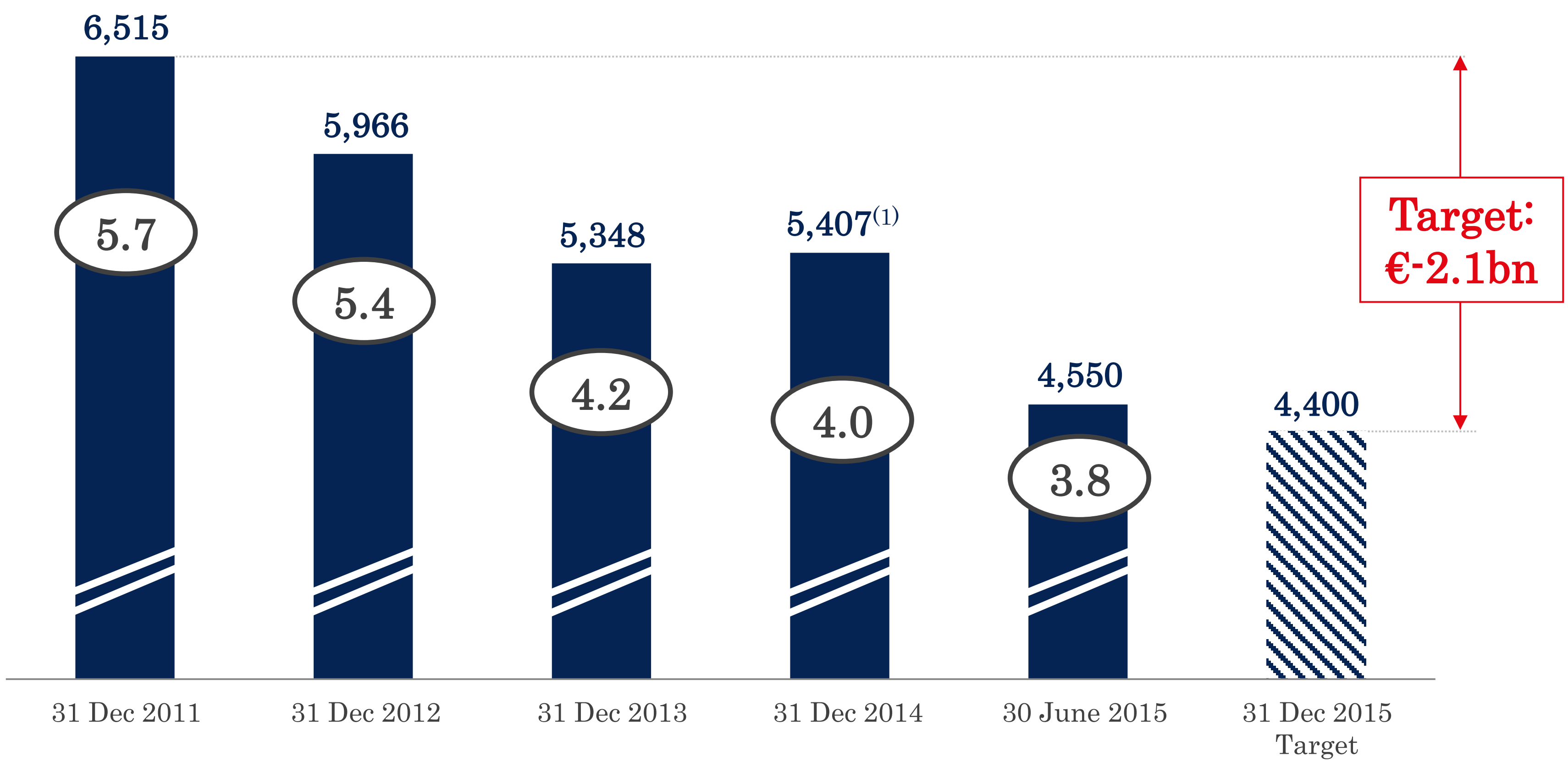
(1) Net cash flow from operating activities less net capex on tangibles and intangibles. All amounts excluding discontinued operations. See definition in press release

(2) Requalification of aircraft from operating leases to financial leases

…in line with net debt reduction target

Net debt level since 2012

In €m, adjusted net debt / EBITDAR ratio

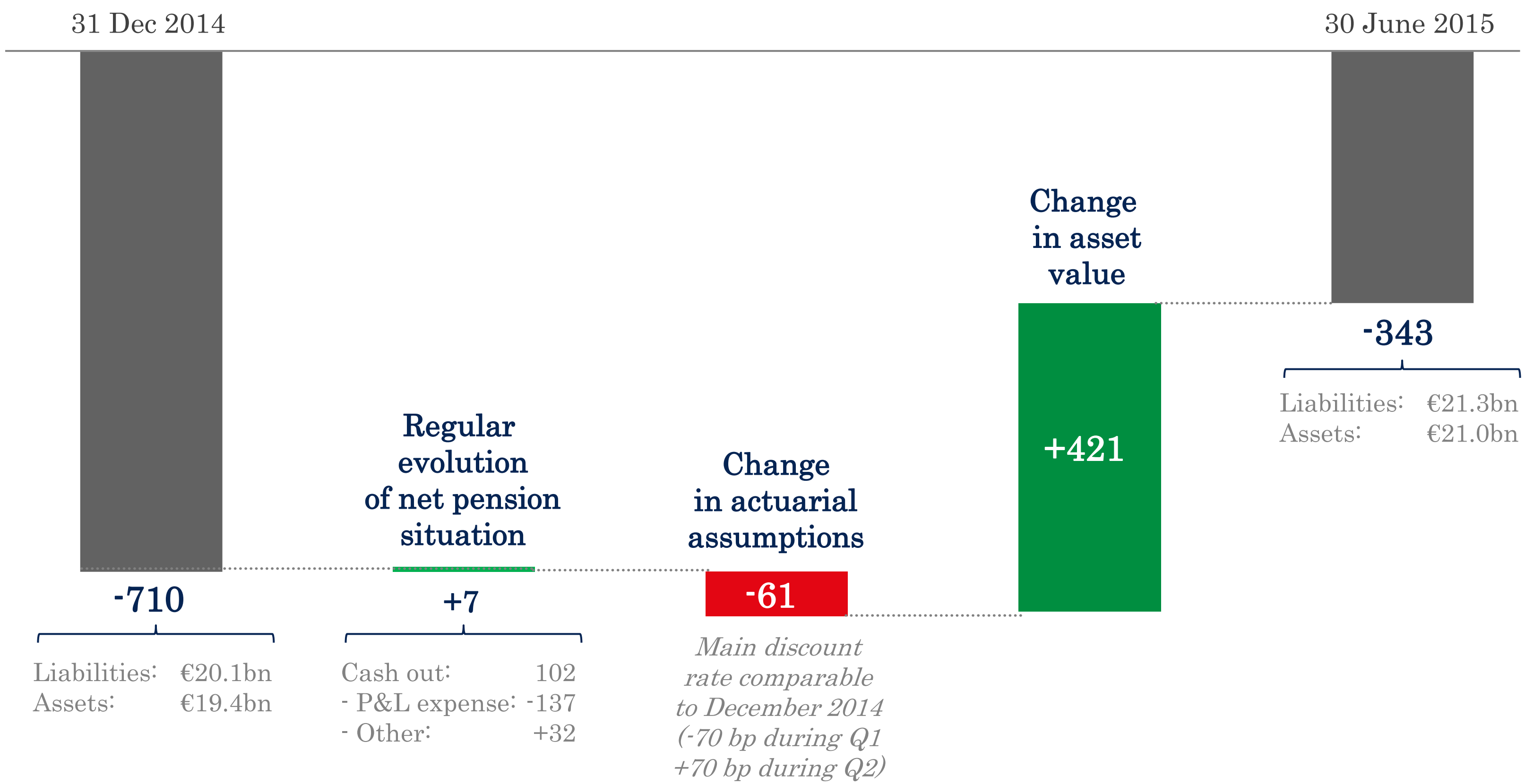


(1) Net debt level affected by strike impact of more than €400m

First Half 2015: improved pension situation

Evolution of net pension balance sheet situation

In €m

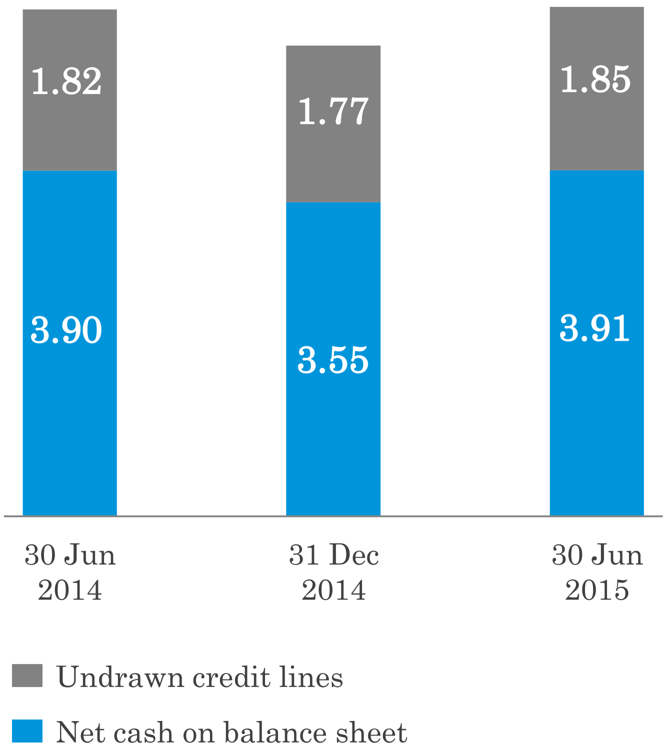


Further strengthening of liquidity

- 327 million euros cash-in from Amadeus transaction (January 2015)
- Successful placement of hybrid bond raising 600 million euros in April 2015
- Renewal of Revolving Credit Facilities
  - Air France-KLM and Air France: 1.1 billion euros
  - KLM: 575 million euros

Liquidity situation

In €m



Financial ratios at 30 June 2015, trailing 12 months

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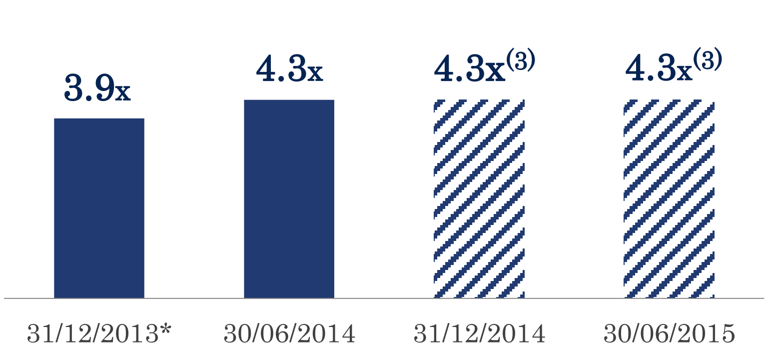
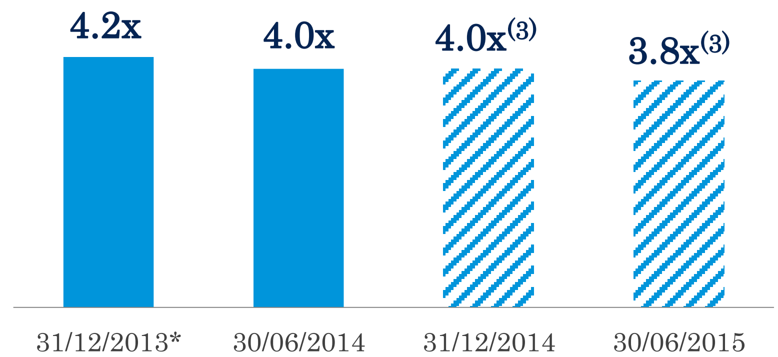
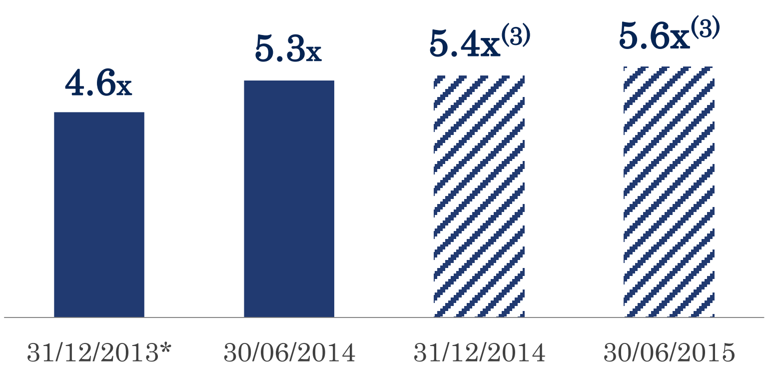
EBITDAR / adjusted net interest costs[1]



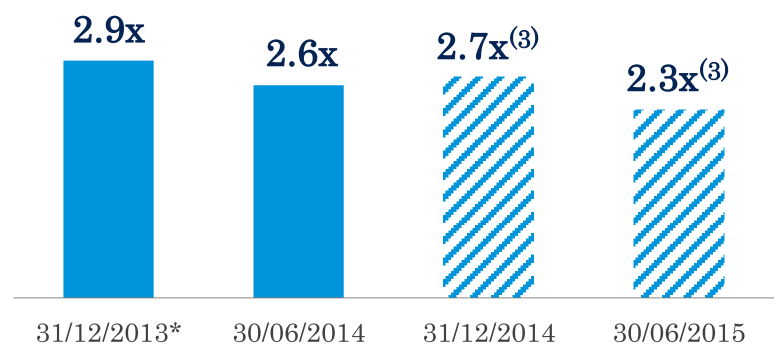
Adjusted net debt[2] / EBITDAR



EBITDA / net interest costs



Net debt / EBITDA



* 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). Reported adjusted net debt / EBITDAR of 4.7x at 31 December 2014 and 4.5x at 30 June 2015. Reported net debt / EBITDA of 3.4x at 31 December 2014 and 2.9x at 30 June 2015

Strategy

Roll out of Perform 2020 in line with our initial calendar

- Strong momentum of growth initiatives
- All cost initiatives under implementation
- Good progress on renegotiation of collective agreements

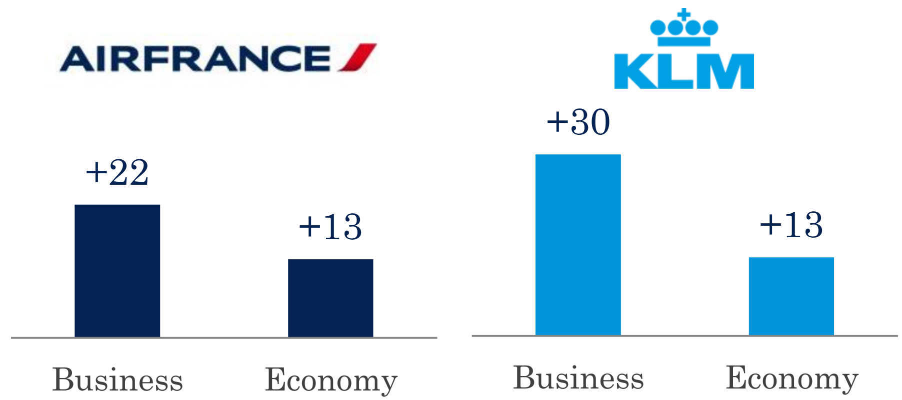
Roll out of Perform 2020 in line with our initial calendar

- Strong momentum of growth initiatives
- All cost initiatives under implementation
- Good progress on renegotiation of collective agreements

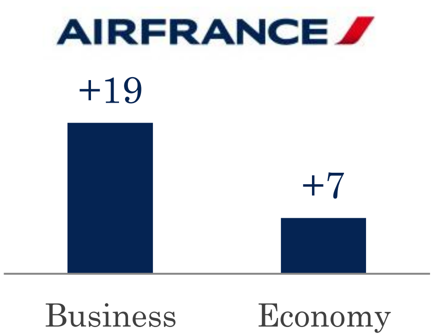
Investments in products and services very well received by customers

- **Further deployment of new long-haul products**
  - 30% of long-haul fleet equipped at 30 June 2015, including half of KLM fleet
- **Redesign of Air France medium-haul hub product**
  - 19 A319s equipped with new cabins at 30 June 2015
  - Product repositioning and improved catering
- **Air France recognized by Skytrax as world's most improved airline in 2014**

Improvements in Long-haul satisfaction[1]



Improvements in Medium-haul satisfaction[1]



(1) Measured through Net Promoter Score
Sources: satisfaction surveys realized since launch of new products

Transavia: accelerating growth in line with plan

- **Number 1 international Low Cost Carrier at Paris-Orly and in the Netherlands**
  - 63 destinations at Summer 2015, including 18 European capitals (Berlin, Copenhagen, Dublin, Prague, Vienna, Warsaw…)
- **Broadened commercial positioning**
  - New digital platform launched
  - Branded fares
- **Increasing cost reduction initiatives**
  - New labor agreements signed in the Netherlands, enabling further growth
  - Implementation of further synergies
- **Relaunching discussions on extension beyond home markets**

Further momentum in maintenance

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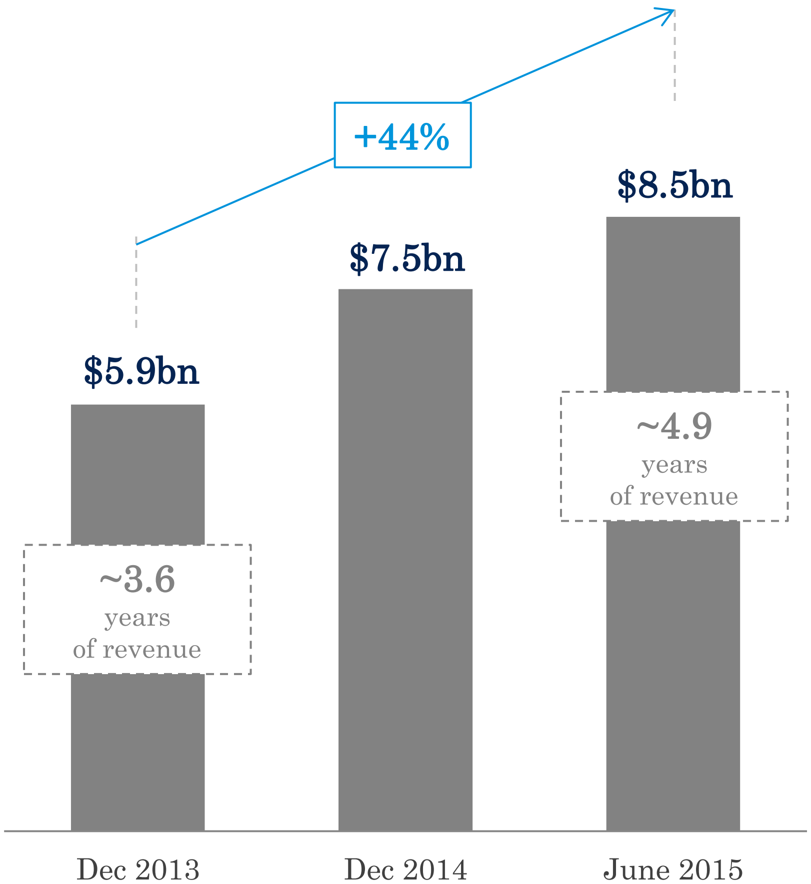
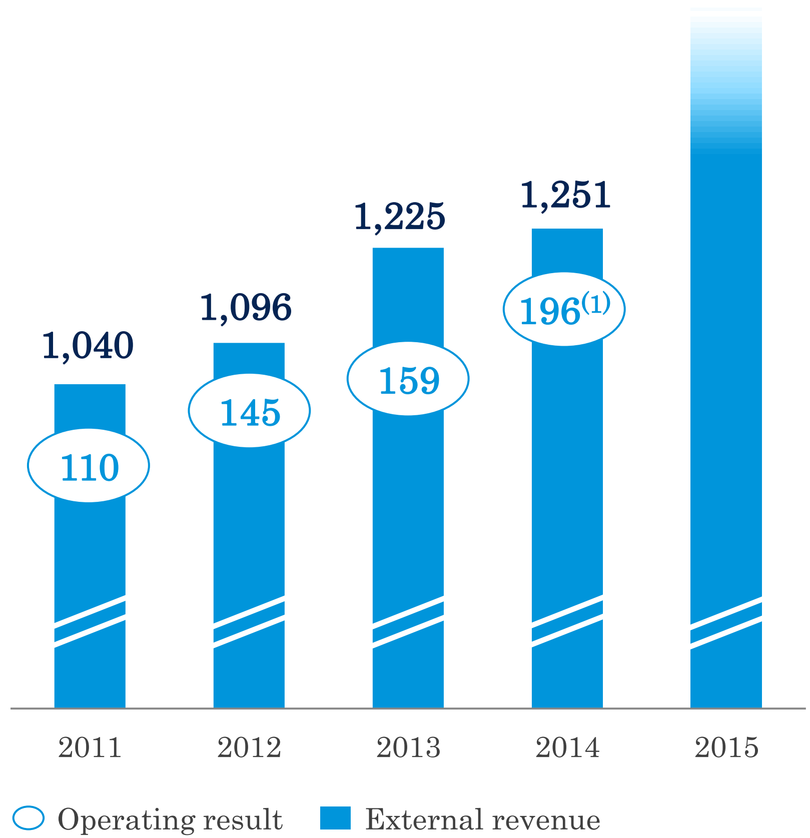
Growth of order book



External revenue and operating result

In €m



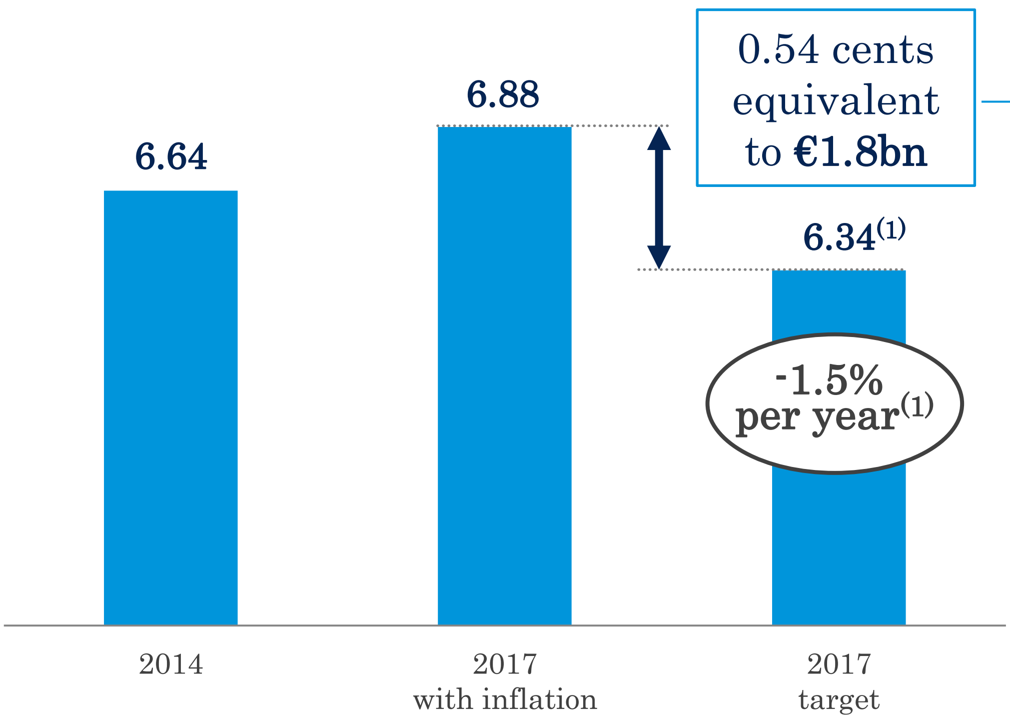
(1) Excluding September 2014 strike impact of €22m on operating income

Roll out of Perform 2020 in line with our initial calendar

- Strong momentum of growth initiatives
- All cost initiatives under implementation
- Good progress on renegotiation of collective agreements

All initiatives to deliver on the 1.5% unit cost reduction per year have been identified and are being rolled out

Unit cost per EASK



PERFORM 2020 initiatives

Crew productivity	380
Other passenger	260
Fleet/fuel efficiency	240
Commercial	190
Maintenance	180
Momentum of Transform 2015 measures	160
Cargo	110
Other General & Admin.	90
Transavia	90
Other	100
Total (€m)	**1,800**
Of which labor-related	55%
Of which non labor-related	45%

(1) On a constant currency, fuel price and pension-related expense basis.

Update on the negotiation of productivity agreements

KLM

- Significant agreements with all work categories, for 15-36 months
- Pilots expected to vote on agreement in August
- Introduced selective Voluntary Departure Plans
- Focus on execution of new Collective Labor Agreements as of September; negotiations of second phase of CLA process to start thereafter

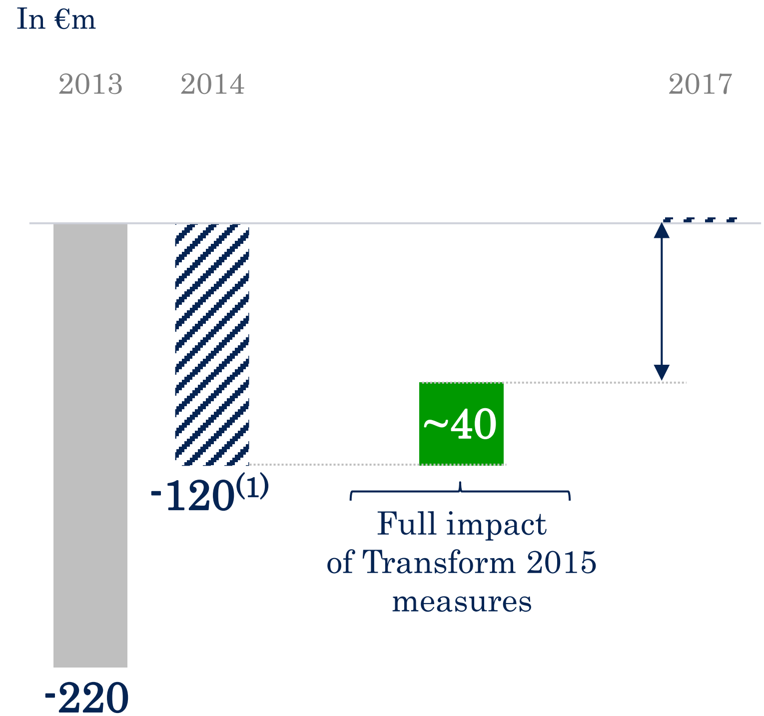
Air France

- Ongoing negotiations with all work categories, using benchmarks
- Conclusions expected at the end of September
- Voluntary Departure Plans closing at the end of September
- Pilot union expected to launch consultation on implementation of remaining Transform 2015 measures

Cost reduction initiatives launched across the organization: further repositioning of HOP! Air France

- New renovated commercial offer
- Ongoing Voluntary Departure Plans to reduce station costs
- Merger of regional operating carriers
- Sharpened fleet management
  - Mixing regional and A320 family aircraft

HOP! Air France operating result



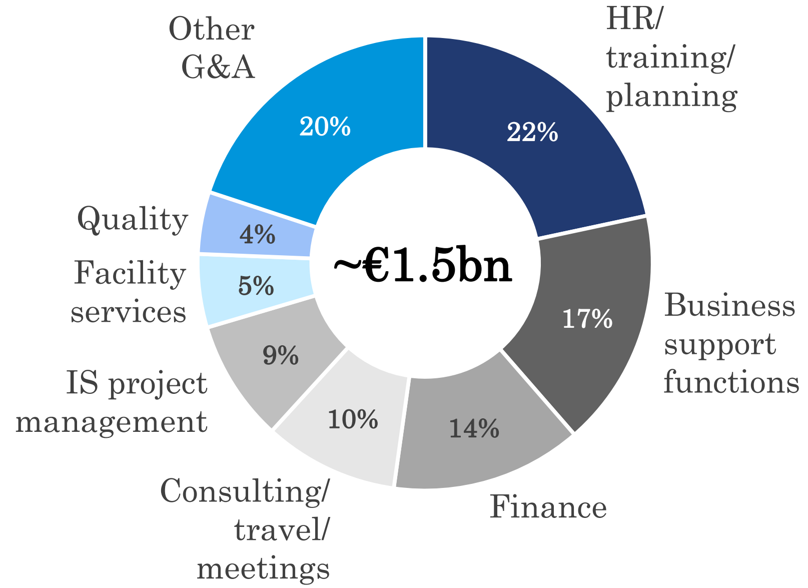
(1) Excluding September 2014 pilot strike impact

Cost reduction initiatives launched across the organization: G&A initiative

- Systematic review of General and Administrative processes
- Combined with initiatives to delayer/simplify the organization
- Grow share of outsourcing
- €150m savings already identified
  - Extra potential of the same amount

Breakdown of G&A costs

In €m



The tougher revenue context has slowed down the pace of results improvement…

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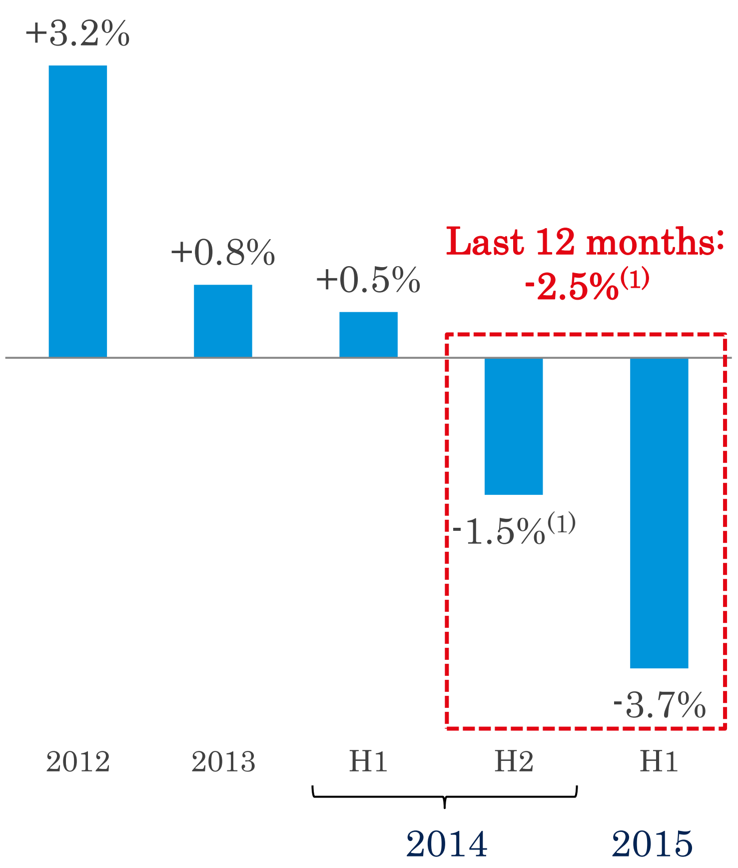
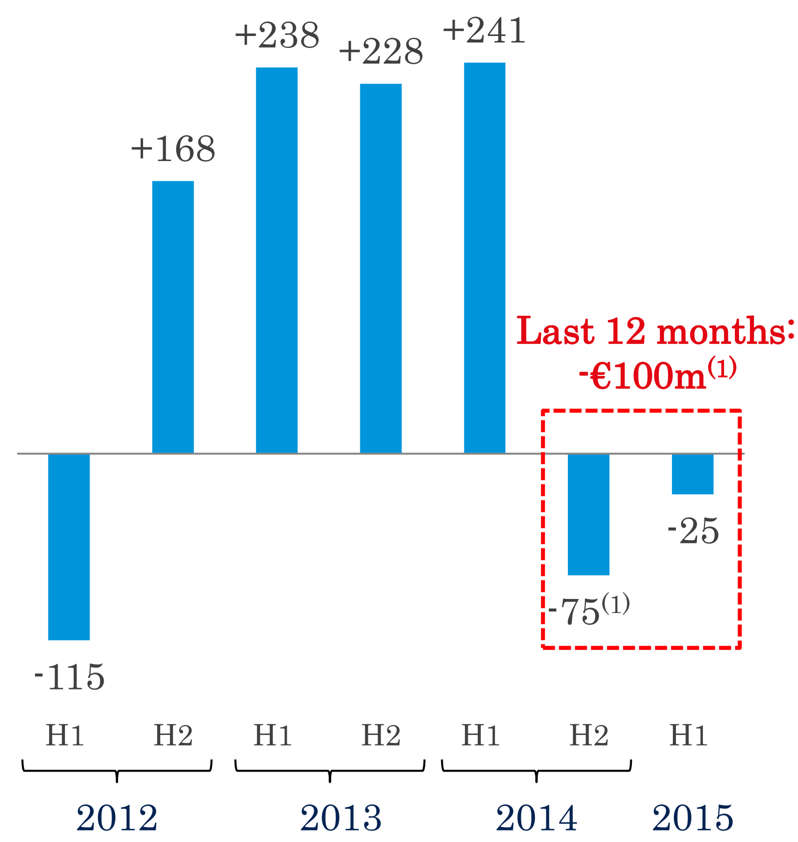
Passenger network ex-currency unit revenue evolution



Change in operating income

In €m



(1) Excluding September 2014 pilot strike impact

…leading us to accelerate and amplify Perform 2020

- Revised capacity plan for Winter 2015-16
  - Q4 capacity growth revised down from +2.3% to +0.3%
- Implementation of immediate measures
  - Short-term initiatives targeting external expenses and general purchasing
  - Air France: targeting 80 million euro impact by year-end
- Acceleration of all cost-saving initiatives
- Negotiations with unions according to a tight deadline
  - Air France: conclusion expected by the end of September
  - KLM: focus on execution of new Collective Labor Agreements as of September; negotiations of second phase of CLA process to start thereafter
- Depending on progress of negotiations, design and implementation of alternative plans involving significant reductions of capacity

Outlook

Outlook for Second Half of 2015

- All initiatives planned within the Perform 2020 framework are being deployed
- Significant expected savings on the fuel bill could be almost completely offset by unit revenue pressure and negative currency impacts
- H2 capacity growth(1) revised down from +1.8% to +0.9%
- Financial targets unchanged:
  - 1% to 1.3% unit cost reduction(2)
  - Net debt around 4.4 billion euros at end 2015

(1) Passenger network capacity, excluding September 2014 strike impact
(2) On a constant currency, fuel price and pension-related expense basis

In conclusion

PERFORM 2020

- Selective development on growth markets
- Product and services upgrade
- Strict capacity and investment discipline
- Timeline adapted to labor context of each airline
- Accelerated cost initiatives
- Support from other stakeholders

➔ **A more efficient business and a deleveraged balance sheet, a leader taking its share of the market growth**

Appendix

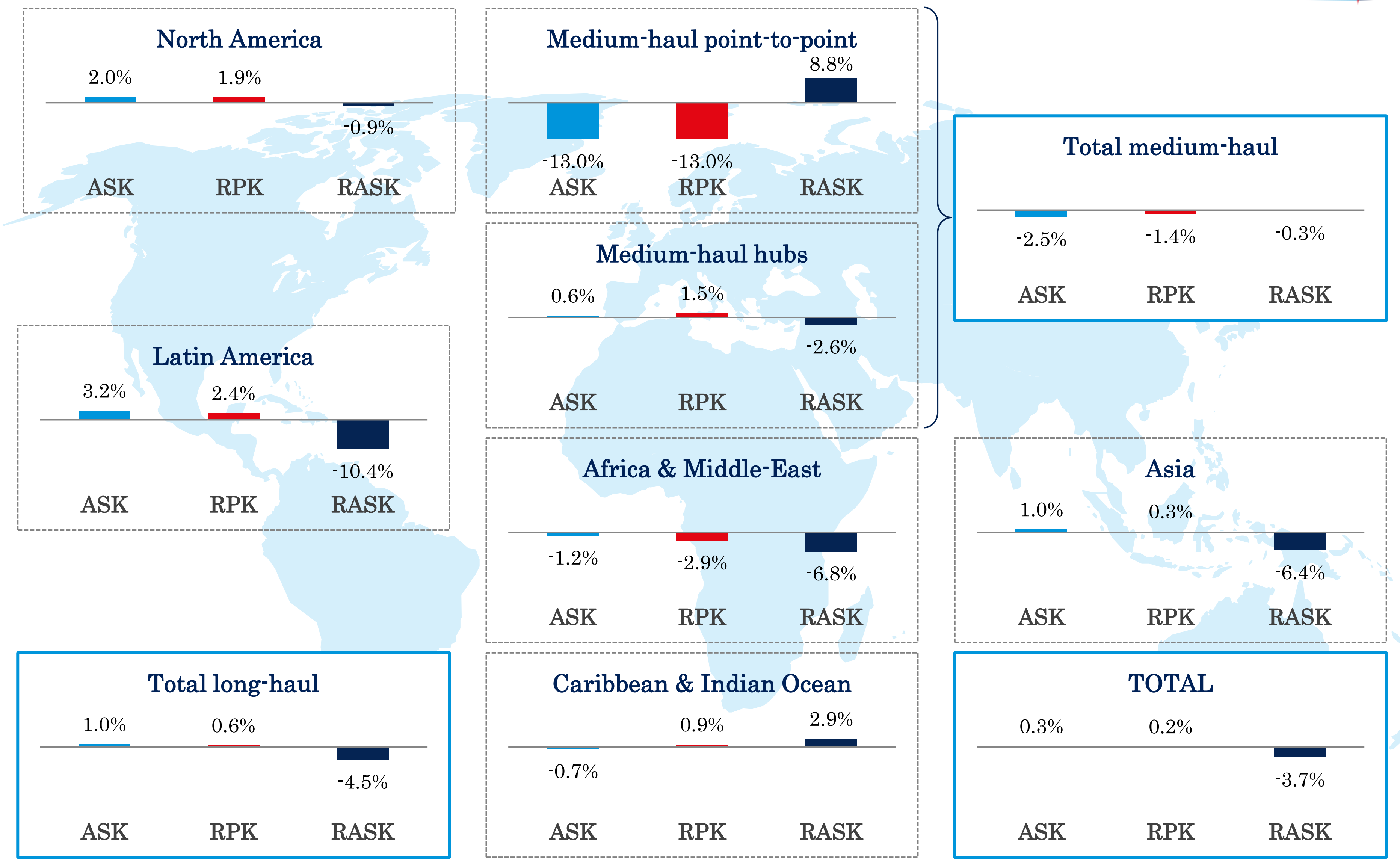
Contribution by business segment to First Half 2015

	Share	Revenue (€bn)	Reported change (%)	Change Like-for-like (%)	Op. Result (€m)	Reported change (€m)	Change Like-for-like (€m)
Passenger network[(1)]	79%	9.66	*+2.0%*	*-3.3%*	-112	+11	+129
Cargo	10%	1.23	*-8.6%*	*-16.1%*	-141	-62	-44
Maintenance	6%	0.78	*+34.7%*	*+13.4%*	86	+34	+15
Transavia	4%	0.45	*+3.5%*	*+3.1%*	-75	-11	+3
Other	1%	0.18	*+4.0%*	*+3.7%*	10	+3	+7
Total		12.30	*+2.4%*	*-3.6%*	-232	-25	+110

(1) Passenger network: Air France, KLM and HOP!

First Half 2015 Passenger network unit revenue by network

AIRFRANCE KLM



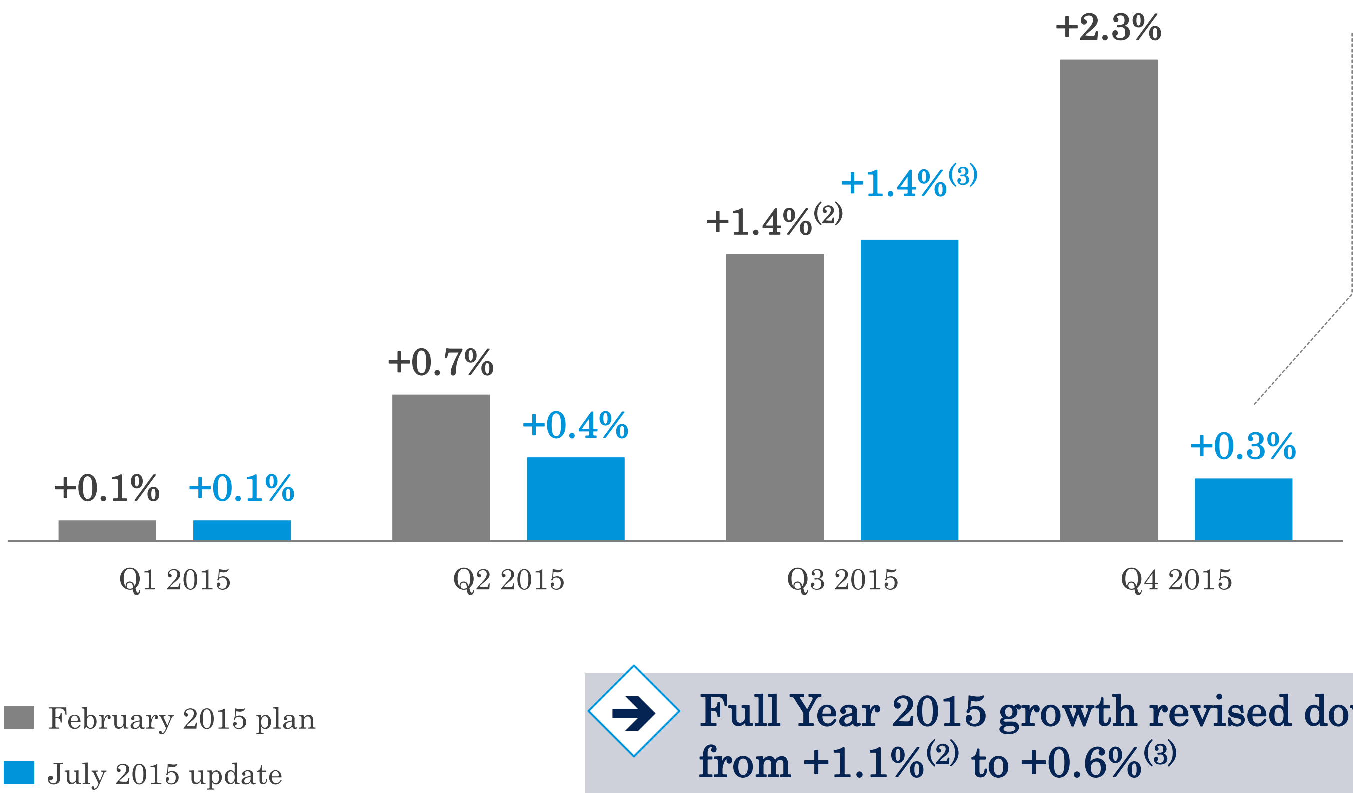
NB: Passenger network only: Air France, KLM and HOP!

Revised capacity plan for Winter 2015-16, with significant adjustments on most affected routes

AIRFRANCE KLM

Passenger network[1] capacity growth

ASK



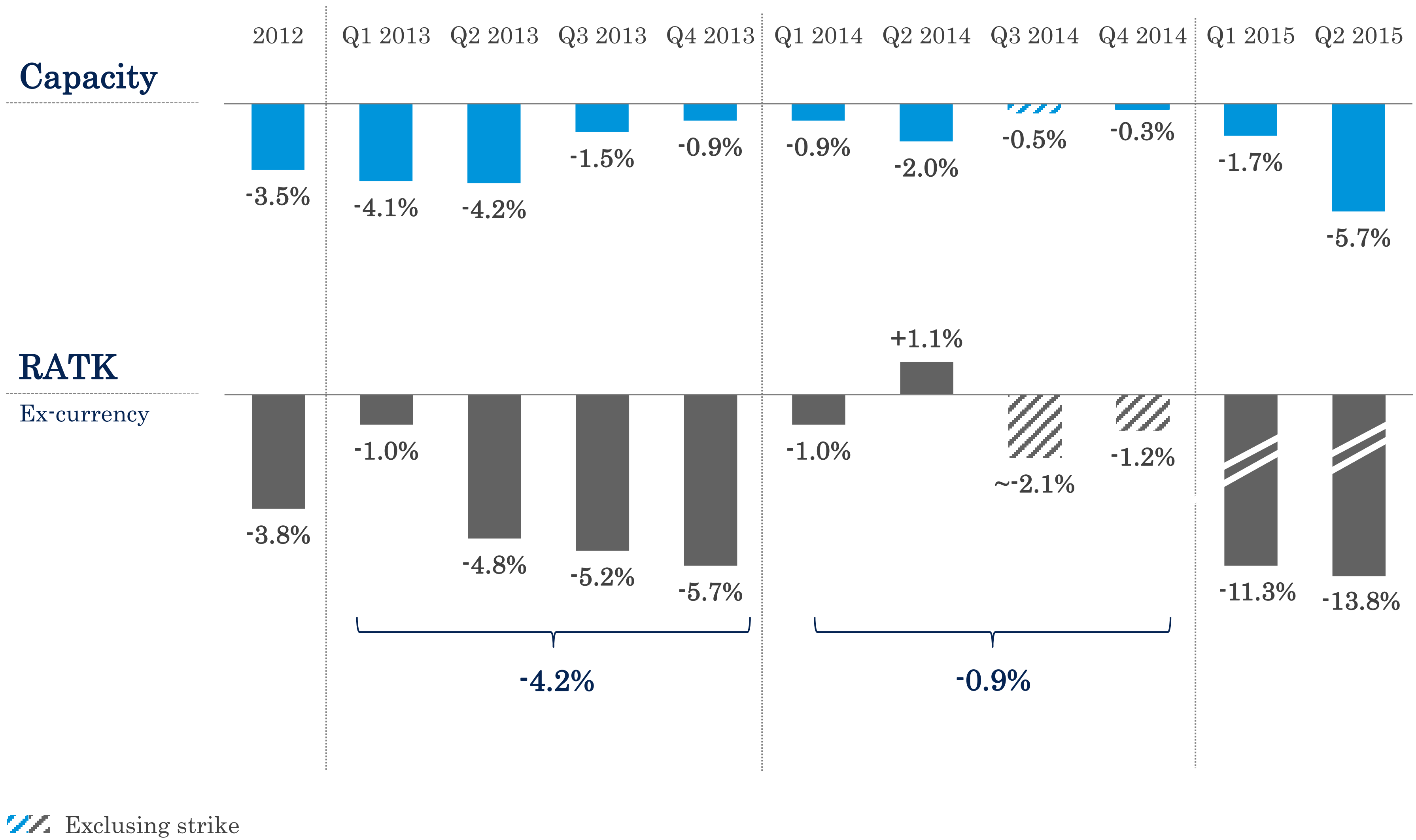
Winter 2015/16 schedule

- Japan: -14%
- Brazil: -5%
- East Africa: -6%

Full Year 2015 growth revised down from +1.1%[2] to +0.6%[3]

(1) Passenger network: Air France, KLM and HOP!
(2) Excluding September 2014 strike impact. Full Year growth including strike: +2.7%, Q3 including strike: +7.6%
(3) Excluding September 2014 strike impact. Full Year growth including strike: +2.2%, Q3 including strike: +7.6%

Cargo capacity and unit revenue by quarter



First Half 2015: change in operating costs(1)

		In €m	Reported change	Change at constant currency
31%	**Total employee costs** *including temps*	**3,934**	+2.3%	+1.8%
27%	**Supplier costs(2)** *excluding fuel and purchasing of maintenance services and parts*	3,304	+7.0%	+2.9%
12%	**Aircraft costs(3)**	1,502	+4.5%	-2.8%
9%	**Purchasing of maintenance services and parts**	1,160	+42.0%	+20.7%
-4%	**Other income and expenses** *including capitalized production*	-511	+215.4%	+56.9%
	Operating costs ex-fuel	9,389	+4.1%	+1.4%
25%	**Fuel**	3,141	-1.5%	-18.2%
	Grand total of operating costs	12,530	2.6%	-4.3%
	Capacity (EASK)			*+0.1%*

(1) Cost line items have been restated for capitalized production and currency provision: see explanation in press release
(2) Catering, handling, commercial and distribution charges, landing fees and air-route charges, other external expenses, excluding temps
(3) Chartering (capacity purchases), aircraft operating leases, amortization, depreciation and provisions

KLM: summary of signed productivity agreements

Ground staff

- 18-month agreement (January 2015-June 2016)
- No general salary increase
- Reduction of leave days and other productivity measures, equivalent to 4% productivity per year
- Voluntary Departure Plans

Cabin Crew

- 15-month agreement (January 2015-March 2016)
- No general salary increase
- Adjustment of work and rest time regulations and other productivity measures, equivalent to 4% productivity per year

Cockpit Crew

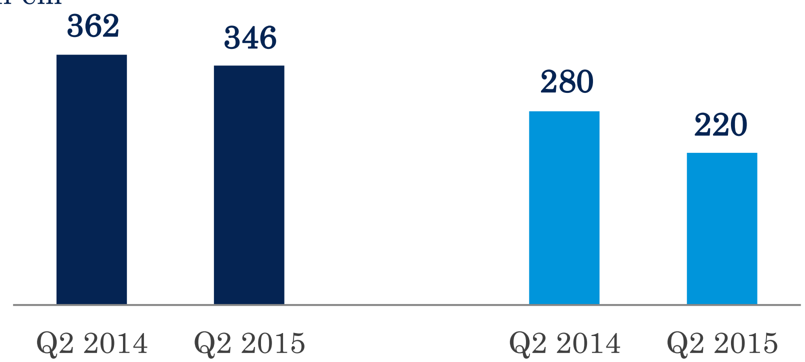
- 3-year agreement (January 2015-December 2017)
- No general salary increase
- Series of measures on productivity (4% per year)
- Postponement of pension age from 56 to 58
- Profit sharing scheme
- Exposure to shares
- Subject to approval of union members, expected by the end of August

Second Quarter 2015 EBITDA and operating cash flow by airline

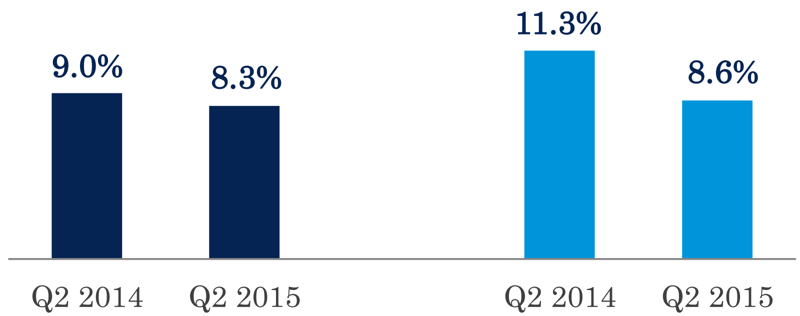
AIRFRANCE KLM

EBITDA

In €m

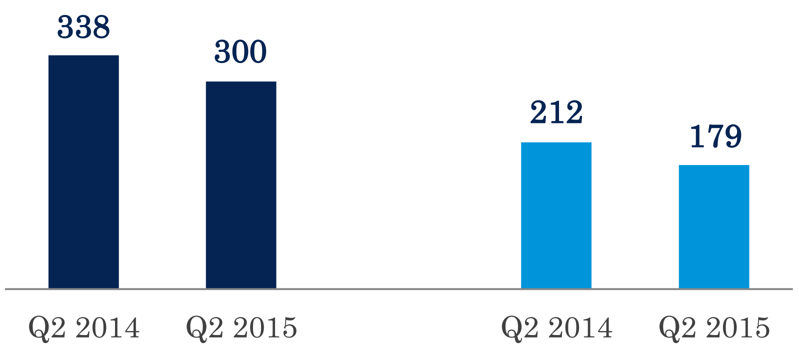


EBITDA margin



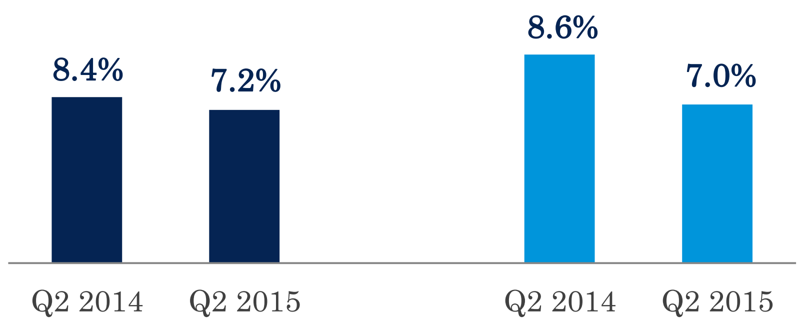
Operating Cash Flow

In €m, before VDP and WCR



Operating Cash Flow margin

Before VDP and WCR



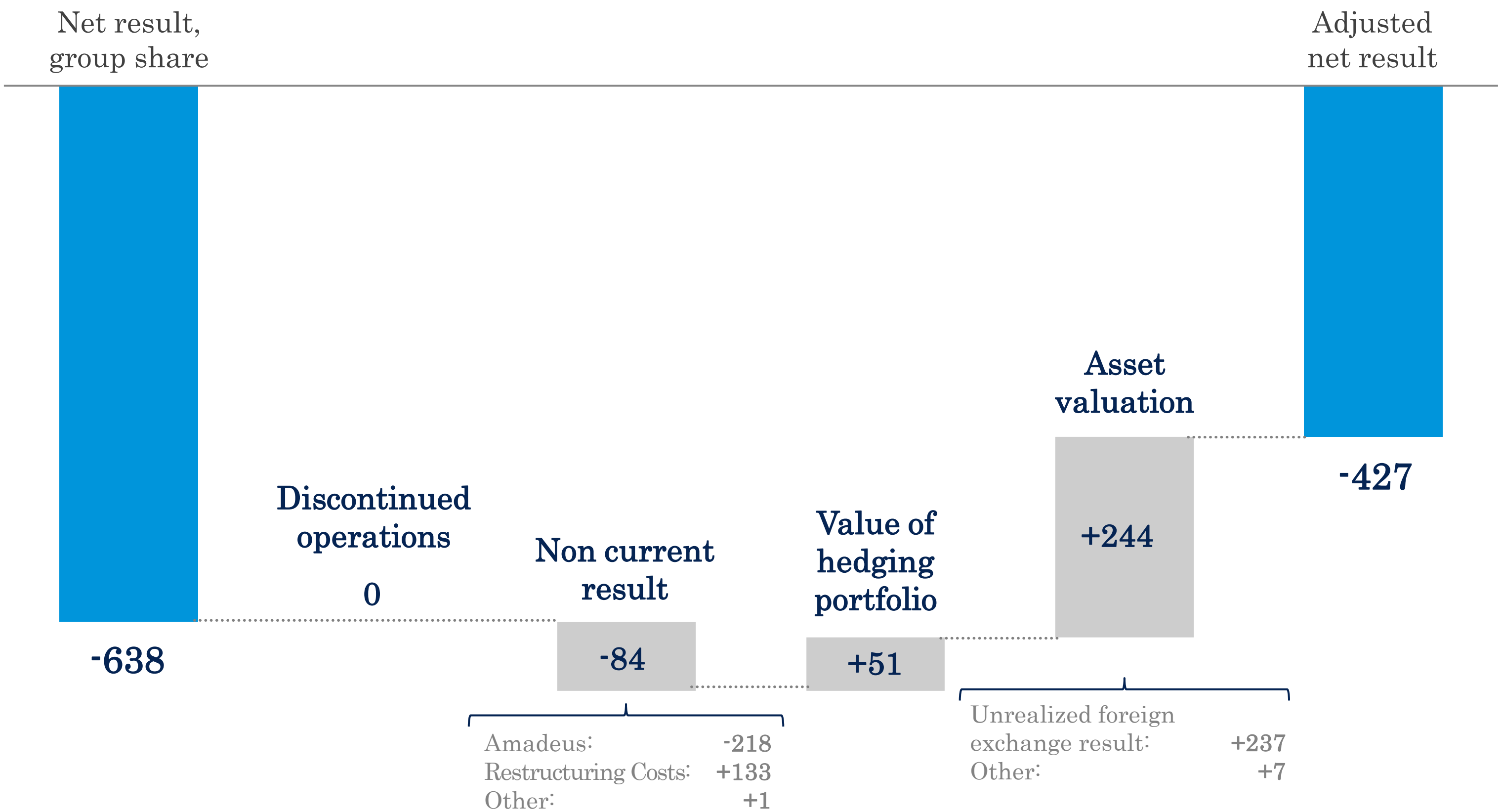
AIRFRANCE KLM

NB: Sum of airlines does not equate to total group because of intercompany transactions and activity at group level

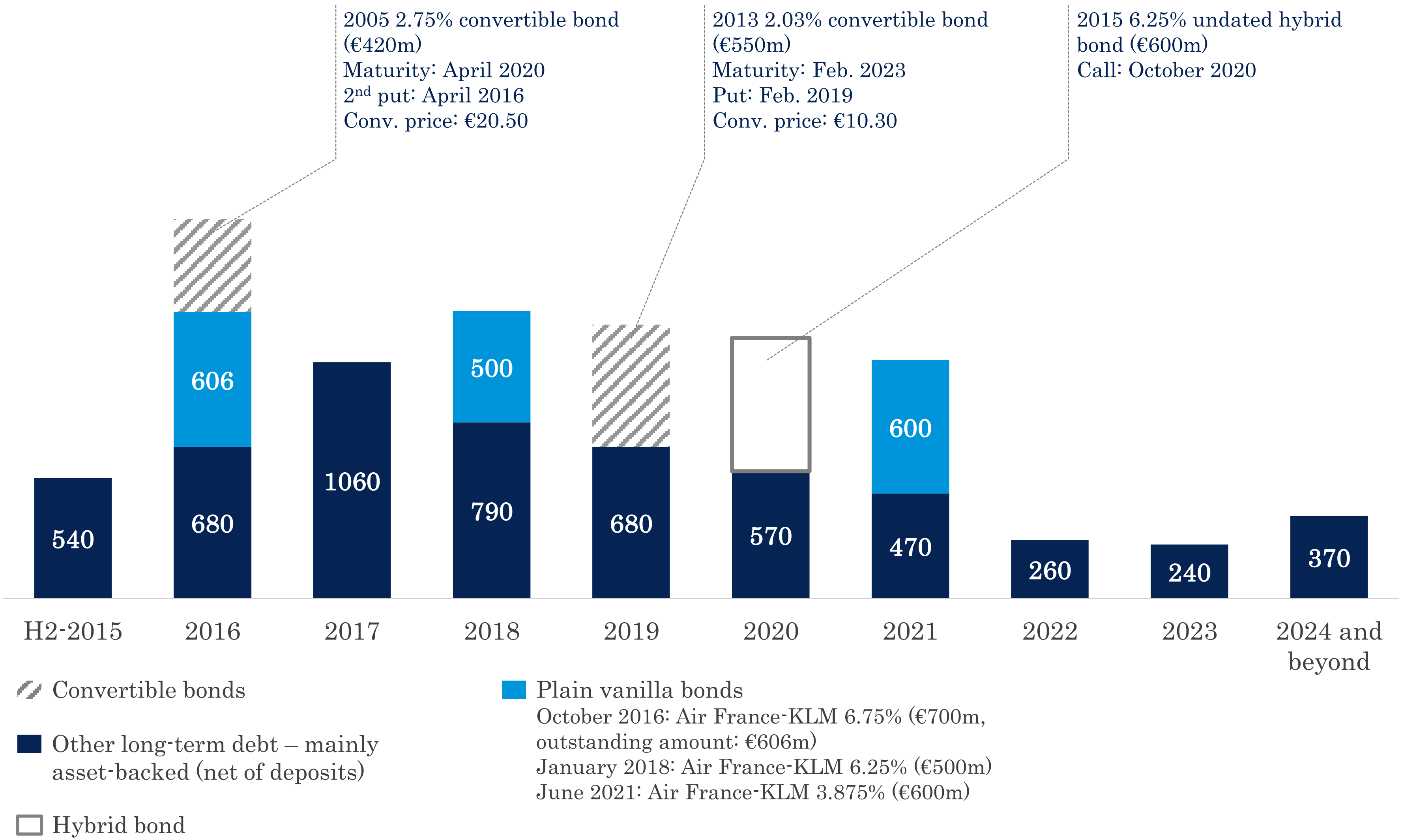
First Half 2015: restated net result

Calculation of First Half 2015 adjusted net result

In €m



Debt reimbursement profile at 30 June 2015(1)



(1) In € million, net of deposits on financial leases and excluding KLM perpetual debt (€637m)