

INFORMATION MEETING



September 2015

Agenda

- First Half 2015 results
- Key Perform 2020 initiatives
- Outlook

First Half 2015: 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%	↗
<i>Change like-for-like⁽¹⁾</i>			-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	↗

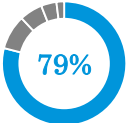
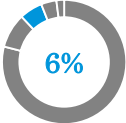

(1) Like-for-like: excluding currency. Same definition applies in rest of presentation unless otherwise stated

(2) See definition in press release

(3) At 31 December 2014

(4) Trailing 12 months; EBITDAR and ROCE excluding strike

Contribution by business segment to First Half 2015

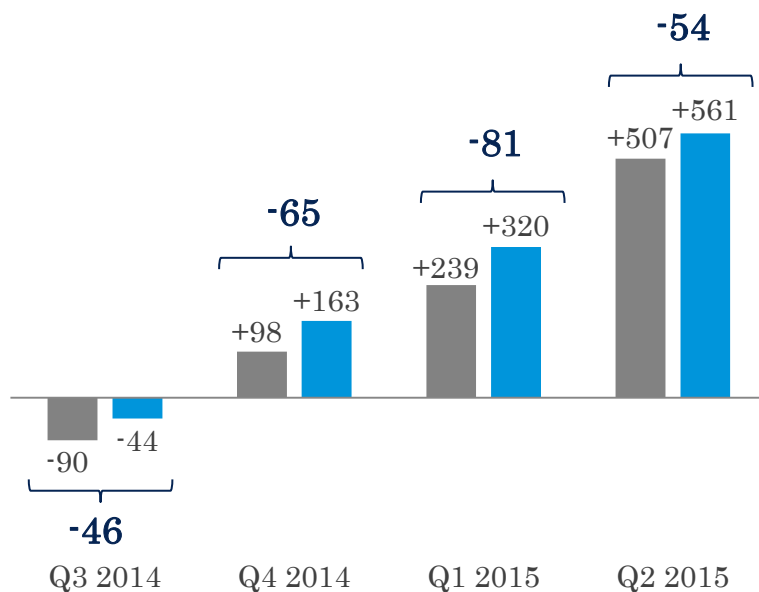
		Revenue (€bn)	Reported change (%)	Change Like-for- like (%)		Op. Result (€m)	Reported change (€m)	Change Like-for- like (€m)	
 Passenger network ⁽¹⁾		9.66	+2.0%	-3.3%	↘	-112	+11	+129	↗
 Cargo		1.23	-8.6%	-16.1%	↘	-141	-62	-44	↘
 Maintenance		0.78	+34.7%	+13.4%	↗	86	+34	+15	↗
 Transavia		0.45	+3.5%	+3.1%	↗	-75	-11	+3	=
 Other		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!

Continued significant negative currency impact on operating result

Currency impact on revenues and costs

In €m

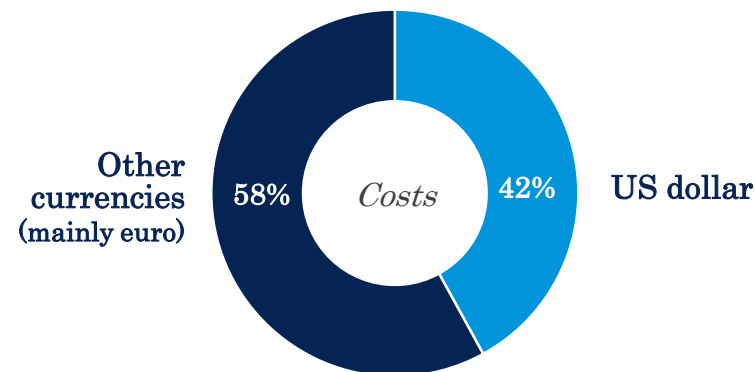
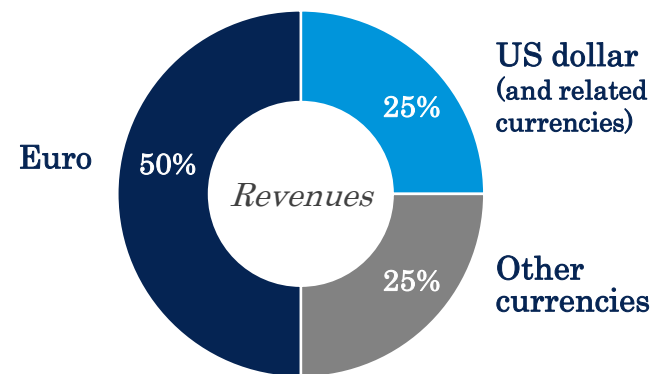


- Currency impact on revenues
- Currency impact on costs, including hedging

-XX Currency impact on operating result

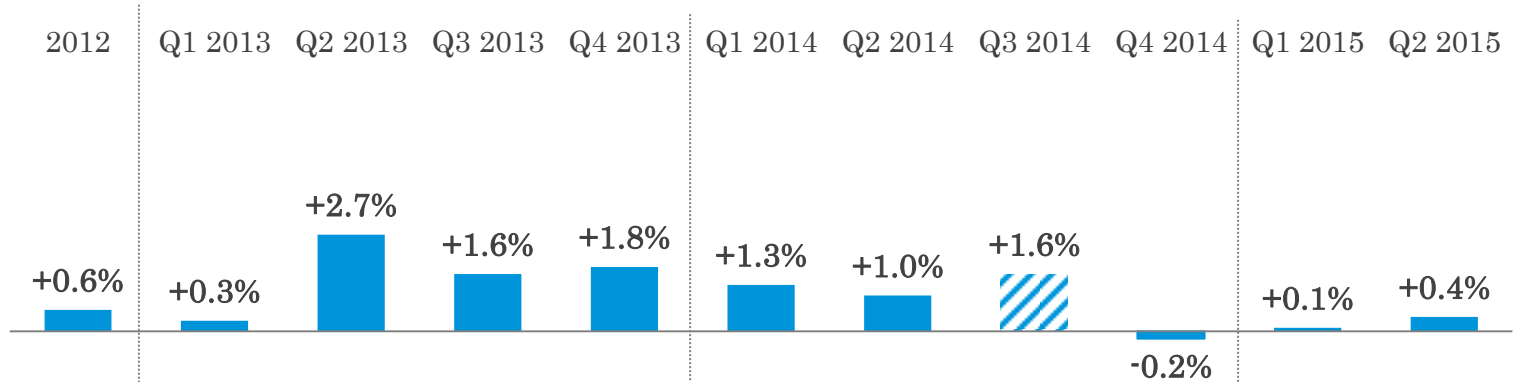
Revenues and costs per currency

FY 2014



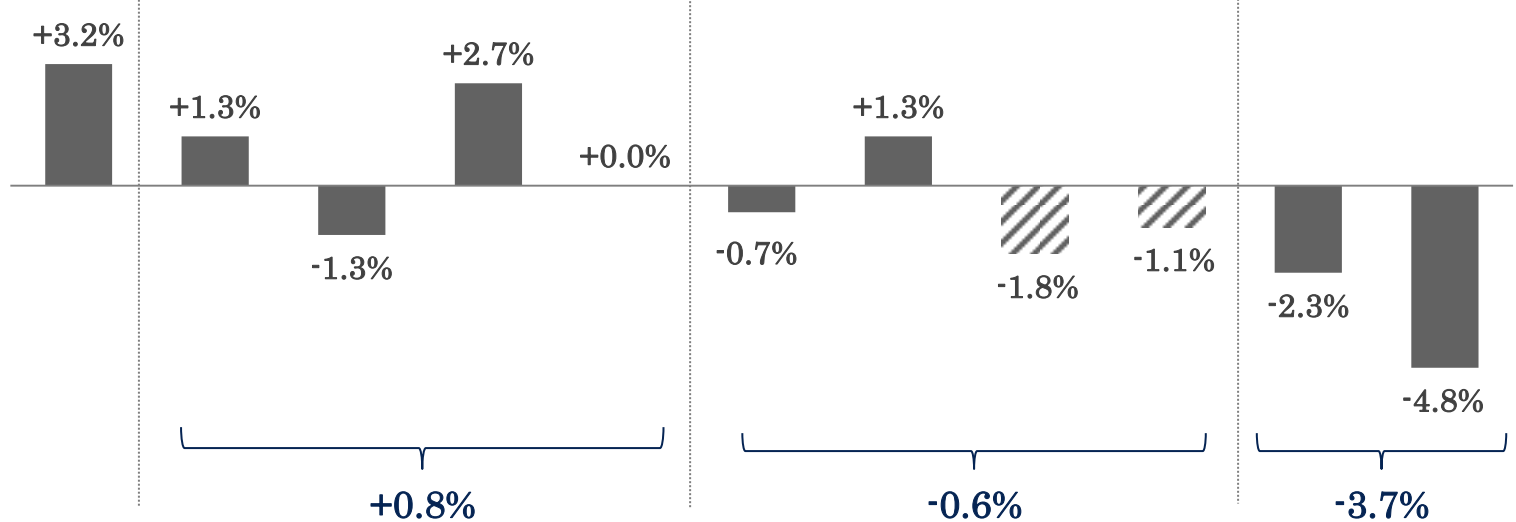
Passenger network capacity and unit revenue by quarter

Capacity



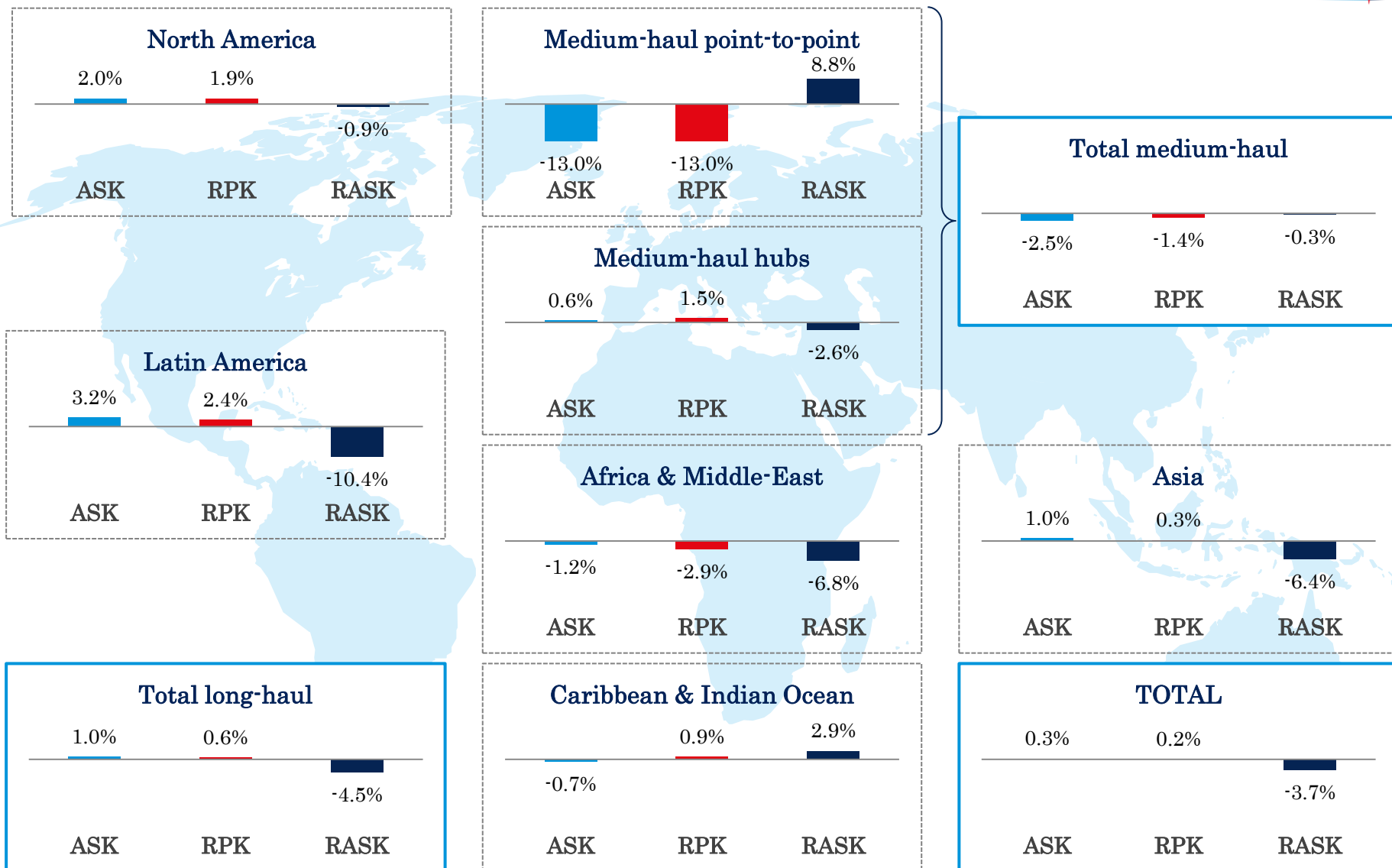
RASK

Ex-currency



Like-for-like⁽¹⁾

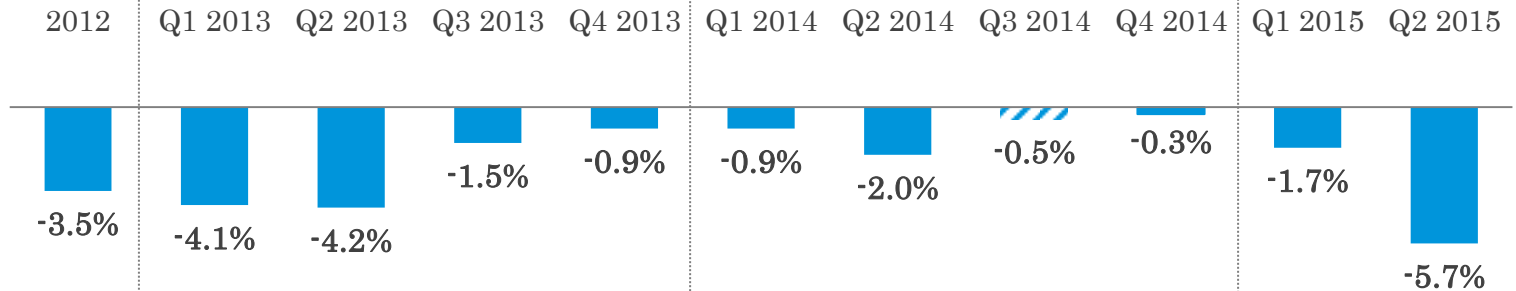
First Half 2015 Passenger network unit revenue by network



NB: RASK ex-currency, passenger network only: Air France, KLM and HOP!

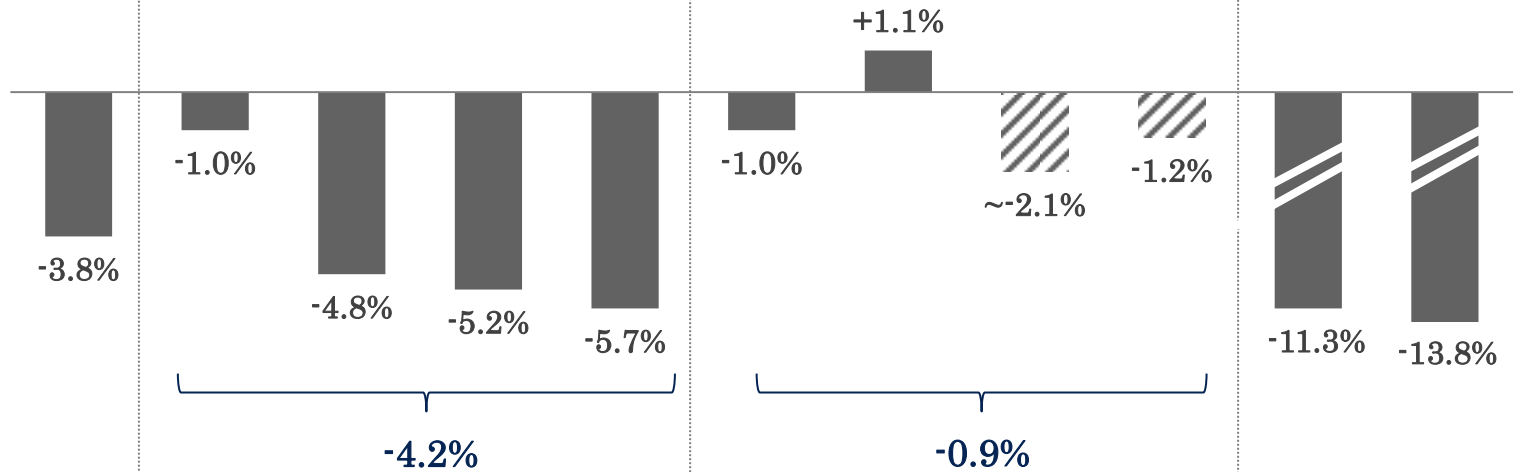
Cargo capacity and unit revenue by quarter

Capacity



RATK

Ex-currency

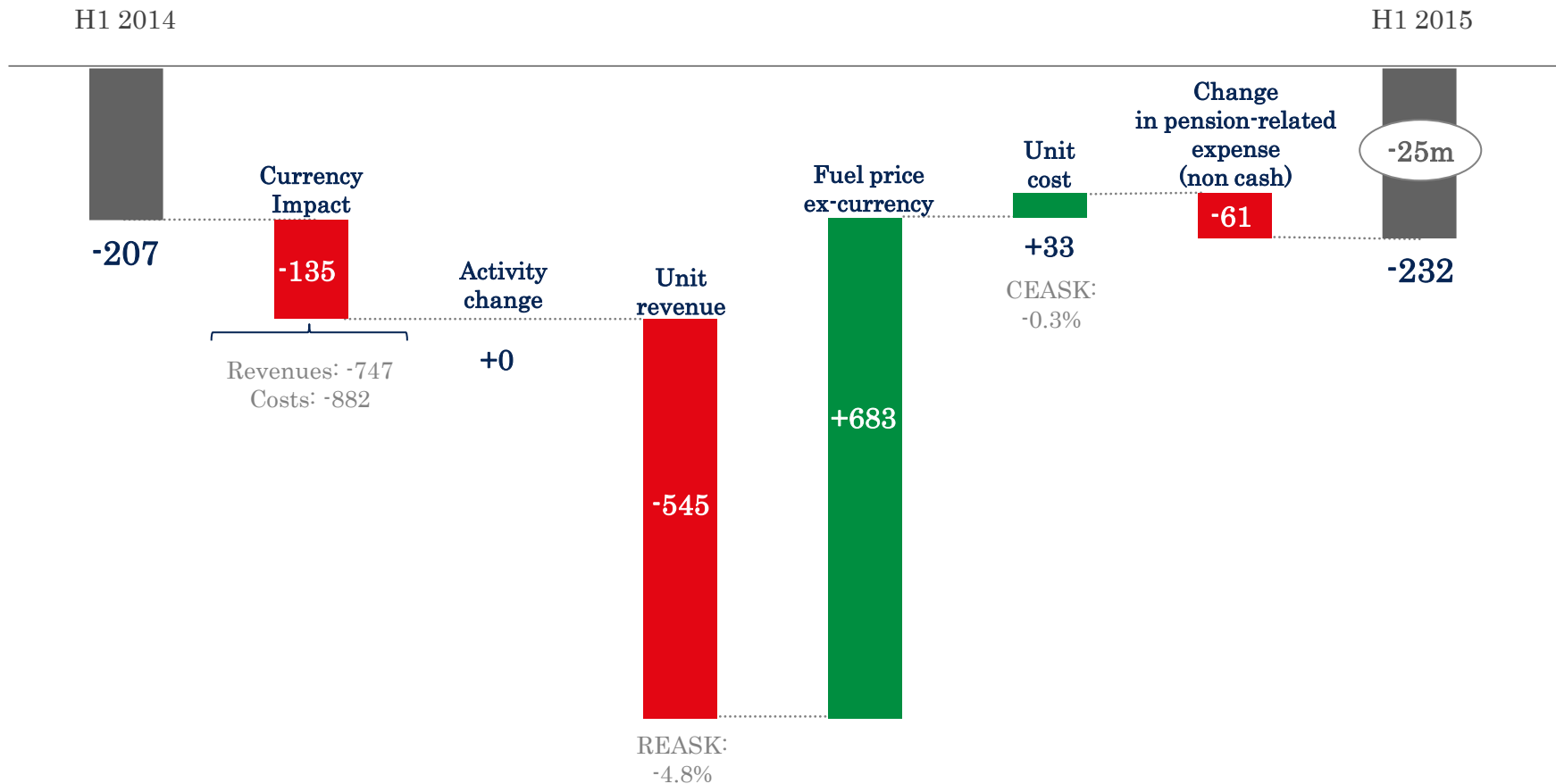


 Excluding strike

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

Operating results

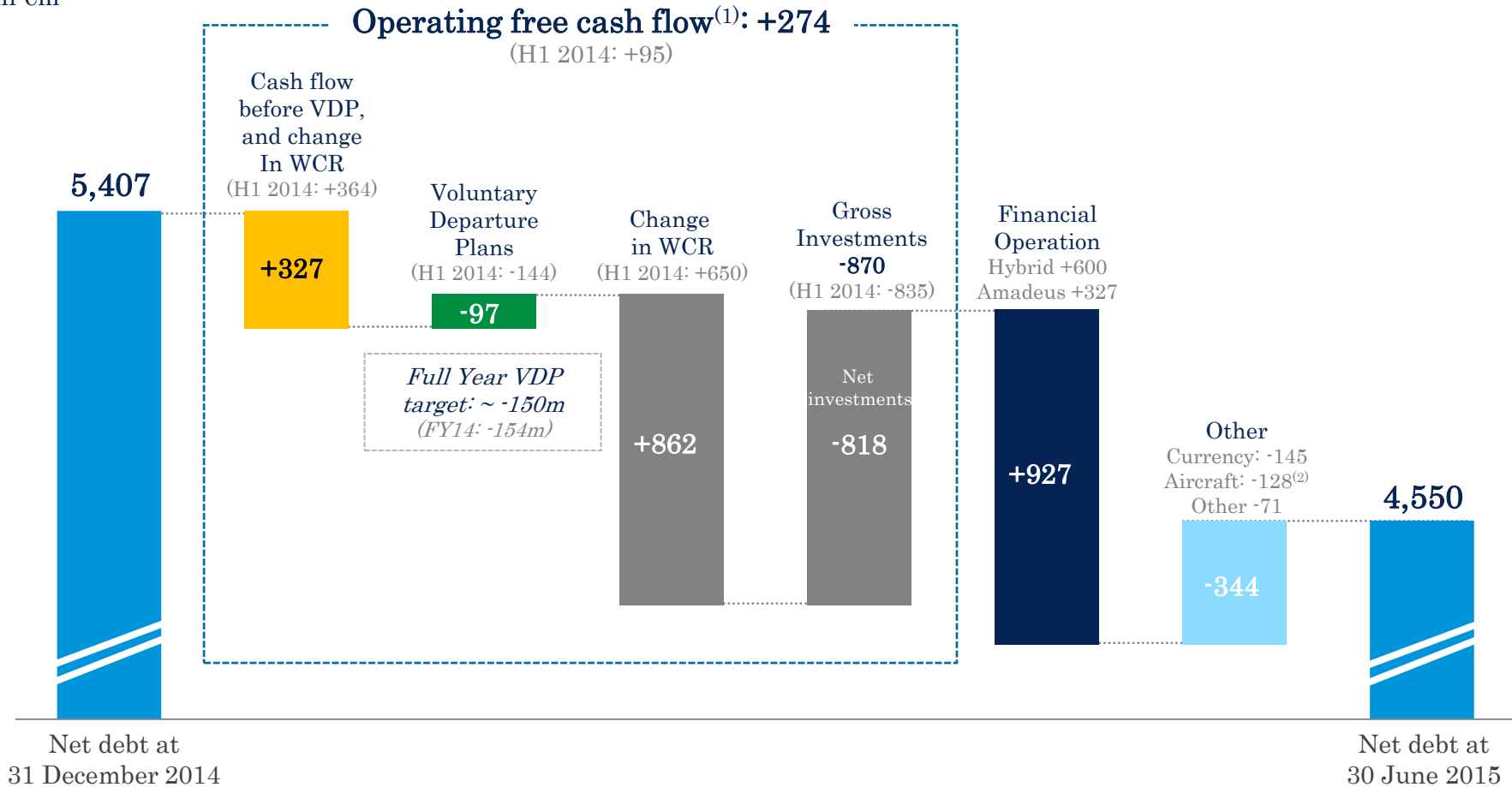
In €m



First Half 2015: significant net debt reduction...

Analysis of change in net debt, First Half 2015

In €m



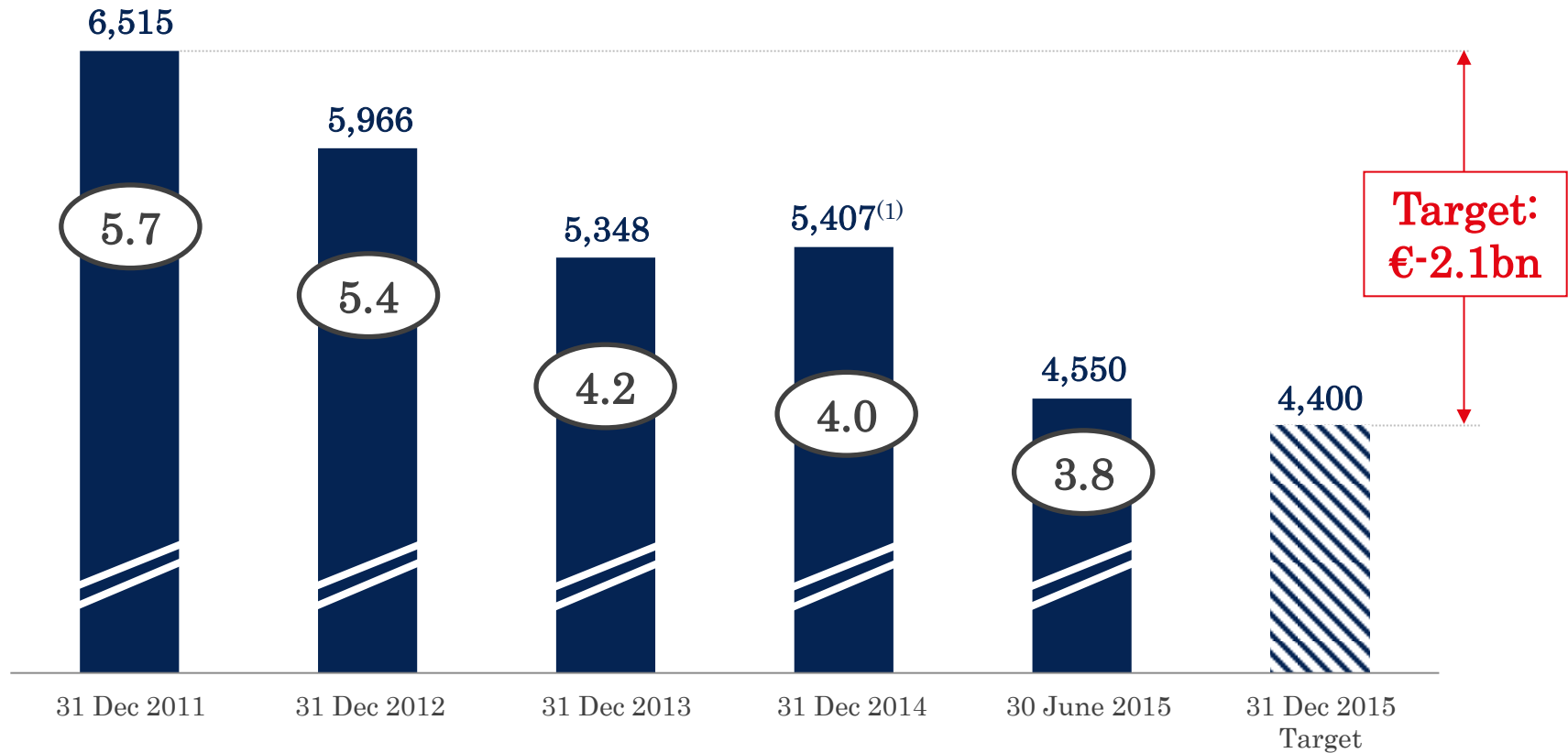
(1) Net cash flow from operating activities less net capex on tangibles and intangibles. All amounts excluding discontinued operations. See definition in press release

(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

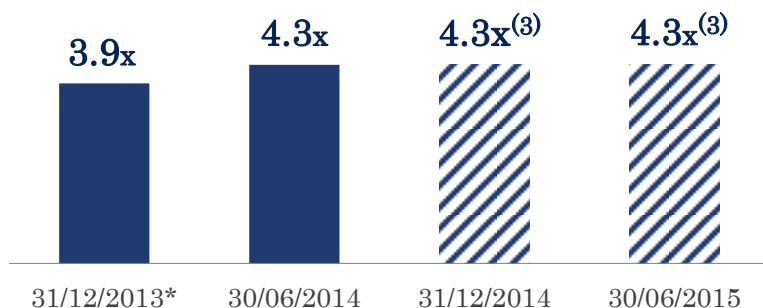


Target:
€-2.1bn

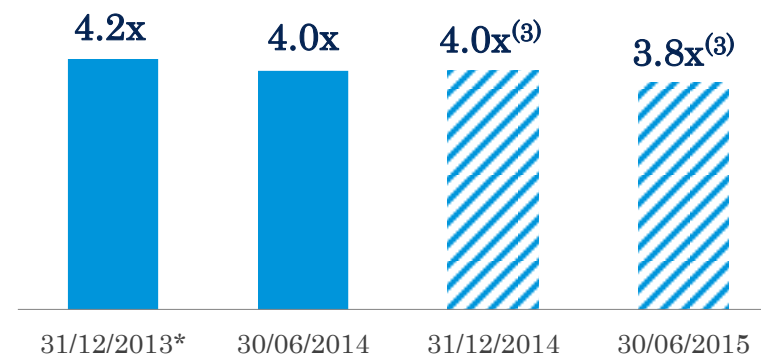
(1) Net debt level affected by strike impact of more than €400m

Financial ratios at 30 June 2015, trailing 12 months

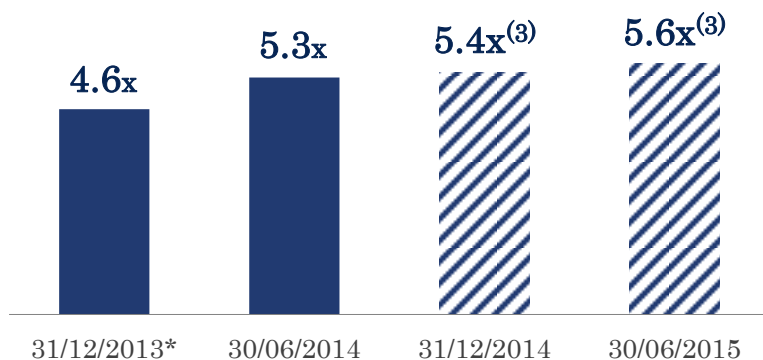
EBITDAR / adjusted net interest costs⁽¹⁾



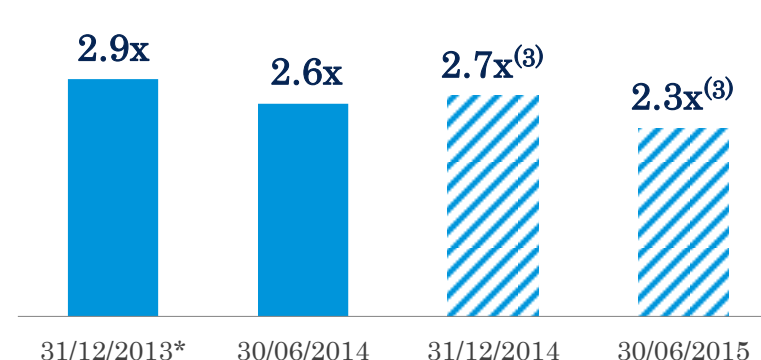
Adjusted net debt⁽²⁾ / EBITDAR



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

Agenda

- First Half 2015 results

- Key Perform 2020 initiatives

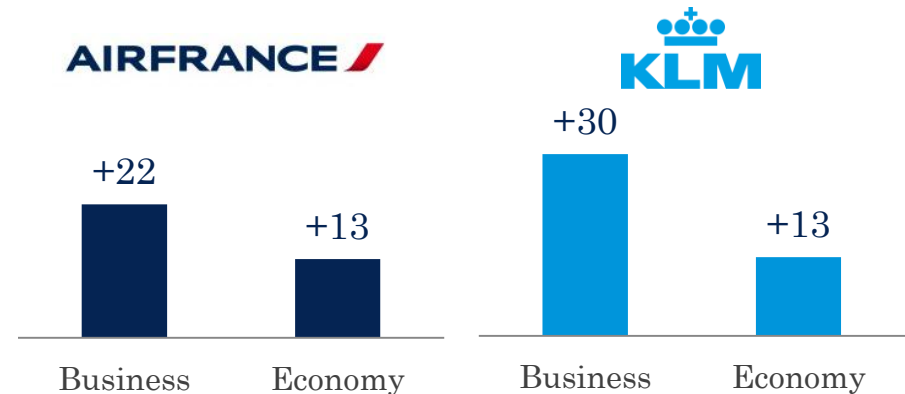
- Outlook

Investments in products and services very well received by customers

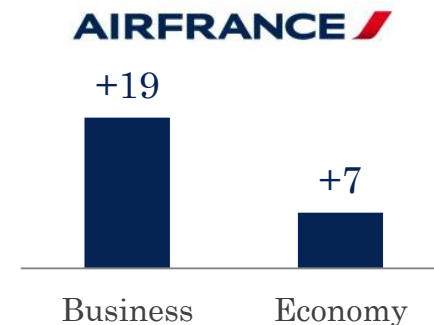
- Further deployment of new long-haul products
 - 30% of long-haul fleet equipped at 30 June 2015, including half of KLM fleet
- Redesign of Air France medium-haul hub product
 - 19 A319s equipped with new cabins at 30 June 2015
 - Product repositioning and improved catering

- 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

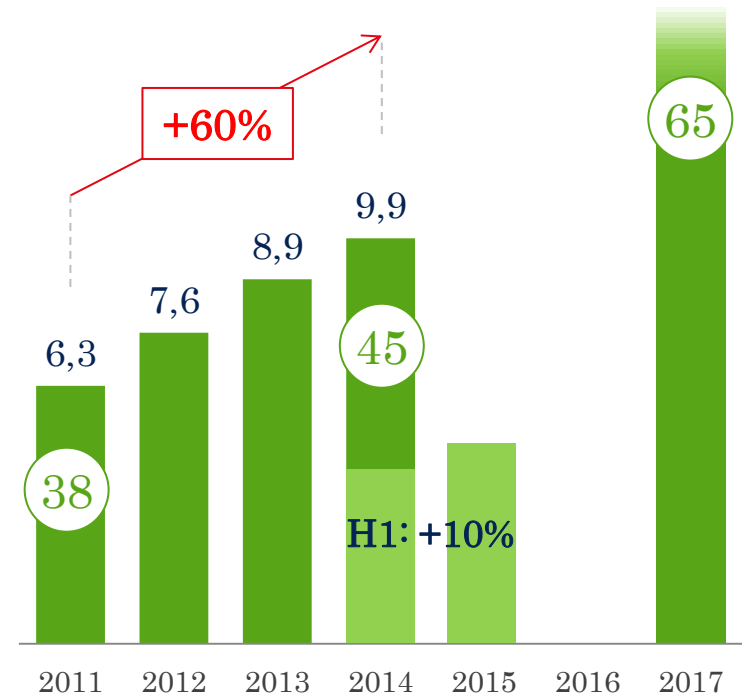
- ▶ New labor agreements signed in the Netherlands, enabling further growth
- ▶ Implementation of further synergies

Relaunching discussions on extension beyond home markets

Transavia passengers

In million

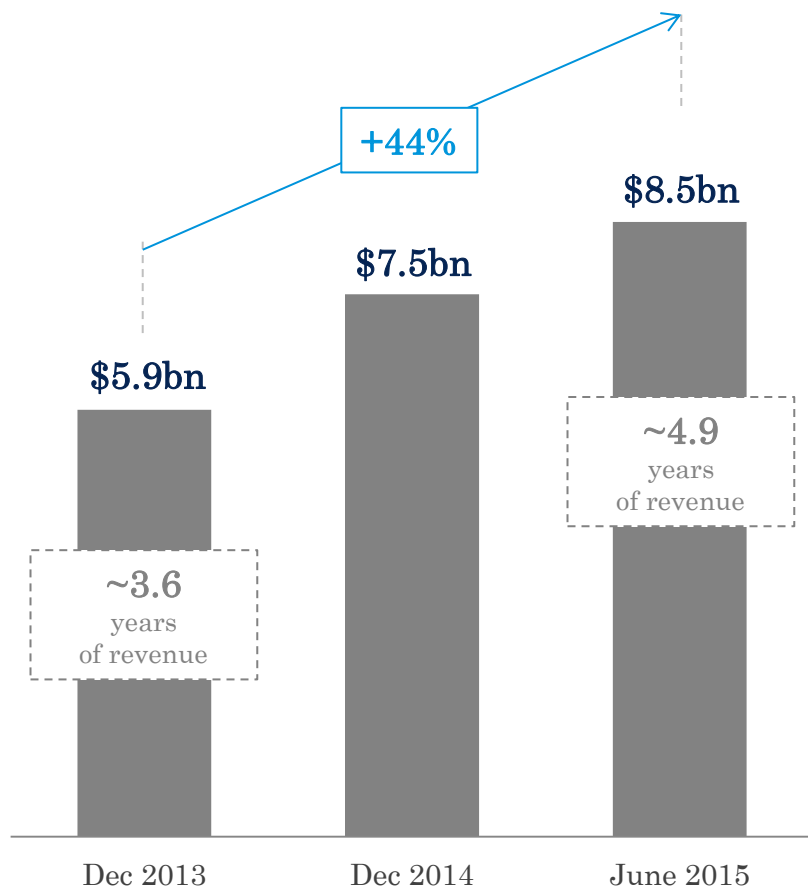
>16



○ Base fleet, excluding short term leases

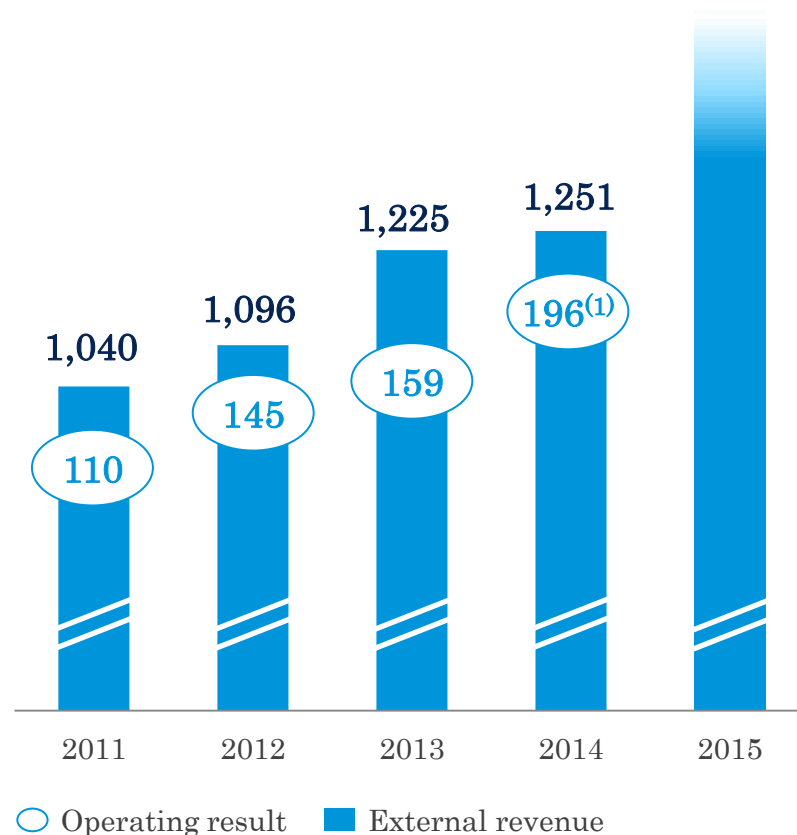
Further momentum in maintenance

Growth of order book



External revenue and operating result

In €m

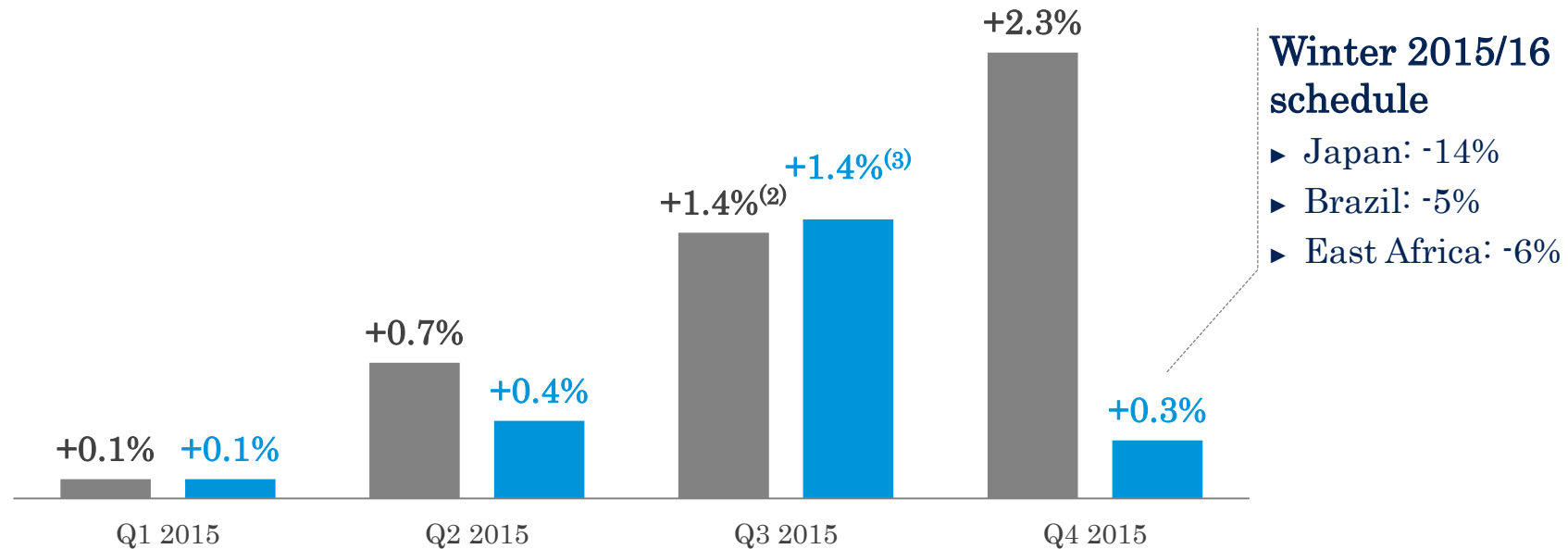


(1) Excluding September 2014 strike impact of €22m on operating income

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

Passenger network⁽¹⁾ capacity growth

ASK



Winter 2015/16 schedule

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

■ February 2015 plan

■ July 2015 update



**Full Year 2015 growth revised down
from +1.1%⁽²⁾ to +0.6%⁽³⁾**

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

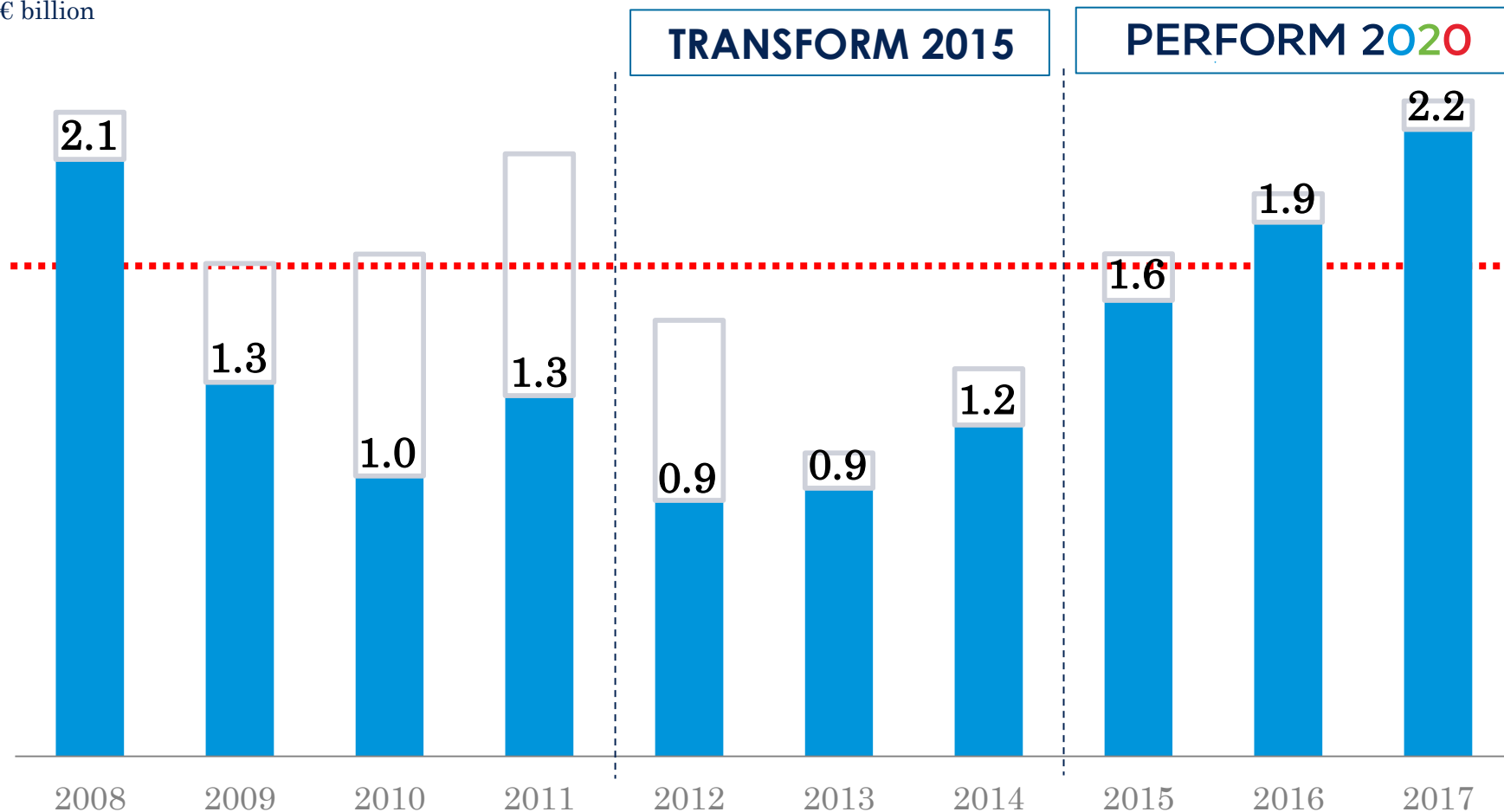
(2) Excluding September 2014 strike impact. Full Year growth including strike: +2.7%, Q3 including strike: +7.6%

(3) Excluding September 2014 strike impact. Full Year growth including strike: +2.2%, Q3 including strike: +7.6%

Progressive ramp-up of investments

Net investment plan

€ billion



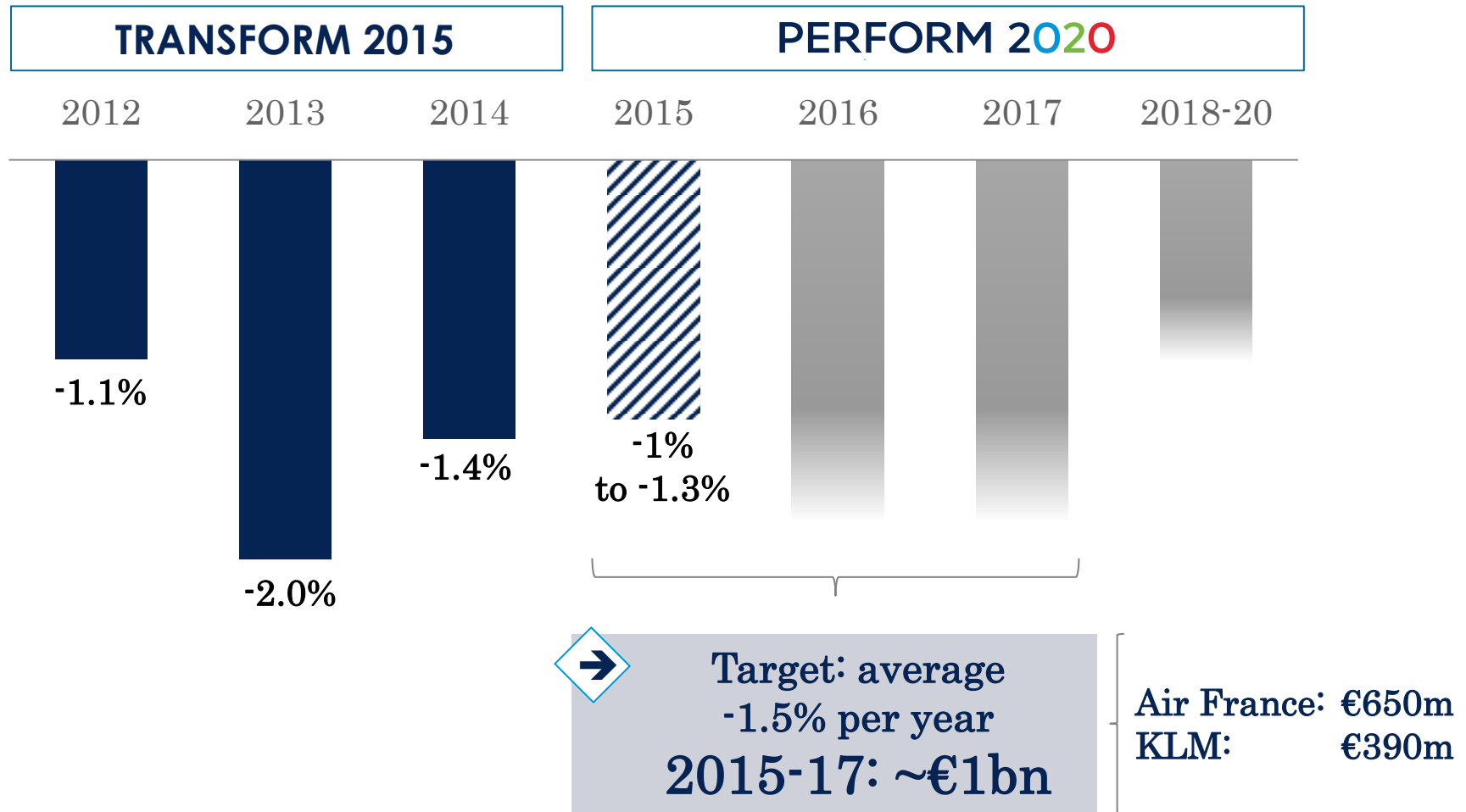
■ Net investment □ Sale and lease-back transactions

..... Amortization and depreciations (~€1.7bn)

Unit cost reduction target: an average of 1.5% per year

Change in unit cost

Net unit cost per EASK⁽¹⁾

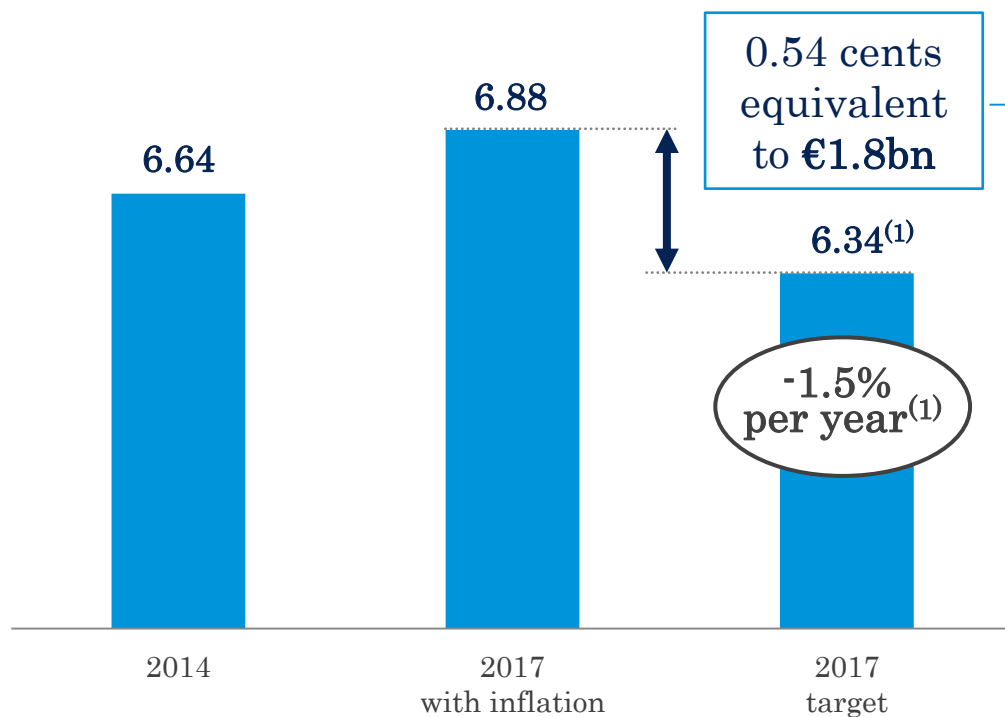


(1) Net unit cost per EASK in € cents, at constant currency, fuel price and pension-related expenses

All cost-saving initiatives have been identified and are being rolled out

Net unit cost per EASK

In € cents per EASK



PERFORM 2020 initiatives

AIRFRANCE KLM HOP AIRFRANCE **KLM** SERVAIR

■ 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
- ▶ 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

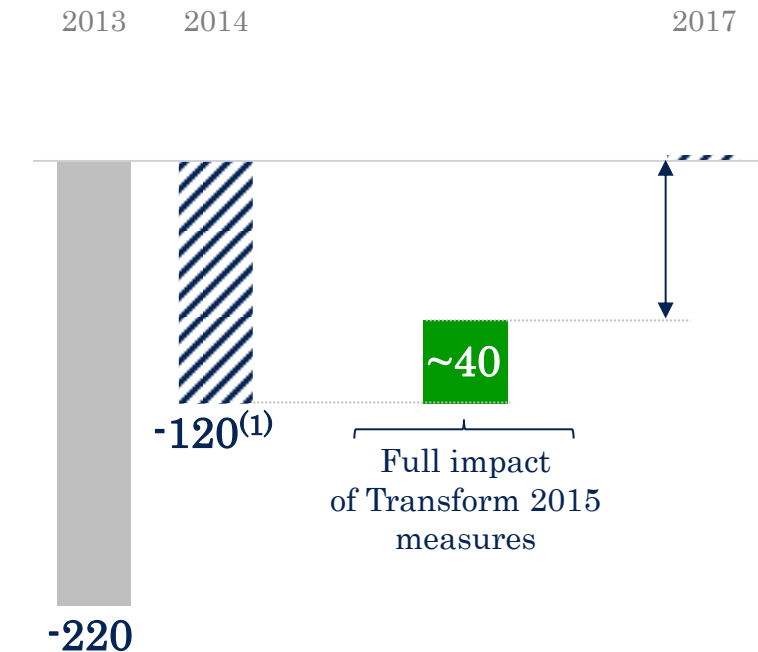
- ▶ Ongoing negotiations with all work categories, using benchmarks
- ▶ Conclusions expected at the end of September
- ▶ Voluntary Departure Plans closing at the end of September
- ▶ Legal proceedings resumed on implementation of remaining pilot-related Transform 2015 measures

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

In €m



(1) Excluding September 2014 pilot strike impact

Cost reduction initiatives launched across the organization: further full-freighter fleet reduction in Amsterdam

Accelerated phase out of 5 MD11s in Amsterdam

- ▶ Full-freighter capacity: -26% in Q2 2015
- ▶ Operating 5 aircraft at June 2016, 2 at Paris-CDG and 3 at Amsterdam

Keeping a small full-freighter fleet as important commercial lever to maintain revenue premium in bellies

€71m restructuring cost recorded in H1 accounts

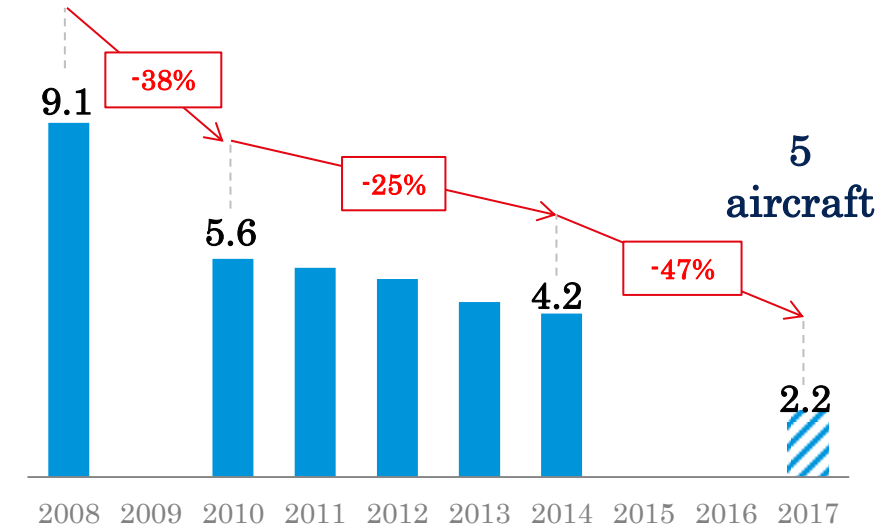
- ▶ Also covering Voluntary Departures in other departments



3 full-freighters in operation in Amsterdam by 2016

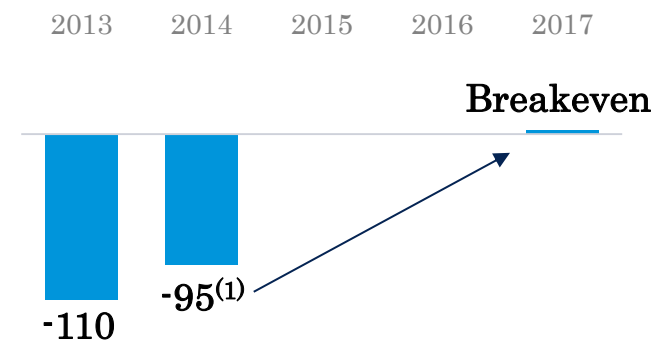
Full-freighter capacity

In billion ATKs



Full-freighter operating result

In €m



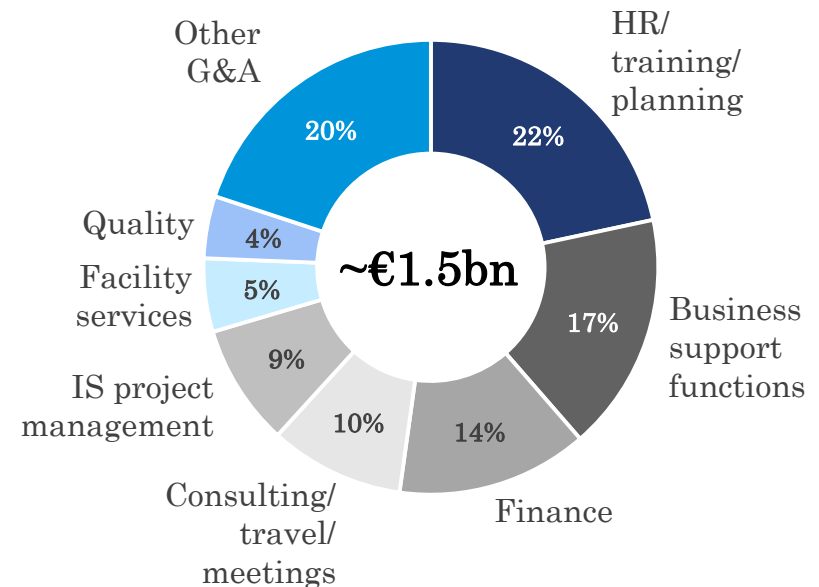
(1) Excluding September 2014 pilot strike impact

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

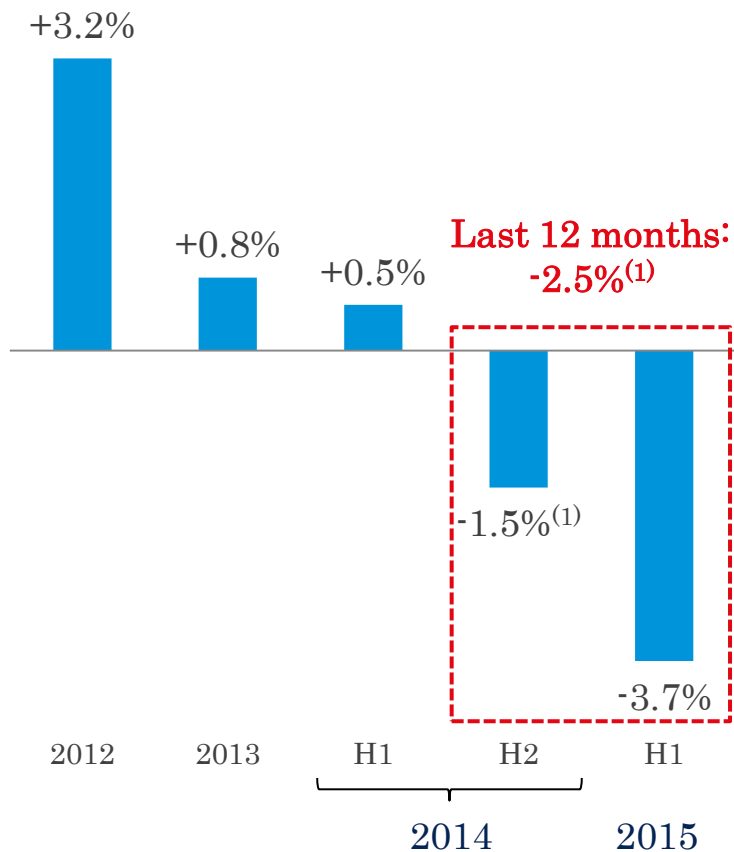
Breakdown of G&A costs

In €m



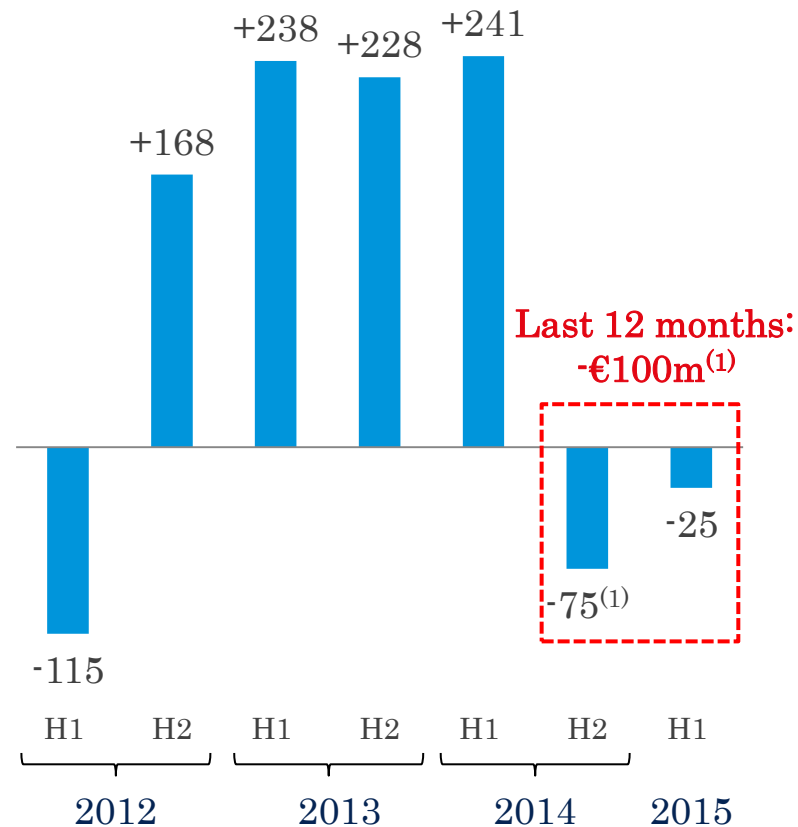
The tougher revenue context has slowed down the pace of results improvement...

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

Agenda

- First Half 2015 results
- Key Perform 2020 initiatives
- Outlook

Update on 2015 fuel bill

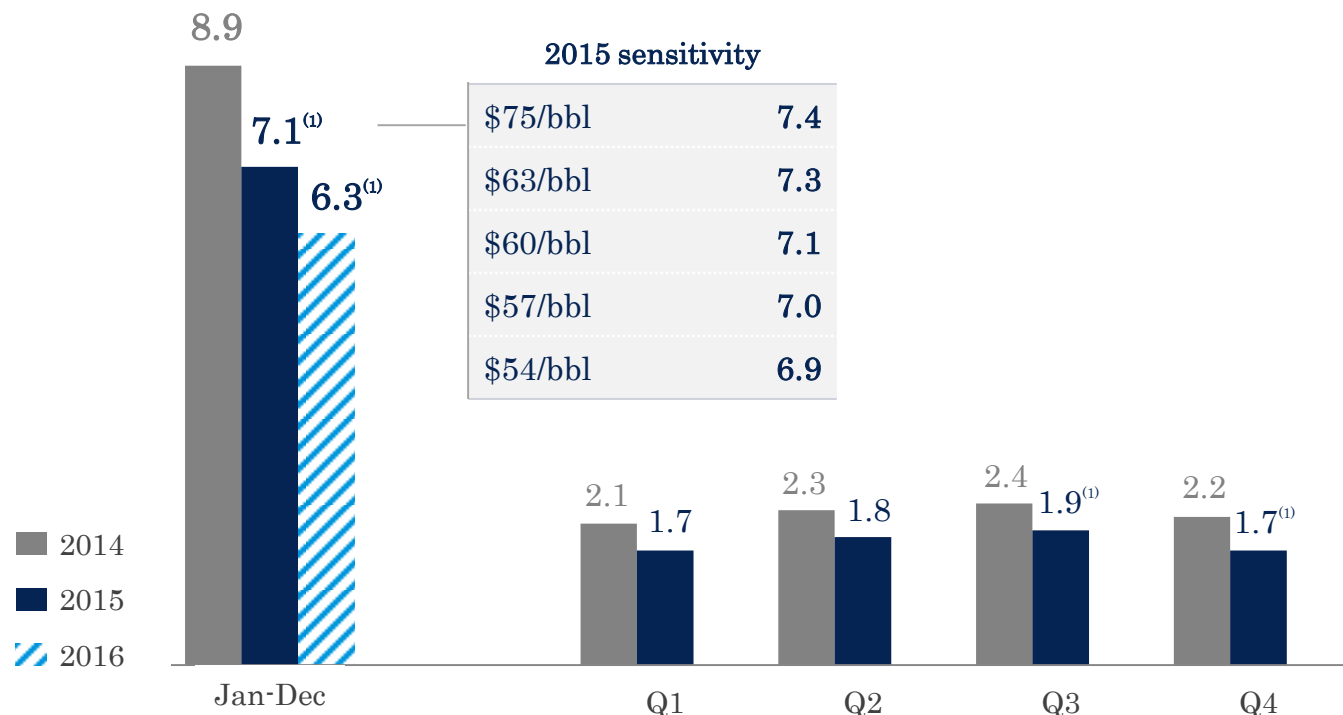
Fuel bill after hedging

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⁾



MARKET PRICE	2015		2015				
	Brent (\$ per bbl) ⁽¹⁾	Jet fuel (\$ per metric ton) ⁽¹⁾	60	55	64	59	61
			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

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



- 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

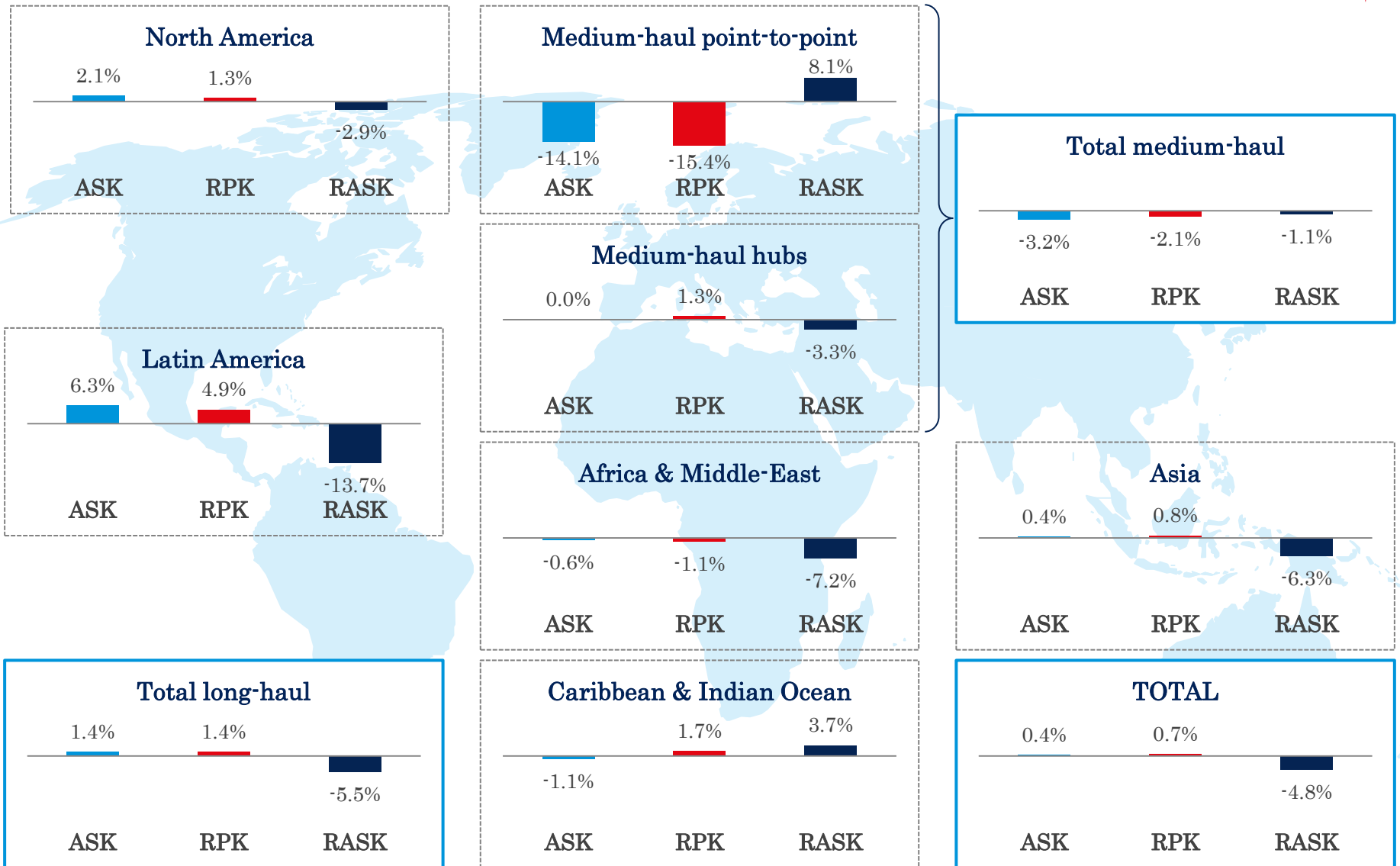


**A more efficient business
and a deleveraged balance sheet, a leader
taking its share of the market growth**

Appendix



Second Quarter 2015 Passenger network unit revenue by network

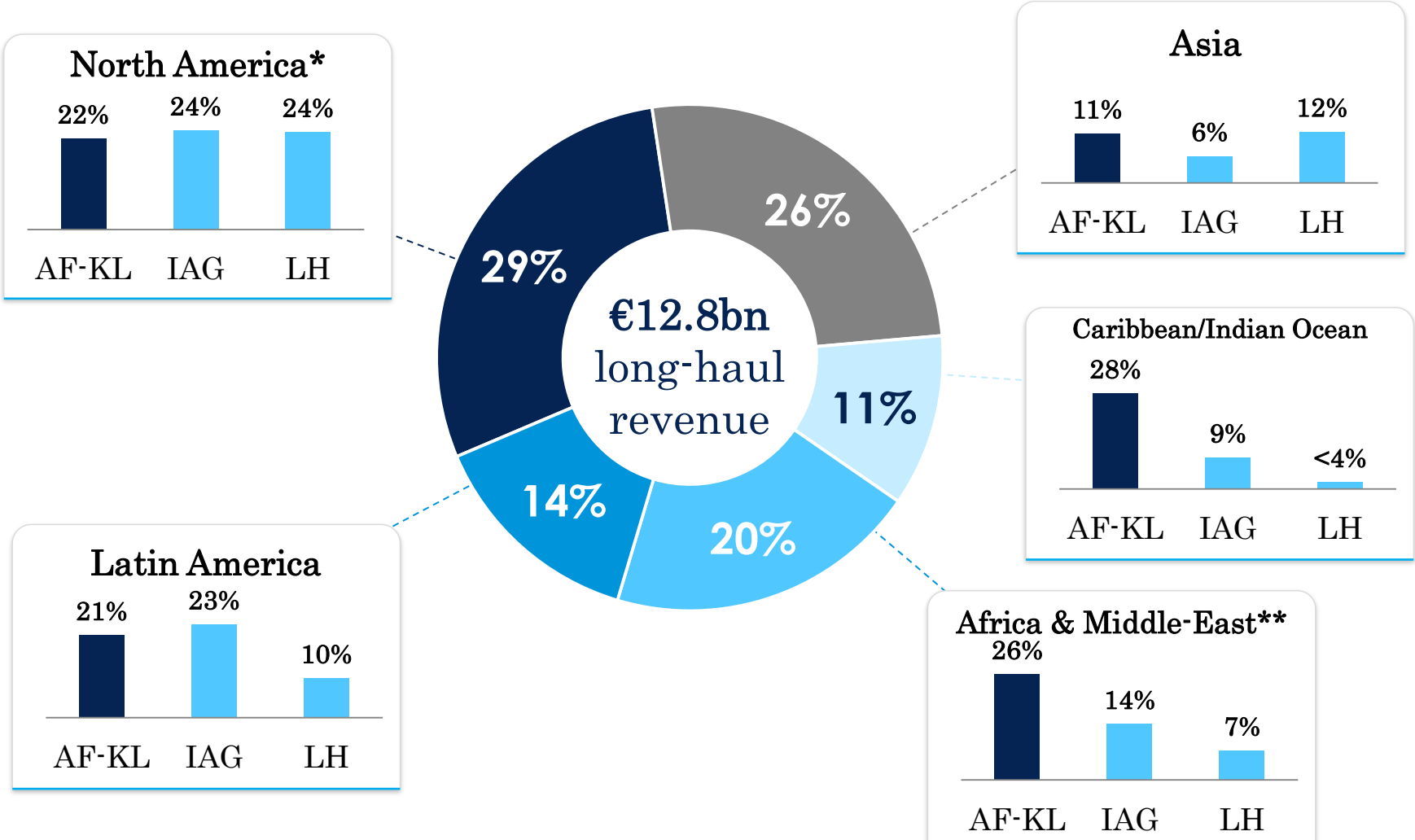


NB: RASK ex-currency, passenger network: Air France, KLM and HOP!

Retaining leadership from Europe to long-haul routes

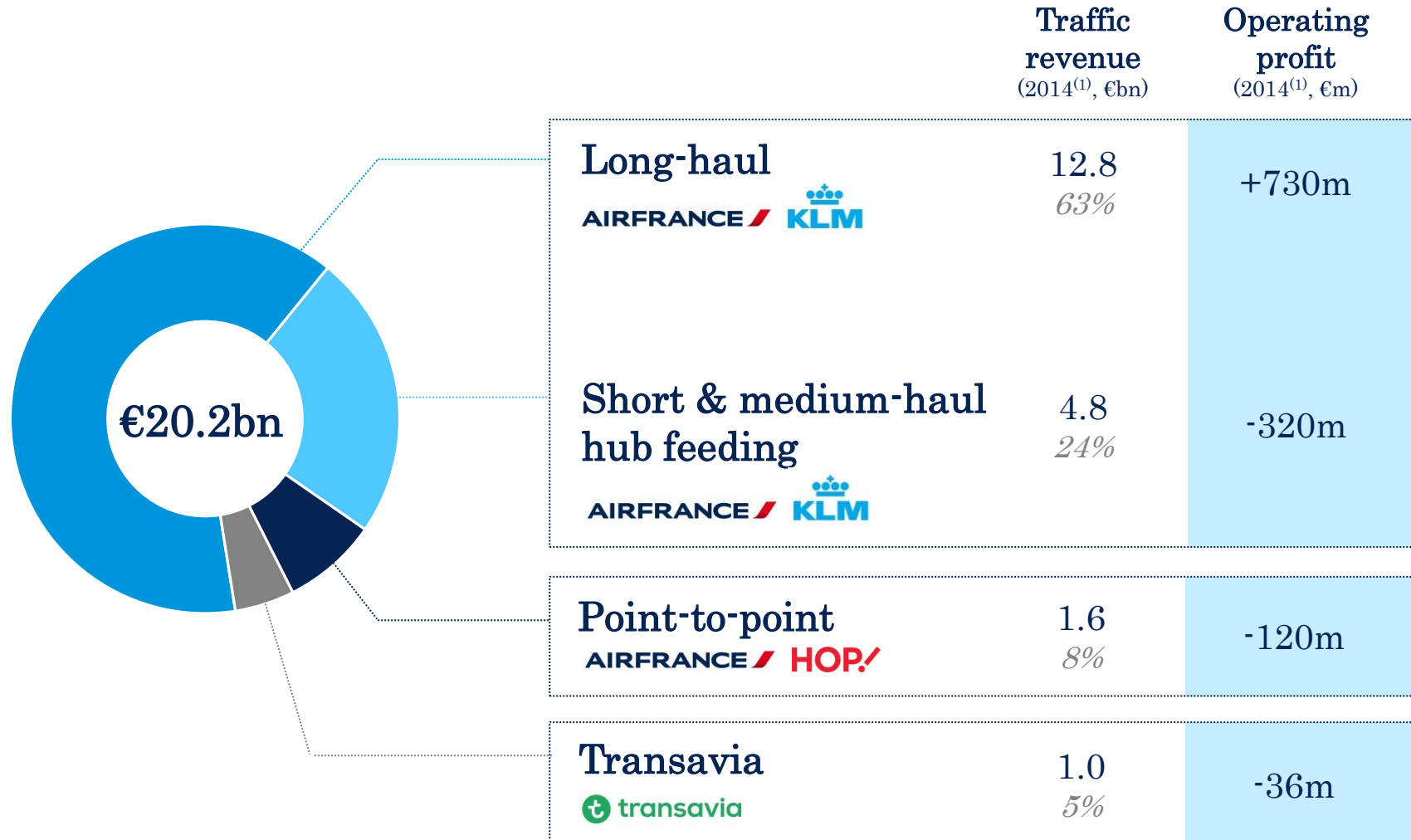
Long-haul traffic to/from Europe 27% larger than peers IAG and Lufthansa group

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



* Including respective US partners - ** Market share on Africa only

Three operating platforms for passenger air transportation

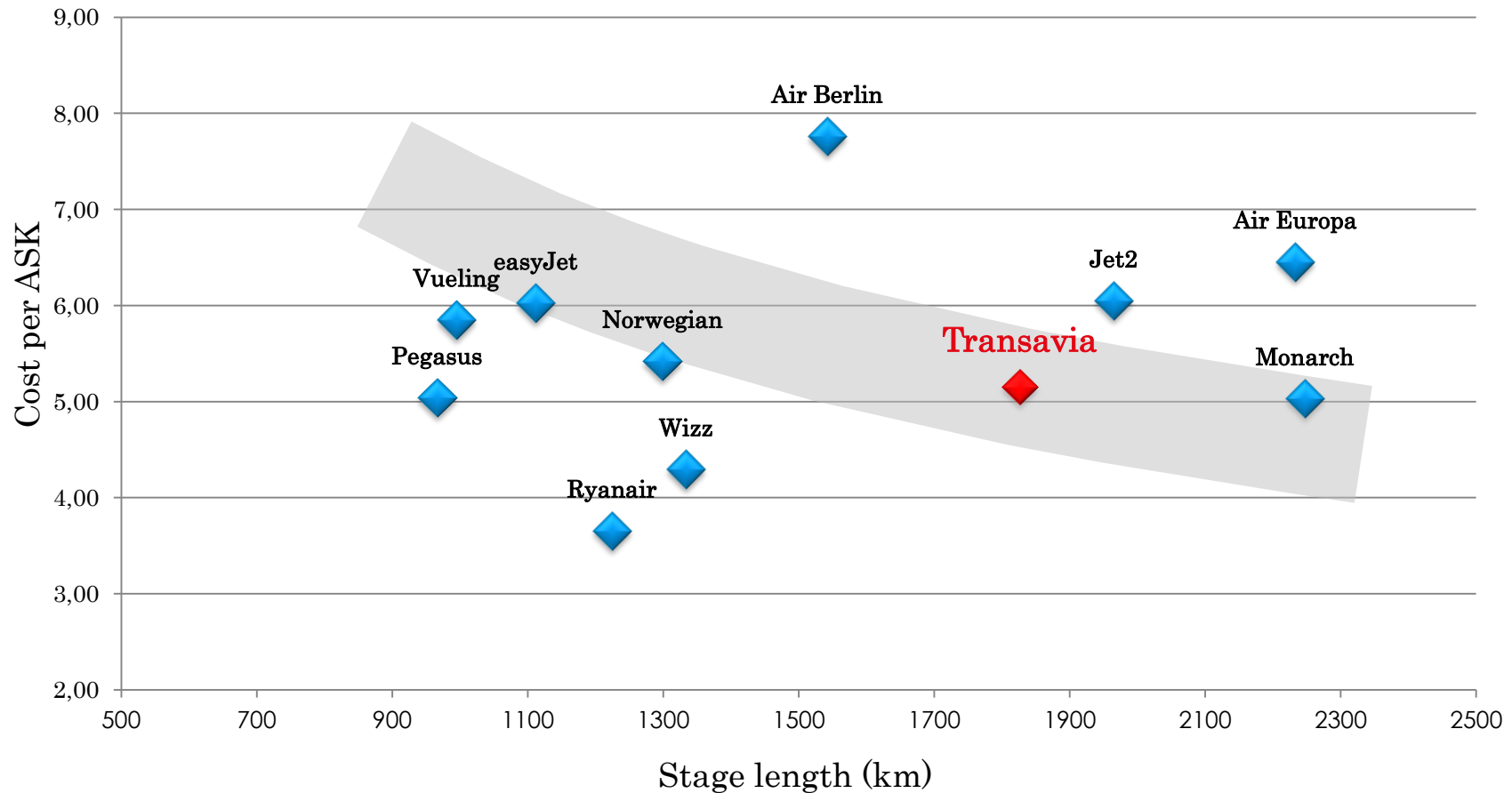


(1) Excluding September 2014 pilot strike impact

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

Cost per ASK vs stage length

In € cents per ASK, 2013⁽¹⁾



(1) Source: Airline business, financial reports

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

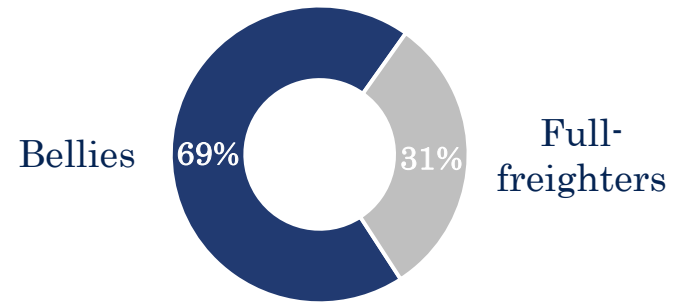
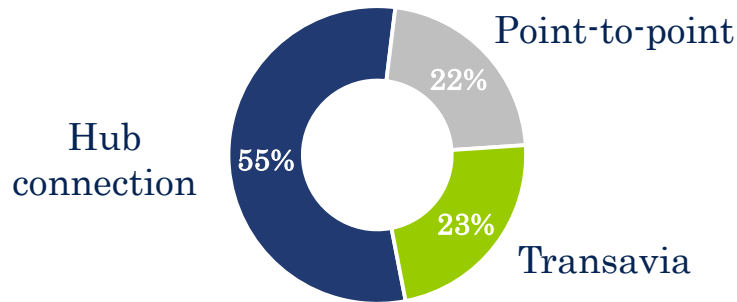
- 3-year agreement (January 2015-December 2017)
- No general salary increase
- Series of measures on productivity (4% per year)
- Postponement of pension age from 56 to 58
- Profit sharing scheme
- Exposure to shares
- Subject to approval of union members, expected by the end of August

A deep transformation of the business mix

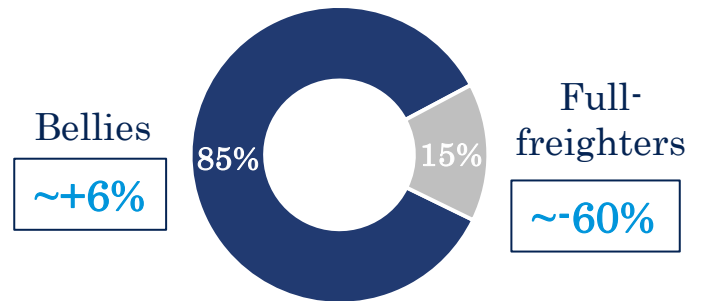
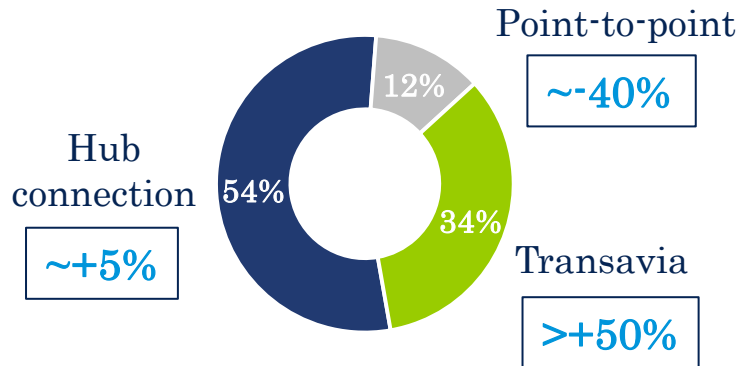
Medium-haul capacity
(ASK)

Cargo capacity
(ATK)



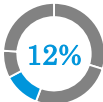



2012



2017



First Half 2015: change in operating costs⁽¹⁾

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

(1) Cost line items have been restated for capitalized production and currency provision: see explanation in press release

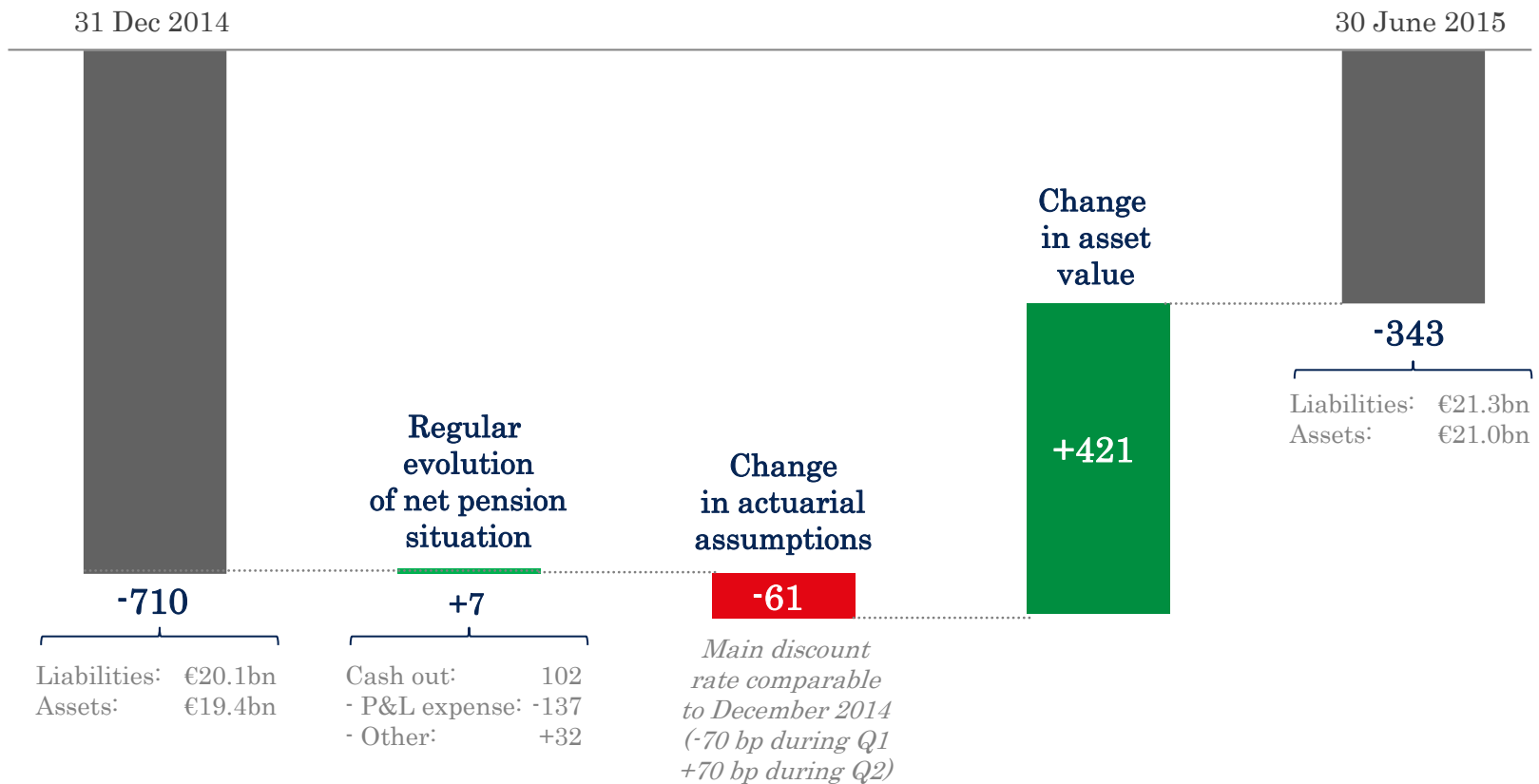
(2) Catering, handling, commercial and distribution charges, landing fees and air-route charges, other external expenses, excluding temps

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

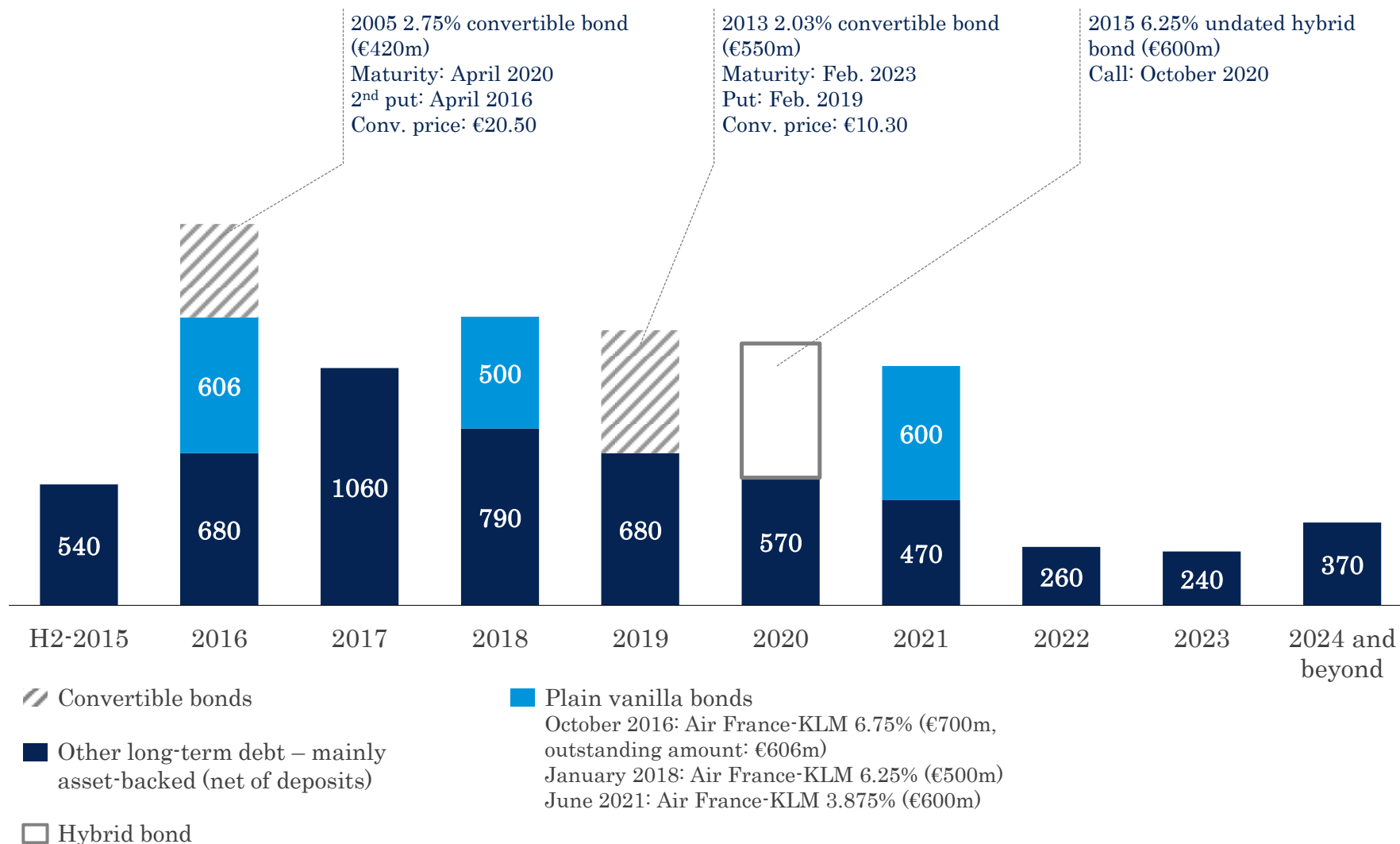
First Half 2015: improved pension situation

Evolution of net pension balance sheet situation

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)