



First Quarter 2014 Results

30 April 2014

Overview of First Quarter

Environment

- + Significant currency volatility
- + Devaluation of Venezuelan currency
- + Lower fuel price

Operations

- + Passenger
 - ▶ Impact of Easter timing
 - ▶ Disciplined capacity growth
- + Slower than expected recovery in cargo demand

Restructuring

- + Transform 2015 measures progressing as planned
 - ▶ Additional VDPs underway
 - ▶ Further reduction in unit costs
 - ▶ Additional cargo scenarios under consideration

Strategy

- + Product upgrade
 - ▶ Roll-out of new KLM business cabin
 - ▶ Unveiling of new Air France business cabin
 - ▶ New Air France advertising campaign: "France is in the Air"
- + GOL agreement signed

Key data

	Q1-14	Q1-13 ⁽¹⁾	Change
Revenue (€bn)	5.55 →	5.68	Reported: -2.2% Like for Like ⁽³⁾ : +0.0%
EBITDA ⁽²⁾ (€m)	-50 ↗	-116	+66m
Operating result (€m)	-445 ↗	-532	+87m
Adjusted net result ⁽²⁾ (€m)	-485 ↗	-652	+167m
Net result, group share (€m)	-608 ↗	-641	+33m
Operating free cash flow ⁽²⁾ (€m)	-80 ↘	+40	-120m
Net debt ⁽²⁾ (€bn)	5.54 ↘	5.35 ⁽⁴⁾	+190m

(1) 2013 restated for IFRIC 21, CityJet reclassified as discontinued operation

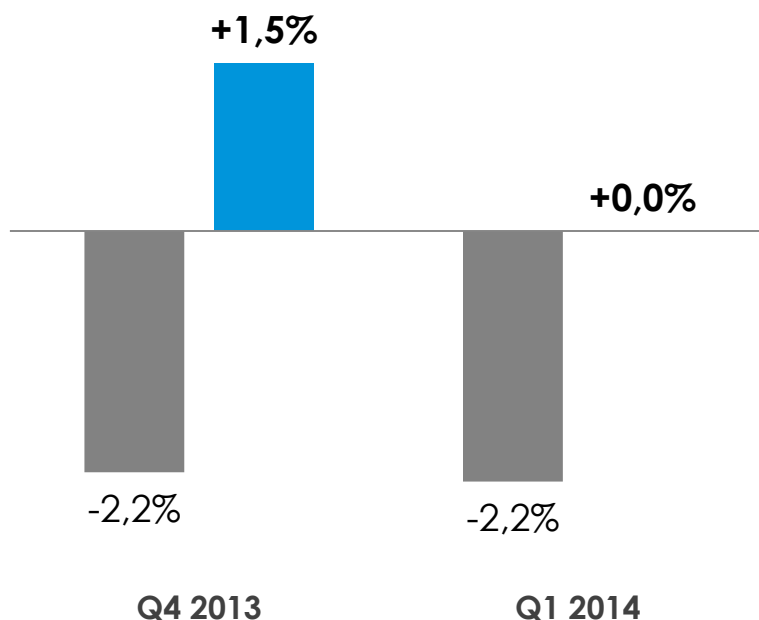
(2) See definition in press release

(3) Like for Like: at constant currency and scope

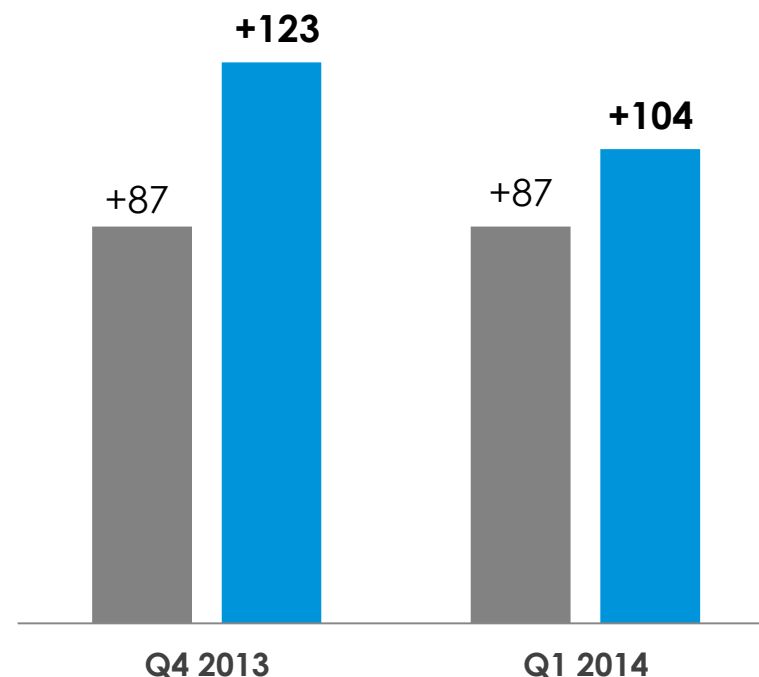
(4) Net debt at 31st December 2013

Significant currency impact

Revenues (% change)

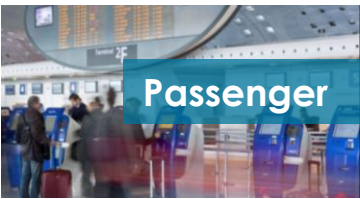
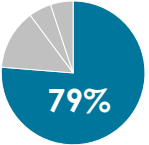

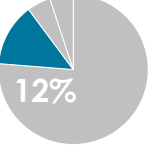

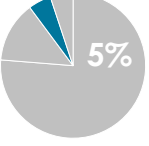

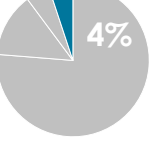


Operating result (€m improvement)



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

Contribution by business segment to First Quarter results

		Revenue (€ bn)	Change (%)	Change Like for like ⁽¹⁾ (%)		Op. result (€m)	Change (€m)	Change Like for like ⁽¹⁾ (€m)	
 Passenger		4.36	-1.9%	+0.0%	→	-378	+69	+80	↗
 Cargo		0.68	-3.4%	-1.3%	↘	-34	+16	+18	↗
 Maintenance		0.29	-4.0%	-1.9%	↘	22	+2	+3	↗
 Other		0.22	-2.7%	+6.1%	↗	-55	+0	+3	↗
Total		5.55	-2.2%	+0.0%	→	-445	+87	+104	↗

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

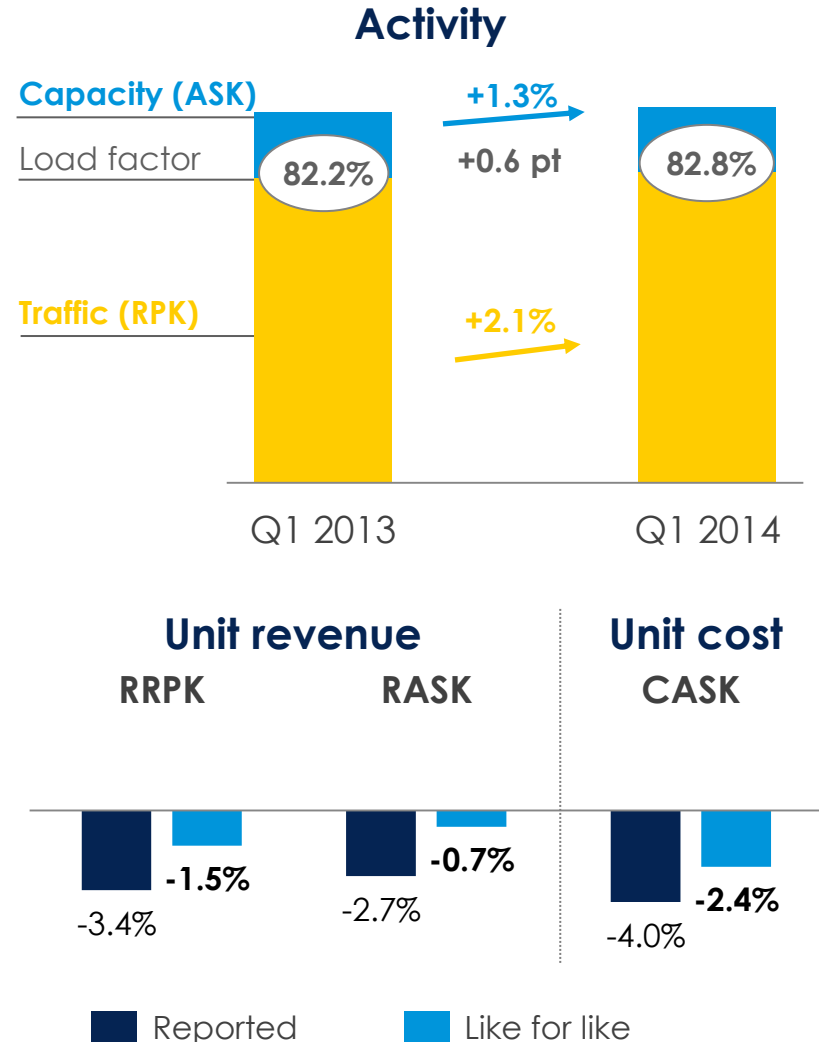
Passenger activity



- + Disciplined capacity growth
- + Load factor up 0.6 point despite Easter timing effect
- + Unit revenue: down -0.7%*
 - ▶ Long-haul down -0.4%*
 - Premium: +2.5%*
 - Economy: -1.4%*
 - ▶ Medium-haul up +0.6%*
 - Positive effect of capacity reduction on medium-haul point-to-point
 - RASK up 1.3%* in hubs
- + Unit cost reduced by 2.4%*


Operating result improved by €69m

* Like for like

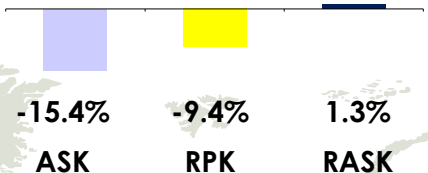


Unit revenue by network

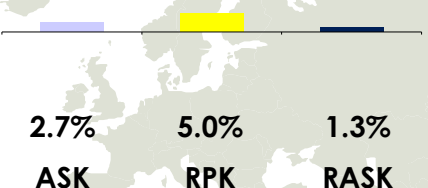


First Quarter 2014
RASK like for like

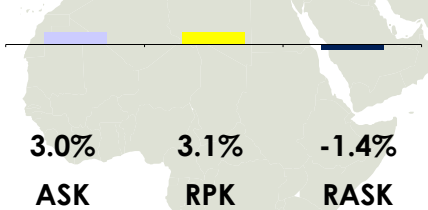
Medium-haul point-to-point



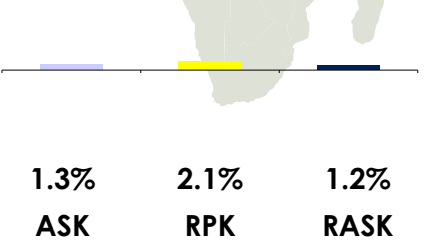
Medium-haul hubs



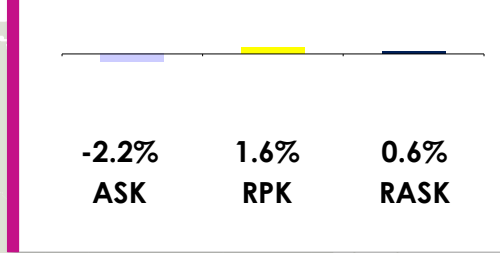
Africa and Middle East



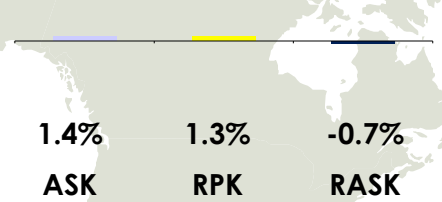
Caribbean & Indian Ocean



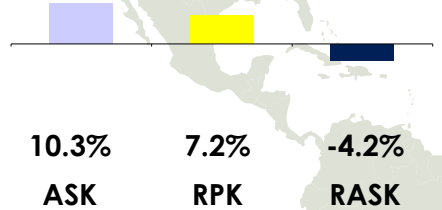
Total medium-haul



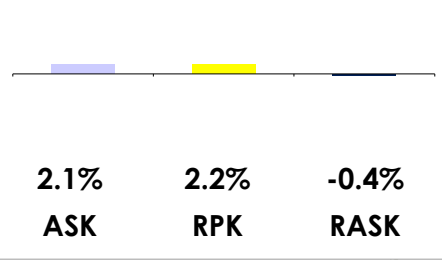
North America



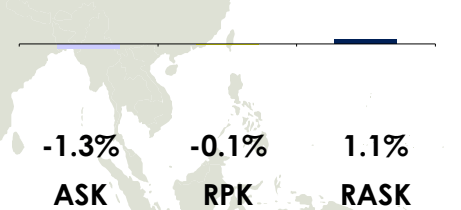
Latin America



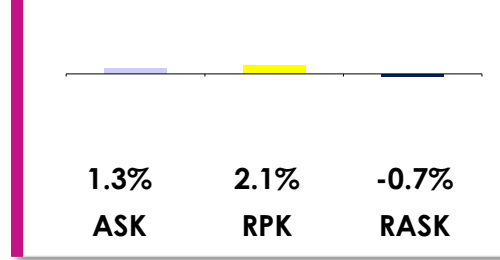
Total long-haul



Asia



Total



Cargo activity

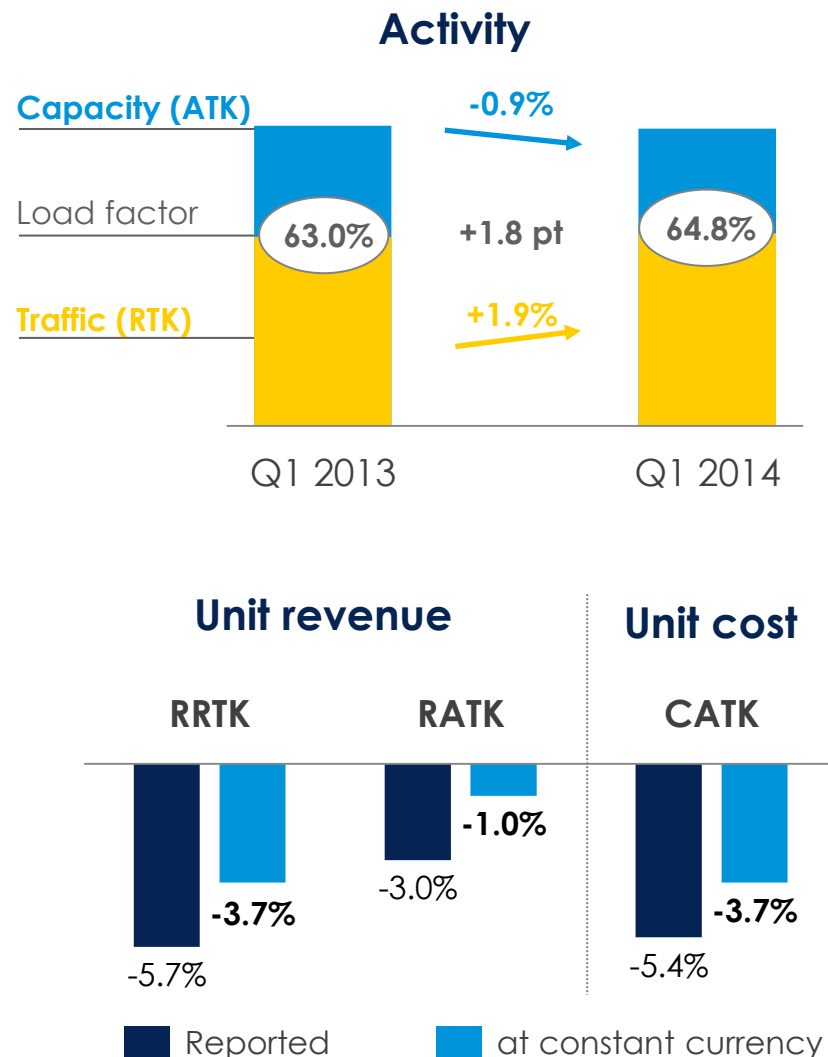


- + Slower than expected recovery in demand
 - ▶ Pick up in traffic
 - ▶ But yields still weak

- + Insufficient improvement in operating result despite ongoing unit cost reduction



Further scenarios now under consideration to restructure the full freighter business



Maintenance activity



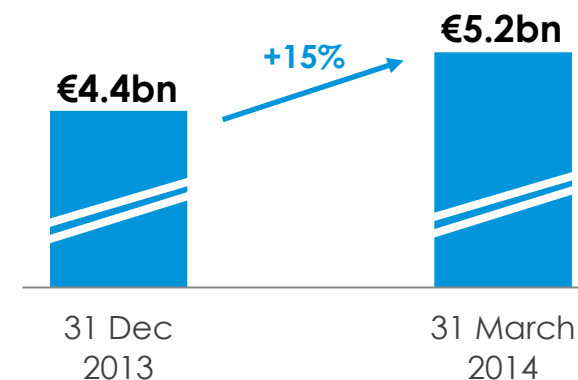
- + Third party revenue down 1.9% at constant currency
 - ▶ Quarter to quarter volatility of third party engine revenue

- + Further increase in order book
 - ▶ Air China contract announced today

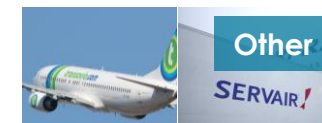
- + Continuation of targeted investments to reinforce positions
 - ▶ March 2014: US-based component support business

- + Operating result up
 - ▶ Development of higher margin activities
 - ▶ Transform 2015 efficiency gains

Order book



In € millions	Q1-14	Q1-13	Change
Total revenue	804	788	+2.0%
Third party revenue	290	302	-4.0%
<i>at constant currency</i>			-1.9%
Operating result	22	20	+2
Operating margin	2.7%	2.5%	+0.2 pt



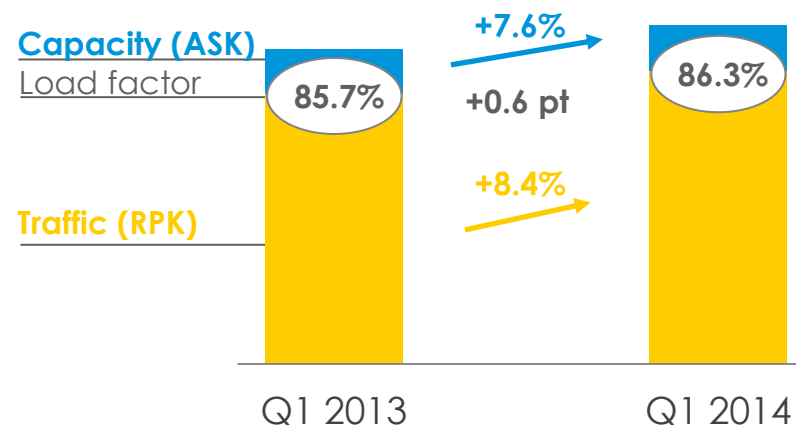
+ Transavia

- ▶ Capacity growth: +7.6%
- ▶ Unit revenue: -4.3%
 - affected by Easter timing

+ Catering

- ▶ Strong increase in third party revenues excluding impact of disposal of Air Chef

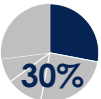




Transavia activity



In € millions			
	Q1-14	Q1-13	Change
Transavia			
Transport revenue	128	124	+2.9%
Operating result	-58	-51	-7
RASK (€ cts per ASK)	3.91	4.08	-4.3%
Catering			
Third party revenue	73	65*	+12.3%
Operating result	-4	-3*	-1

* Q1 2013 restated for sale Air Chef

Change in operating costs

	€m	Reported change	Change at constant currency
 Total employee costs <i>including temps</i>	1,846	-3.8%	-3.6%
 Supplier costs⁽¹⁾ <i>excluding purchasing of maintenance services and parts</i>	1,508	+0.4%	+1.9%
 Aircraft costs⁽²⁾	710	-6.8%	-5.2%
 Purchasing of maintenance services and parts	319	+4.9%	+7.6%
Operating costs ex-fuel⁽³⁾	4,437	-2.3%	-1.3%
 Fuel	1,553	-6.3%	-3.5%
Grand total of operating costs	5,999	-3.4%	-2.0%
<i>Capacity (EASK)</i>			+1.2%

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

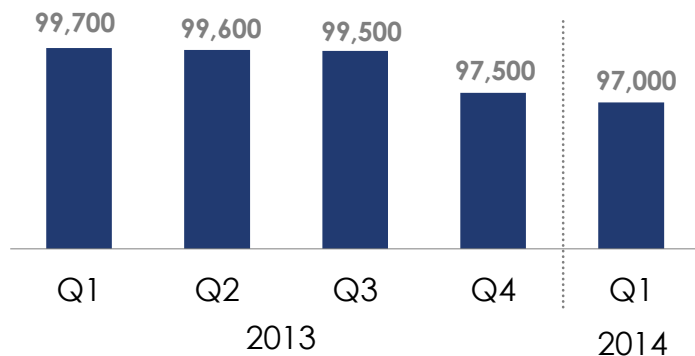
(2) Chartering (capacity purchases), aircraft operating leases, amortization, depreciation and provisions

(3) Including other taxes, other revenues, other income and expenses

Significant decline in employee costs

+ Headcount reduction⁽¹⁾

► Q1 2014: -2,700 FTEs

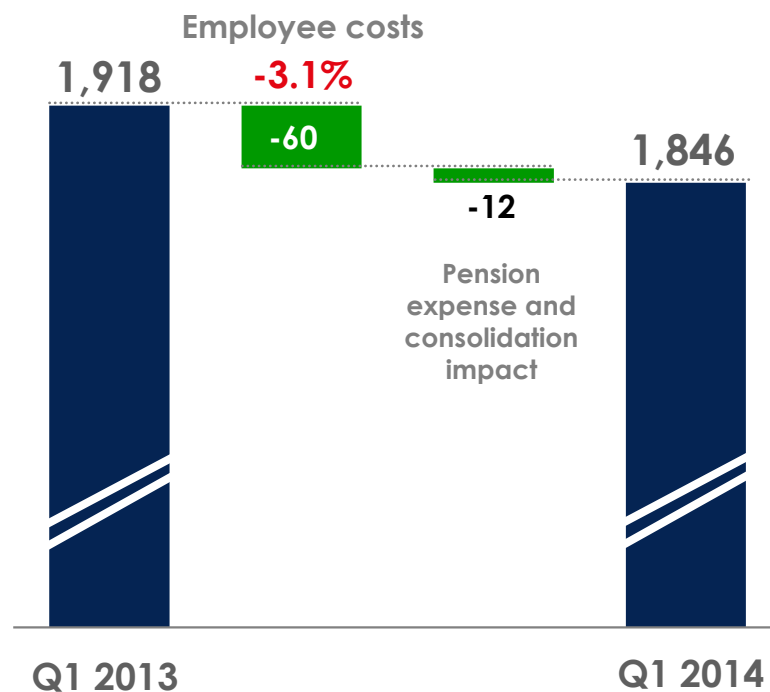


+ General pay freeze at both Air France and KLM

+ On track to achieve further reduction in 2014

Change in employee costs

(€m, including temporary staff)



(1) Headcount including temps, Q1 and Q2 2013 excluding Air Chef staff

Further reduction in unit costs

Q1-2014

Net cost: €5,371m (-3.1%)

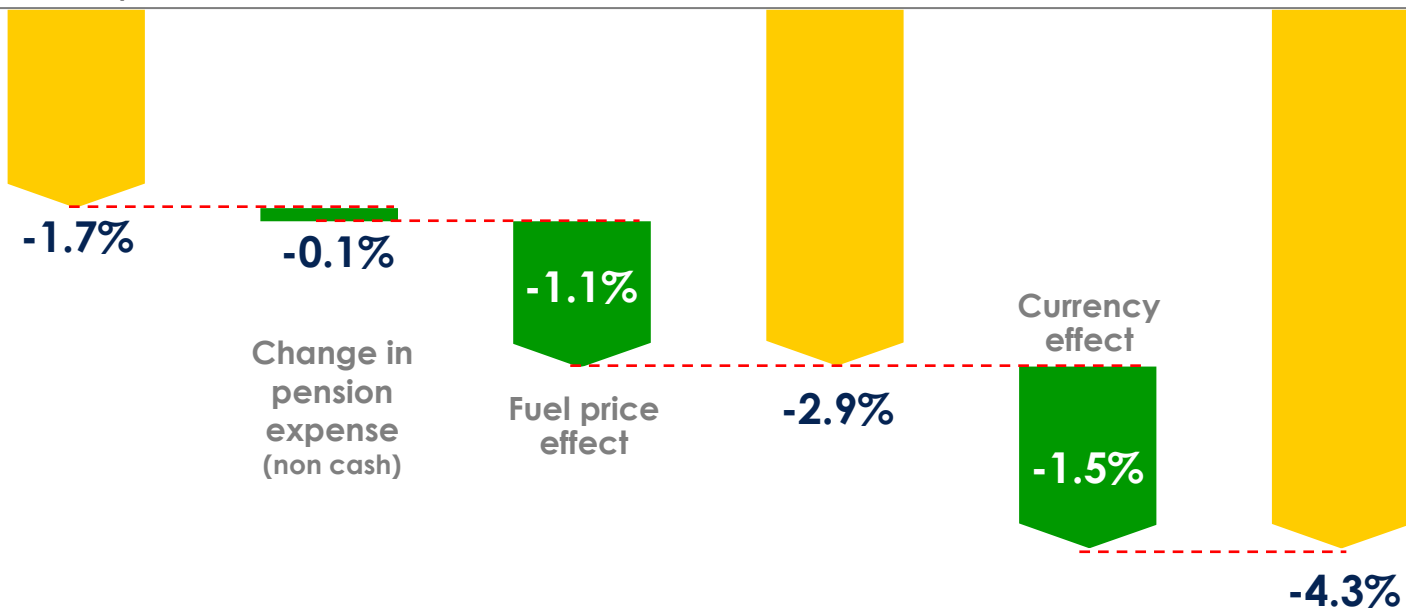
Capacity in EASK: 77,164m (+1.2%)

Unit cost per EASK: €6.96 cents

Net change
Excluding change
in pension expense

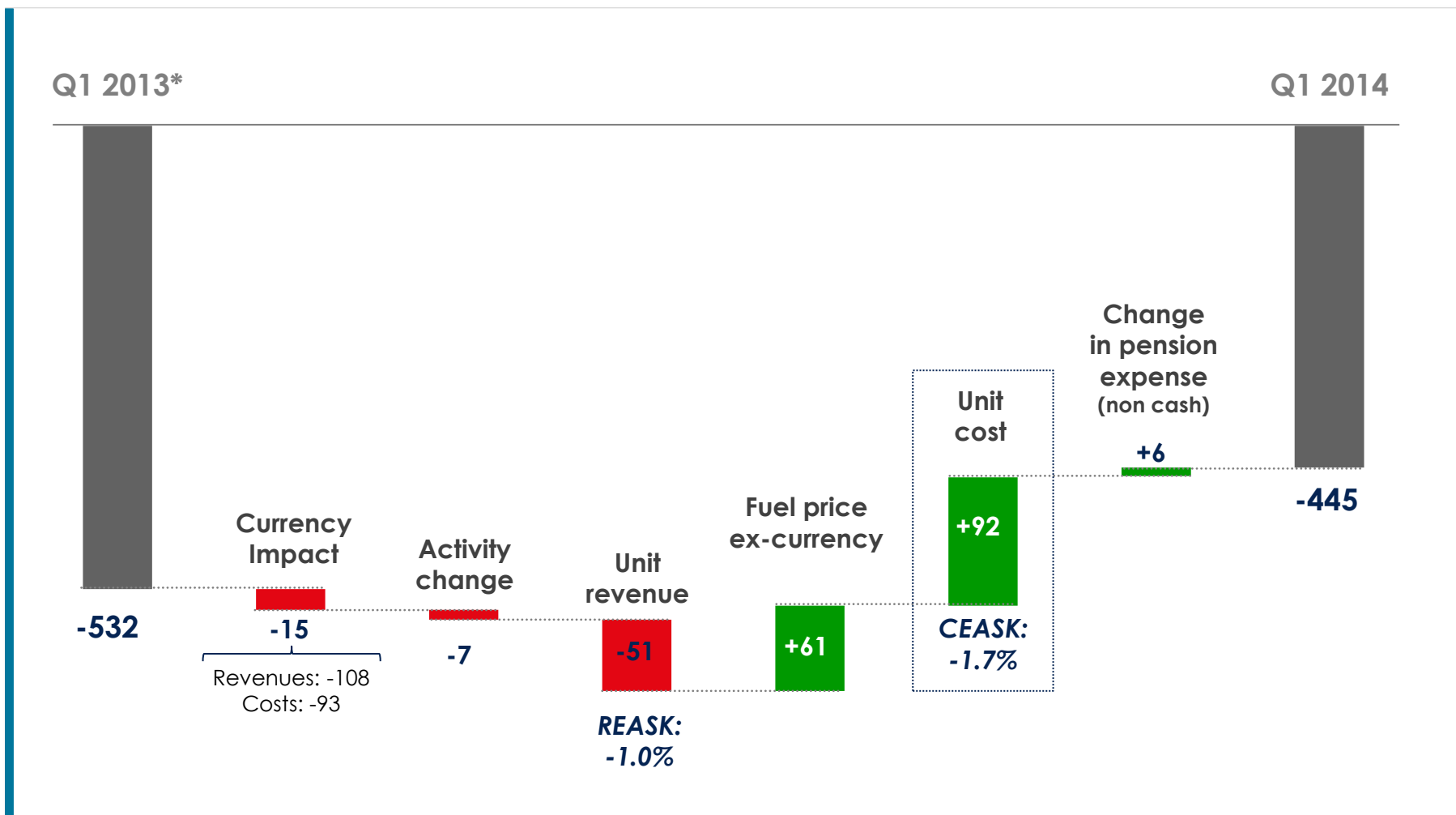
**At constant
currency**

**Reported
change**



Operating result

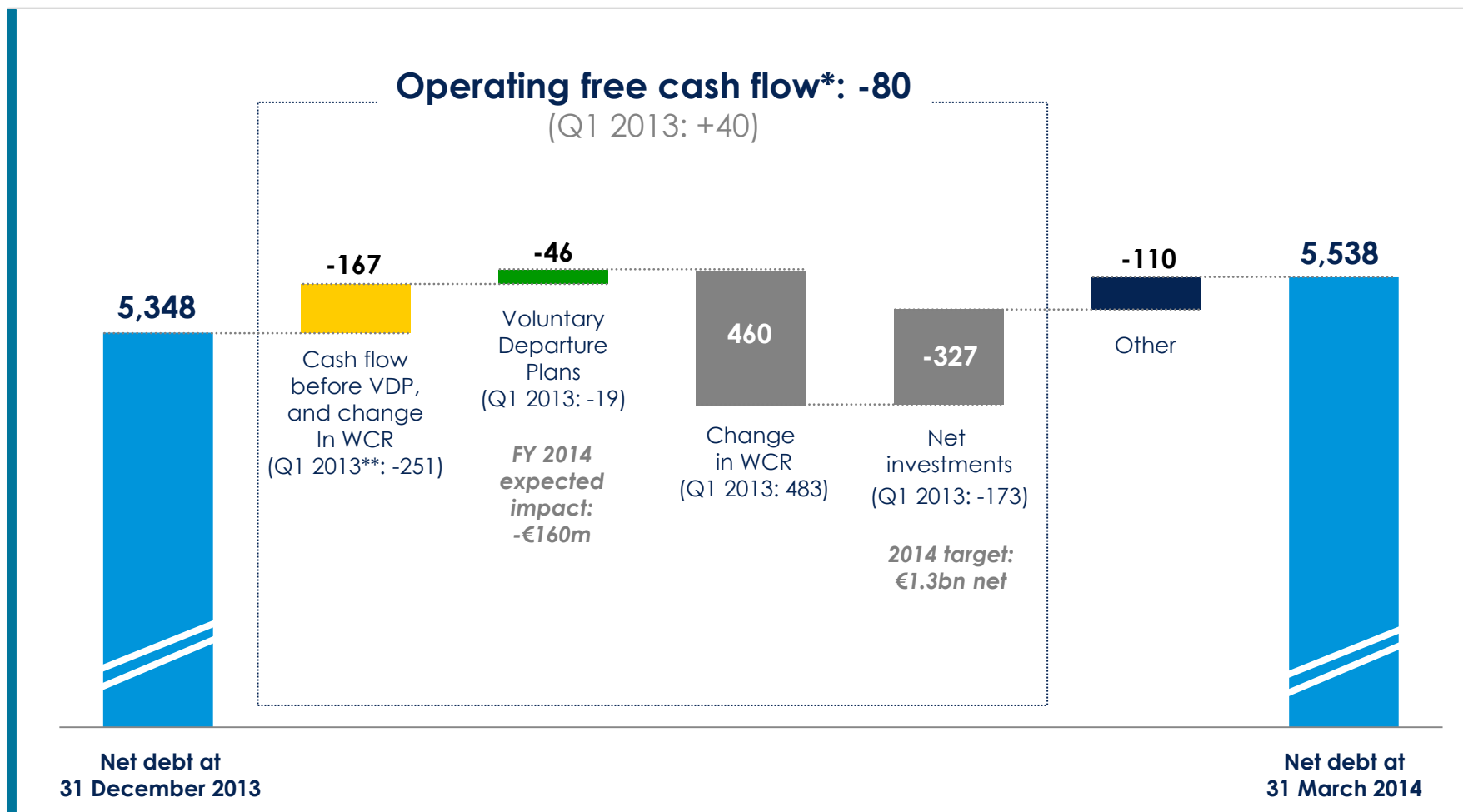
In € millions



* Restated for IFRIC 21, CityJet reclassified as discontinued operation

Operating free cash flow

In € millions

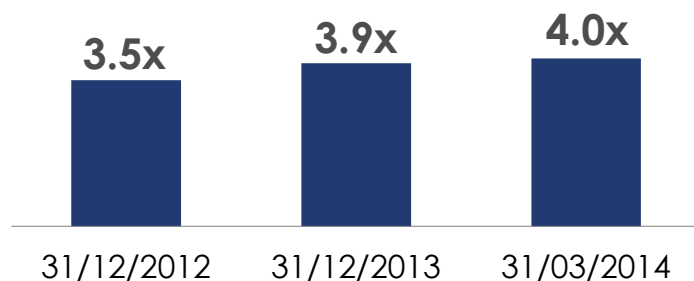


* Net cash flow from operating activities less net capex on tangibles and intangibles. See definition in press release

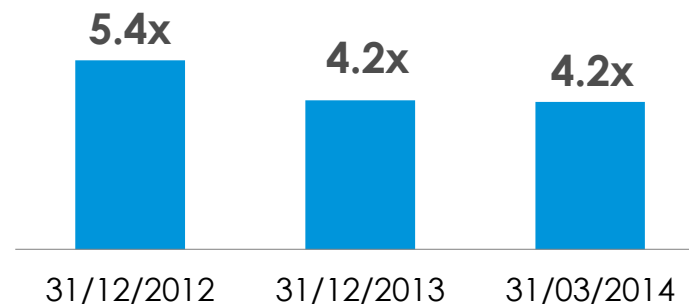
** 2013 restated for IFRIC 21, CityJet reclassified as discontinued operation

Financial ratios at 31 March 2014

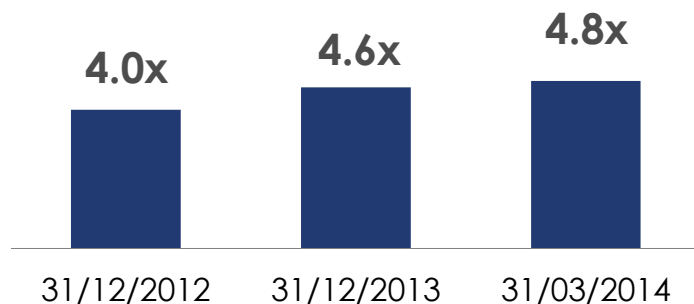
EBITDAR / adjusted net interest costs⁽¹⁾



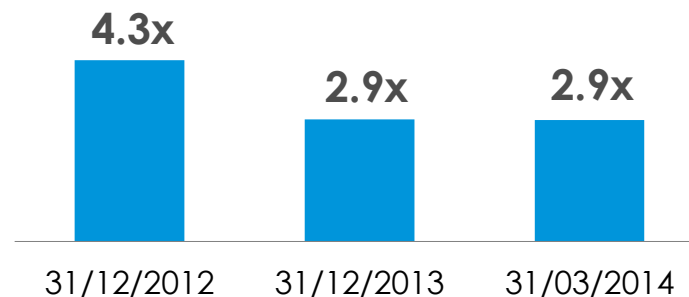
Adjusted net debt⁽²⁾ / EBITDAR



EBITDA / net interest costs



Net debt / EBITDA



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

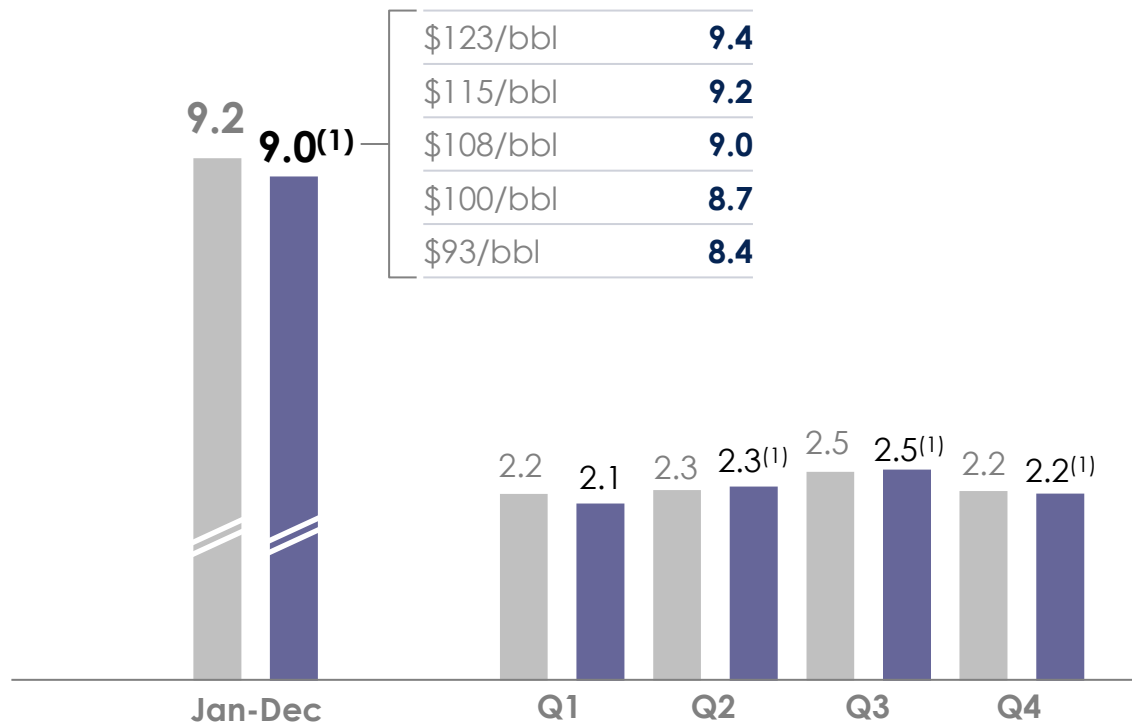
(2) Adjusted for the capitalization of operating leases (7x yearly expense)

Update on fuel bill

In \$ billions

Fuel bill after hedging

- 2013
- 2014



Market price	Brent (\$ per bbl)⁽¹⁾	108	108	109	108	106
	Jet fuel (\$ per metric ton)⁽¹⁾	980	975	980	980	980
	% of consumption already hedged	65%	66%	68%	65%	63%

(1) Forward curves as of 17 April 2014
Sensitivity computation based on April-December 2014 fuel price

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
- + Objective confirmed: EBITDA in the region of €2.5bn, subject to:
 - ▶ Successful implementation of the measures aimed at compensating for the slower than expected recovery in cargo demand and the network adjustments linked to the situation on the Caracas route
 - ▶ No reversal in other operating trends
- + Ongoing reduction in net debt
 - ▶ Towards our 2015 objective of €4.5bn