

# FULL YEAR 2015 RESULTS

18 February 2016

# Results



# Highlights of the Full Year 2015

## Environment

- Steep decrease in fuel price
- Ongoing pressure on unit revenues
- Weak economic environment in several key markets including Japan, Brazil and oil routes
- Challenging geopolitical climate including North Africa and Paris attacks in both January and November
- High level of economic and geopolitical uncertainties

## Operations

- Passenger network: strict capacity discipline; 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
- Maintenance: strong increase in external revenues
- Transavia: number of passengers over 10 millions

## Financial highlights

- Significant improvement in all financial KPI's
- Positive net result, both reported and adjusted
- Unit cost reduction gaining momentum over the year. Fourth consecutive year of unit cost decrease
- Positive operating free cash flow and financial operations leading to strong reduction in net debt

# Key data

In €m	Q4 2015	Q4 2014	Change		FY 2015	FY 2014	Change	
Revenues	<b>6,346</b>	6,212	+2.2%	↗	<b>26,059</b>	24,912	+4.6%	↗
<i>Change like-for-like<sup>(1)</sup></i>			-3.4%	↘			-3.2%	↘
EBITDAR <sup>(2)</sup>	<b>816</b>	543	+273m	↗	<b>3,474</b>	2,462	+1,012m	↗
<i>Change like-for-like<sup>(1)</sup></i>			+197m	↗			+585m	↗
EBITDA <sup>(2)</sup>	<b>551</b>	316	+235m	↗	<b>2,447</b>	1,589	+858m	↗
<i>Change like-for-like<sup>(1)</sup></i>			+188m	↗			+576m	↗
Operating result	<b>150</b>	-169	+319m	↗	<b>816</b>	-129	+945m	↗
<i>Change like-for-like<sup>(1)</sup></i>			+284m	↗			+698m	↗
Net result, group share	<b>276</b>	308	-32m	↘	<b>118</b>	-225	+343m	↗
Adjusted net result <sup>(2)</sup>	<b>23</b>	-307	+330m	↗	<b>220</b>	-540	+760m	↗
Operating free cash flow <sup>(2)</sup>	<b>73</b>	-101	+174m	↗	<b>606</b>	-164	+770m	↗
ROCE <sup>(2, 3)</sup>					<b>8.6%</b>	5.2%	+3.4pt	↗
Net debt at end of period					<b>4,307</b>	5,407	-1,100	↘
Adjusted net debt / EBITDAR <sup>(2, 3)</sup>					<b>3.3x</b>	4.0x	-0.7	↘

(1) Like-for-like: excluding currency and September 2014 strike impact. Same definition applies in rest of presentation unless otherwise stated

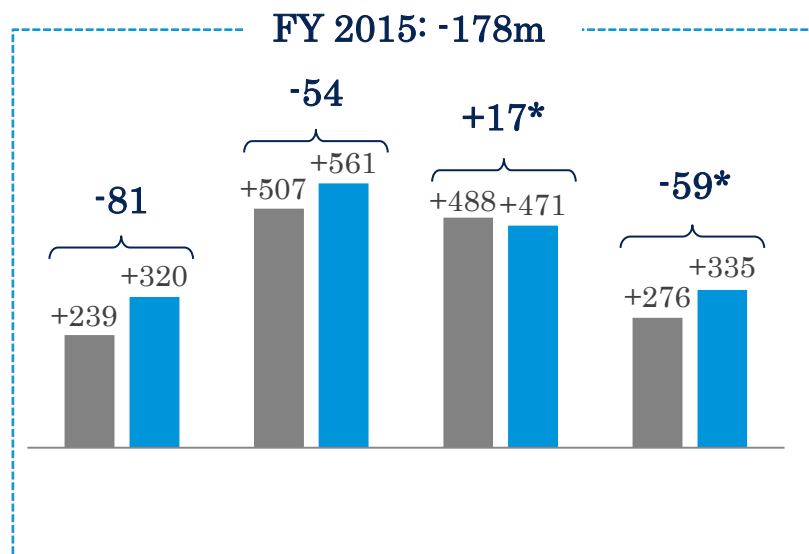
(2) See definition in press release

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

# Full year: negative currency impact on the operating result

## Currency impact on revenues and costs

In €m



Q1 2015

Q2 2015

Q3 2015

Q4 2015

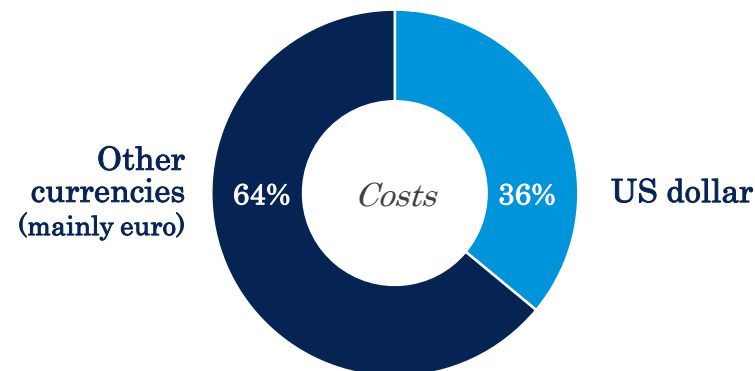
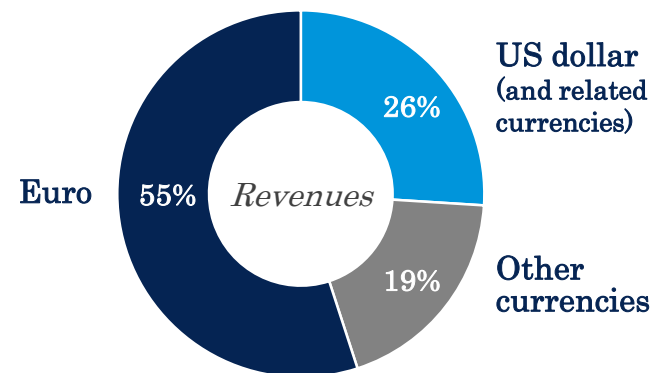
■ Currency impact on revenues

■ Currency impact on costs, including hedging

-XX Currency impact on operating result

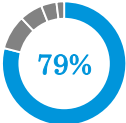

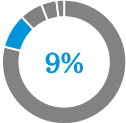

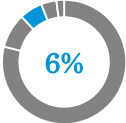

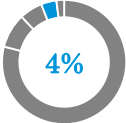

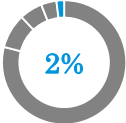
## Revenues and costs per currency

FY 2015



\* Currency impact calculated on a strike adjusted base

# Contribution by business segment to Full Year 2015 results

		Revenue (€bn)	Reported change (%)	Change Like-for-like (%)		Op. Result (€m)	Reported change (€m)	Change Like-for-like (€m)	
 Passenger network <sup>(1)</sup>		20.54	+5.0%	-2.6%	↘	842	+925	+687	↗
 Cargo		2.43	-9.5%	-17.4%	↘	-245	-33	-14	↘
 Maintenance		1.58	+26.1%	+7.3%	↗	214	+40	-20	↘
 Transavia		1.10	+4.1%	+3.9%	↗	-35	+1	+34	↗
 Other		0.42	+17.8%	+17.4%	↗	40	+12	+11	↗
<b>Total</b>		<b>26.06</b>	<b>+4.6%</b>	<b>-3.2%</b>	↘	<b>816</b>	<b>+945</b>	<b>+698</b>	↗

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

# Passenger network activity

## Strict capacity discipline

- ▶ Capacity up +0.7% excluding strike
- ▶ Network adjustments benefitted unit revenues

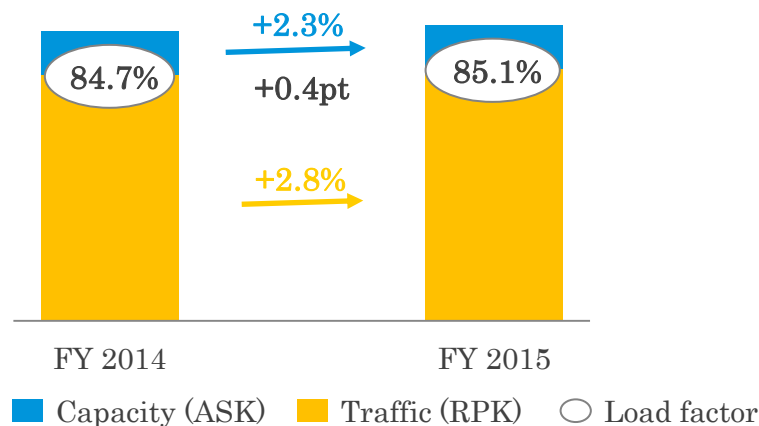
## Increased pressure on unit revenue excluding currency

- ▶ Unit revenue down 3.3% at constant currency:
  - ✦ Long-haul down 4.4%
    - ✦ Premium: -1.8%
    - ✦ Economy: -4.4%
  - ✦ Stable Medium-haul unit revenues
- ▶ 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
- ▶ Impact November Paris terrorist attacks estimated at €120m

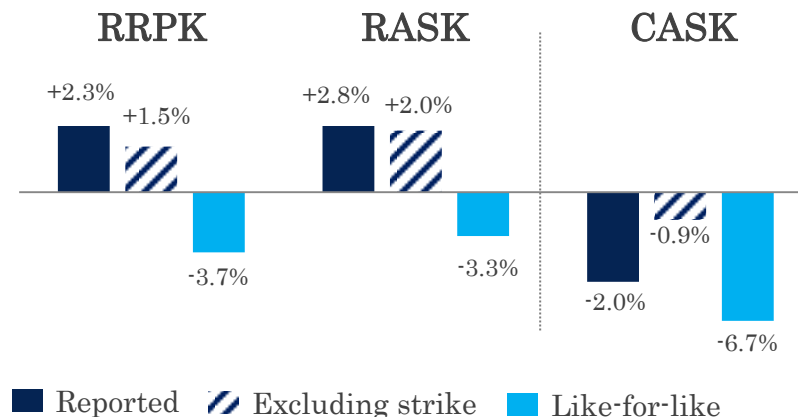
## Strong improvement in operating result

- ▶ Up €687m like-for-like

### Activity

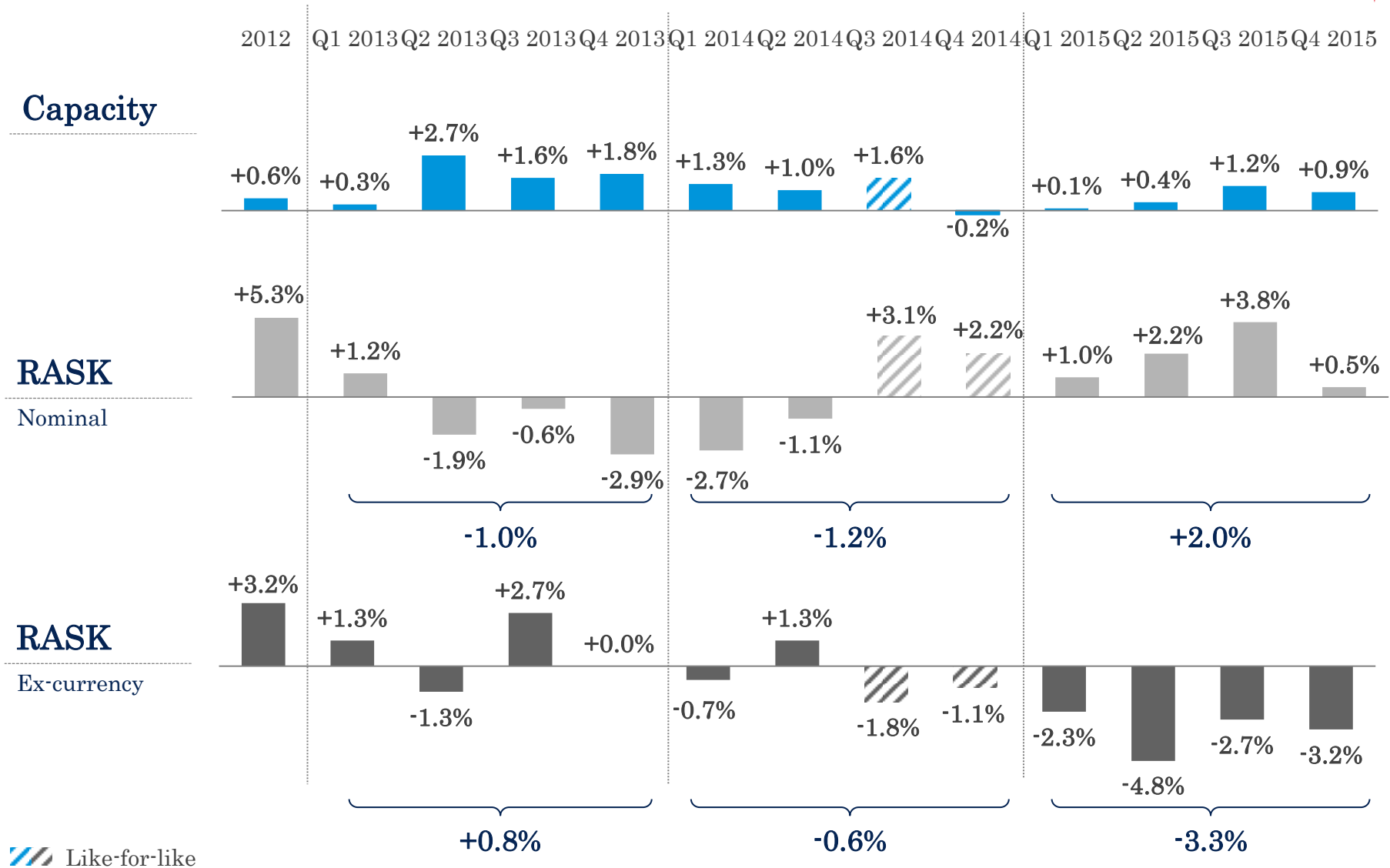


### Unit Revenue



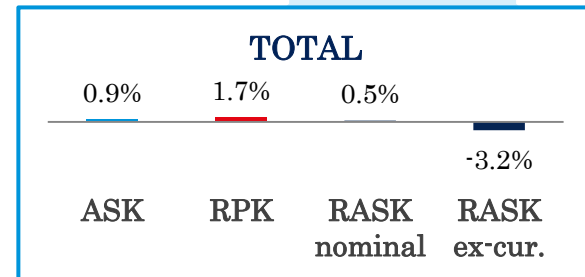
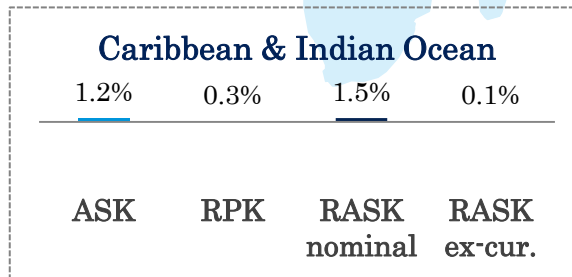
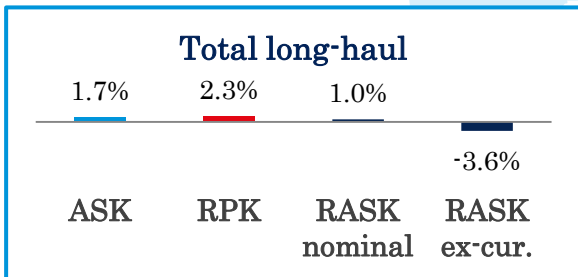
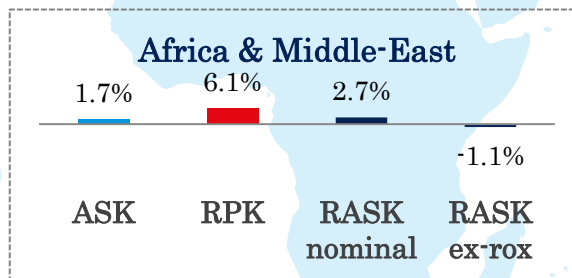
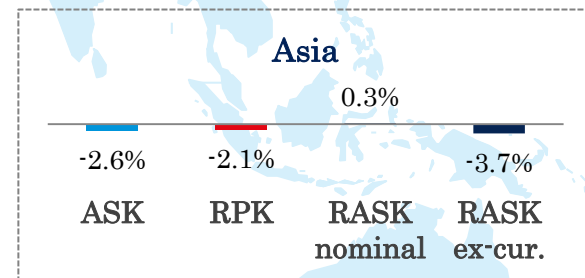
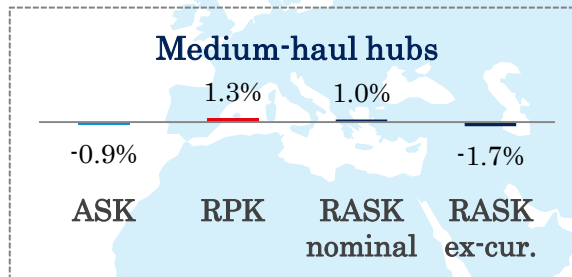
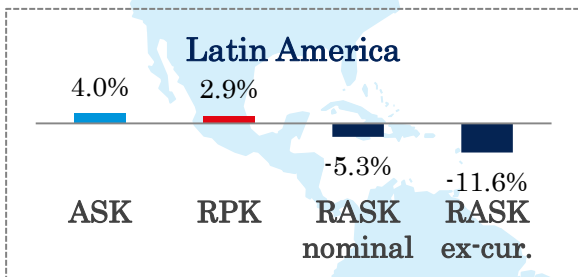
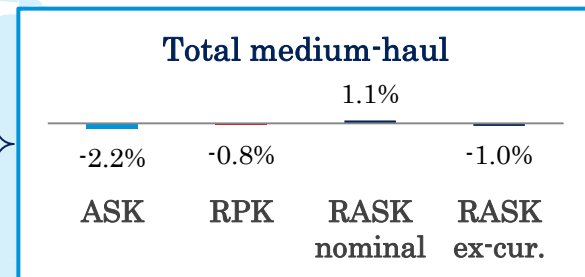
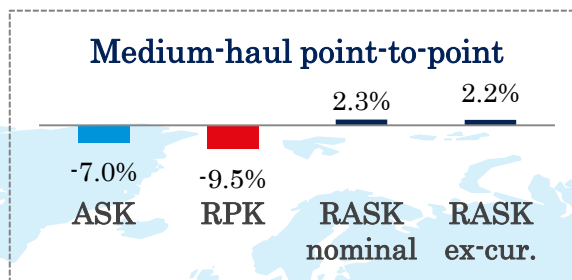
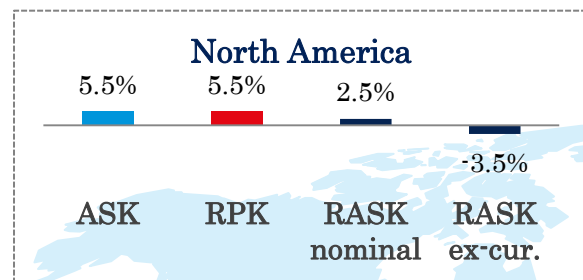
### Unit Cost

# Passenger network capacity and unit revenue by quarter





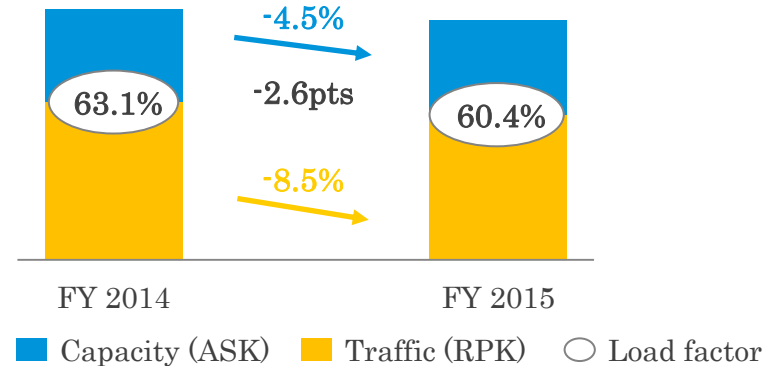
# Fourth Quarter Passenger network unit revenue by network



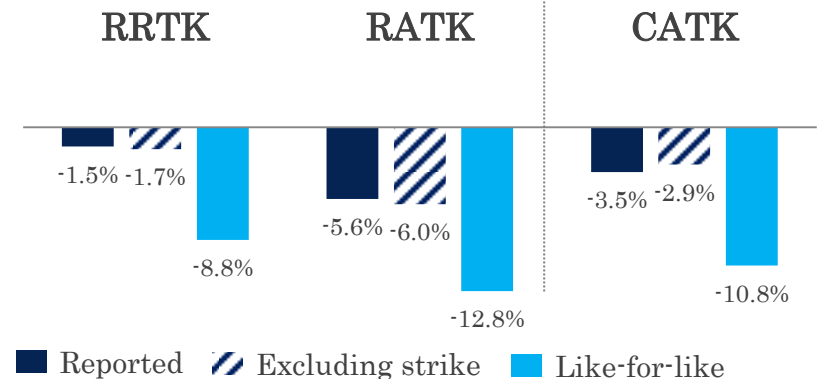
# Cargo activity

- Full-freighter capacity reduced by 23.3%
- Persistently weak demand
  - ▶ RATK down 12.8% at constant currency
  - ▶ Pricing environment dictated by non-hedged players
- Ongoing restructuring and reduction of full-freighter fleet
  - ▶ FTE's down 8.8% vs. last year
  - ▶ 5 full-freighters retired: down to 9 in operation end of year
- Operating result down €14m like-for-like
  - ▶ Operating result negatively impacted by fuel hedge (loss of €215m)
  - ▶ Full freighters operating result improved by €55m on reported basis

## Activity



## Unit Revenue



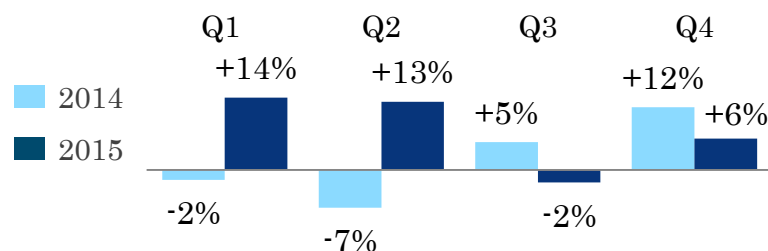
## Unit Cost

# Maintenance activity

- Third party revenue up more than 26%
  - Revenues up 7.3% like-for-like
  - Strong dollar supporting revenue

- Maintenance revenues remain volatile

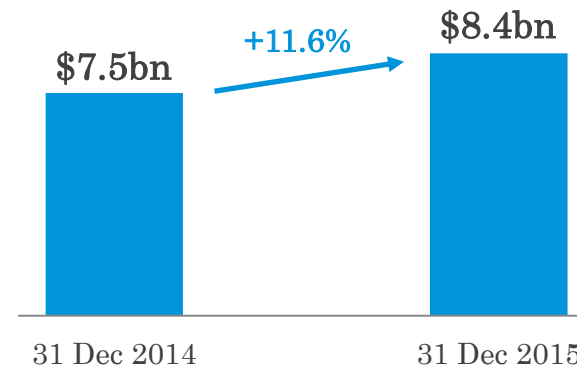
## Third party revenue like-for-like trend



- Further increase in the order book, with contracts for GE90 engines and B787 components

## Order book

In USD

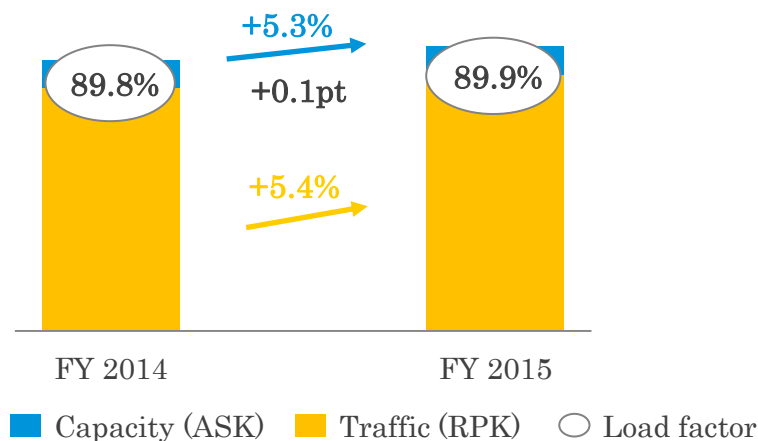


In €m	FY 2015	FY 2014	Change	Like-for-like
Total revenue	4,012	3,392	+18.3%	
Third party revenue	1,577	1,251	+26.1%	+7.3%
Operating result	214	174	+40	-20
Operating margin	5.3%	5.1%	+0.2pt	-0.8pt

# Transavia activity







- 10.8 million passengers, up 9.0%
- Negative impact on revenues due to geopolitical turmoil
- Accelerated ramp-up in France on track
  - ▶ Capacity up 24.6%
- Productivity agreements signed in the Netherlands, enabling further growth and B2C shift in 2016
- Operating result in line with business plan
  - ▶ EBITDAR up €48m from 2014

## Activity



In €m	FY 2015	FY 2014	Change
Total revenue	1,099	1,056	+4.1%
RRPK (€ cts per RPK)	5.38	5.48	-1.7%
RASK (€ cts per ASK)	4.84	4.92	-1.6%
CASK (€ cts per ASK)	5.00	5.09	-1.8%
<i>Like-for-like</i>			-4.6%
Stage length (km)	1,867	1,931	-3.4%
Operating result	-35	-36	+1
<i>Like-for-like</i>			+34

# Full Year 2015: change in operating costs<sup>(1)</sup>

	In €m	Reported change	Change excl. strike	Change like-for-like
 <b>Total employee costs including temps</b>	7,852	+2.8%	+2.6%	+2.0%
 <b>Supplier costs<sup>(2)</sup> excluding fuel and purchasing of maintenance services and parts</b>	6,697	+5.1%	+5.5%	+1.6%
 <b>Aircraft costs<sup>(3)</sup></b>	3,088	+1.9%	+2.2%	-4.5%
 <b>Purchasing of maintenance services and parts</b>	2,372	+37.2%	+36.4%	+17.2%
 <b>Other income and expenses including capitalized production</b>	-949	+166%	+159%	+42%
<b>Operating costs ex-fuel</b>	19,060	+3.5%	+3.5%	+1.1%
 <b>Fuel</b>	6,183	-6.7%	-8.1%	-22.3%
<b>Grand total of operating costs</b>	25,243	+0.8%	+0.5%	-5.8%
<i>Capacity (EASK)</i>			+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

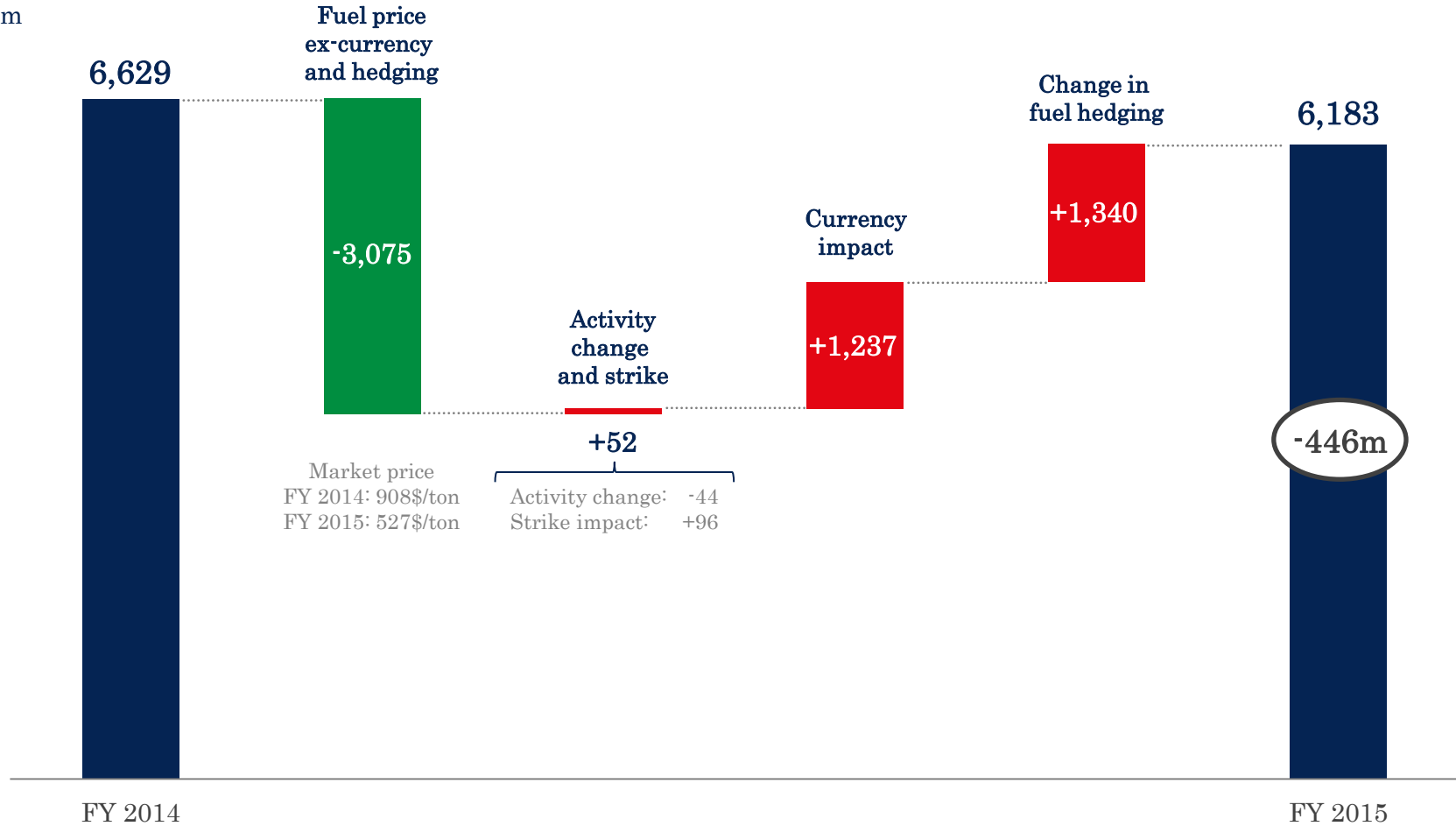
(2) Catering, handling, commercial and distribution charges, landing fees and air-route charges, other external expenses, excluding temps [Full Year 2015 results](#)

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

# Fuel bill 2015

## Fuel bill

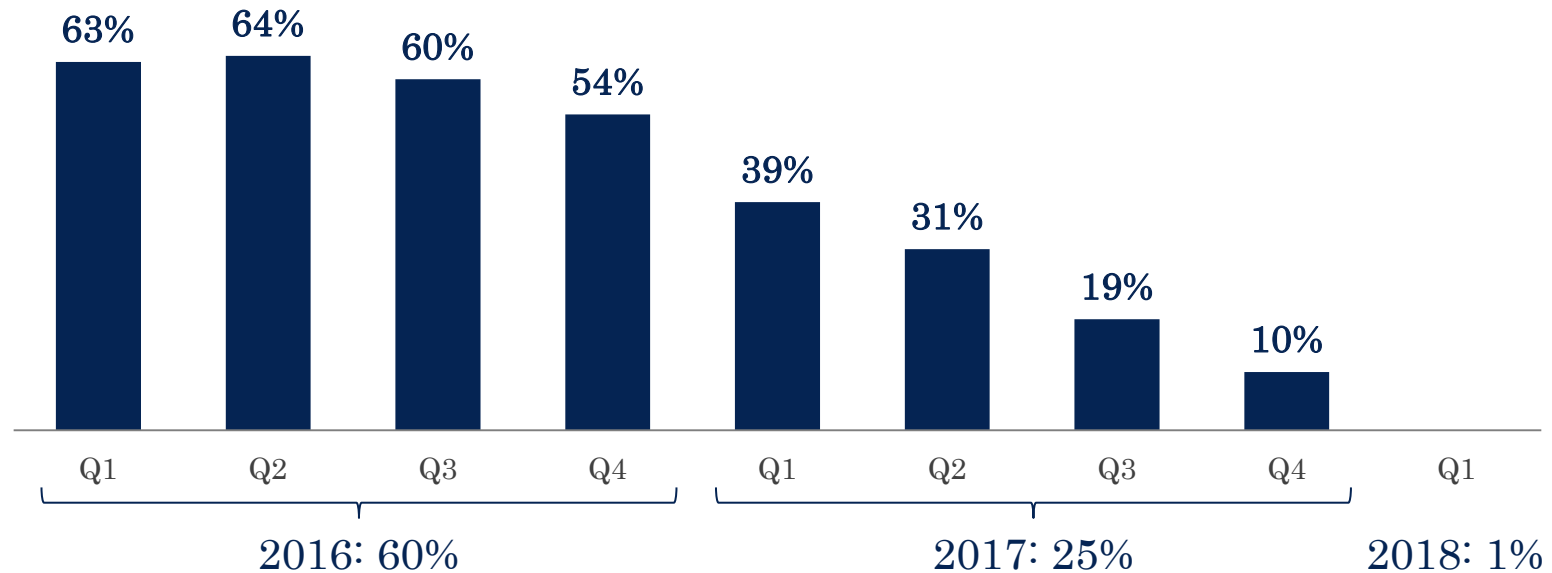
In €m



# Update on fuel hedging

## Percentage of fuel consumption hedged

Picture at 5 February 2016



### Review of the fuel hedging strategy at January 1<sup>st</sup> 2016:

- ▶ Reduction in size of portfolio (~10%): stop hedging fuel for the Cargo activity
- ▶ Introduction of a premium budget to buy options
- ▶ Enhancing the correlation of the hedging portfolio with the fuel bill: use of underlying Jet fuel by default instead of Brent

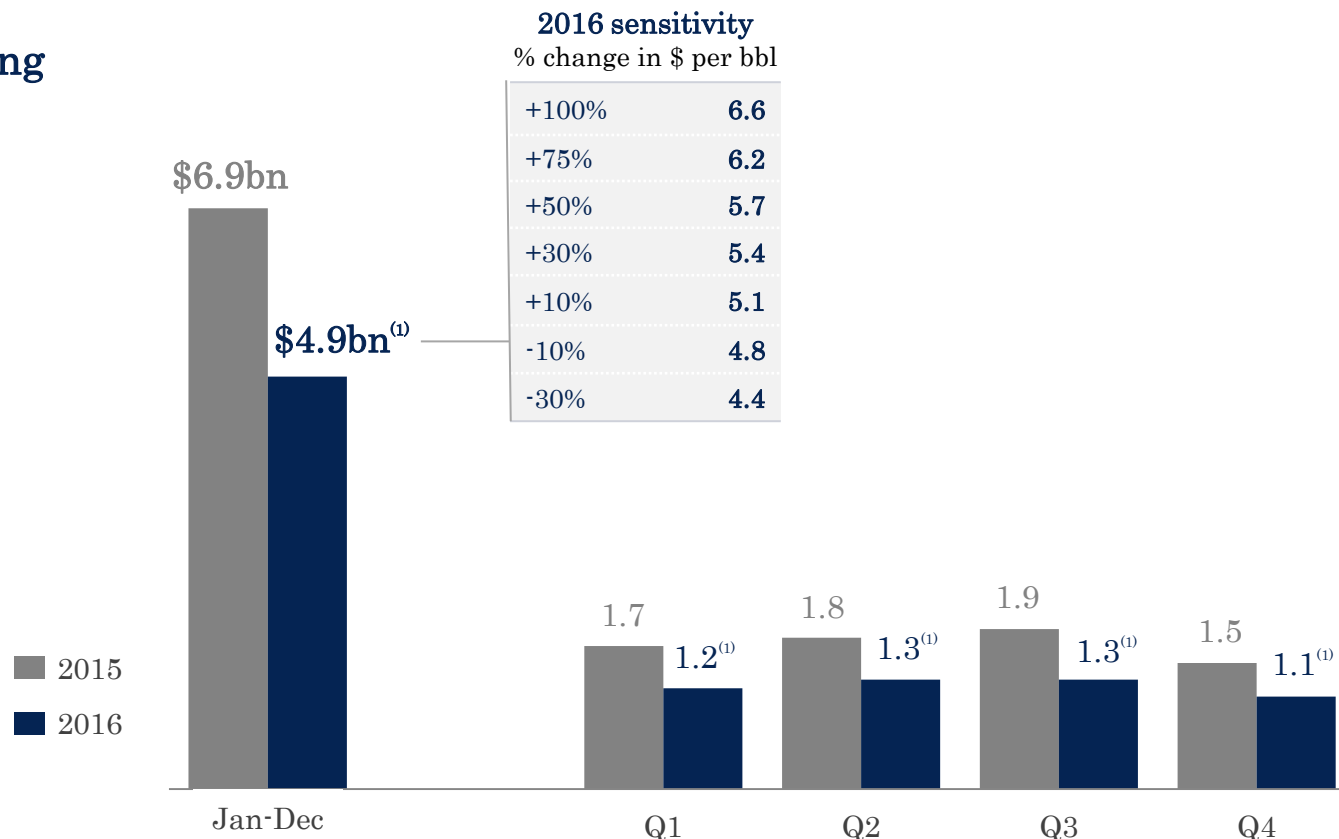
# Update on 2016 fuel bill

## Fuel bill after hedging

In \$bn

2015:  
fuel bill \$6.9bn/€6.2bn

2016:  
fuel bill \$4.9bn/€4.5bn<sup>(2)</sup>



MARKET PRICE	2016		Brent (\$ per bbl) <sup>(1)</sup>				
	Jet fuel (\$ per metric ton) <sup>(1)</sup>	% of consumption already hedged	Jan-Dec	Q1	Q2	Q3	Q4
	365	60%	37	34	36	38	40
			365	333	358	377	394
			60%	63%	64%	60%	54%

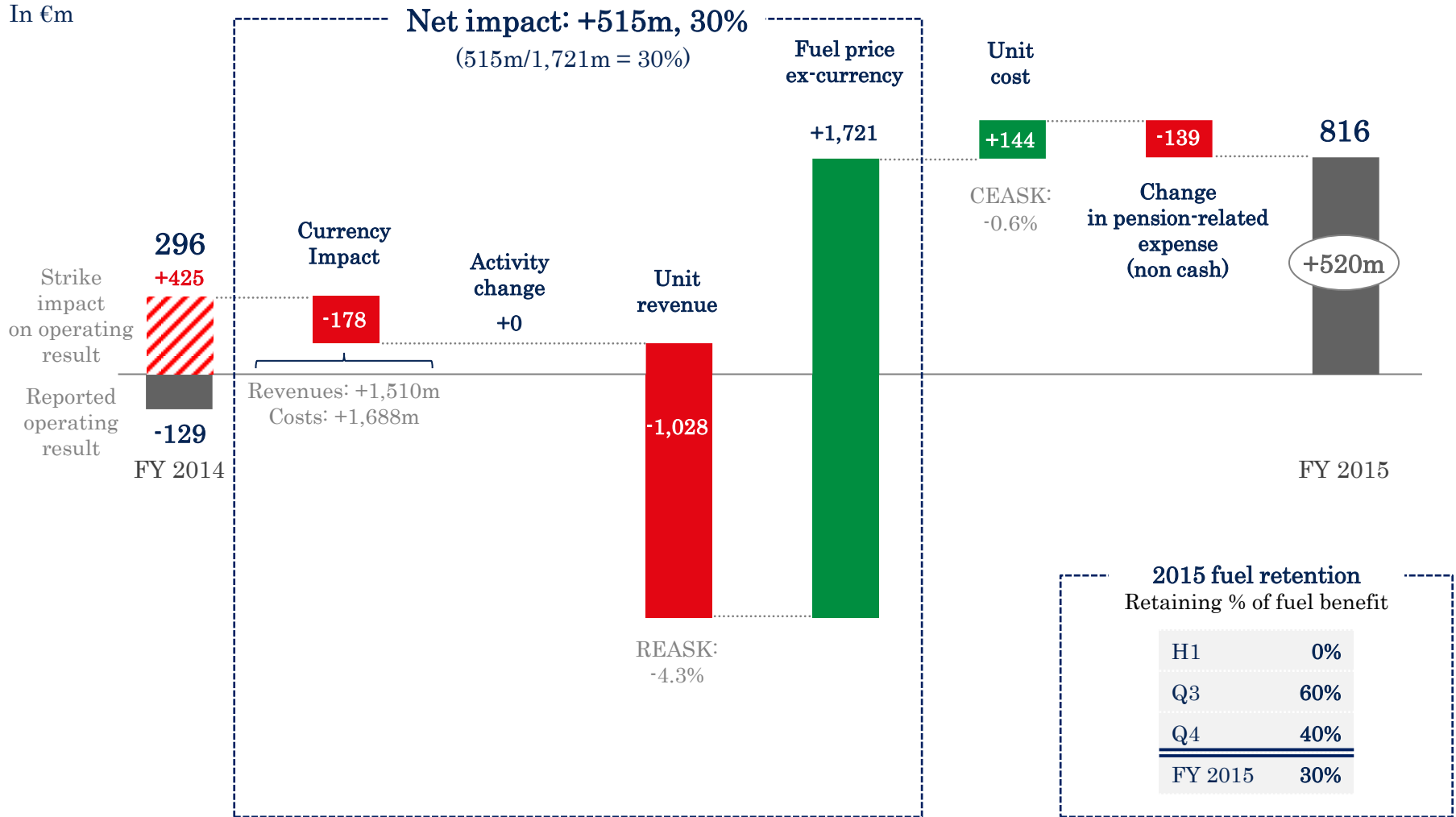
(1) Based on forward curve at February 5<sup>th</sup> 2016. Sensitivity computation based on January-December 2016 fuel price, assuming constant crack spread between Brent and Jet Fuel

(2) Assuming average exchange rate of 1.10 US dollar per euro for full year 2016



# Operating result: retaining 30% of FY 2015 fuel benefit

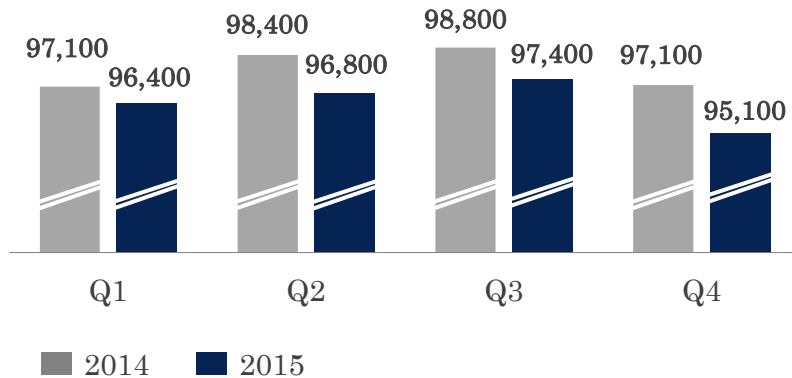
## Change in operating result



# Update on employee costs

## Headcount down 1,430 FTE's

► Down 1,940 FTE at constant scope



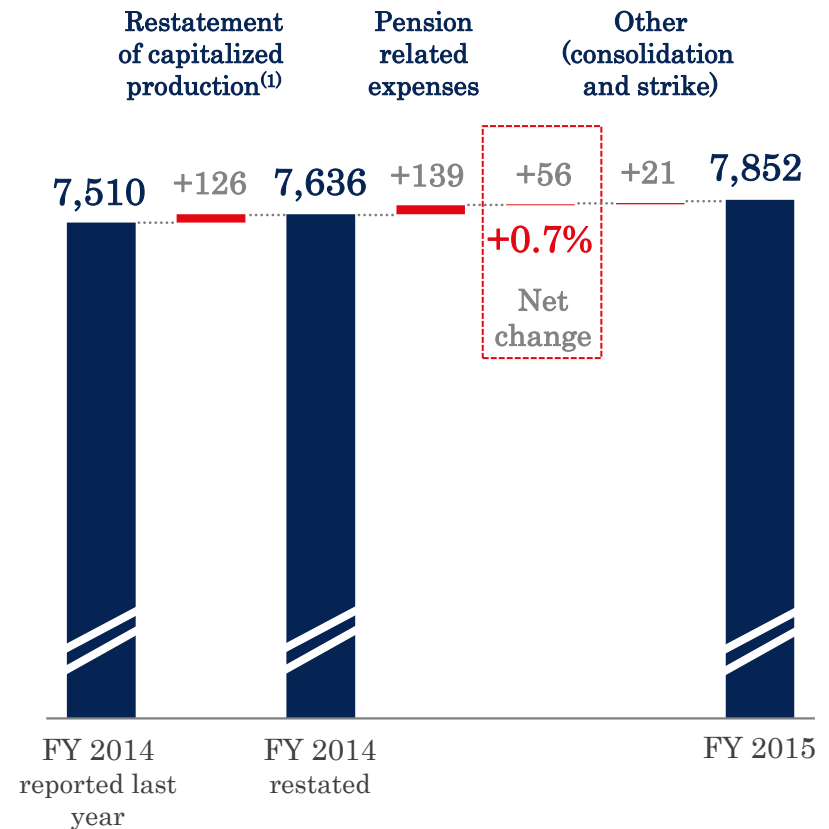
## Increase in pension-related expenses (no additional cash out)

## Employee costs impacted by profit sharing

► Net change excluding profit sharing -0.2%

## Change in total employee costs

In €m, including temporary staff



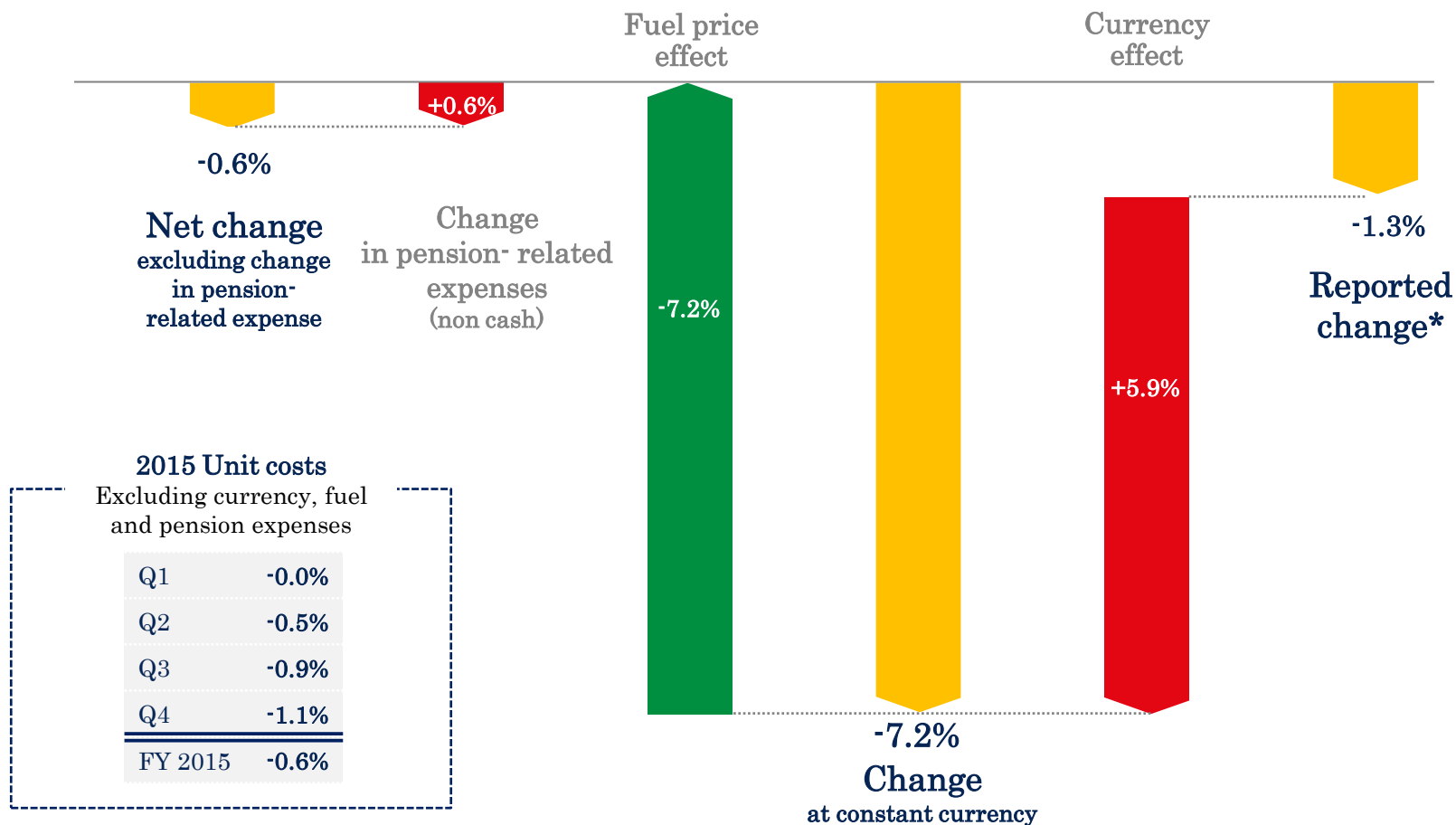
(1) Capitalized production: see explanation in press release

# Full Year 2015 unit cost performance

Net Costs: €22,240m (-1.1%\*)

Capacity in EASK\*: 337,993m (+0.2%\*)

Unit cost per Equivalent Available-Seat Kilometer (EASK): €6.58 cents

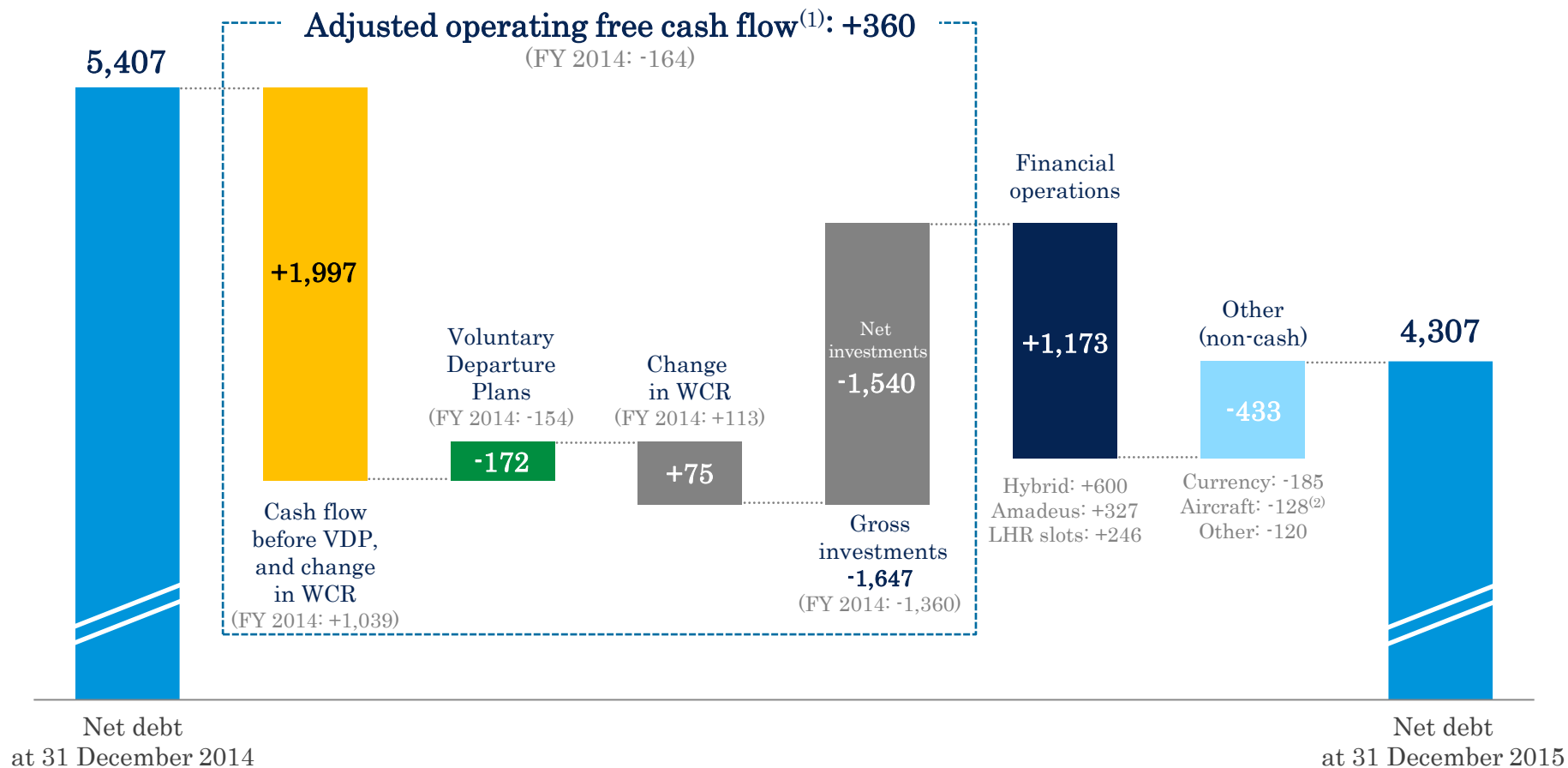


\* Excluding strike impact

# Full Year operating free cash flow

## Analysis of change in net debt

In €m



(1) Net cash flow from operating activities less net capex on tangibles and intangibles. All amounts excluding discontinued operations. Operating free cash flow is adjusted for LHR slots sale in October 2015, which is accounted for in net investments as intangible asset disposal

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

# Further strengthening of liquidity and reduction in finance costs

## Financial operations amounting to €1.2 billion in 2015

- ▶ January: €327 million cash-in from Amadeus transaction
- ▶ April: successful placement of hybrid bond raising €600 million
- ▶ October: €246 million cash-in from London Heathrow slot deal

## Renewal of Revolving Credit Facilities

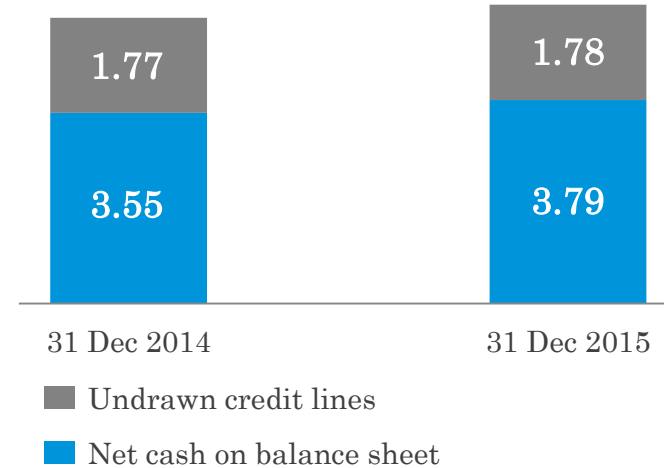
- ▶ Air France-KLM and Air France: €1.1 billion
- ▶ KLM: €575 million

## Finance costs decreasing

- ▶ Net costs of debt down €94 million over past 2 years

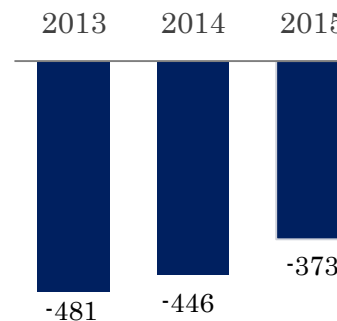
### Liquidity situation

In €m



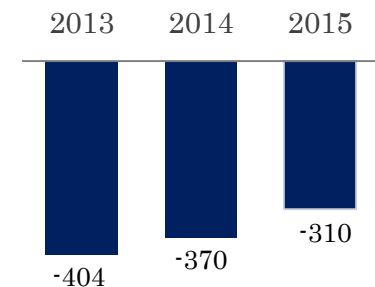
### Gross cost of debt

In €m



### Net cost of debt

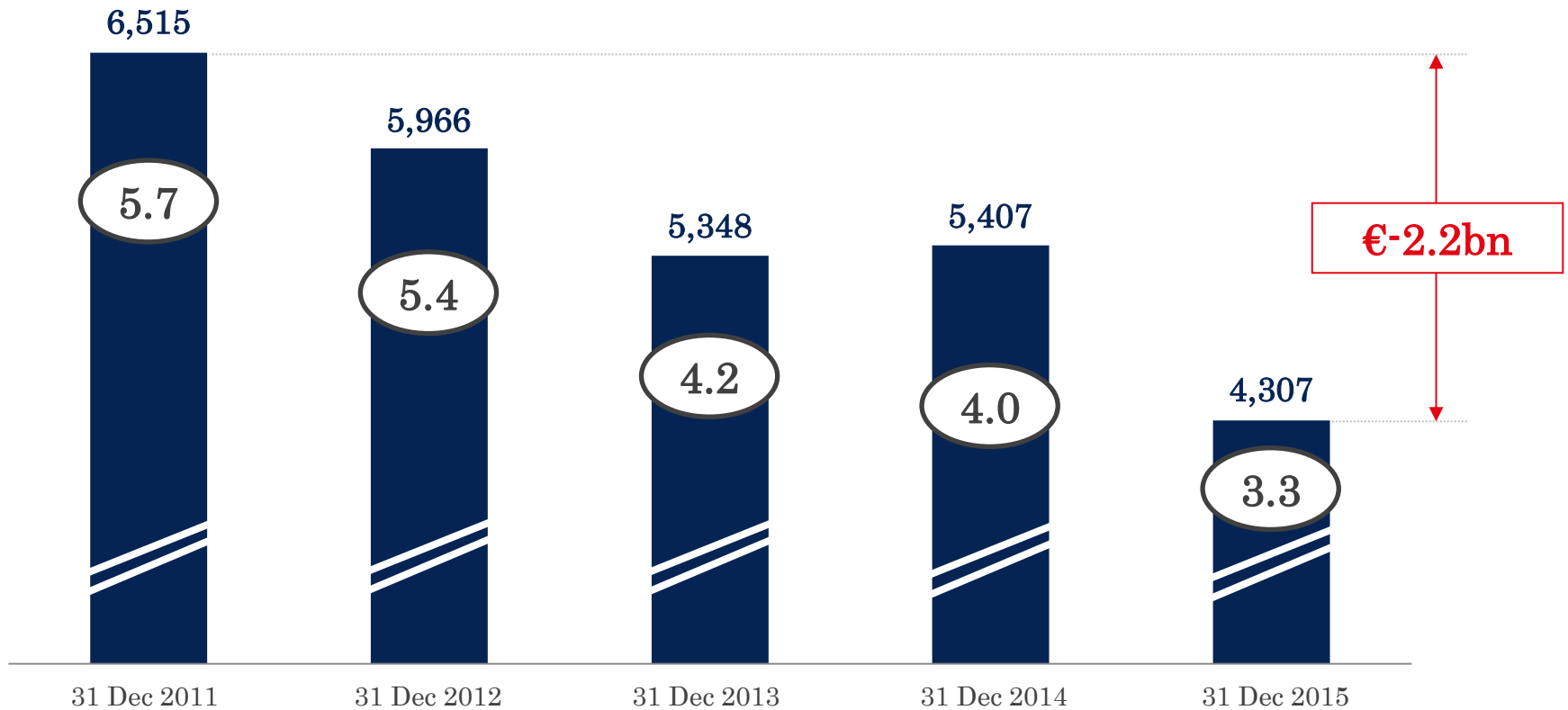
In €m



# ...in line with net debt reduction target

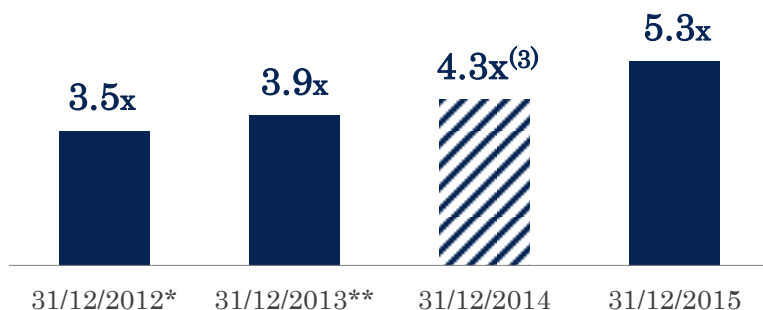
## Net debt level since 2012

In €m, adjusted net debt/EBITDAR ratio

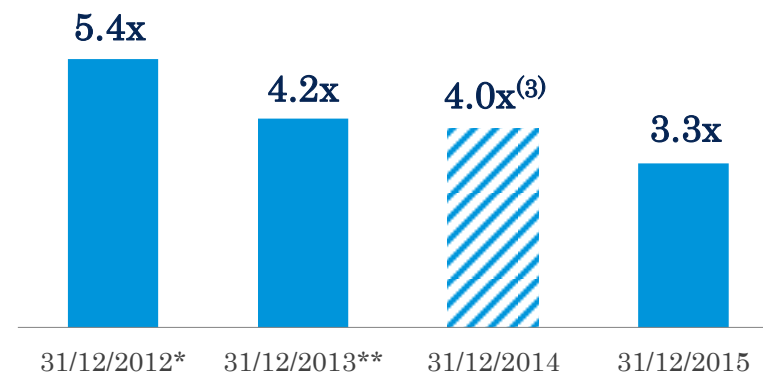


# Financial ratios at 31 December 2015

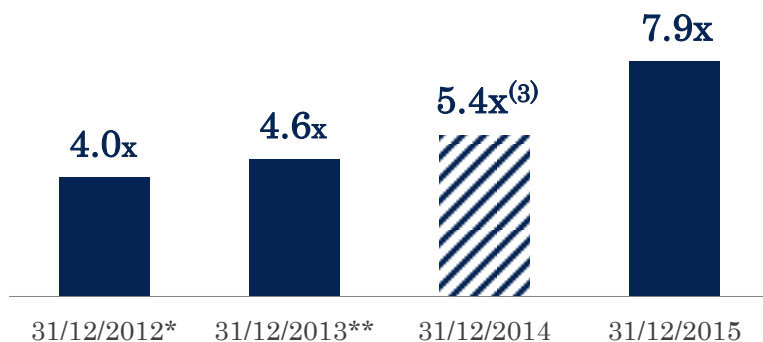
## EBITDAR/adjusted net interest costs<sup>(1)</sup>



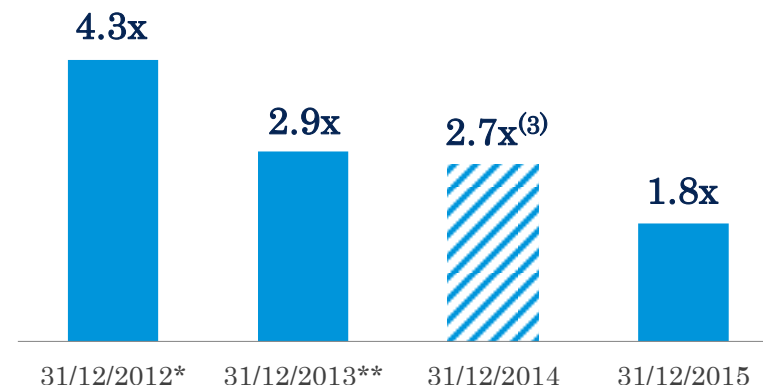
## Adjusted net debt<sup>(2)</sup>/EBITDAR



## EBITDA/net interest costs



## Net debt/EBITDA



\* IAS 19 restated

\*\* Restated for IFRIC 21, CityJet reclassified as discontinued operation

(1) Adjusted by the portion of financial costs within operating leases (34%)

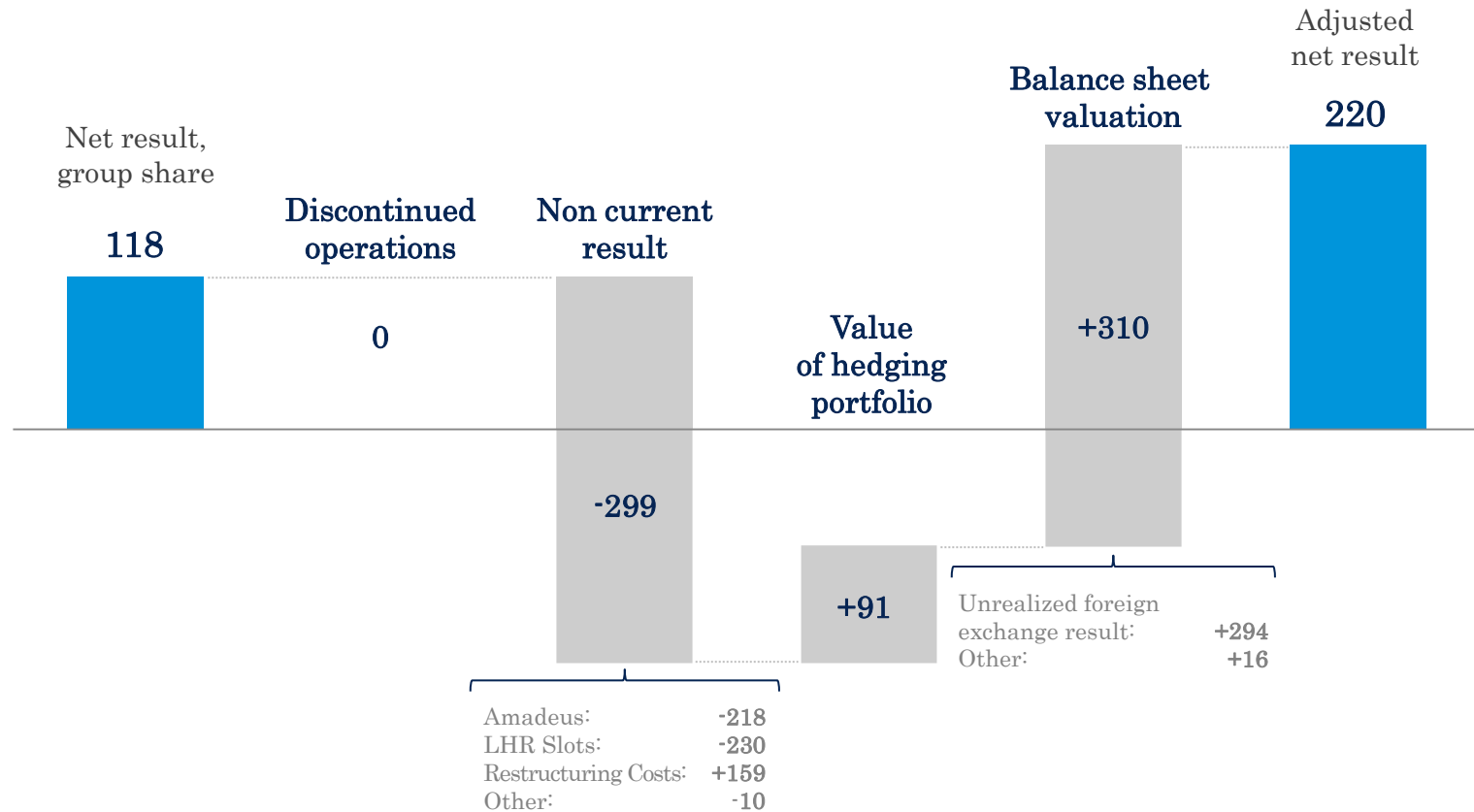
(2) Adjusted for the capitalization of operating leases (7x yearly expense)

(3) Excluding strike impact on EBITDA(R). Reported adjusted net debt / EBITDAR of 4.7x at 31 December 2014.  
Reported net debt / EBITDA of 3.4x at 31 December 2014

# Full Year 2015: adjusted net result

## Calculation of Full Year 2015 adjusted net result

In €m

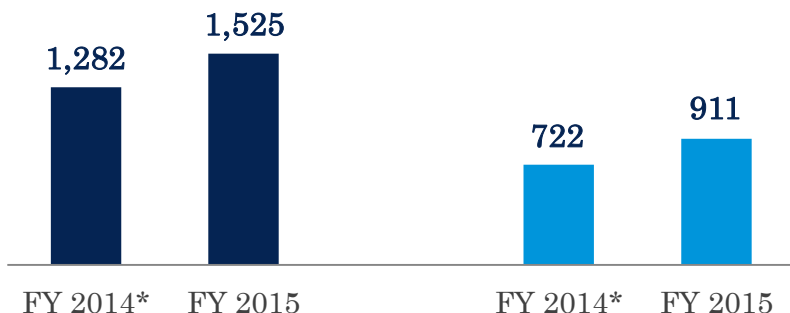




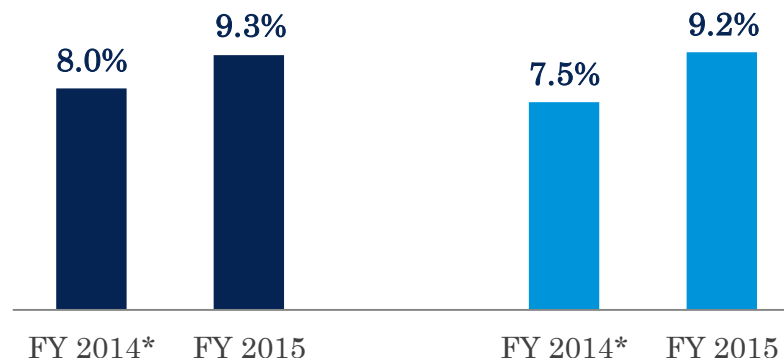
# FY 2015 EBITDA and operating cash flow by airline

## EBITDA

In €m

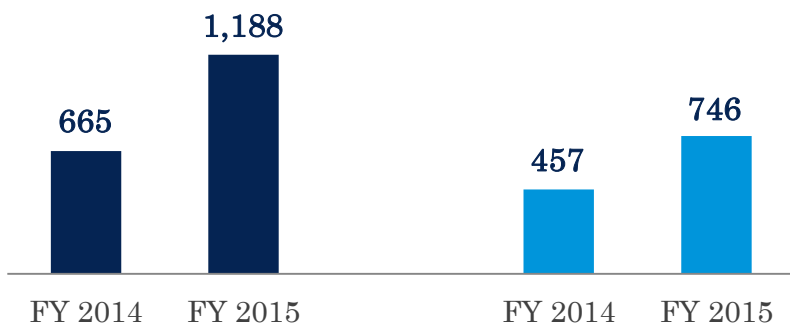


## EBITDA margin



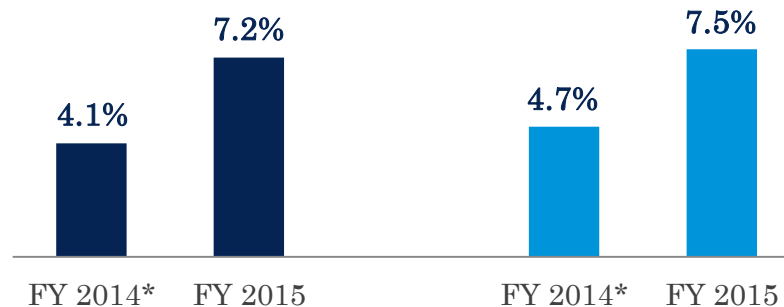
## Operating Cash Flow

In €m, before VDP and WCR



## Operating Cash Flow margin

Before VDP and WCR



\* Excluding strike

KLM EBITDA and operating result are affected by a non-cash increase of 139 million euros in pension-related expenses

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

# Strategy



# Agenda

## ■ Progress update Perform 2020

## ■ Perform 2020 initiatives

- ▶ Key growth plans
- ▶ Strict framework of financial discipline
- ▶ Deployment of cost reduction initiatives

# Perform 2020: significant progress on Perform 2020

## PERFORM 2020



✓ Product and service upgrade in full swing

✓ Strengthening partnership in Asia-Pacific

✓ Ongoing strong development of Transavia

✓ Profitable growth of maintenance activity

✓ Strict capacity discipline

✓ Restructuring Air France's point to point activity on track

✓ Cargo full-freighter restructuring on track

✓ Negotiation of productivity agreements

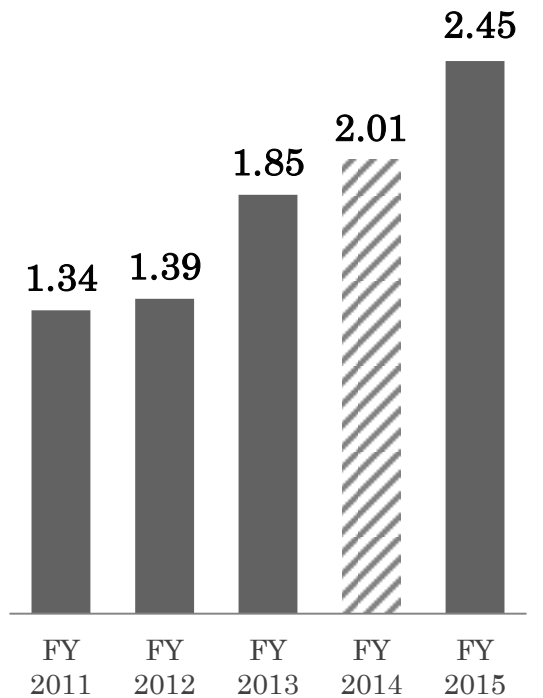
✓ Strong free cash flow generation and deleveraging

✓ Unit cost reduction of avg 1.5% per year over period 2015-2017

# ...leading to a strong improvement in financial situation

## Full Year EBITDA

€bn

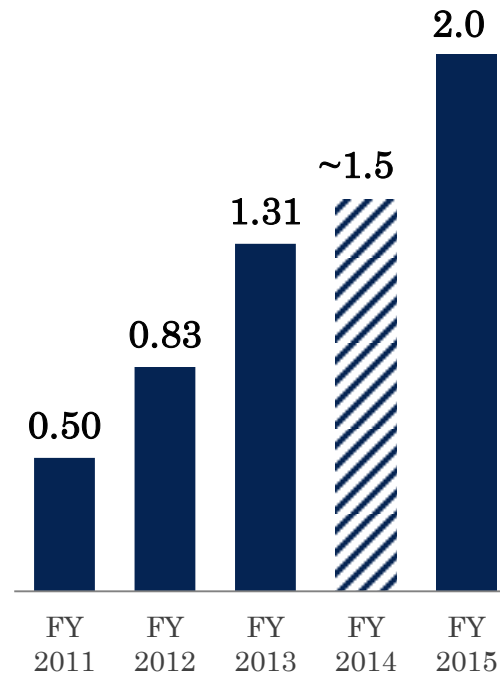


▨ Strike adjusted

2015 vs 2011:  
**+€1,110m**

## Full Year Operating cash flow

€bn, before change in WCR and Voluntary Departure Plans

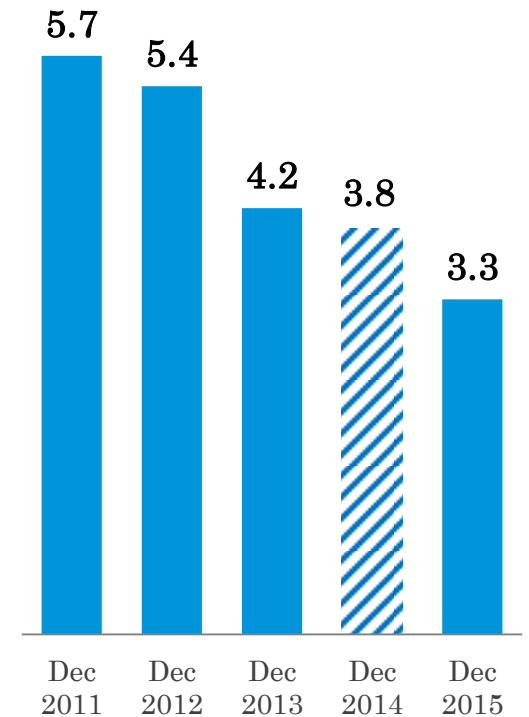


▨ Strike adjusted

2015 vs 2011:  
**+€1,500m**

## Adjusted net debt/EBITDAR ratio

Trailing 12 months



▨ Strike adjusted

2015 vs 2011:  
**-2.4**

# Agenda

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## ■ Progress update Perform 2020

## ■ Perform 2020 initiatives

- ▶ Key growth plans
- ▶ Strict framework of financial discipline
- ▶ Deployment of cost reduction initiatives

# Perform 2020: growth and competitiveness

## PERFORM 2020

AIRFRANCE / KLM HOP / transavia AIRFRANCE INDUSTRIES / KLM / HOLLANDS Vliegverkeer AIRFRANCE / KLM / Martinair CARGO SERVAIR

- ◆ Selective development of growth markets
- ◆ Product and service upgrade

- ◆ Capacity and investment discipline
- ◆ Further restructuring and unit cost reduction

# Digital Key Numbers 2015



**€5bn** 2015 direct online sales AFKL

**1 in every 3 tickets** sold via AF.com and KLM.com

**70%** check-in through self-service



**50%** of all AFKL online check-ins via mobile

**22,5m** Facebook fans and **3,5m** Twitter followers

**12,000** social media cases/week (AFKL)





# Digital innovation for Customer Intimacy

## Boost sales

- ▶ airfrance.com optimized for tablets
- ▶ PayPal payment enabled
- ▶ Programmatic display to better target prospects
- ▶ Personalized email campaigns, promoting destinations according to customer preferences (on going pilot tests)
- ▶ Last minute paid upgrade at the airport: 2015 Revenues AFKL: €105m (+40% vs 2014)
- ▶ Paid seat selection

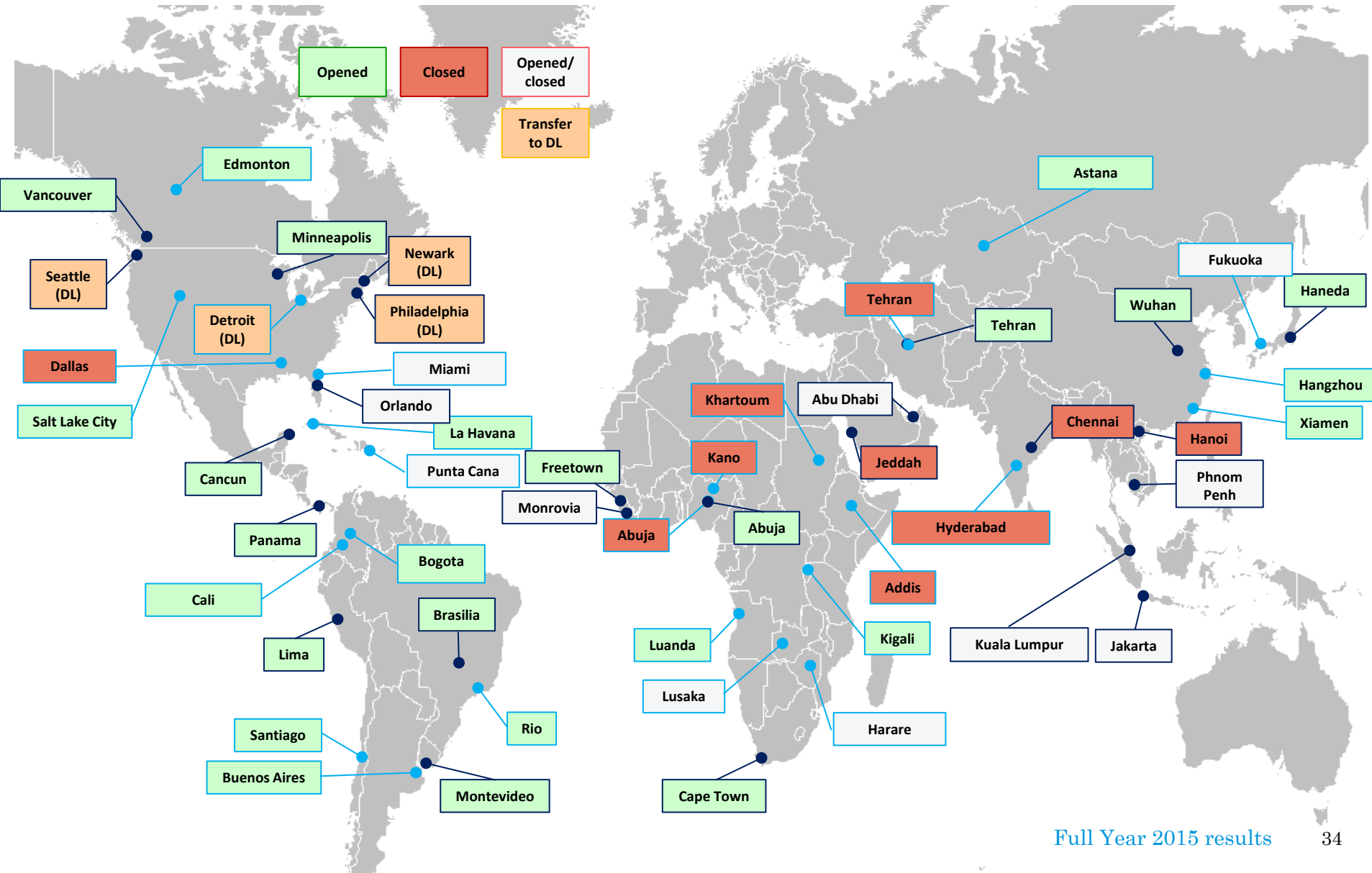
## Personalize customer experience

- ▶ Apple watch application, showing main travel information (AF)
- ▶ Automatic luggage drop-off deployment: already used by 1 out 2 customers at CDG
- ▶ Push notifications to mobiles informing travelers that check-in and boarding are open (KL)
- ▶ Nice airport, 1<sup>st</sup> “100% digital” station: new kiosks, automatic luggage drop-off, self-boarding

## Facilitate support and interactions with customers

- ▶ iPad for ground staff front-line agents, to help customers: pilot tests with 400 agents
- ▶ Social media service: AF-KL offers a 24/7 and 13 languages contact on social channels. Awarded “most socially devoted brands” on Facebook (Socialbakers)

# Long haul portfolio significantly changed between 2009 and 2016, with net addition of 12 routes



# Passenger business: upgraded product offer

## Further deployment of new long-haul products

- ▶ 37% of long-haul fleet equipped with new seats at 31 December 2015, targeting 51% at the end of 2016
- ▶ Ongoing significant improvement in the customer satisfaction indicators\* in 2015: +16 points for the Air France long-haul business Best cabin and +5 points for the overall KLM indicator



## Redesign of the medium-haul product

- ▶ Air France medium-haul hub: all A319s equipped with new cabins at 31 December 2015 and A320 to be equipped before 30 June 2016
- ▶ Upgrade customer offer by replacing Fokker 70 by Embraer aircraft



## Decision to deploy onboard Wi-Fi connectivity on the entire long-haul fleet from 2017

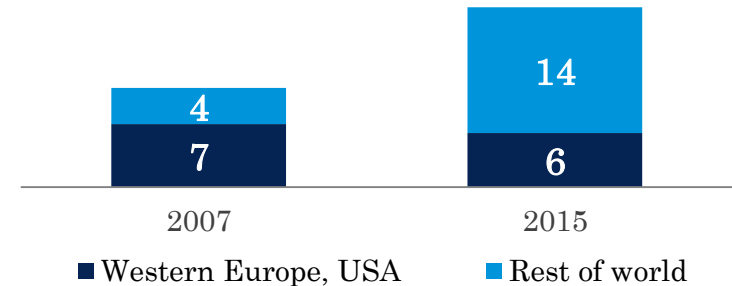
# Passenger business: strengthening long-haul partnerships in Asia-Pacific

## Strengthening of the position between India and the transatlantic area by an extended agreement with Jet Airways

- ▶ The KLM hub at Schiphol will become the main European hub of Jet Airways for its clients travelling through Europe or to North America
- ▶ It will offer optimized connecting flights to Indian subcontinent
- ▶ Enhancement of the agreement already in place with Air France

## Investigating further partnership opportunities

### SkyTeam members



### Long-haul strategic partners



# Accelerated development of Transavia

**Number 1 international Low Cost Carrier at Paris-Orly and in the Netherlands**

▶ 109 destinations in Summer 2016

**Opening of a new base in Munich as from March 2016**

▶ 101 weekly flights throughout the 2016 summer season

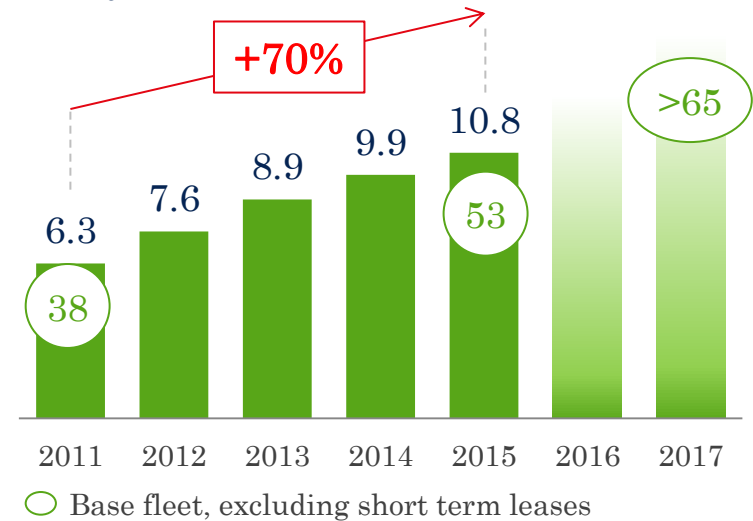
**Medium-term Perform 2020 target on track**

✓ 2014-2017 target: €100m additional EBITDAR on track

✓ Targeting break-even in 2017

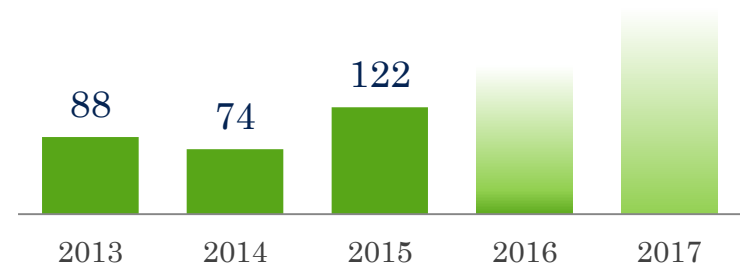
## Transavia passengers

In million



## Transavia EBITDAR

In million



# Maintenance: profitable growth

## Front runner in providing next generation maintenance

- ▶ Development of new products (B787, A350, GEnX)
  - ✦ First commercial success for long-term maintenance of GEnX engines
- ▶ New shop facility in Roissy for next-generation aero structures

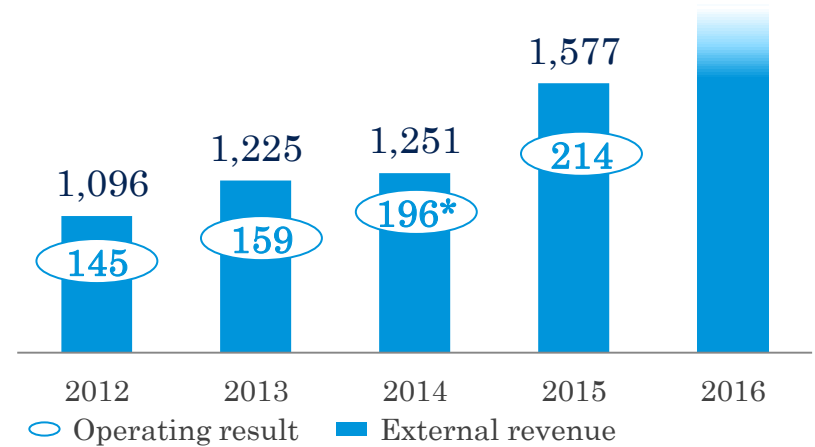
## Opening of a MRO Lab in Singapore for developing R&D innovation

## Medium-term Perform 2020 target on track:

- ✓ 2014-2017 target: additional €50m to €80m EBITDAR

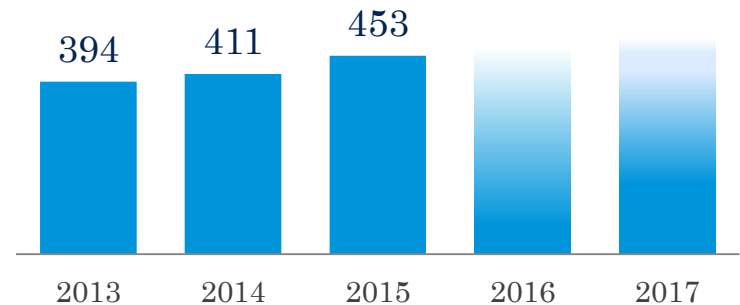
## External revenue and operating result

In €m



## Maintenance EBITDAR

In €m



# Perform 2020: growth and competitiveness

## PERFORM 2020

AIRFRANCE / KLM HOP / transavia AIRFRANCE INDUSTRIES / KLM / HOLLANDIA AIRFRANCE / KLM / MARTINUS / CARGO SERVAIR

- ◆ Selective development of growth markets
- ◆ Product and service upgrade

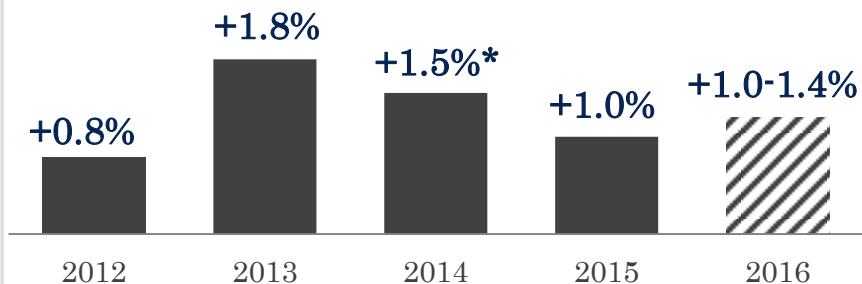
- ◆ Capacity and investment discipline
- ◆ Further restructuring and unit cost reduction

# Capacity discipline: smart growth in passenger operations

Capacity growth plan (% increase in ASK)

## Total group passenger activity

(Air France, KLM, HOP!, Transavia)

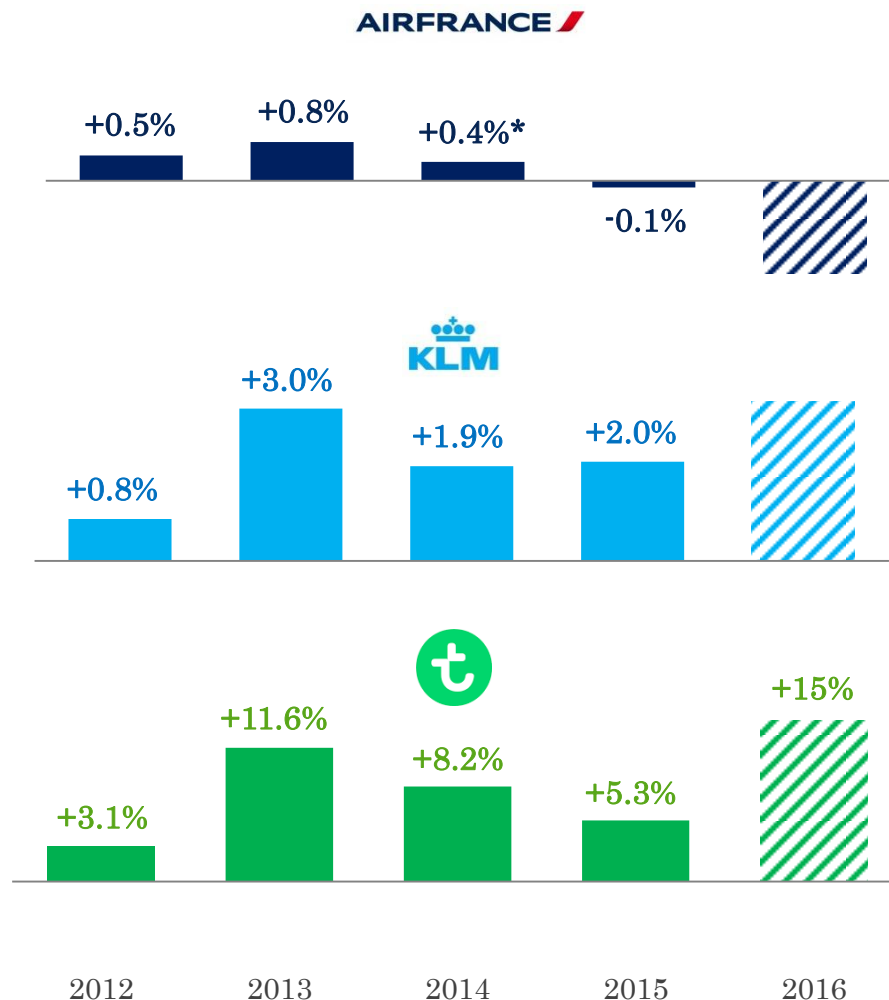


Medium-term Perform 2020 target on track

✓ Maintaining ongoing capacity discipline

Selective growth in 2016 at group level

Capacity plan 2017 depending on union negotiations



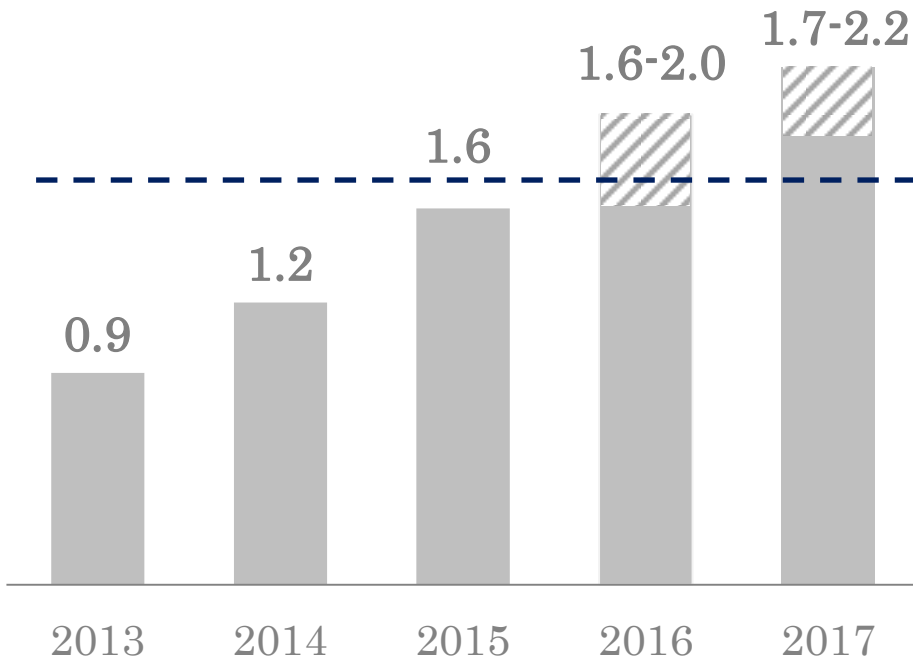
\* Excluding strike impact



# Focus and discipline in investment growth

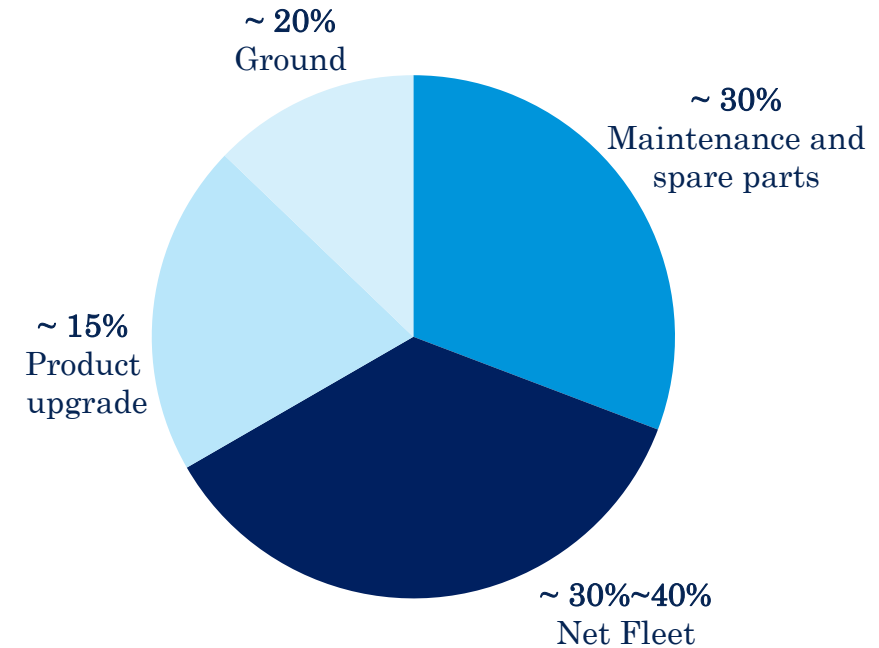
## Capex

In €bn



## 2016-2017 Capex plan breakdown

In €bn



**Red circle icon** Base businesses to consistently generate annual positive free cash flow

**Green checkmark icon** 2015 adjusted operating free cash flow\*: €360m

# Passenger business: restructuring Air France's point to point activity well underway

## Restructuring on track

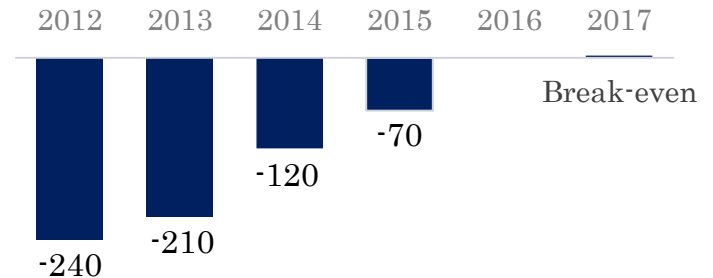
- ▶ Creation of single Hop! Air France business unit
  - ✦ Increasing efficiency and an optimized commercial and marketing strategy
- ▶ Ongoing network restructuring and capacity reduction
  - ✦ Capacity -11.5% ASK in 2015

## Medium-term Perform 2020 target on track

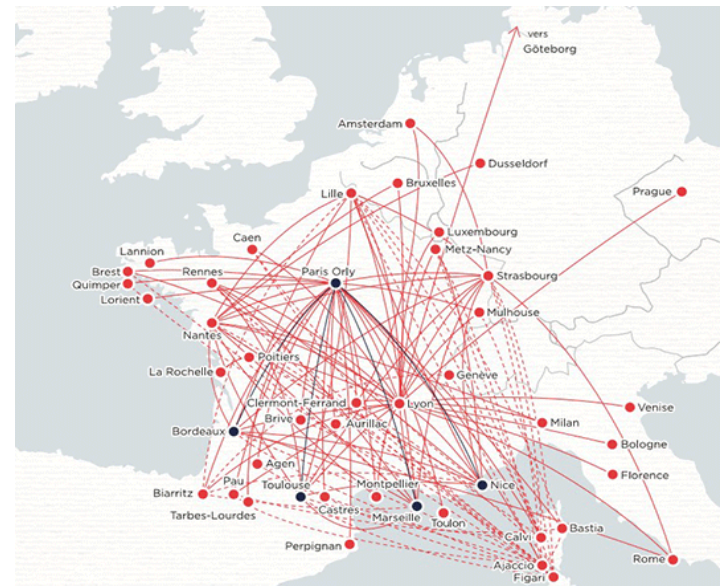
✓ Targeting break-even in 2017

## Point to Point: operating income

In € million



## Point to Point: Network Summer 2015



# Cargo: restructuring on track

**Red** Persistently challenging economic context for cargo activity, particularly structural industry overcapacity

- ▶ Additional capacity by increased passenger aircraft (bellies)
- ▶ Pricing environment dictated by non-hedged players resulting in ongoing pressure on RATK

**Red** Restructuring on track

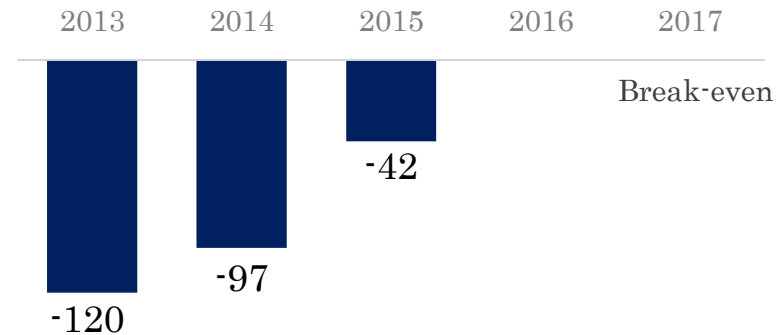
- ▶ Full freighter capacity reduced by 23.3%
- ▶ Cargo FTE`s reduced 8.8% vs 2014

**Red** Medium-term targets Perform 2020 on track

- On track to reach full freighter breakeven in 2017

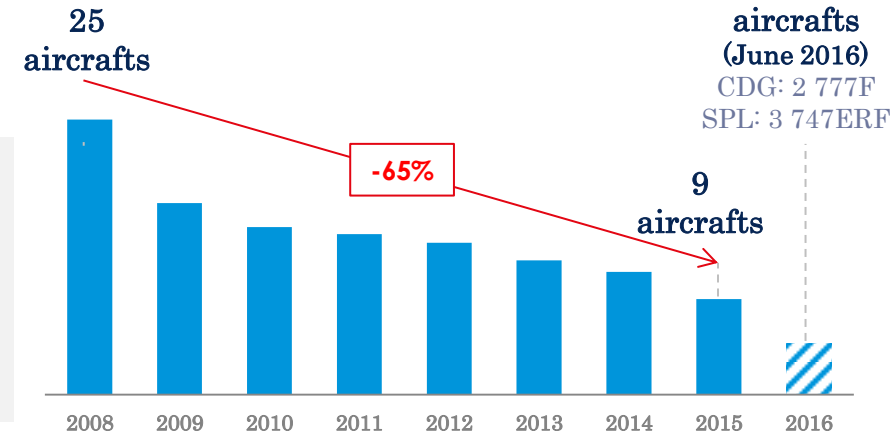
## Full-Freighter operating income

In m€



## Full-Freighter capacity

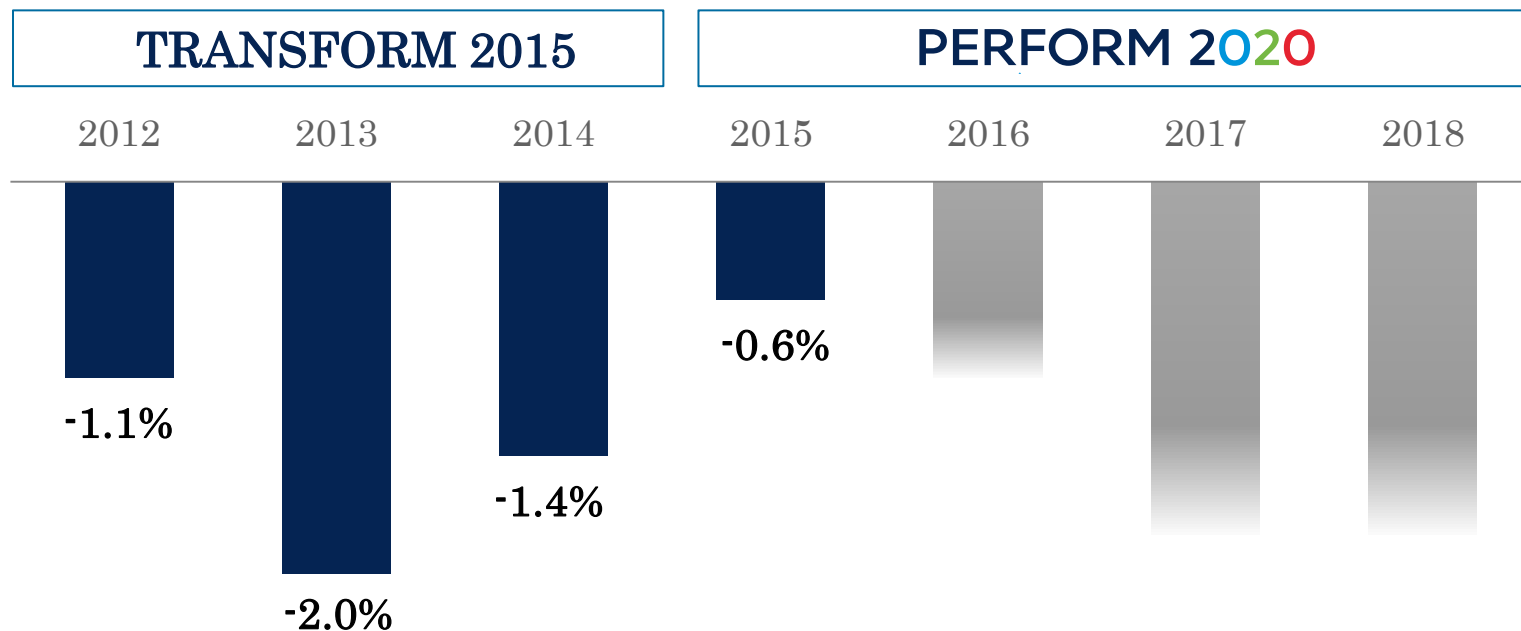
Billion ATK's



# Unit cost reduction target maintained

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

## Change in unit cost



Medium-term unit cost Perform 2020 target:

- ✓ Unit cost reduction to average 1.5% over period 2015-2017

# Perform 2020 actions targeting 1.5% unit cost reduction per year

- Total cost savings of €2bn identified with implementation underway
- Fleet efficiency examples
  - ▶ Phase out of 6 B747-400s in 2015 and January 2016
  - ▶ Introduction of 2 B787-9s in 2015 and 6 B787-9s in 2016
  - ▶ Densification of medium-haul fleet: 24 A319s in 2015, 25 A320s and 25 B737-800s before end of June 2016
  - ▶ “Quick change” of 15 B777s during Summer 2015: densification generating additional operating income
- Organization changes
  - ▶ HPO (High Performance Organization) under implementation in KLM
  - ▶ Final step of Hop! reorganisation with the merger of the three regional airlines in 2016
- G&A initiatives rolled out:
  - ▶ In 2015: completion of the transfer of international accounting activities to a shared service center located in Budapest
  - ▶ €150m of savings were identified in 2015, of which €50m already secured with headcount reduction of 500 FTEs and G&A expenses reduction

# Progress on union negotiations

## ■ Air France:

- ▶ In 2015, no general wage increase, and Voluntary Departure Plan for cabin crew and ground staff
- ▶ In 2016, no general wage increase with a one-off additional profit sharing measure and CLA on prospective job evolution enabling mobility and voluntary departure plans without forced lay-offs until 2018
- ▶ To be finalized: new voluntary departure plan for 2016-2017 to be presented on February 26<sup>th</sup> at the Corporate Works Council
- ▶ Pending: Pilot and cabin crew CLA negotiation (current cabin crew CLA expires on October 2016)

## ■ KLM:

- ▶ In 2015, significant agreements with all employee categories for 15-36 months
- ▶ New CLA for Transavia Holland
- ▶ First Voluntary Departure Plan for E&M and Cargo
- ▶ To be finalized: new ground and cabin crew CLA, and finalization of transition center

# Outlook



# Outlook for 2016

- High level of uncertainty regarding fuel price and unit revenue due to geopolitical context and industry capacity environment
- Fuel bill savings expected to be significantly offset by downward pressure on unit revenue and negative currency impacts
- Continued unit cost<sup>(1)</sup> reduction around 1% in 2016
- Free operating cash flow generation after disposals between €0.6bn and €1.0bn
  - ▶ Operating cash flow depending on unit revenues development
  - ▶ Capex plan (between €1.6-2.0bn) and disposal (between €0.2-0.5bn) will be adjusted accordingly
- Further significant net debt reduction

(1) On a constant currency, fuel price and pension costs



# Perform 2020: medium term financial objectives maintained

## PERFORM 2020



- Adjusted net debt<sup>(1)</sup> to EBITDAR<sup>(2)</sup> around 2.5 by end 2017
  - ▶ Existing business consistently generating positive free cash flow
- Unit cost reduction target of 1.5% per year over the medium term
- Consistent with a ROCE of 9 to 11% in 2017 and beyond

(1) Adjusted for the capitalization of operating leases (7x yearly expense)

(2) At constant currency, fuel price and pension cost



- Selective development on growth markets
- Product and services upgrade
- Strict capacity and investment discipline
- Timeline adapted to labor context of each airline
- Ongoing 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



# Other Businesses: catering

## Increase in third party revenues

- ▶ Further development/consolidation of new business in Africa, Asia and Latin America

## Strong improvement in profitability

- ▶ Improvements in both productivity and efficiency



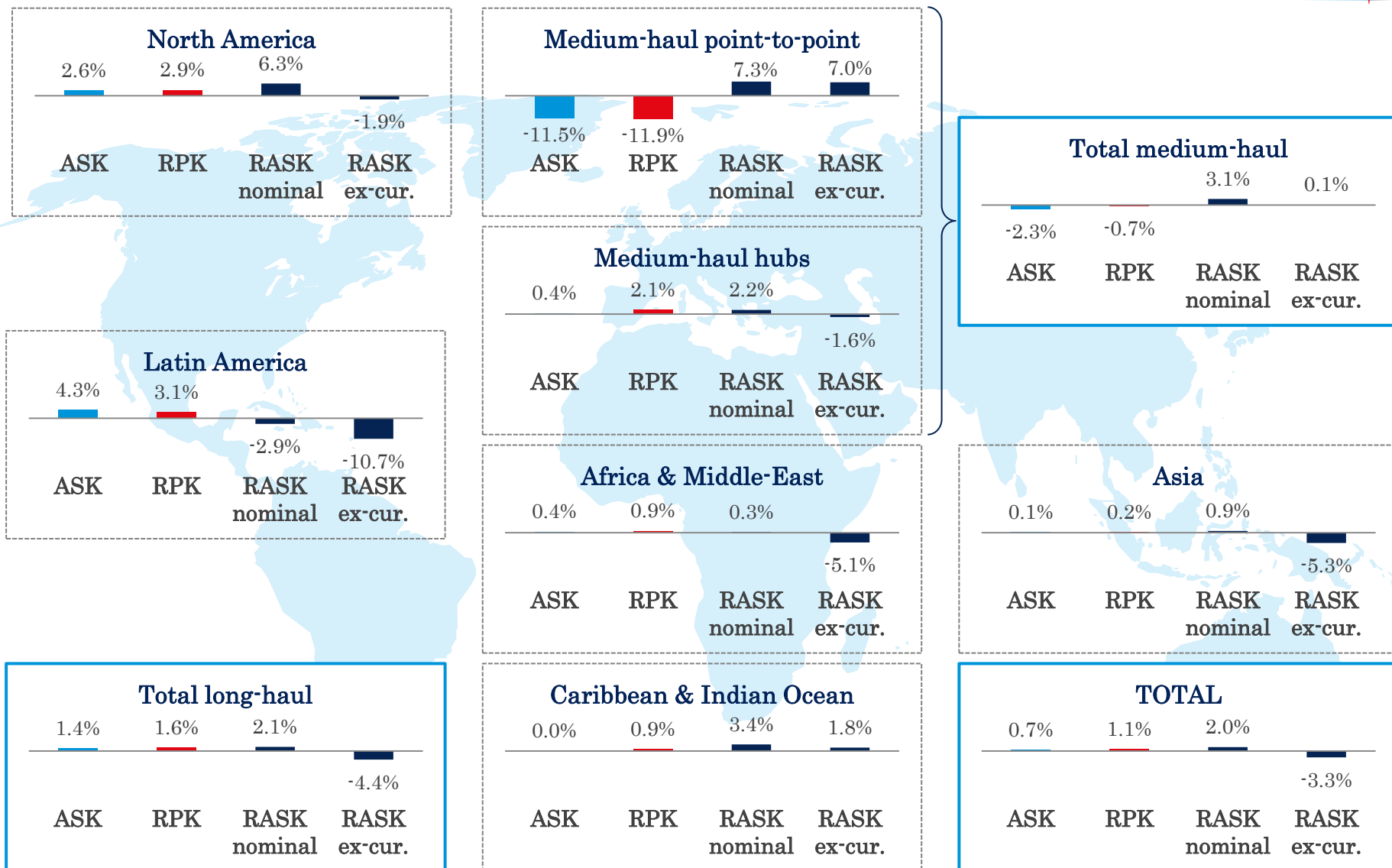
Catering	2015	2014	Variation
Total revenue	947	871	+8.7%
Third party revenue	374	311	+20.3%
EBITDA	62	42	+20
Operating result	37	18	+19

# Fourth Quarter 2015: contribution by business segments

		Revenue (€bn)	Reported change (%)	Change Like-for- like (%)		Op. Result (€m)	Reported change (€m)	Change Like-for-like (€m)	
 Passenger network <sup>(1)</sup>		4.98	+2.5%	-2.7%	↘	156	+327	+292	↗
 Cargo		0.61	-14.3%	-19.5%	↘	-23	+8	+9	↗
 Maintenance		0.43	+20.5%	+6.0%	↗	47	-14	-23	↘
 Transavia		0.21	+7.2%	+7.1%	↗	-37	-3	+3	=
 Other		0.12	+30.8%	+30.2%	↗	7	+1	+2	↗
<b>Total</b>		<b>6.35</b>	<b>+2.2%</b>	<b>-3.4%</b>	<b>↘</b>	<b>150</b>	<b>+319</b>	<b>+284</b>	<b>↗</b>

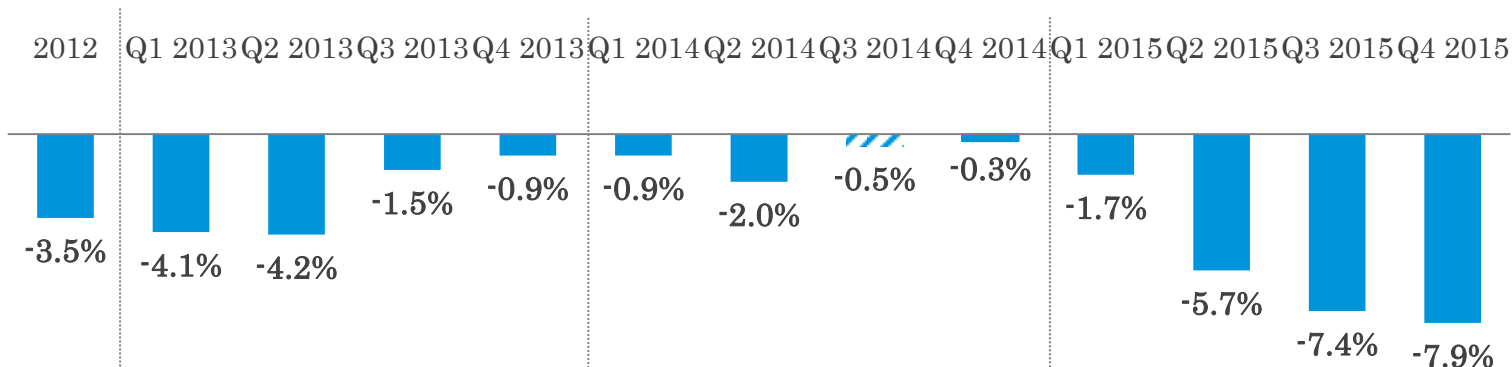
(1) Passenger network: Air France, KLM and HOP!

# Full Year passenger network unit revenue by network



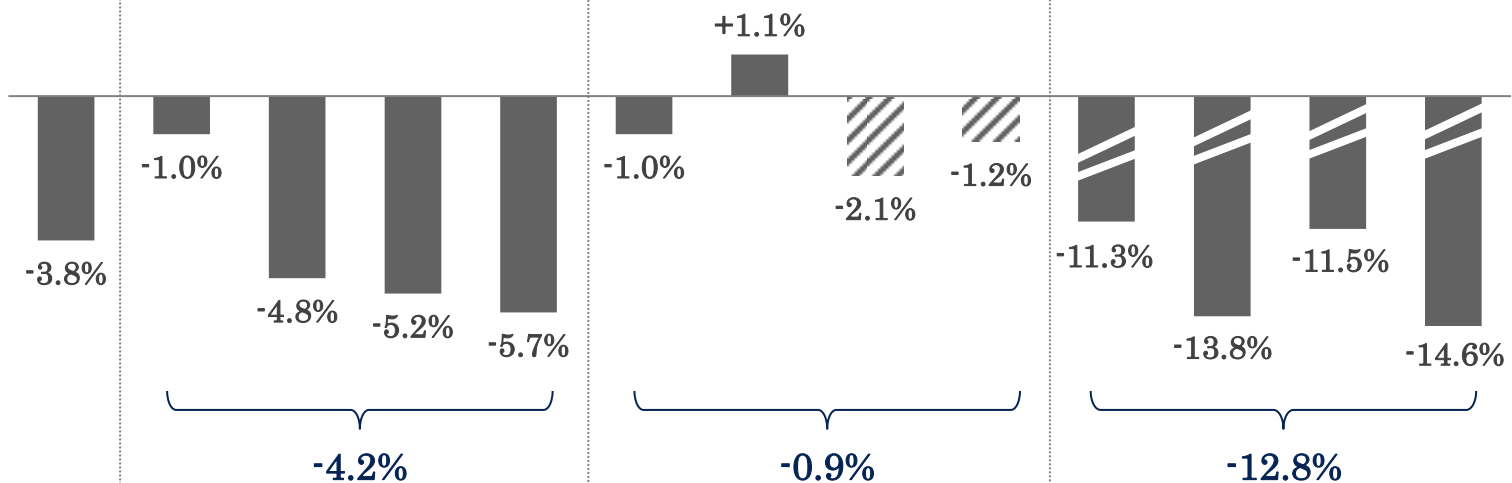
# Cargo capacity and unit revenue by quarter

## Capacity






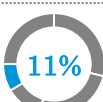
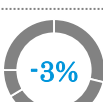

## RATK

Ex-currency



Excluding strike

# Fourth Quarter 2015: change in operating costs<sup>(1)</sup>

	In €m	Reported change	Change excluding strike	Change like-for-like
 <b>Total employee costs including temps</b>	1,980	+4.7%	+4.7%	+4.2%
 <b>Supplier costs<sup>(2)</sup> excluding fuel and purchasing of maintenance services and parts</b>	1,629	+1.9%	+3.0%	+0.8%
 <b>Aircraft costs<sup>(3)</sup></b>	771	-6.1%	-6.1%	-11.2%
 <b>Purchasing of maintenance services and parts</b>	715	+49.0%	+49.0%	+32.0%
 <b>Other income and expenses including capitalized production</b>	-262	+134%	+134%	+64%
<b>Operating costs ex-fuel</b>	4,833	+3.3%	+3.7%	+1.4%
 <b>Fuel</b>	1,363	-20.0%	-20.0%	-29.6%
<b>Grand total of operating costs</b>	6,196	-2.9%	-2.7%	-7.5%
<i>Capacity (EASK)</i>			+0.1%	

(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

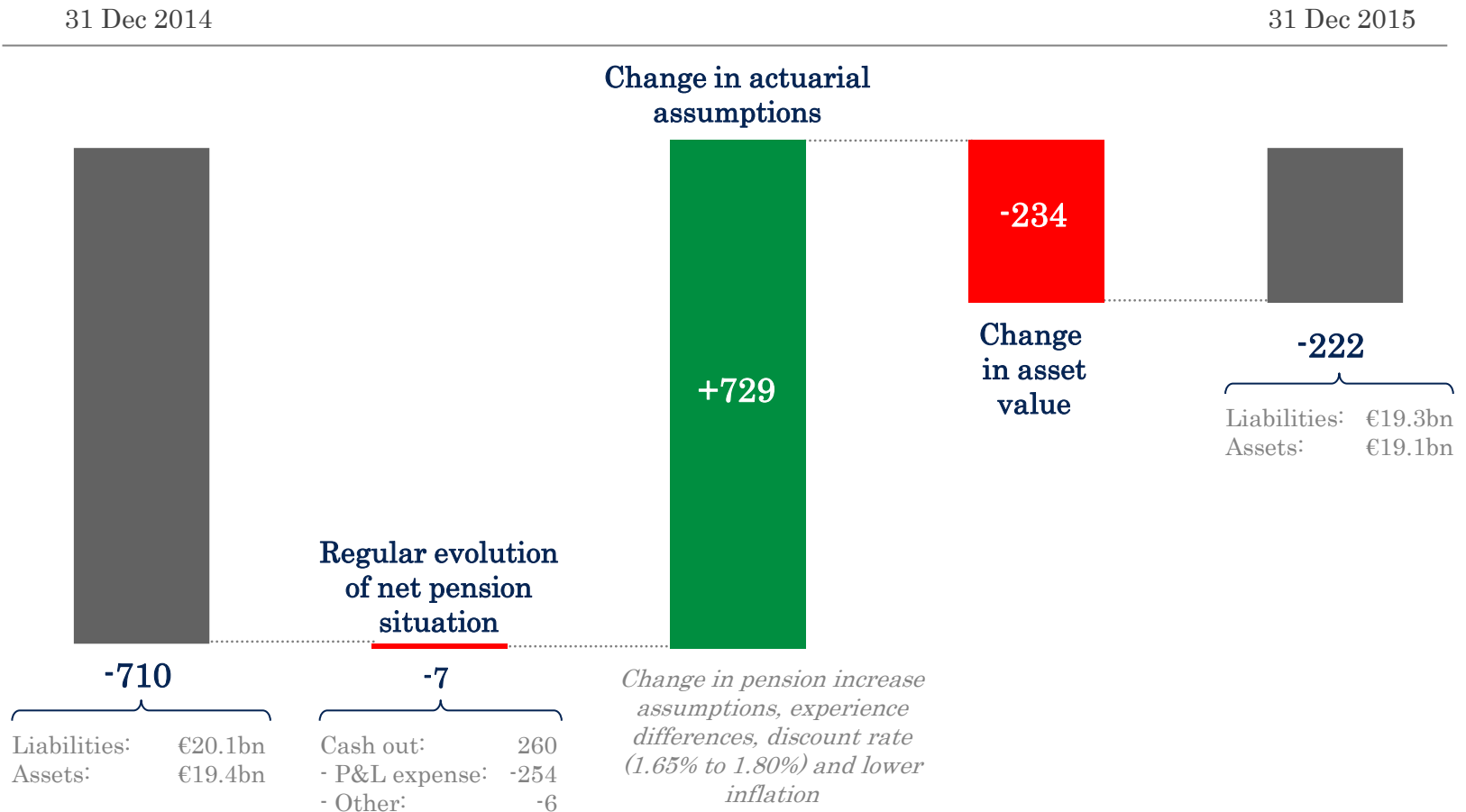
(3) Chartering (capacity purchases), aircraft operating leases, amortization, depreciation and provisions



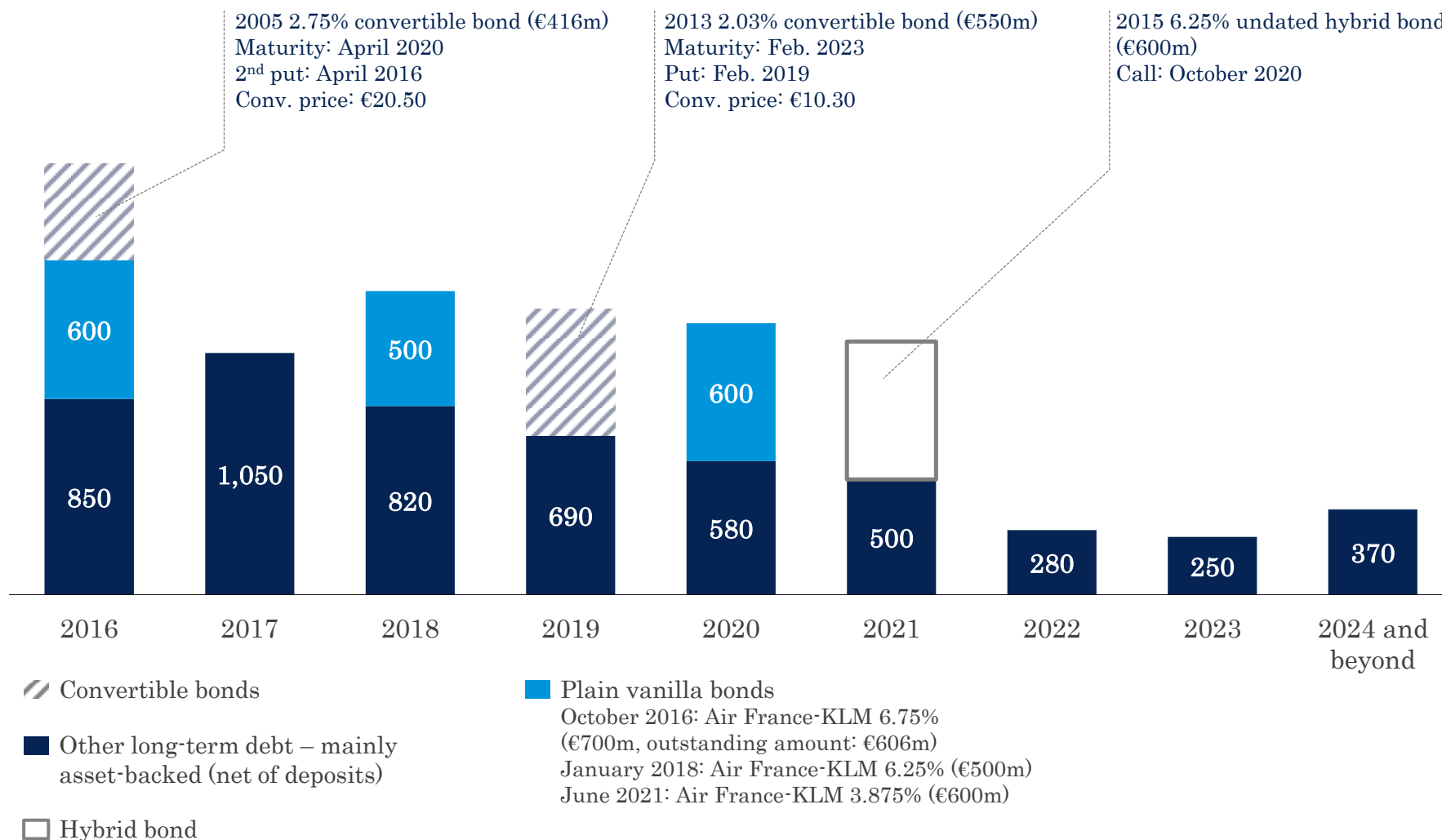
# Pension update

## Evolution of net pension balance sheet situation

In €m



# Debt reimbursement profile at 31 December 2015<sup>(1)</sup>



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

# FULL YEAR 2015 RESULTS

18 February 2016