First Half 2014 Results

25 July 2014

AIRFRANCE KLM

Highlights of the Second Quarter

Operating environment

- Economic environment remains weak
- Further significant currency impact on revenues
- Stable fuel price after decline in Q1
- Industry overcapacity on certain long-haul routes, notably North America and Asia
- Slower than expected recovery in cargo demand

Air France-KLM

- Robust passenger revenue performance thanks to strict capacity discipline
- Ongoing unit cost reduction: -1.7%*, in line with Q1
- Further improvement in operating result, up €155 million
- Full-freighter exposure to be further reduced: €106 million impairment charge booked in Q2
- Launch of new Air France long-haul product
- Successful €600 million bond issue

* Like-for-like

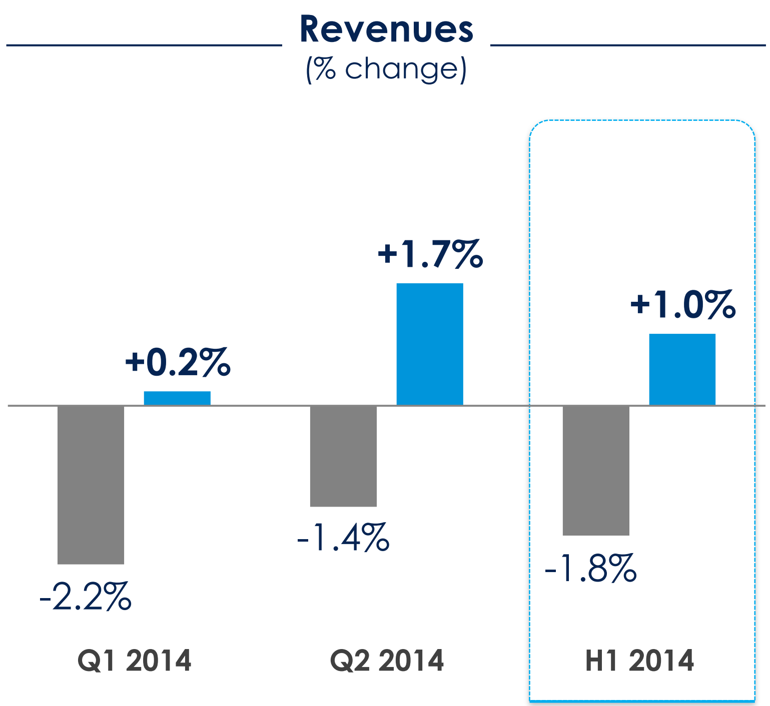
Results

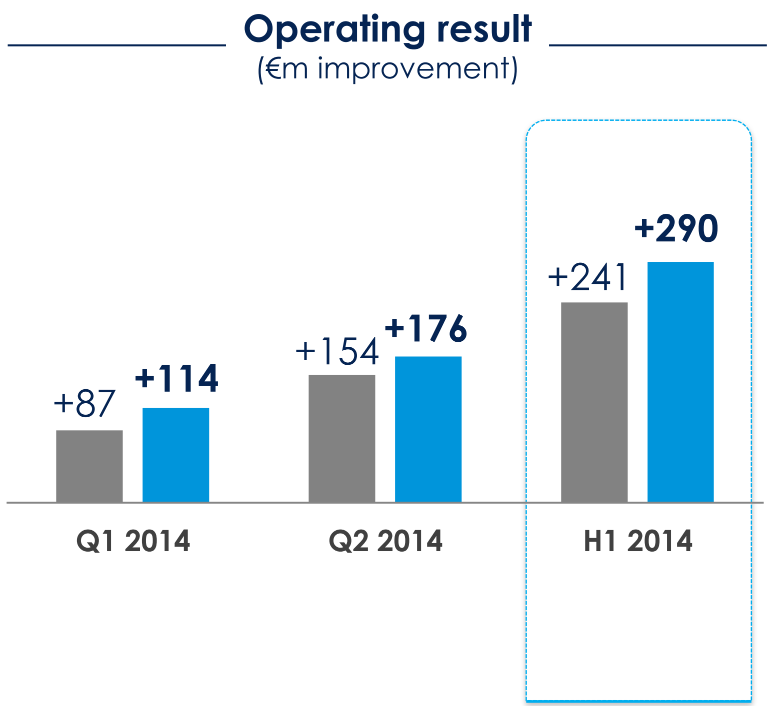
Key data

In € millions	Q2 2014	Q2 2013[1]	Change	H1 2014	H1 2013[1]	Change
Revenues	**6,451**	6,541	-1.4% ↘	**12,005**	12,222	-1.8% ↘
Change like-for-like[3]			*+1.7%* ↗			*+1.0%* ↗
EBITDA[2]	**641**	510	+131m ↗	**591**	394	+197m ↗
Operating result	**238**	84	+154m ↗	**-207**	-448	+241m ↗
Net result, group share	**-6**	-158	+152m ↗	**-614**	-799	+185m ↗
Adjusted net result[2]	**143**	-34	+177m ↗	**-342**	-686	+344m ↗
Operating free cash flow[2]	**181**	528	-347m ↘	**95**	566	-471m ↘
Net debt at end of period[2]				**5,414**	5,348[4]	+66 →

(1) 2013 restated for IFRIC 21, CityJet reclassified as discontinued operation
(2) See definition in press release
(3) Like-for-like: change at constant currency and scope
(4) Net debt at 31st December 2013

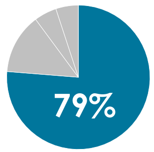
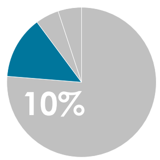
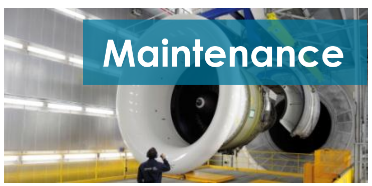
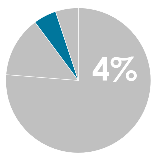
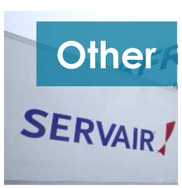
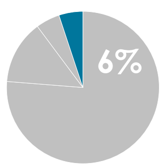
Significant currency impact





Reported change   Like-for-like: change at constant currency and scope

Second Quarter: Contribution by business segment

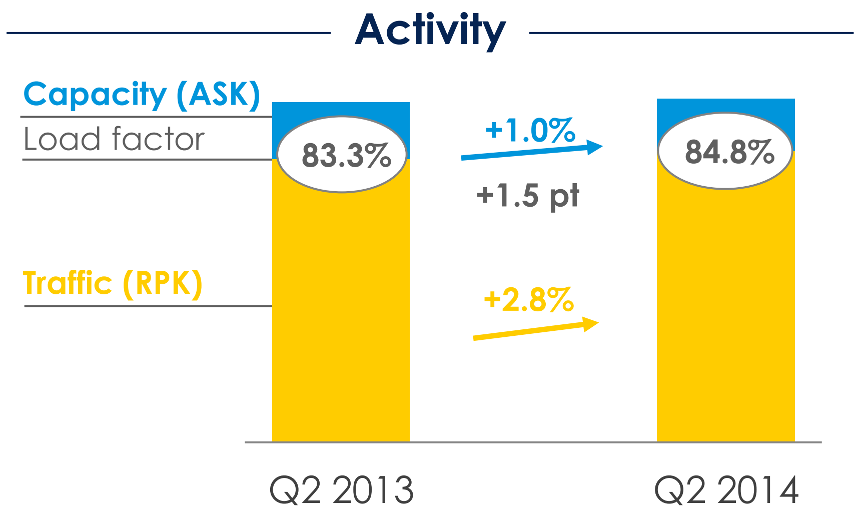
		Revenue (€bn)	Reported change (%)	Change Like-for-like[1] (%)	Op. result (€m)	Reported change (€m)	Change Like-for-like[1] (€m)
		**5.11**	*-0.2%*	*+2.4%*	**255**	+159	+178
		**0.67**	*-5.1%*	*-1.9%*	**-45**	+5	+8
		**0.29**	*-10.3%*	*-7.2%*	**30**	-7	-2
		**0.38**	*-2.9%*	*+4.6%*	**-2**	-2	-8
Total		**6.45**	***-1.4%***	***+1.7%***	**238**	**+155**	**+176**

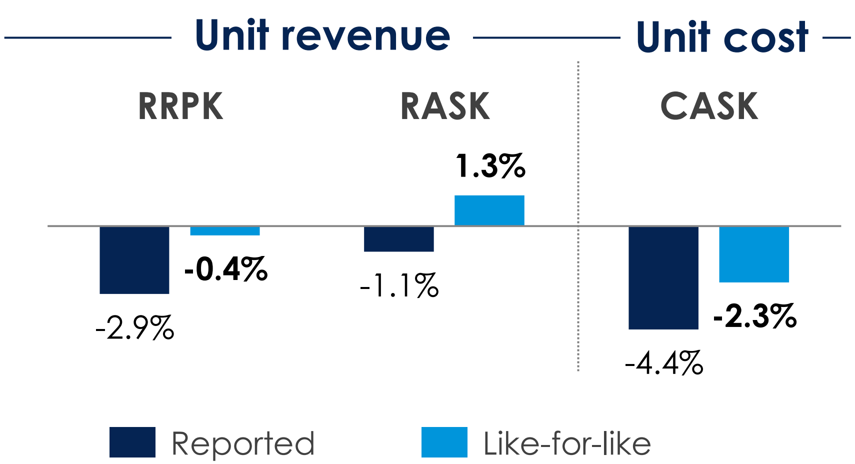
(1) Like for Like: At constant currency and scope

Passenger activity in Second Quarter

- Disciplined capacity growth
- Load factor up 1.5 points
- Unit revenue up 1.3%*
  - Long-haul up +1.6%*
    - Premium: +3.5%*
    - Economy: +2.0%*
  - Positive impact of capacity reduction on medium-haul
- Unit cost reduced by 2.3%*
- Profitability improvement in all regions except Latin America
  - Impact of Venezuela

€159m improvement in operating result





* Like for like

Passenger unit revenue by network in Second Quarter

Short and medium-haul point-to-point

ASK	RPK	RASK
-7.1%	-4.5%	10.6%

Short and medium-haul hubs

ASK	RPK	RASK
1.3%	3.2%	-0.9%

Total short and medium-haul

ASK	RPK	RASK
-0.7%	1.6%	1.7%

North America

ASK	RPK	RASK
3.6%	4.1%	3.0%

Latin America

ASK	RPK	RASK
6.9%	5.3%	-2.1%

Africa and Middle East

ASK	RPK	RASK
0.0%	3.8%	4.1%

Asia

ASK	RPK	RASK
-1.9%	-0.4%	-0.5%

Total long-haul

ASK	RPK	RASK
1.5%	3.1%	1.6%

Caribbean & Indian Ocean

ASK	RPK	RASK
0.6%	5.7%	3.1%

Total

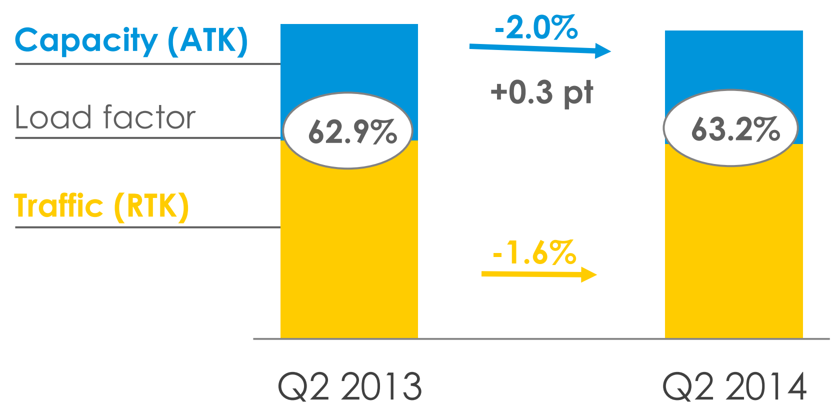
ASK	RPK	RASK
1.0%	2.8%	1.3%

Cargo activity in Second Quarter

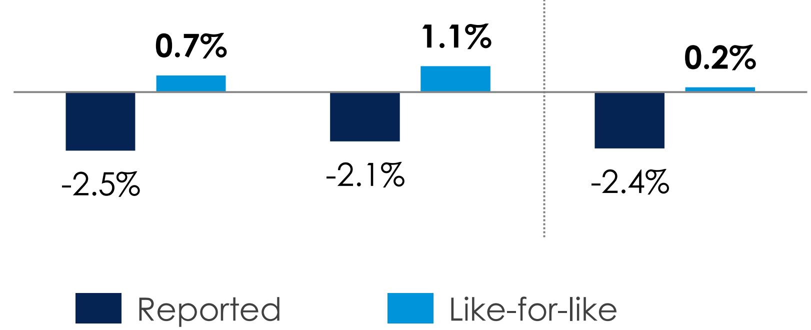
- Slower than expected recovery
  - Load factor up +0.3 point
  - Slight improvement in yield
- Full-freighter capacity further reduced: -8.6%
- Slight improvement in profitability, but remains insufficient

Further reduction of full-freighter exposure; €106m impairment charge booked in Q2

Activity



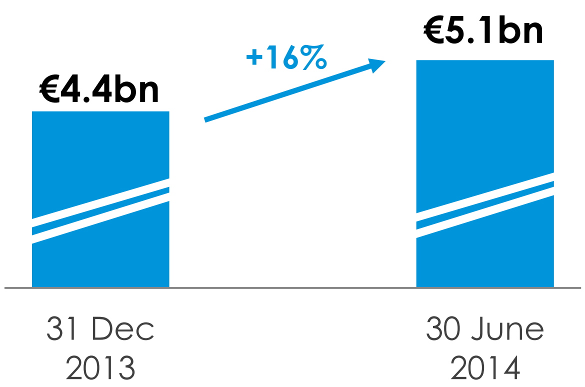
Unit revenue — Unit cost



Maintenance activity in Second Quarter

- Third party revenue: -7.2%*
  - Reflects tough comps vs Q2-13 boosted by high volume from GE engine contract
- Revenue pick-up expected in H2
- Lower operating result reflecting weaker dollar and one-off items
- Development of higher margin activities to support improvement in operating profitability

Order book



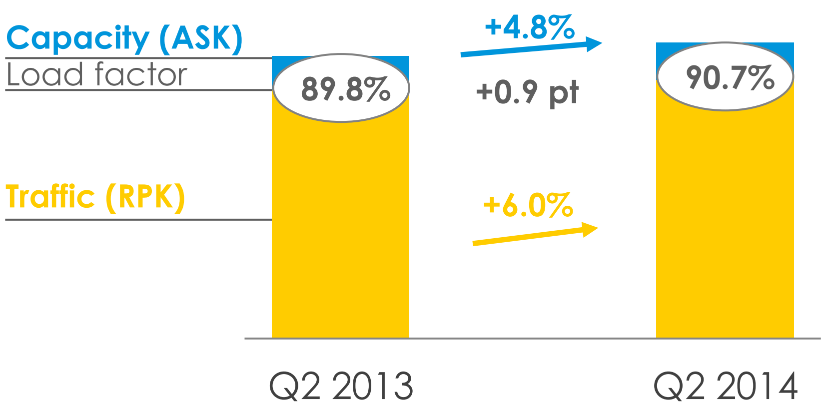
In € millions	Q2-14	Q2-13	Change
Total revenue	**810**	846	-4.0%
Third party revenue	**286**	320	-10.3%
at constant currency			*-7.2%*
Operating result	**30**	37	-7
Operating margin	***3.7%***	*4.4%*	*-0.7 pt*

* At constant currency

Other businesses in Second Quarter: Transavia

- Ramp-up of Transavia France on track
  - Capacity up 10% in Q2 with load factor above 85% on newly opened routes
  - H2 capacity targeted up 30% with good bookings for Summer
- Transavia Netherlands accelerating shift to LCC model
  - Scheduled capacity up 12% in Q2
  - Charter capacity down 6% in Q2
- Strong development of ancillary revenues on scheduled activity
- All-time-high load factor in spite of capacity growth

Transavia activity



In € millions	Q2-14	Q2-13	Change
Total revenue	**296**	282	+5.0%
RRPK (€ cts per RPK)	***5.18***	*5.32*	*-2.8%*
RASK (€ cts per ASK)	***4.70***	*4.78*	*-1.7%*
CASK (€ cts per ASK)	***4.80***	*4.84*	*-0.8%*
Operating result	**-6**	-3	-3

Second Quarter: Change in operating costs

		€m	Reported change	Change at constant currency
29%	**Total employee costs** *including temps*	1,934	-3.4%	-3.2%
25%	**Supplier costs[1]** *excluding fuel and purchasing of maintenance services and parts*	1,546	-2.0%	-0.4%
12%	**Aircraft costs[2]**	726	-6.4%	-3.2%
5%	**Purchasing of maintenance services and parts**	323	-2.7%	+2.5%
	Operating costs ex-fuel[3]	**4,578**	**-3.1%**	**-2.2%**
27%	**Fuel**	1,636	-5.6%	+0.2%
	Grand total of operating costs	**6,214**	**-3.8%**	**-1.5%**
	Capacity (EASK)			*+0.9%*

(1) Catering, handling charges, commercial and distribution, landing fees and air-route charges, other external expenses, excluding temps
(2) Chartering (capacity purchases), aircraft operating leases, amortization, depreciation and provisions
(3) Including other taxes, other revenues, other income and expenses

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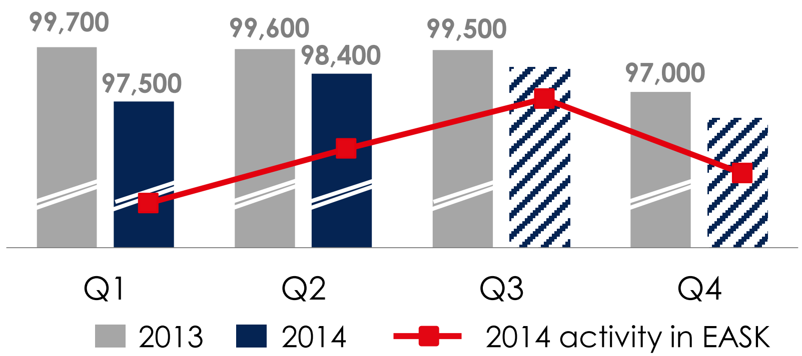
Update on employee costs

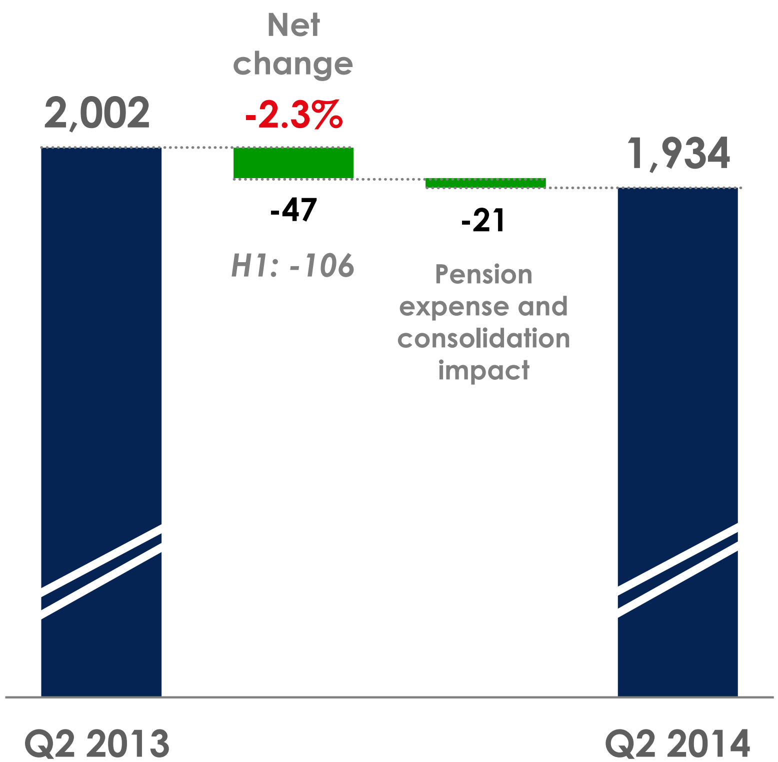
- Further headcount reduction in Q2: -1,200 FTEs



- General pay freeze at both Air France and KLM
- On track to achieve targeted labor cost reduction in 2014
  - Tougher comps in H2

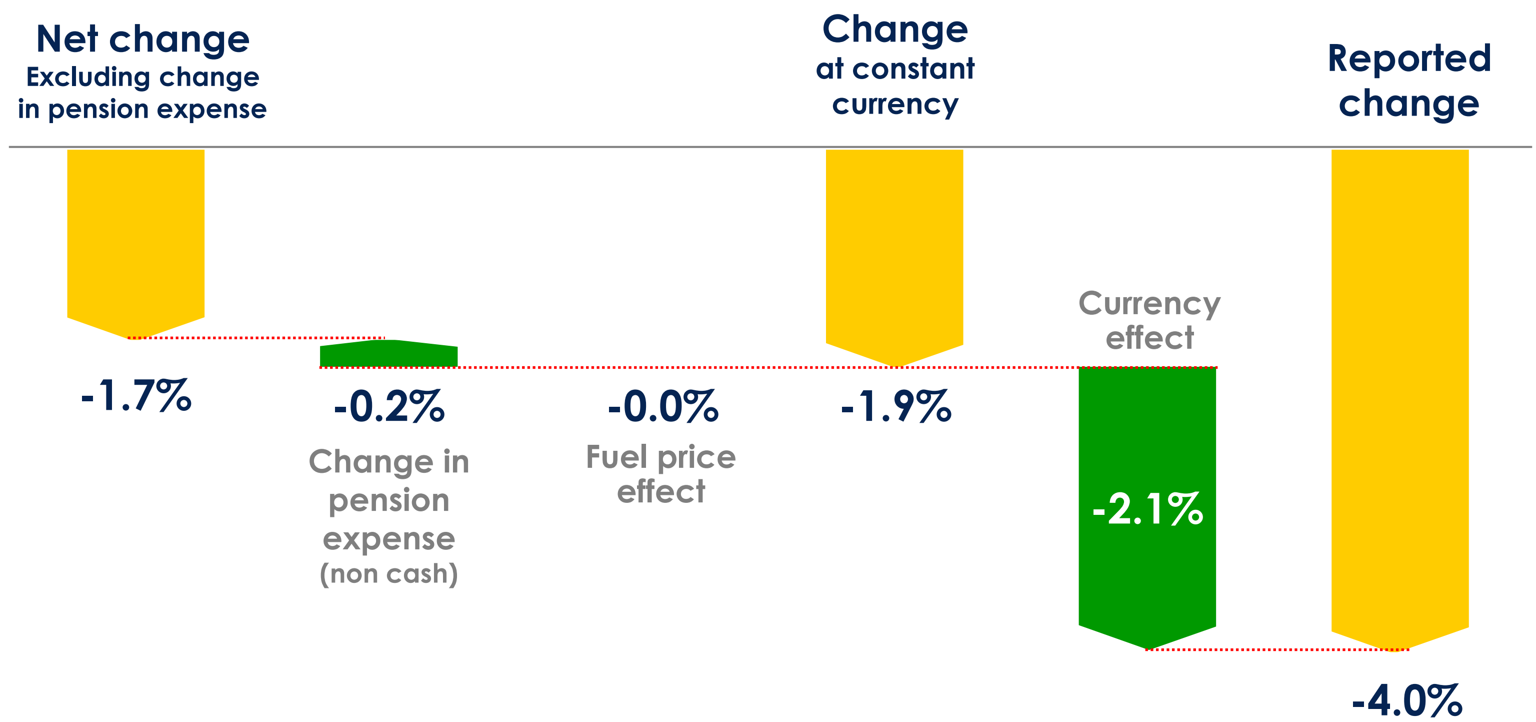
Change in total employee costs

(€m, including temporary staff)



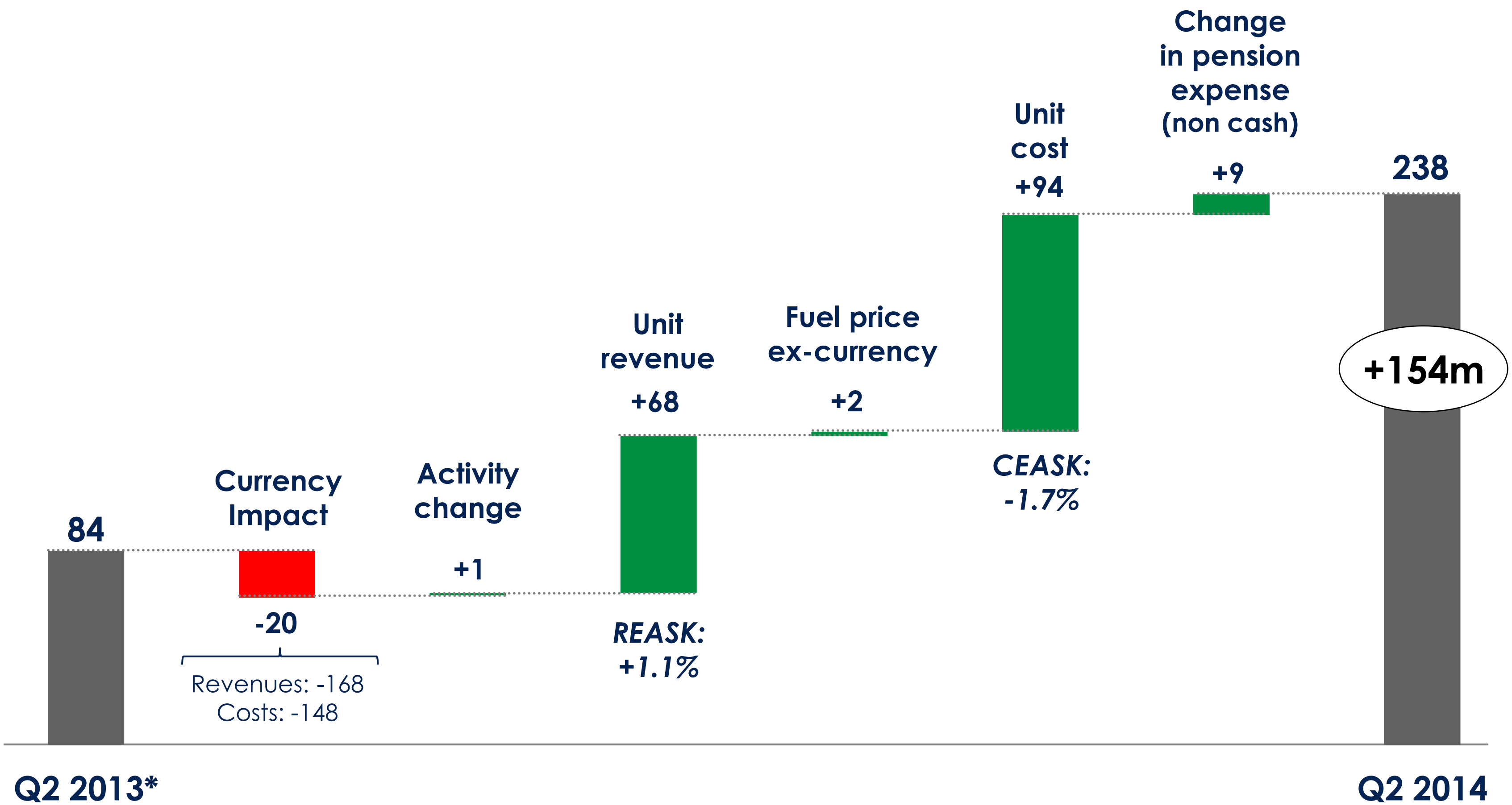
Second Quarter: Further reduction in unit costs

Net Costs: € 5,554m (-2.9%)
Capacity in EASK: 85,807m (+0.9%)
Unit cost per Equivalent Available-Seat Kilometer (EASK): €6.47 cents



Operating result up €154 million driven by improvement in both unit revenue and unit cost

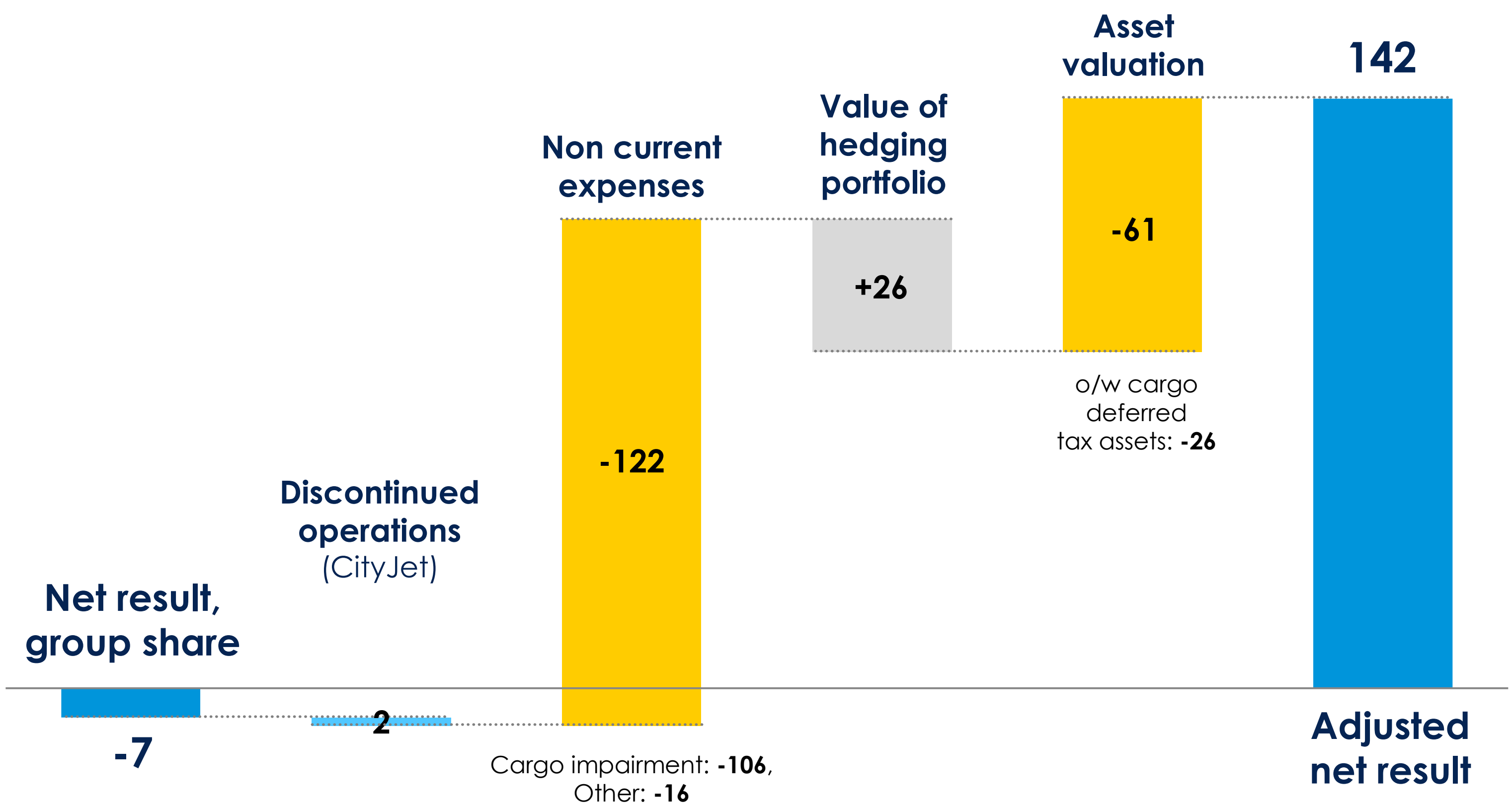
Operating result, in million euros



* Restated for IFRIC 21, CityJet reclassified as discontinued operation

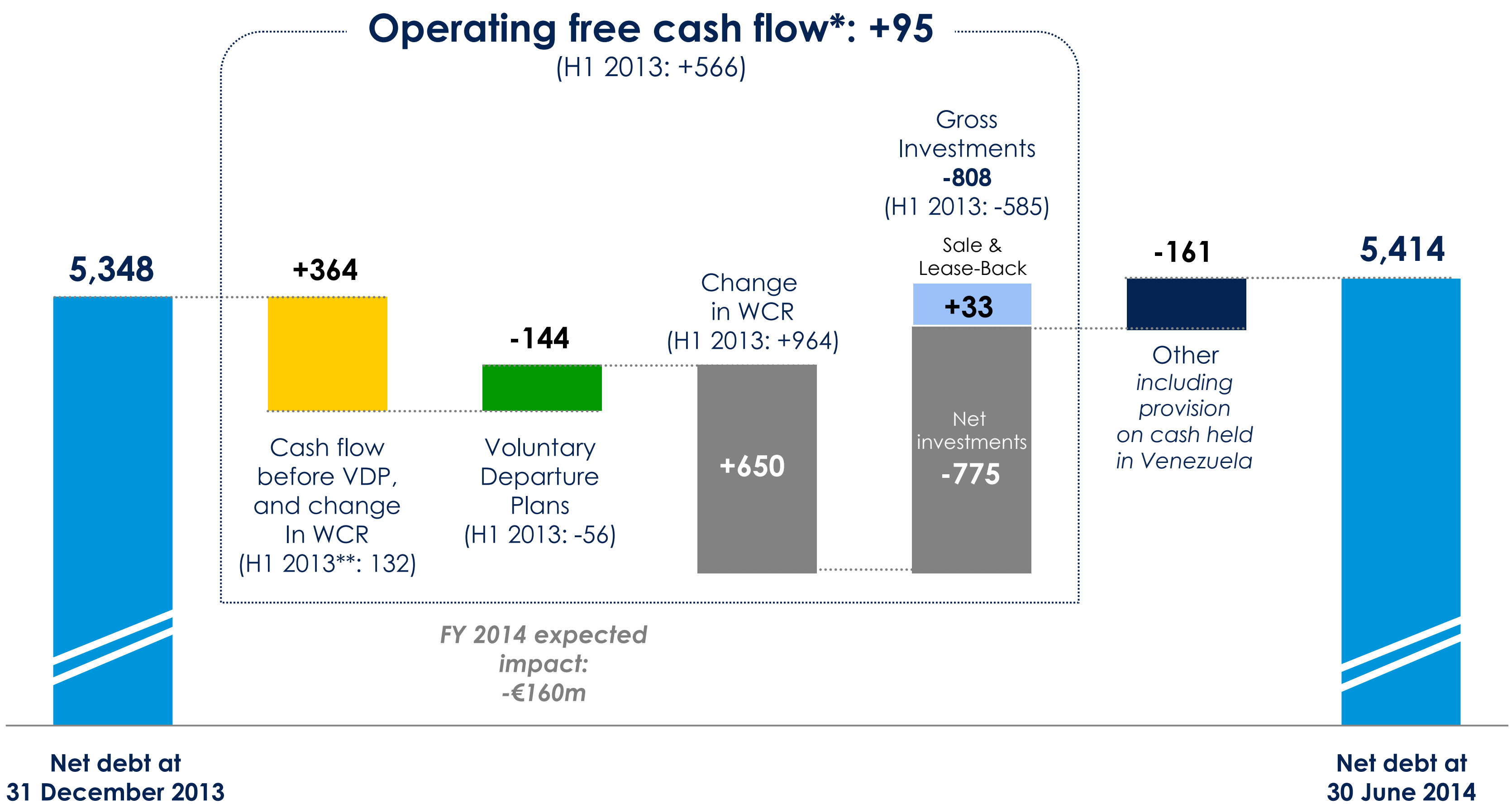
Second Quarter: Significantly positive adjusted net result

Calculation of Second Quarter adjusted net result, in million euros



Operating free cash flow in First Half

Analysis of change in net debt through First Half 2014, in million euros

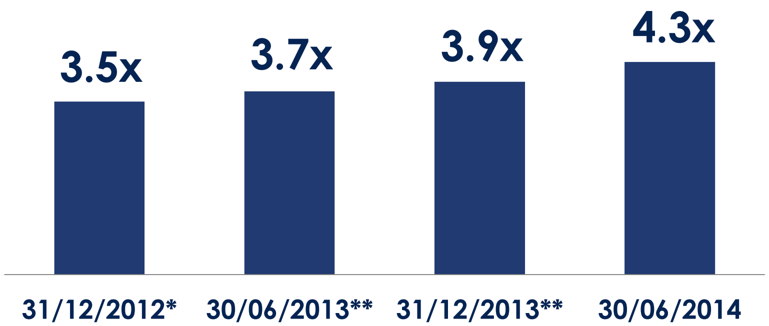


* Net cash flow from operating activities less net capex on tangibles and intangibles. All amounts excluding discontinued operations. See definition in press release

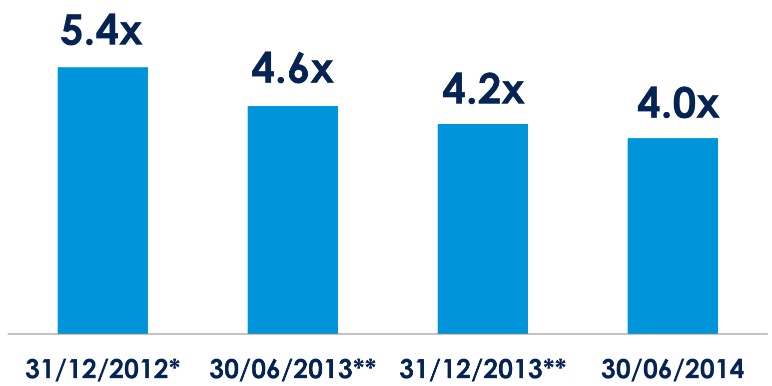
** 2013 restated for IFRIC 21, CityJet reclassified as discontinued operation

Financial ratios at 30 June 2014, sliding 12 months

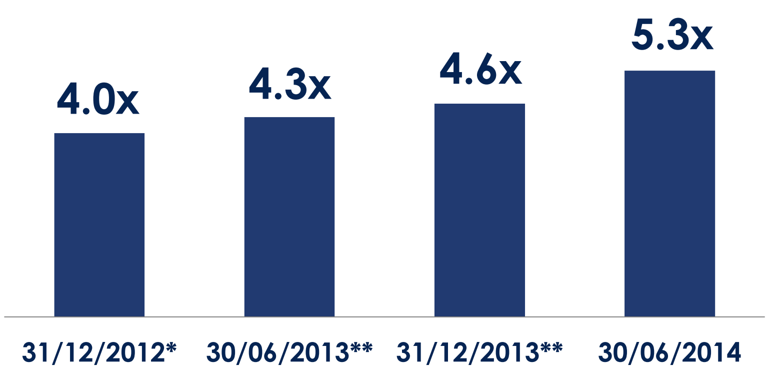
EBITDAR / adjusted net interest costs[1]



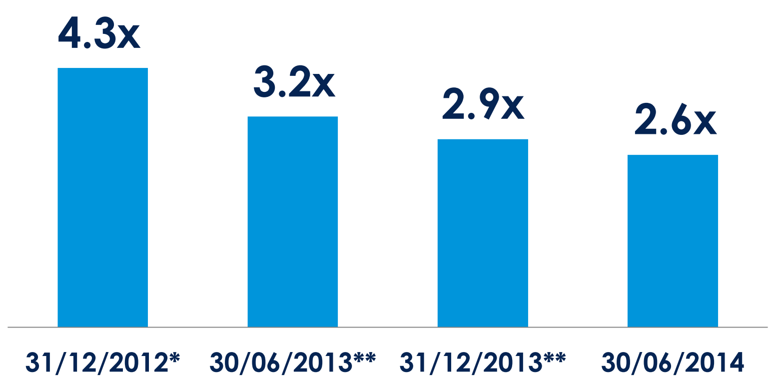
Adjusted net debt[2] / EBITDAR



EBITDA / net interest costs



Net debt / EBITDA



* Restated for IAS19
** 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)

Good level of liquidity and active debt management

- Cash of €3.9 billion at 30 June 2014

- Undrawn credit lines of €1.80 billion
  - Air France: €1.06 billion until 2016
  - KLM: €540 million until 2016
  - Air France-KLM: €150 million until 2017

- Active debt refinancing program
  - Repayment of €700 million bond in January
  - Successful €600 million bond issue in June
  - Bonds representing €94 million euros repurchased in framework of tender offer

- Amadeus shares worth more than €900 million

Outlook for Full Year 2014

- Positive effects of Transform 2015
  - Initial measures fully delivering
  - Additional measures will deliver as of H2 2014
- Operating environment remains tough
  - Persistently weak cargo demand
  - Challenging situation in Venezuela
  - Impact of industry overcapacity on certain long-haul routes
- EBITDA expected between €2.2bn and €2.3bn
- Net debt reduction on track towards 2015 objective of €4.5bn

Strategy

AIRFRANCE KLM 10 YEARS

Agenda

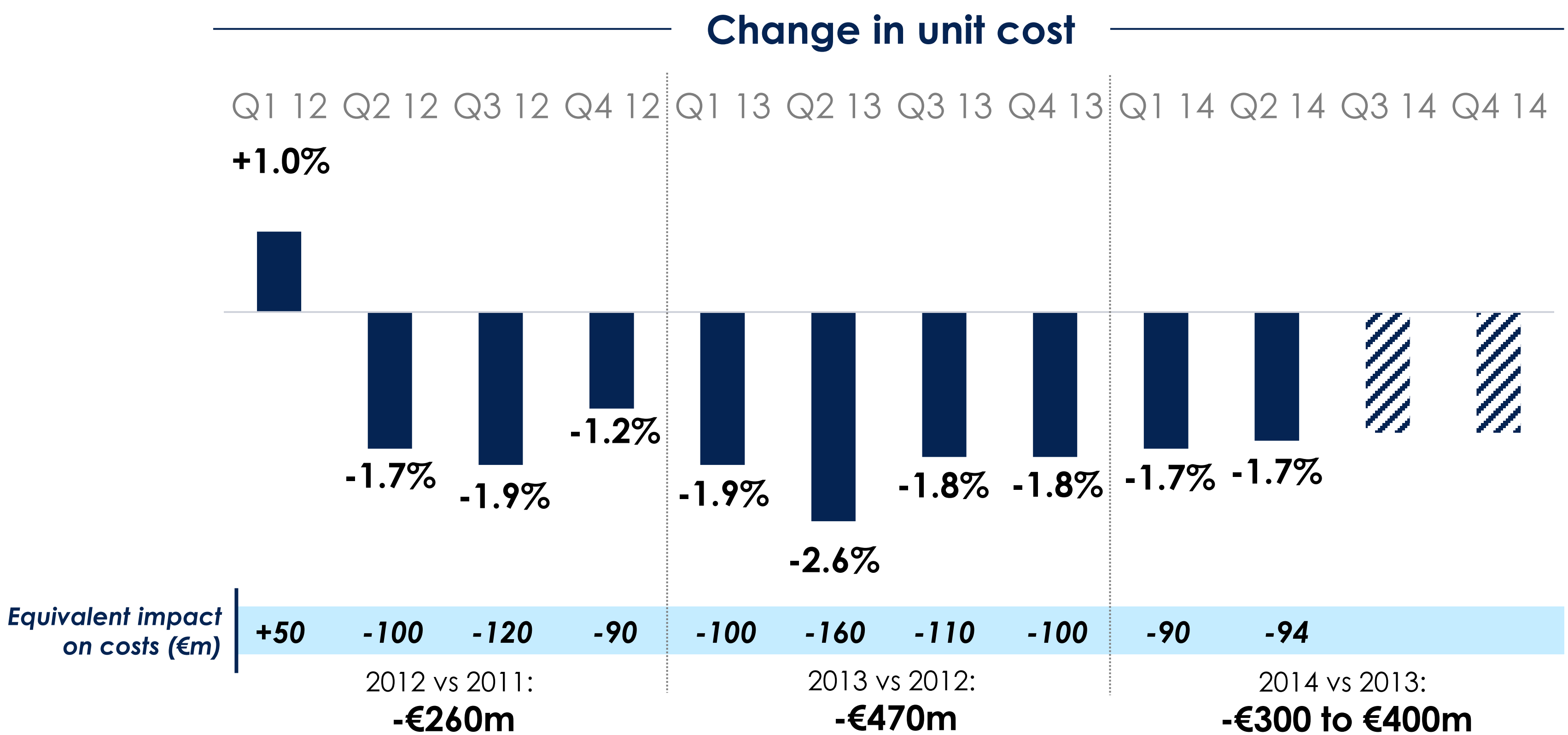
- **Update on Transform 2015**
- Key considerations for next strategic plan

Where we are today

- ☑ Transform 2015 has fully delivered on structural cost reduction leading to a significant improvement in the financial situation
- ☑ Short and medium-haul restructuring back on track thanks to additional measures announced in October 2013
- ☑ Development of Transavia France accelerated as a key component of short and medium-haul strategy
- ☑ Successful roll-out of new long-haul products underpinning upscaling strategy
- ☒ Cargo measures on track but absence of market recovery

Transform 2015 has delivered on unit cost reduction…

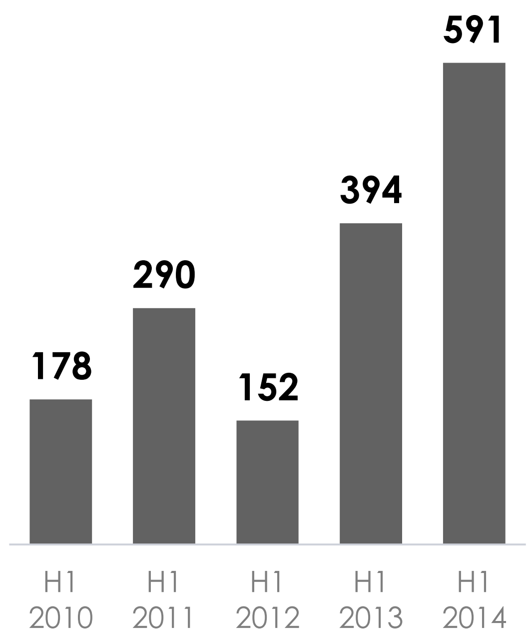
Net unit cost per EASK in € cents, at constant currency, fuel price and pension expense



Costs reduced by over €1 billion in 3 years

…leading to a strong improvement in financial situation

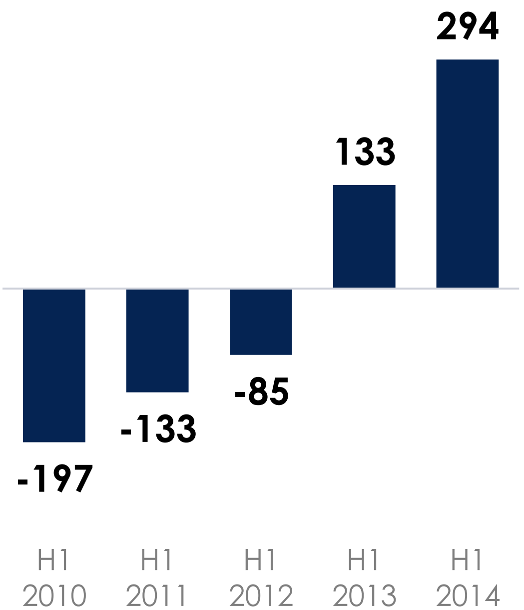
Reported Half-Year EBITDA



H1 2014 vs H1 2010:
+€410m

Half-Year Operating cash flow

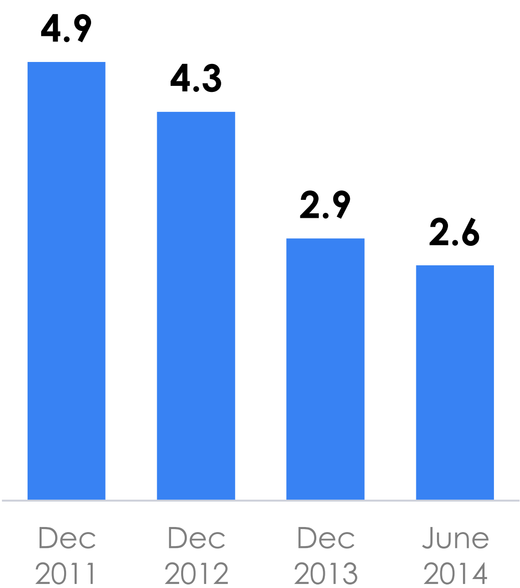
before change in WCR
and Voluntary Departure Plans



H1 2014 vs H1 2010:
+€490m

Net debt/EBITDA ratio

sliding 12 months

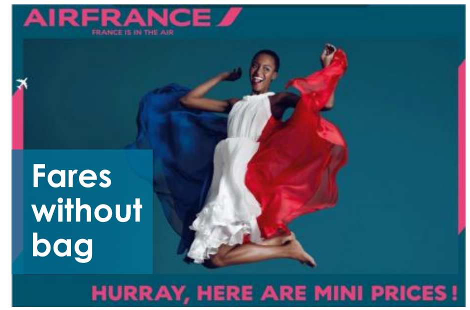


June 2014 vs Dec 2011:
almost halved

Short and medium-haul restructuring on track

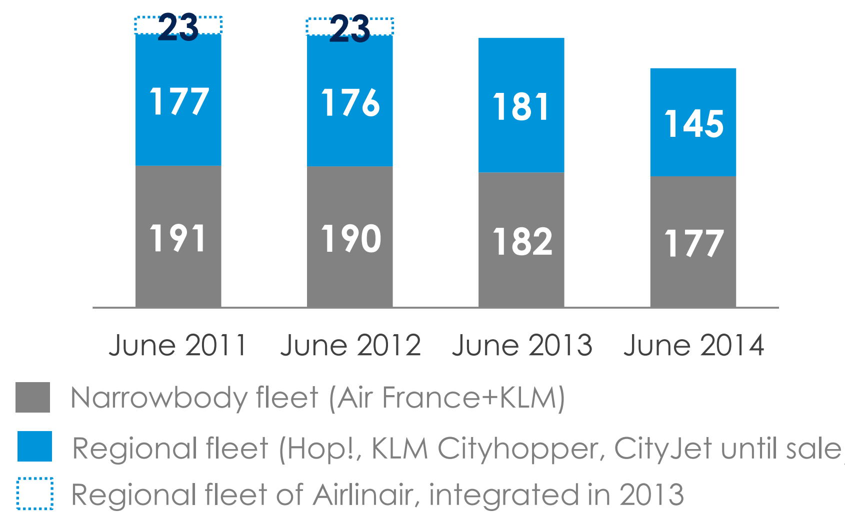
- New measures announced in October 2013 all deployed
  - Paris-CDG hub: additional fleet reduction and productivity improvements
  - Amsterdam hub: further actions to increase asset utilization
  - Point-to-point: capacity cuts, new offers for business travelers
  - Success of Voluntary Departure Plan

Ongoing operating result improvement



Short and medium-haul fleet evolution

(number of aircraft)

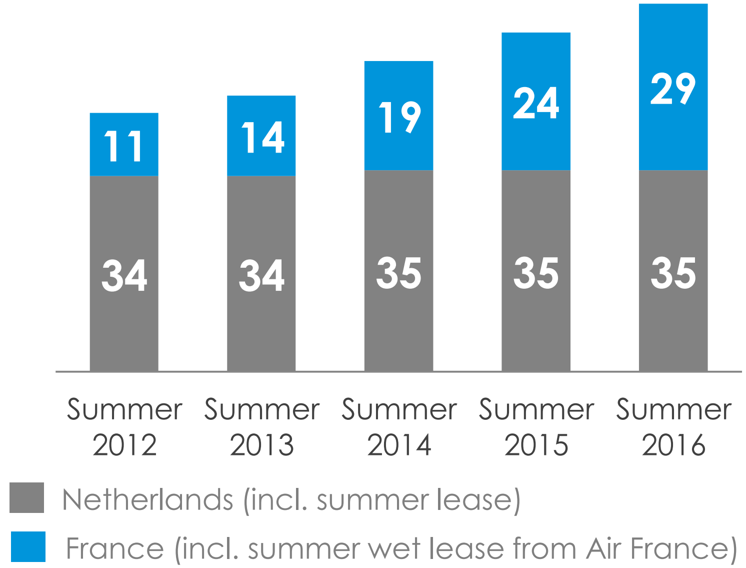


Accelerated development and repositioning of Transavia

- Transavia France opening
  19 new routes during Summer 2014
- Investing in future brand positioning on home markets
  - Brand awareness in Paris up 11 points
  - Transavia Netherlands accelerating shift to LCC model
  - Development of new distribution channels
- Leveraging group assets
  - Access to Orly slots
  - Link with Flying Blue
  - Air France-KLM sales and distribution
  - Tools to handle disruptions

Transavia fleet plan

(number of aircraft)



Long-haul product upgrade well underway

New World Business Class already deployed on 22 KLM aircraft

- B777 fleet to follow as of next September

First Air France 777 equipped with new cabins launched in June 2014

- Strongly positive qualitative feedback

New Air France *La Première* suite launch in September 2014

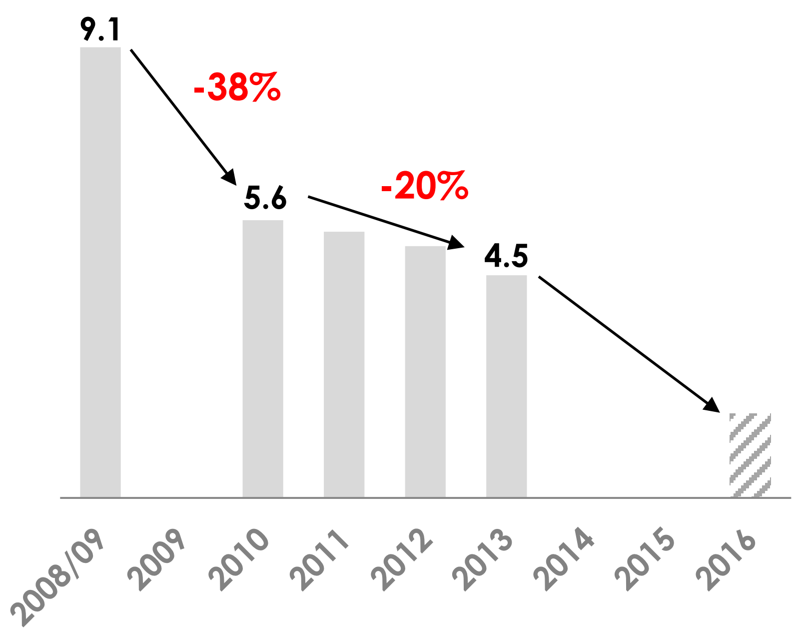
- On top of "Best first-class lounge in the world" Skytrax award

Cargo: reduced exposure to full-freighter activity

- New measures announced in October 2013 on track
  - H1 full-freighter capacity down 7.2%, planning similar reduction in H2
  - Orly warehouse subcontracted as of 15 July
  - 210 departures in framework of Voluntary Departure Plan
- Investigating further scenarios
  - Partnership/Joint Venture/Partial sale
  - More radical downsizing of full-freighter fleet
  - Protect belly and remaining full-freighter businesses

Minimal exposure to full-freighter activity by 2016

Net full-freighter cargo capacity
(billion ATKs)



Agenda

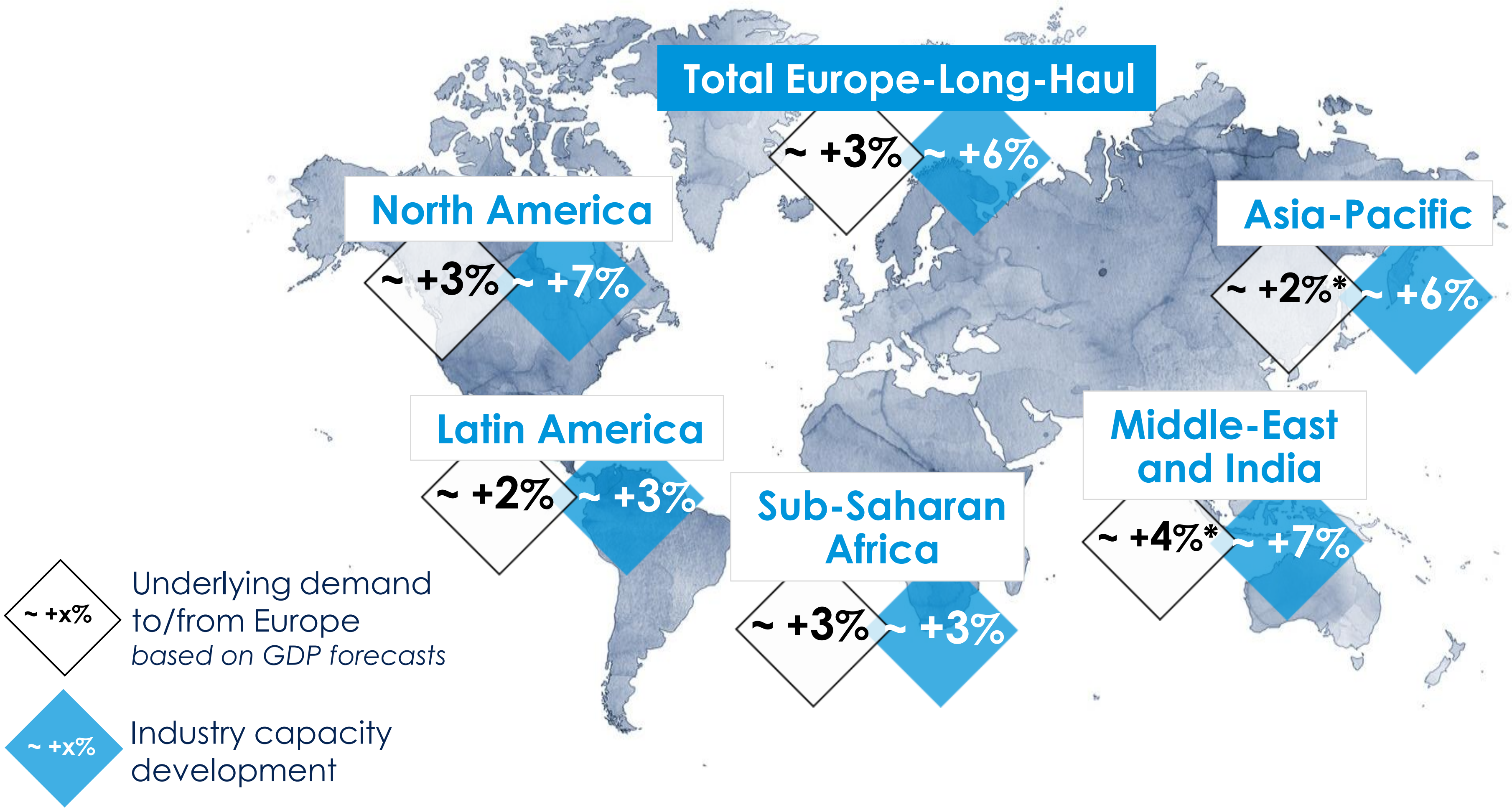
- Update on Transform 2015
- **Key considerations for next strategic plan**

Key considerations for next strategic plan

- Growth opportunities, but tough competition
- Enhanced competitiveness and business de-risking as conditions for growth
- Reinforcing long-haul development levers
  - Adapted product offer and more effective marketing
  - Strengthening of hubs
  - Partnerships with focus on Asia
- Further segmentation of medium-haul including accelerated development in low cost segment
- Cargo: reducing exposure to full-freighter activity, protecting the belly business
- Portfolio development: low cost, maintenance and catering

Growth opportunities, but tough competition

Example: H2 2014 long-haul passenger industry supply and demand



* Demand adjusted for diversion through Gulf

Two prerequisites: competitiveness and further de-risking of group profile

- Competitors continue to improve their cost positions

- Further improvement in our competitiveness is essential
  - Addressing all uncompetitive activities and underperforming assets
  - Further unit cost reduction

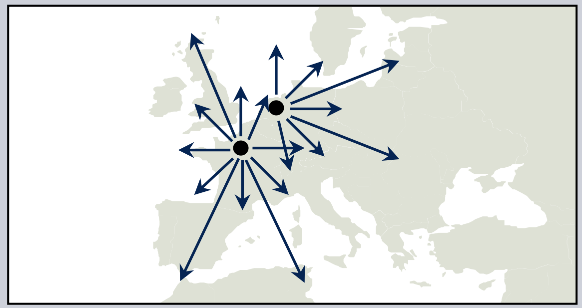
- Further de-risking of group profile
  - More balanced business mix
  - Improved credit ratios

Reinforcing long-haul development levers

Upgraded product offer

- Further investments in product and services
- Stepping up marketing initiatives
- Evolution of sales and distribution

Strengthening of hubs



- Ongoing improvement of feeding network
- Stronger relationship with hub airports

Long-haul partnerships

- Building joint-ventures and strategic partnerships on all key markets
- Ongoing focus on Asia

Effective segmentation of short and medium-haul point-to-point

transavia.com

Leisure/price driven segment
- Basic offer
- Low prices, comparable to competitors

Transavia development
- Offensive strategy to seize development opportunity in home markets
- Pan-European ambition
- Essential to maintain low cost structure

AIRFRANCE HOP!

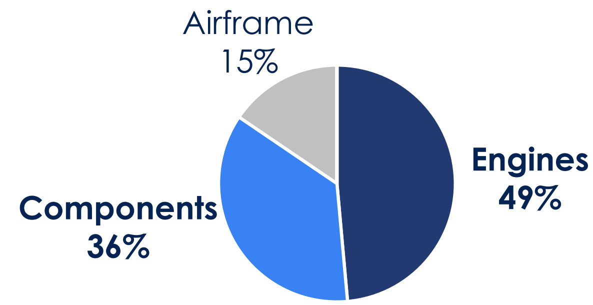
Business/network driven segment
- High network quality: destinations, schedule, frequency…
- Simple offer with innovative features
- Attractive prices, especially to catch non-business traffic

Further adaptation
- Capacity reduction
- Cost reduction, addressing activities where costs remain significantly above competitors
- Single business unit regrouping Air France point-to-point and Hop

Portfolio development: maintenance and catering

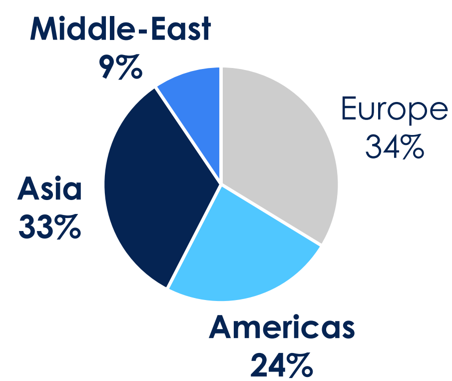
- Clear growth opportunities
  - Long-term global maintenance market growth: 4% per year
  - Air France-KLM positioned on higher growth segments: very large engines, repairs, components
- Robust Air France-KLM positions
  - Investments in new facilities and international network of shops
  - Leveraging link with large airline group
  - Strong increase in order book
  - Consistently profitable
- Development opportunities in catering

Maintenance external revenue breakdown



Maintenance order book by region

(€5.1 bn at 30 June 2014)



Air France-KLM in 2020

PERFORM 2020

- Long-haul operations at the center of a global network of world class partners
- A strong brand portfolio addressing all customer segments
- An efficient short and medium-haul business including a strengthened low-cost operation
- A more balanced portfolio of service activities around the air transport industry: cargo, maintenance and catering
- A de-risked business and a deleveraged balance sheet, delivering healthy ROCE
- Delivering growth and remuneration to shareholders

Save the date

PERFORM 2020
Investor day

on

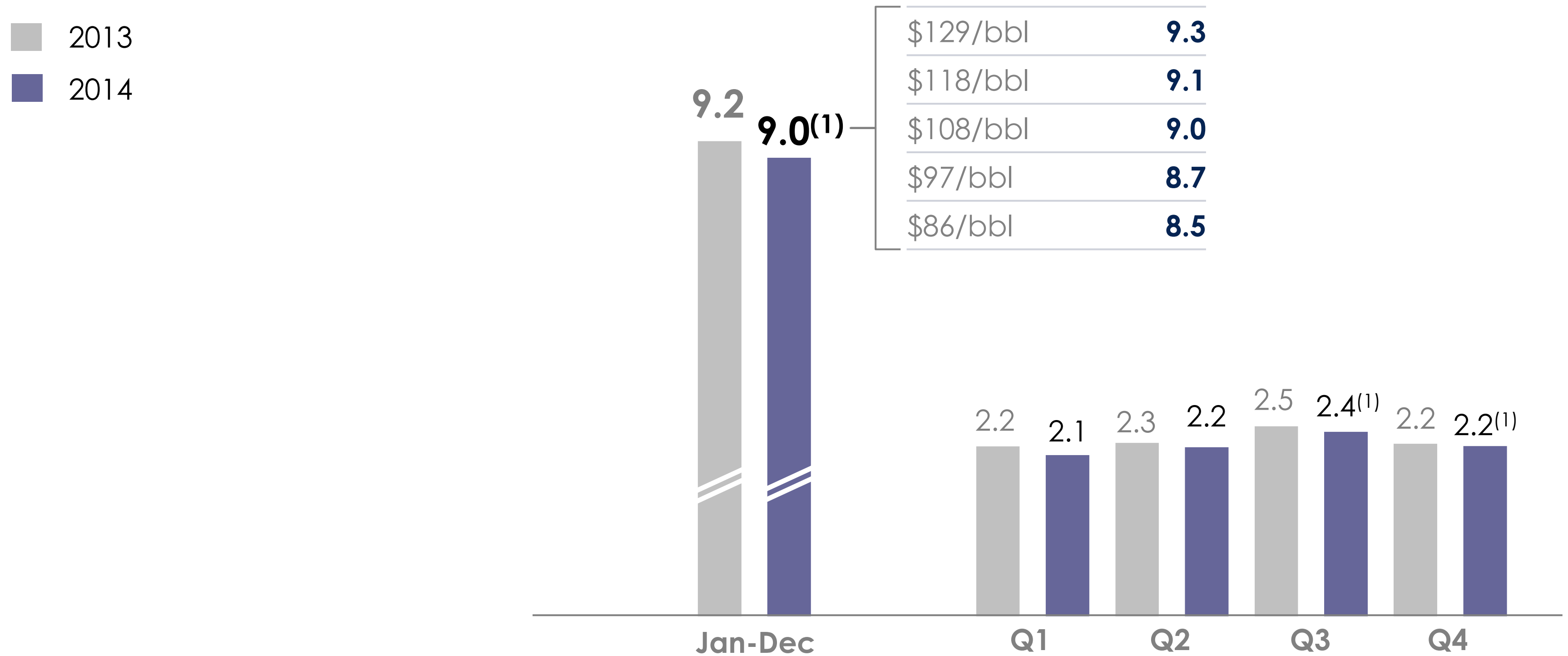
11 September 2014

Paris
Morning: presentations
Afternoon: visit Grand Palais exhibition
"Air France, France is in the air"
on new Air France products and services

Appendix

Update on fuel bill

Fuel bill after hedging, in billion dollars



		Jan-Dec	Q1	Q2	Q3	Q4
Market price	Brent ($ per bbl)[1]	108	108	110	108	107
	Jet fuel ($ per metric ton)[1]	965	975	969	957	958
% of consumption already hedged		65%	66%	68%	63%	64%

(1) Forward curves as of 18 July 2014
Sensitivity computation based on July-December 2014 fuel price

Other businesses in Second Quarter: Catering

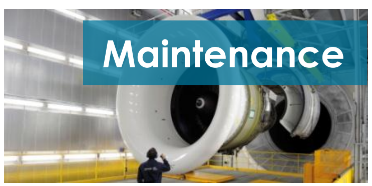
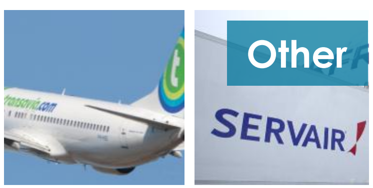
- Increase in third party revenues excluding impact of disposal of Air Chef
  - Development in Africa and French Caribbean
  - Impact of recent contract wins

- Improvement in profitability while continuing to reduce cost for internal customers
- Launch of operations in Brazil serving GOL from Rio and Sao

Catering	Q2-14	Q2-13	Change
Total revenue	**222**	247	-9.0%
Third party revenue	**77**	103	-25.2%
*At constant scope**			+6.9%
Operating result	**5**	2	+3

* Q2 2013 restated for sale of Air Chef

First Half: Contribution by business segment

	Share	Revenue (€ bn)	Reported Change (%)	Change Like for like[1] (%)	Op. result (€m)	Change (€m)	Change Like for like[1] (€m)
 Passenger	79%	**9.48**	-1.0%	+1.4%	**-123**	+228	+268
 Cargo	11%	**1.34**	-4.3%	-1.6%	**-79**	+21	+25
 Maintenance	5%	**0.58**	-7.2%	-3.4%	**52**	-5	+4
 Other	5%	**0.61**	-2.9%	+5.2%	**-57**	-3	-7
Total		**12.01**	**-1.8%**	**+1.0%**	**-207**	**+241**	**+290**

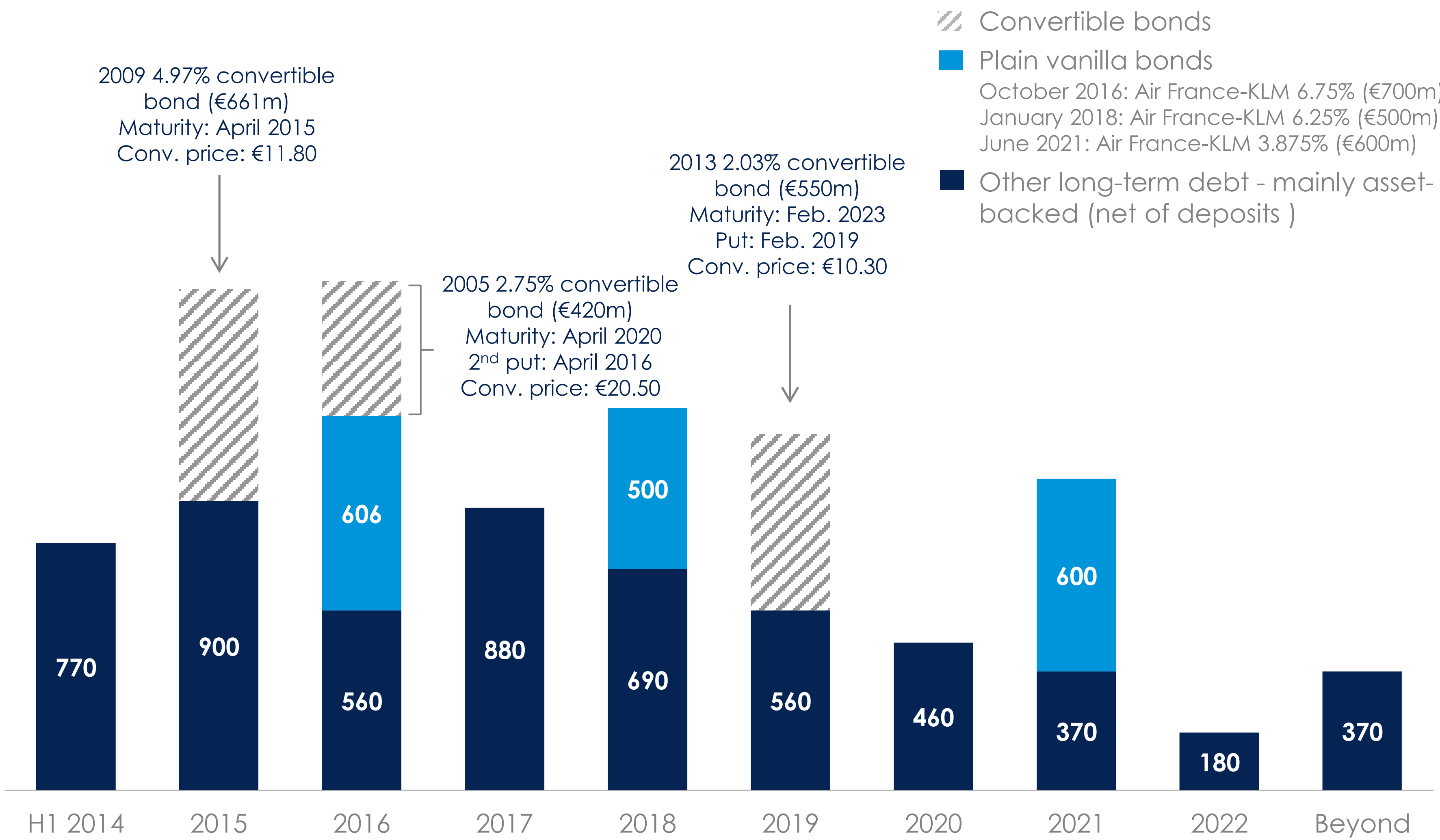
(1) Like-for-Like: At constant currency and scope

First Half: Change in operating costs

		€m	Reported change	Change at constant currency
29%	**Total employee costs** *including temps*	**3,780**	-3.6%	-3.4%
25%	**Supplier costs(1)** *excluding fuel and purchasing of maintenance services and parts*	**3,054**	-0.8%	+0.6%
12%	**Aircraft costs(2)**	**1,436**	-6.6%	-4.3%
5%	**Purchasing of maintenance services and parts**	**643**	+1.1%	+5.3%
	Operating costs ex-fuel(3)	**9,024**	**-2.7%**	**-1.8%**
27%	**Fuel**	**3,189**	-5.9%	-1.5%
	Grand total of operating costs	**12,213**	**-3.6%**	**-1.7%**
	Capacity (EASK)			*+1.0%*

(1) Catering, handling charges, commercial and distribution, landing fees and air-route charges, other external expenses, excluding temps
(2) Chartering (capacity purchases), aircraft operating leases, amortization, depreciation and provisions
(3) Including other taxes, other revenues, other income and expenses

Debt reimbursement profile at 30 June 2014*



* In € millions, net of deposits on financial leases and excluding KLM perpetual debt (€570m)