First Quarter 2015 Results

30 April 2015

AIRFRANCE KLM

Overview of the First Quarter 2015

Environment	♦ Still weak economic environment in several key markets ♦ Significant currency volatility affecting results ♦ Market price of jet fuel down 42% in dollars, and down 30% in euros, compared to Q1 2014
Operations	♦ Passenger network: strict capacity discipline limiting drop in unit revenue in spite of weak supply-demand balance in Latin America, Africa and Asia ♦ Cargo: large fall in unit revenues on the back of structural air cargo industry overcapacity ♦ Dynamic maintenance activity, record high order book ♦ Improved profitability and free cash flow generation ♦ €930m cash-in from Amadeus shares and hybrid issuance*
Strategy	♦ Continued roll-out of successful product upgrade ♦ Significant full-freighter capacity reduction ♦ Transavia passengers up 56% in France ♦ Ongoing negotiations with KLM unions, to start in May with Air France unions

* April 2015

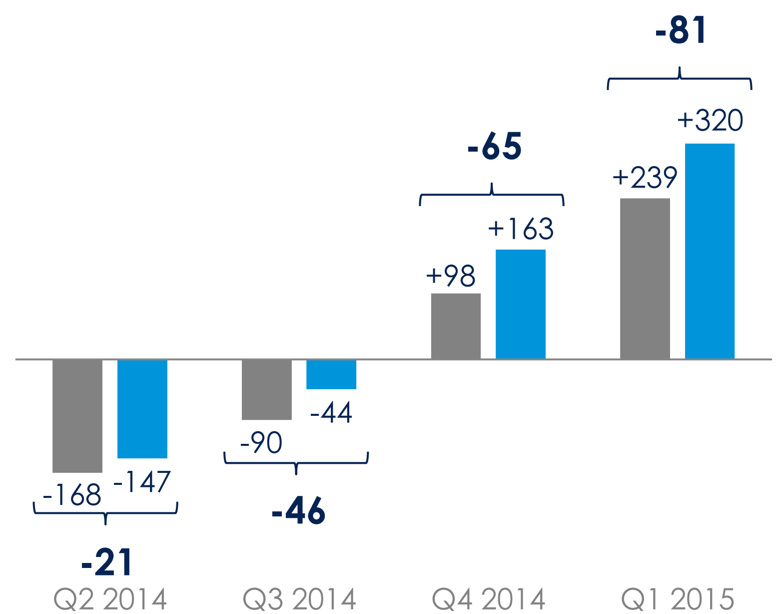
Key data

In € millions	Q1 2015	Q1 2014	Change
Revenues	**5,656**	5,554	+1.8%
Change like-for-like[1]			-2.4%
EBITDAR[2]	**229**	167	+62m
EBITDA[2]	**-21**	-50	+29m
Operating result	**-417**	-445	+28m
Net result, group share	**-559**	-608	+49m
Adjusted net result[2]	**-504**	-485	-19m
ROCE[2, 4]	**5.6%**	4.0%	+1.6 pts
Operating free cash flow[2]	**-37**	-80	+43m
Net debt at end of period	**5,280**	5,407[3]	-127m
Net debt after hybrid bond	**4,680**	5,407[3]	-727m
Adjusted net debt / EBITDAR[2, 4]	**3.74**	4.00[3]	-0.26

(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; adjusted net debt restated for hybrid bond; EBITDAR and ROCE excluding strike

Significant currency impact on operating result

Currency impact on revenues and costs (€m)



Currency impact on revenues

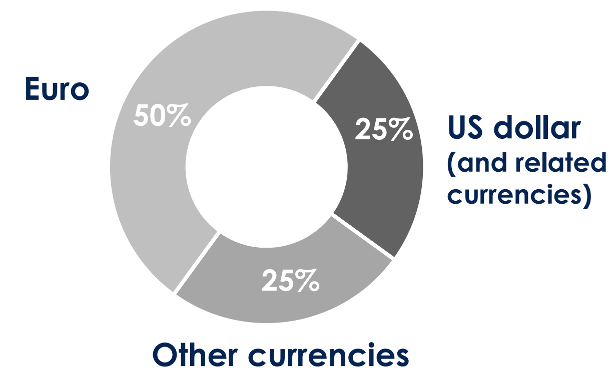
Currency impact on costs, including hedging

-XX Currency impact on operating result

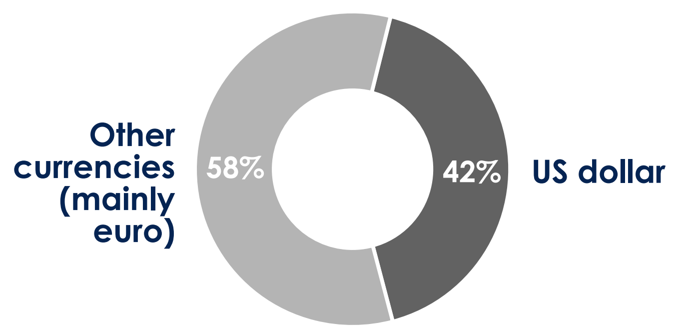
Revenues and costs per currency

(FY 2014)

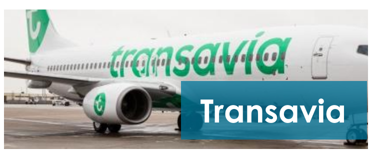
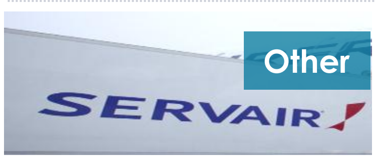
Revenues



Costs



Contribution by business segment to First Quarter 2015 results

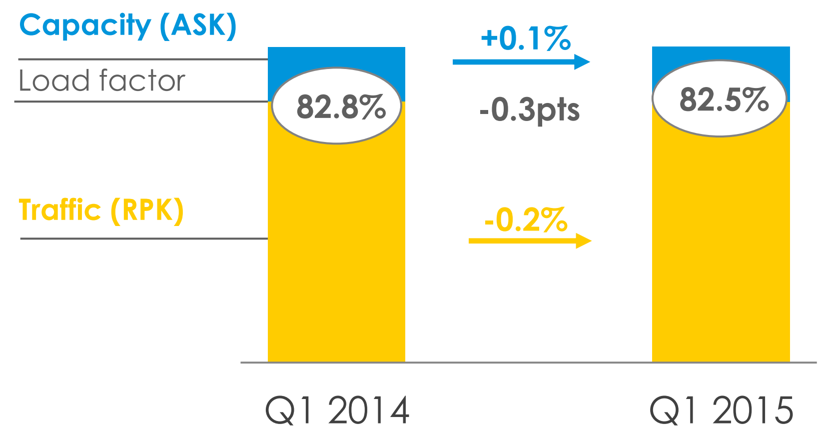
	Share	Revenue (€bn)	Reported change (%)	Change Like-for-like (%)	Op. result (€m)	Reported change (€m)	Change Like-for-like (€m)
 Passenger network[1]	78%	**4.42**	+1.3%	-2.0% ↘	**-322**	+56	+132 ↗
 Cargo	11%	**0.62**	-7.5%	-13.5% ↘	**-63**	-29	-15 ↘
 Maintenance	7%	**0.38**	+31.0%	+13.8% ↗	**35**	+13	-2 =
 Transavia	3%	**0.15**	+5.1%	+4.3% ↗	**-69**	-11	-7 ↘
 Other	1%	**0.08**	-0.1%	-0.6% =	**2**	-1	1 =
Total		**5.66**	**+1.8%**	**-2.4%** ↘	**-417**	**+28**	**+109** ↗

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

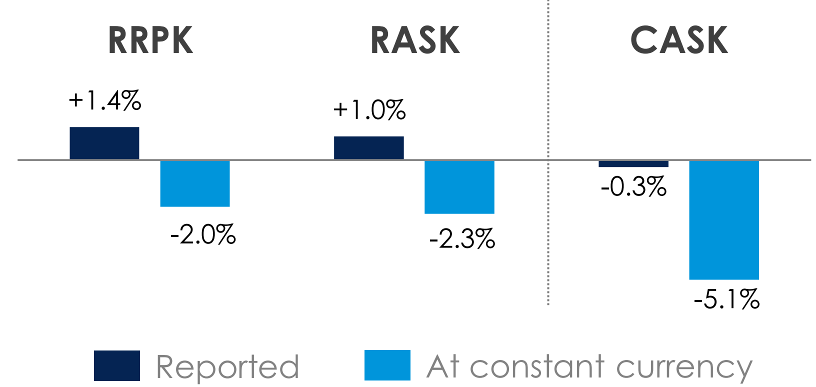
Passenger network activity in First Quarter 2015

- Limited drop in unit revenue excluding currency thanks to continued strict capacity discipline
  - Capacity flat (+0.1%)
- First Quarter unit revenue down 2.3% at constant currency
  - Reflection of the expected capacity - demand balances: good performance on North America, the Caribbean & Indian Ocean and point-to-point
  - No differentiation in trend between long-haul cabins
    - Premium (Business & First class): -2.1%
    - Economy: -3.5%
- Operating result up €56m
  - Up €132m like-for-like

Activity

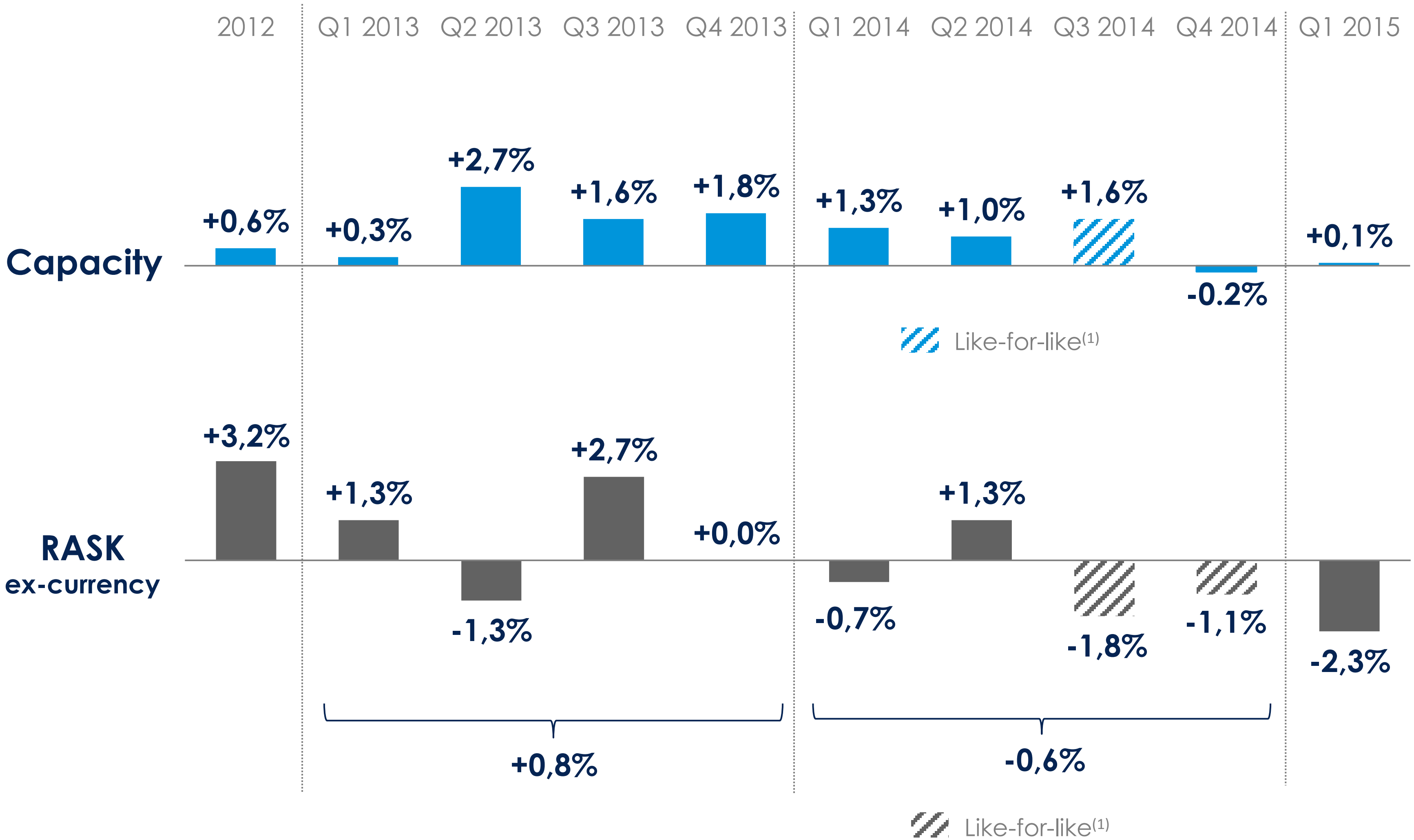


Unit revenue / Unit cost



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

Passenger network capacity and unit revenue per quarter



NB: Passenger network only: Air France, KLM and HOP!
(1) Like-for-like: excluding currency, pilot strike (Q3, Q4 2014) and one-offs (Q4 2014)

First Quarter 2015 passenger unit revenue by network

Medium-haul point-to-point

-11.8%	-10.0%	9.6%
ASK	RPK	RASK

Medium-haul hubs

1.4%	1.8%	-1.4%
ASK	RPK	RASK

Total medium-haul

-1.7%	-0.6%	0.8%
ASK	RPK	RASK

North America

1.9%	2.8%	2.2%
ASK	RPK	RASK

Latin America

0.1%	-0.1%	-6.7%
ASK	RPK	RASK

Africa and Middle East

-1.8%	-4.7%	-6.5%
ASK	RPK	RASK

Asia

1.6%	-0.2%	-6.5%
ASK	RPK	RASK

Total long-haul

0.5%	-0.2%	-3.3%
ASK	RPK	RASK

Caribbean & Indian Ocean

-0.3%	0.3%	2.3%
ASK	RPK	RASK

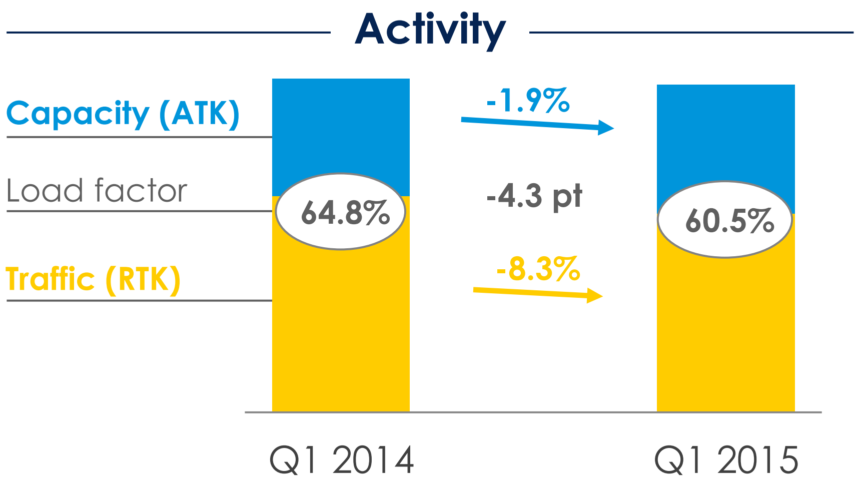
Total

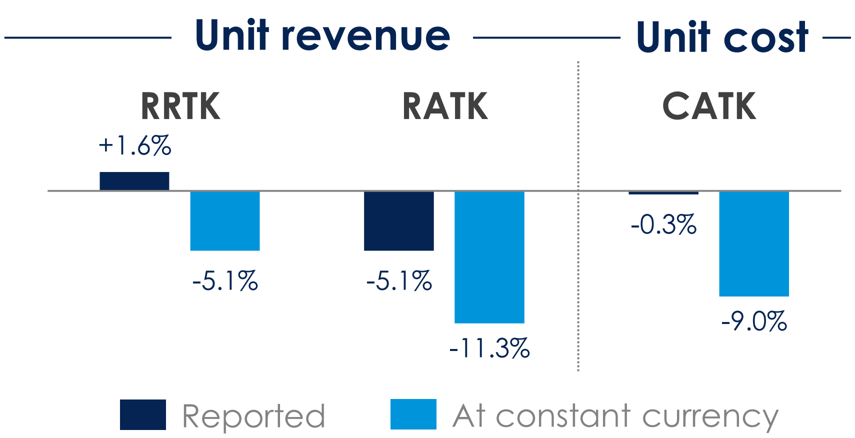
0.1%	-0.2%	-2.3%
ASK	RPK	RASK

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

Cargo activity in First Quarter 2015

- Full-freighter capacity further reduced by 9.6%
  - Partly compensated by 1,2% increase in belly capacity
- Persistently weak demand
  - RATK down 11.3% at constant currency
  - Reflection of structural industry overcapacity, especially on flows from Asia to Europe
- Ongoing reduction of full-freighter business
  - 3 B747 retired in Winter 2014-15
  - 5 MD11 to be retired by Winter 2015-16
  - Operating 5 full-freighters by end of 2016

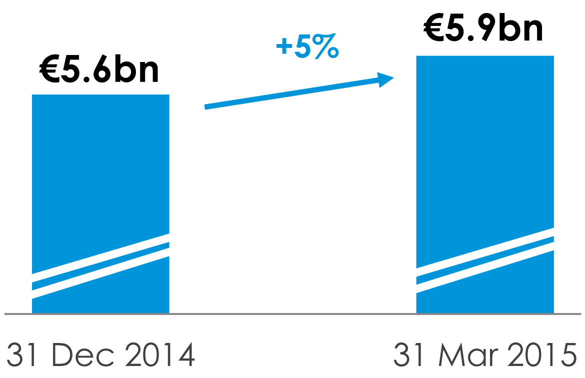




Maintenance activity in First Quarter 2015

- Third party revenue up more than 30%
  - Revenues up 13.8% like-for-like
  - Strong dollar supporting revenue
  - Weak comps in Q1 14, due to volatility of shop visits
  - First GEnx engine overhauled
- New contract wins contribute to record high order book
  - Examples: B787 component support for Royal Air Maroc, Thai Airways
- Further expansion of service portfolio
  - Investment in US engine parts trading business

Order book

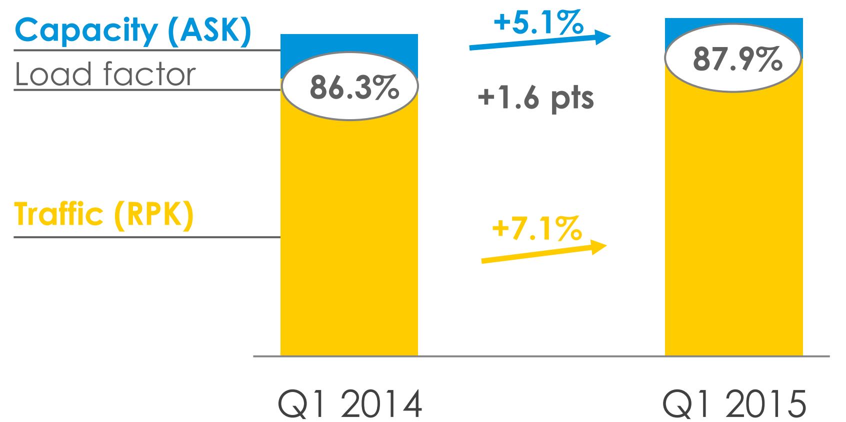


In € millions	Q1 15	Q1 14	Change	Like-for-Like
Total revenue	**967**	804	+20.3%	
Third party revenue	**380**	290	+31.0%	+13.8%
Operating result	**35**	22	+13	-2
Operating margin	***3.6%***	*2.7%*	*+0.9pt*	*-0.7pt*

Transavia in First Quarter 2015

- 1.7 million passengers, up 11.9%
- Load factor increase by 1.6 pts
- Accelerated ramp-up in France on track
  - Capacity up 48%
  - Passengers up by 56%
- Seasonal capacity adjustments in the Netherlands
  - Capacity down 7,5%
- Ex-currency unit cost slightly up
  - Shorter stage length
  - Ramp-up investments in France
  - Unit cost performance in the Netherlands adversely affected by seasonal capacity adjustments

Transavia activity



In € millions	Q1 15	Q1 14	Change
Total revenue	**146**	139	+5.0%
RRPK (€ cts per RPK)	***4.68***	*4.74*	*-1.2%*
RASK (€ cts per ASK)	***4.12***	*4.09*	*+0.7%*
CASK (€ cts per ASK)	***6.12***	*5.87*	*+4.3%*
Like-for-like			*+2.3%*
Operating result	**-69**	-58	-11

First Quarter 2015: Change in operating costs[1]

		€m	Reported change	Change at constant currency
32%	**Total employee costs** *including temps*	**1,920**	+2.1%	+1.7%
26%	**Supplier costs[2]** *excluding fuel and purchasing of maintenance services and parts*	**1,578**	+3.6%	+0.7%
12%	**Aircraft costs[3]**	**753**	+6.1%	-1.4%
9%	**Purchasing of maintenance services and parts**	**579**	+43.3%	+27.1%*
	Operating costs ex-fuel[4]	**4,593**	**+3.3%**	**+1.5%**
24%	**Fuel**	**1,480**	-4.7%	-17.6%
	Grand total of operating costs	**6,073**	**1.2%**	**-3.9%**
	Capacity (EASK)			*+0.1%*

* Driven by increase in third party maintenance revenues and increase in retrofitting activity on own fleet

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

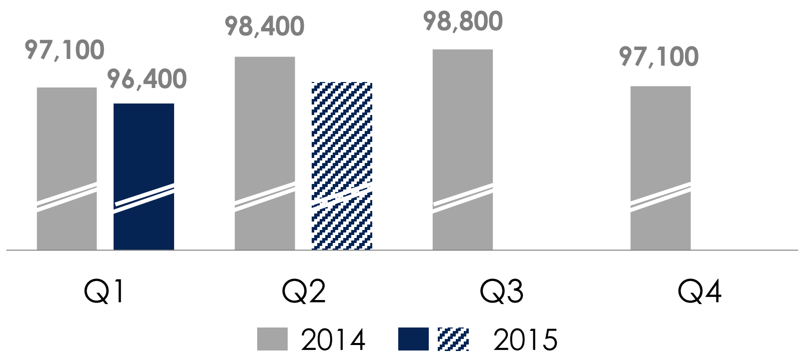
(2) Catering, handling, commercial and distribution charges, landing fees and air-route charges, other external expenses, excluding temps

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

(4) Including other taxes, other revenues, other income and expenses (including capitalized production)

Update on employee costs

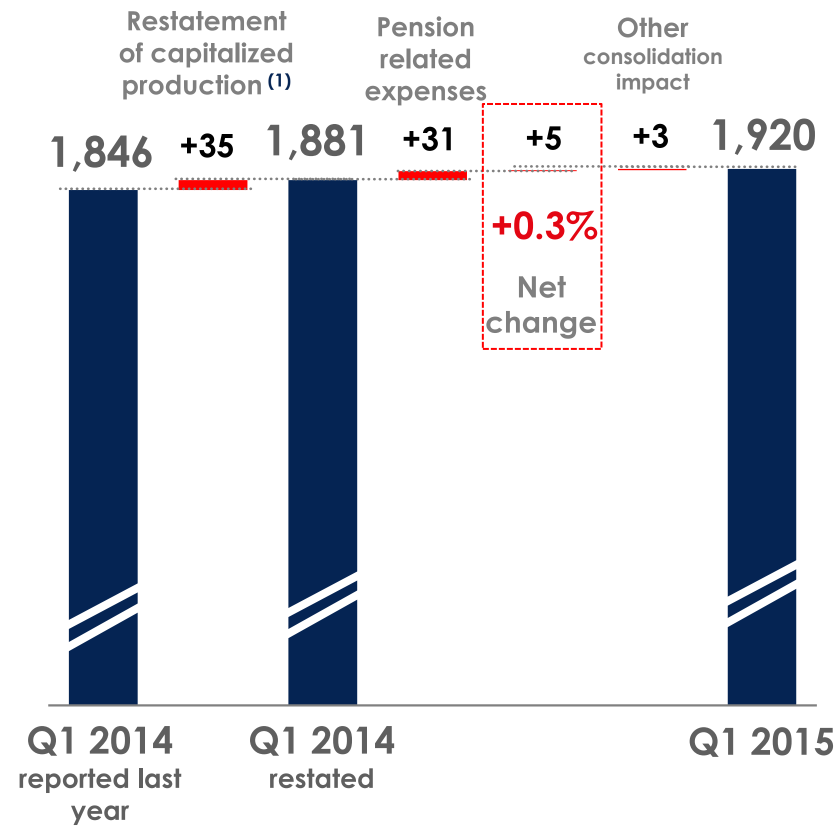
- Further headcount reduction: -700 FTEs in Q1 2015



- Increase in pension-related expenses (no additional cash out)
- €56m provision for new VDP
- Further reduction in headcount as from Q2
  - 1,300 FTEs leaving at 31 March 2015

Change in total employee costs

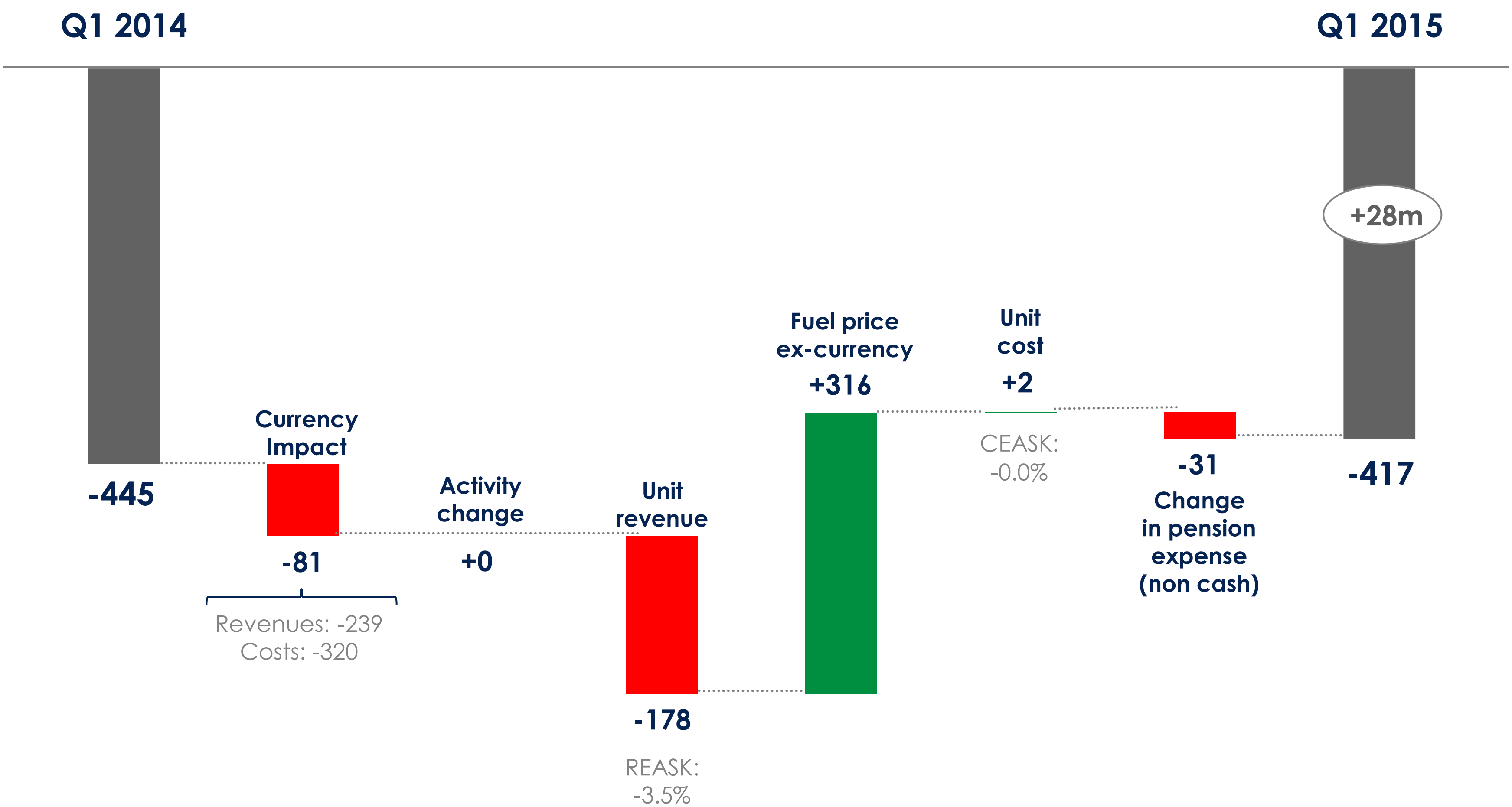
(€m, including temporary staff)



(1) Capitalized production: see explanation in press release

Operating result: most of fuel price benefit offset by currency and unit revenue weakness

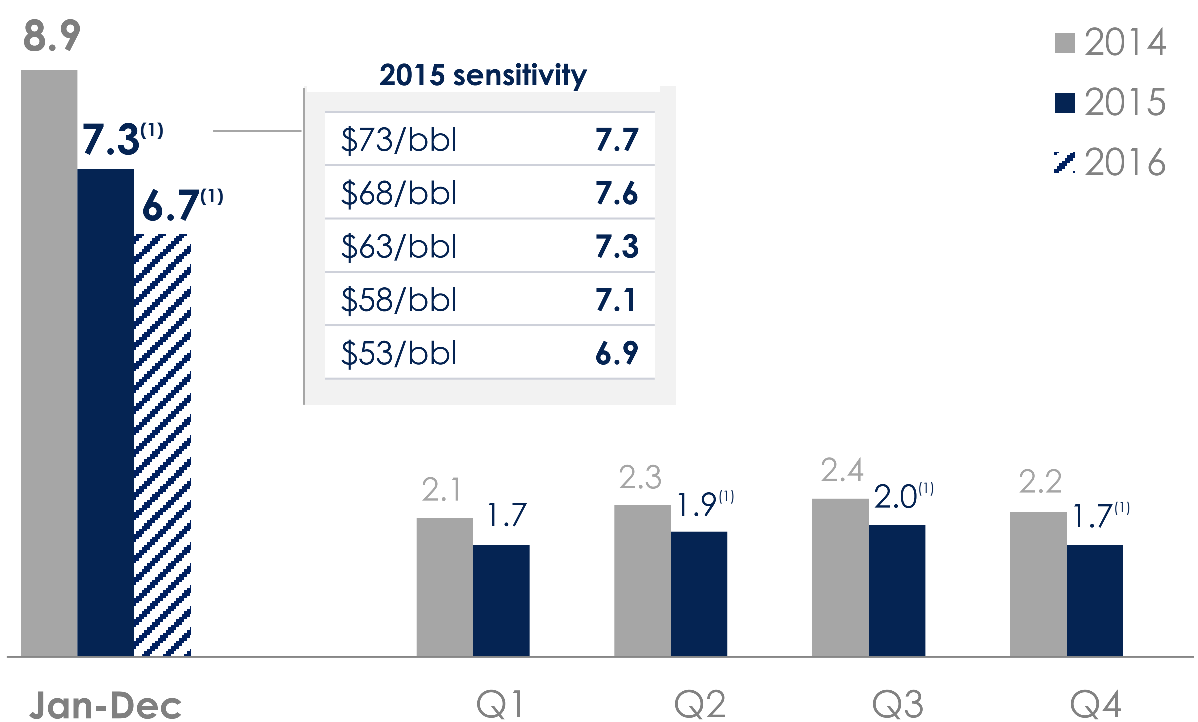
Operating result, in million euros



Update on 2015 fuel bill

Fuel bill after hedging
(in billion dollars)

2014: fuel bill \$8.9bn / €6.6bn
2015: fuel bill \$7.3bn / €6.6bn(2)
2016: fuel bill \$6.7bn / €6.1bn(2)



2015 sensitivity

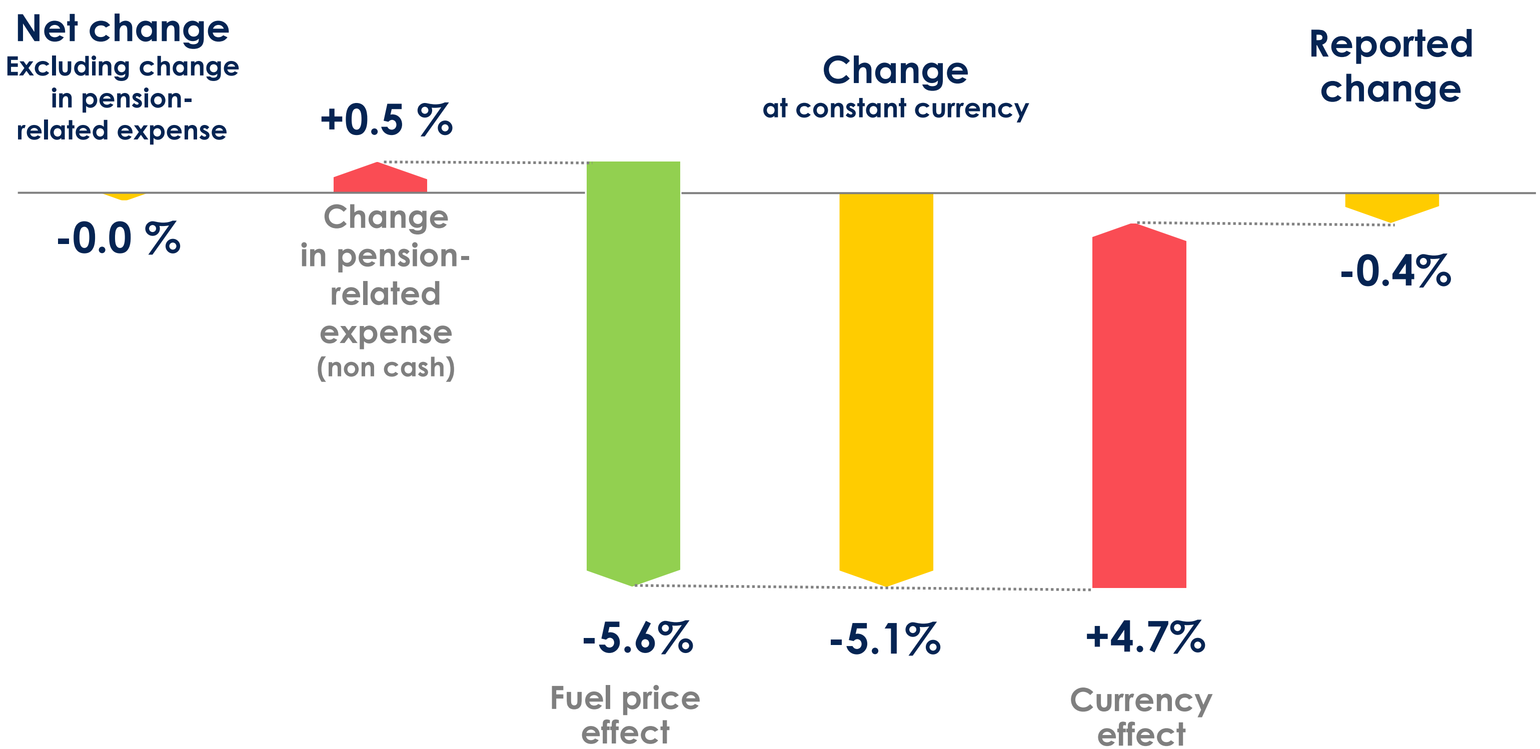
\$73/bbl	**7.7**
\$68/bbl	**7.6**
\$63/bbl	**7.3**
\$58/bbl	**7.1**
\$53/bbl	**6.9**

		Jan-Dec	Q1	Q2	Q3	Q4
MARKET PRICE	Brent (\$ per bbl)(1)	63	55	63	66	67
	Jet fuel (\$ per metric ton)(1)	608	565	602	627	639
% of consumption already hedged		70%		66%	75%	75%

(1) Based on forward curve at 17 April 2015. Sensitivity computation based on April-December 2015 fuel price, assuming constant crack spread between Brent and Jet Fuel
(2) Assuming exchange rate of 1.10 US dollar per euro as from Q2 2015 onwards

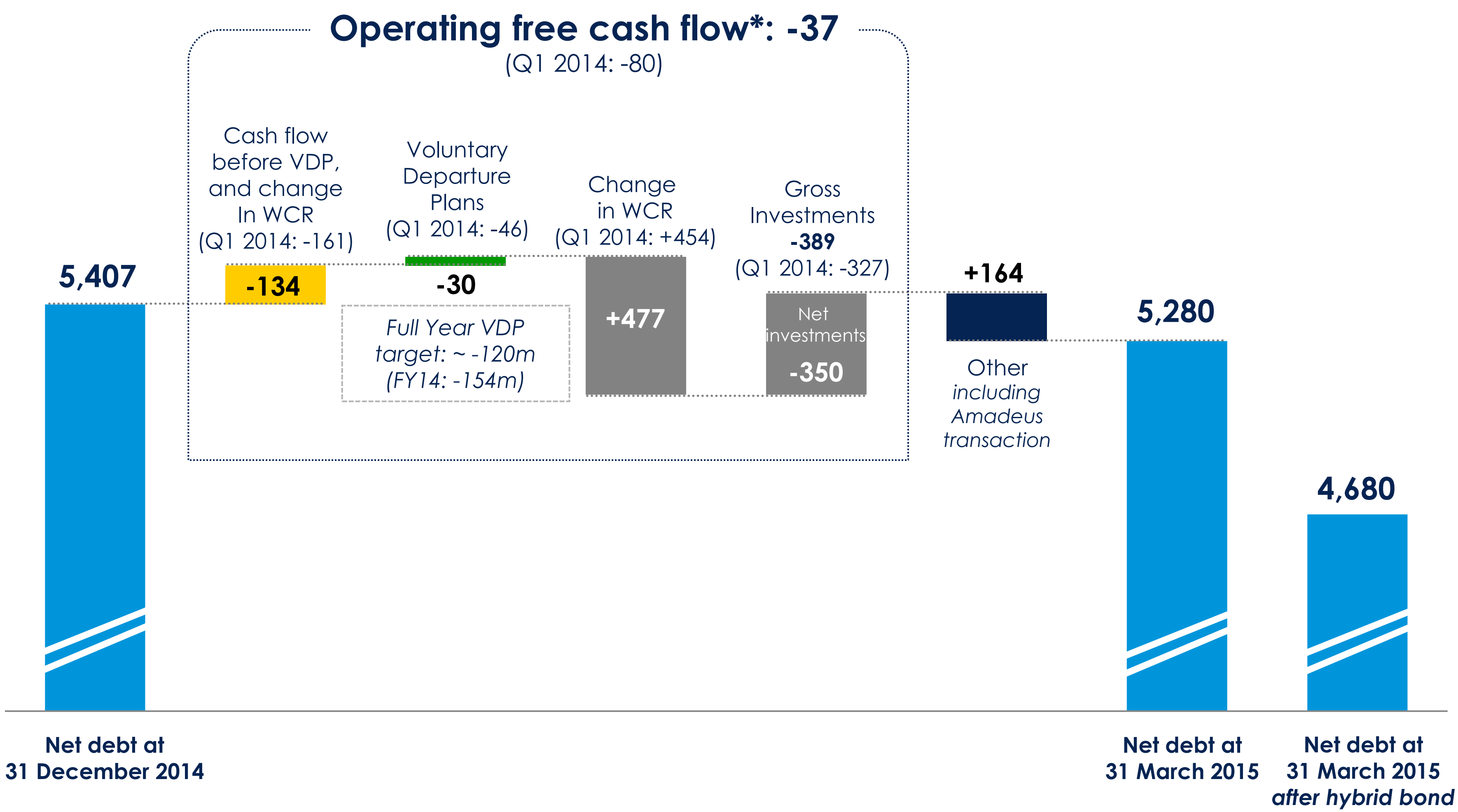
First quarter 2015: Unit cost performance impacted by flat capacity growth

Net Costs: € 5,370m (-0.3%)
Capacity in EASK: 77,232m (+0.1%)
Unit cost per Equivalent Available-Seat Kilometer (EASK): €6.95 cents



First Quarter 2015: net debt improvement

Analysis of change in net debt, First Quarter 2015 , in million euros



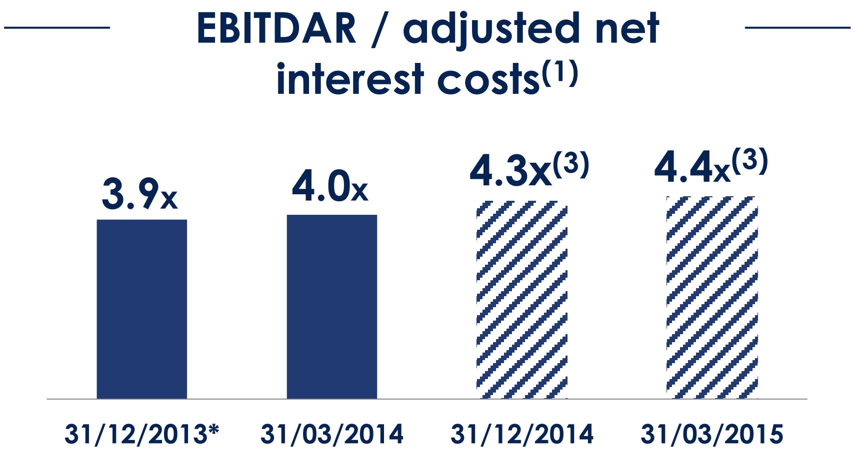
* Net cash flow from operating activities less net capex on tangibles and intangibles.
All amounts excluding discontinued operations. See definition in press release

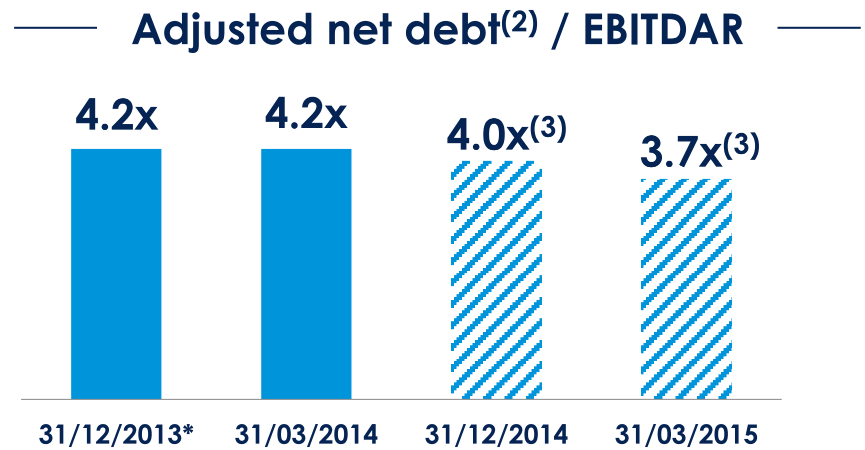
Further strengthening of liquidity

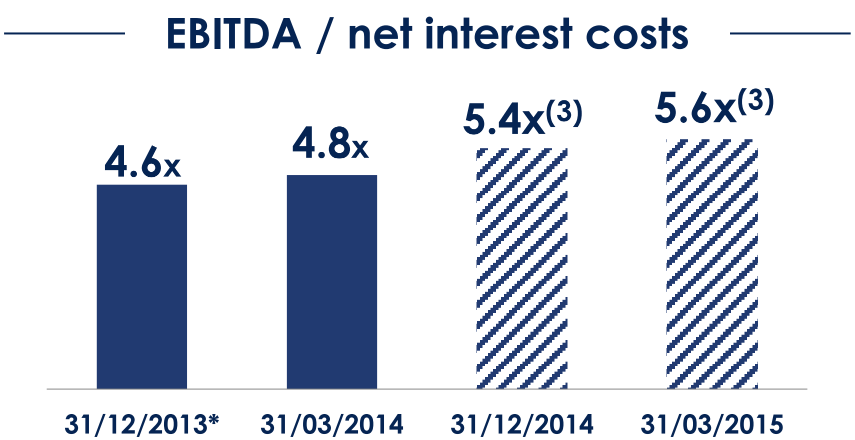
- 327 million euros cash-in from Amadeus transaction (January 2015)
- Successful placement of hybrid bond raising 600 million euros in April 2015
- Renewal of Revolving Credit Facility
  - Initial scope: Air France-KLM and Air France
  - Amount: 1.1 billion euros
  - 13 international banks involved
  - Covenants:
    - EBITDAR to adjusted* net interest costs above 2.5
    - Non-current assets in the balance sheet, not pledged as collateral > consolidated unsecured net debt
    - Air France-KLM to hold at least 70% of consolidated unsecured net debt

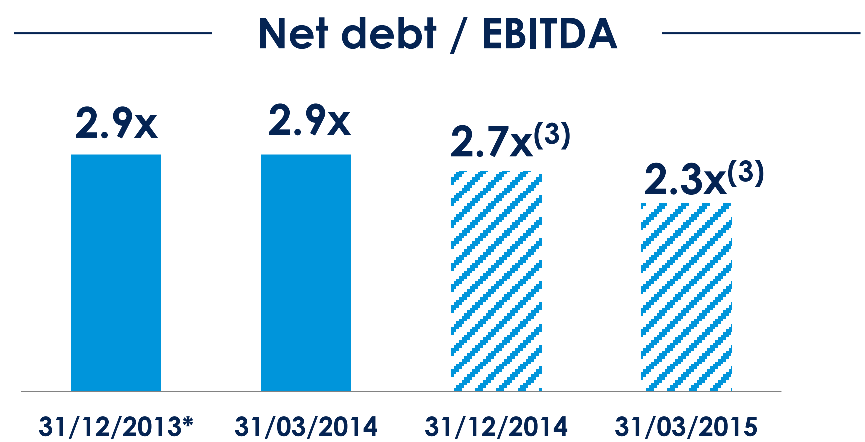
* Adjusted by the portion of financial costs within operating leases (34%)

Financial ratios at 31 March 2015, trailing 12 months









* 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) 31 December 2014: excluding strike impact on EBITDA(R). 31 March 2015: excluding strike impact on EBITDA(R), net debt restated for hybrid bond (600m). Reported adjusted net debt / EBITDAR of 4.7 at 31 December 2014 and 4.6 at 31 March 2015 Reported net debt / EBITDA of 3.4 at 31 December 2014 and 3.3 at 31 March 2015

Outlook

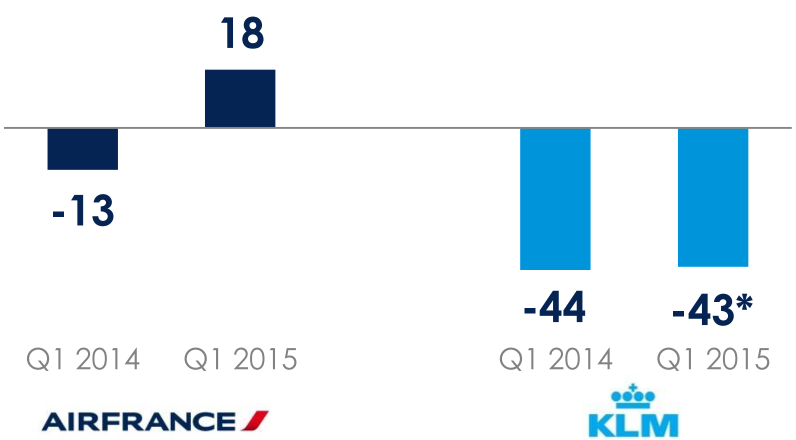
Full Year 2015 outlook

- 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
- Financial targets:
  - 1 to 1.3% unit cost reduction
  - Net debt around 4.4 billion euros at end 2015

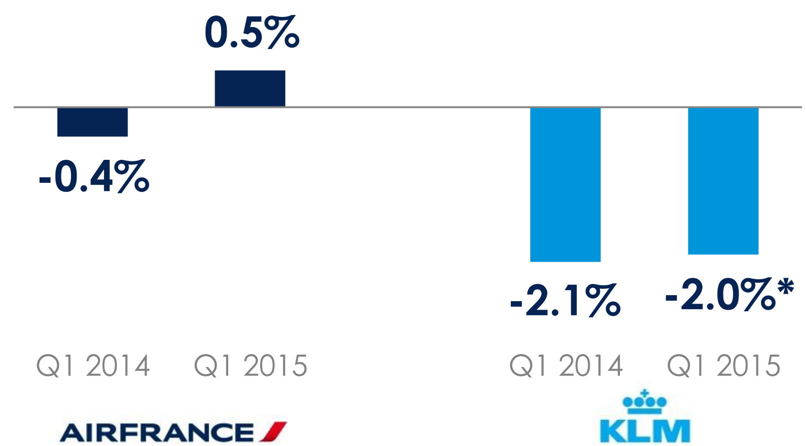
Appendix

First Quarter 2015 EBITDA and operating cash flow per airline

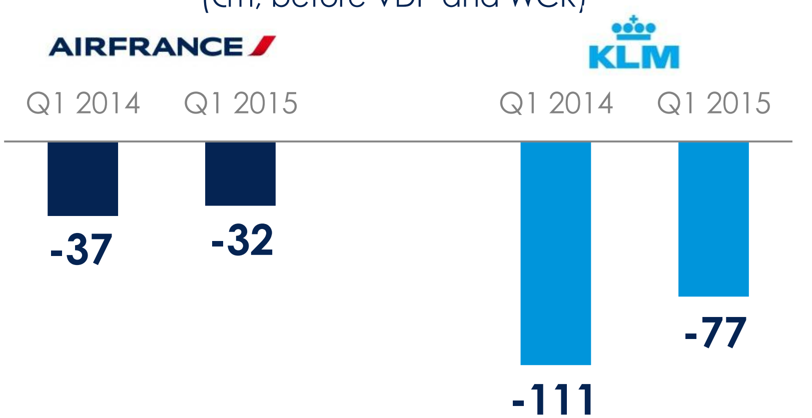
EBITDA
(€m)



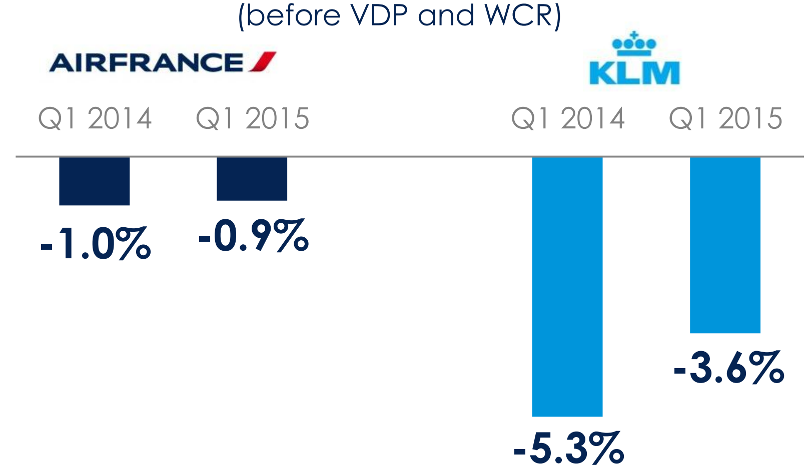
EBITDA margin



Operating Cash Flow
(€m, before VDP and WCR)

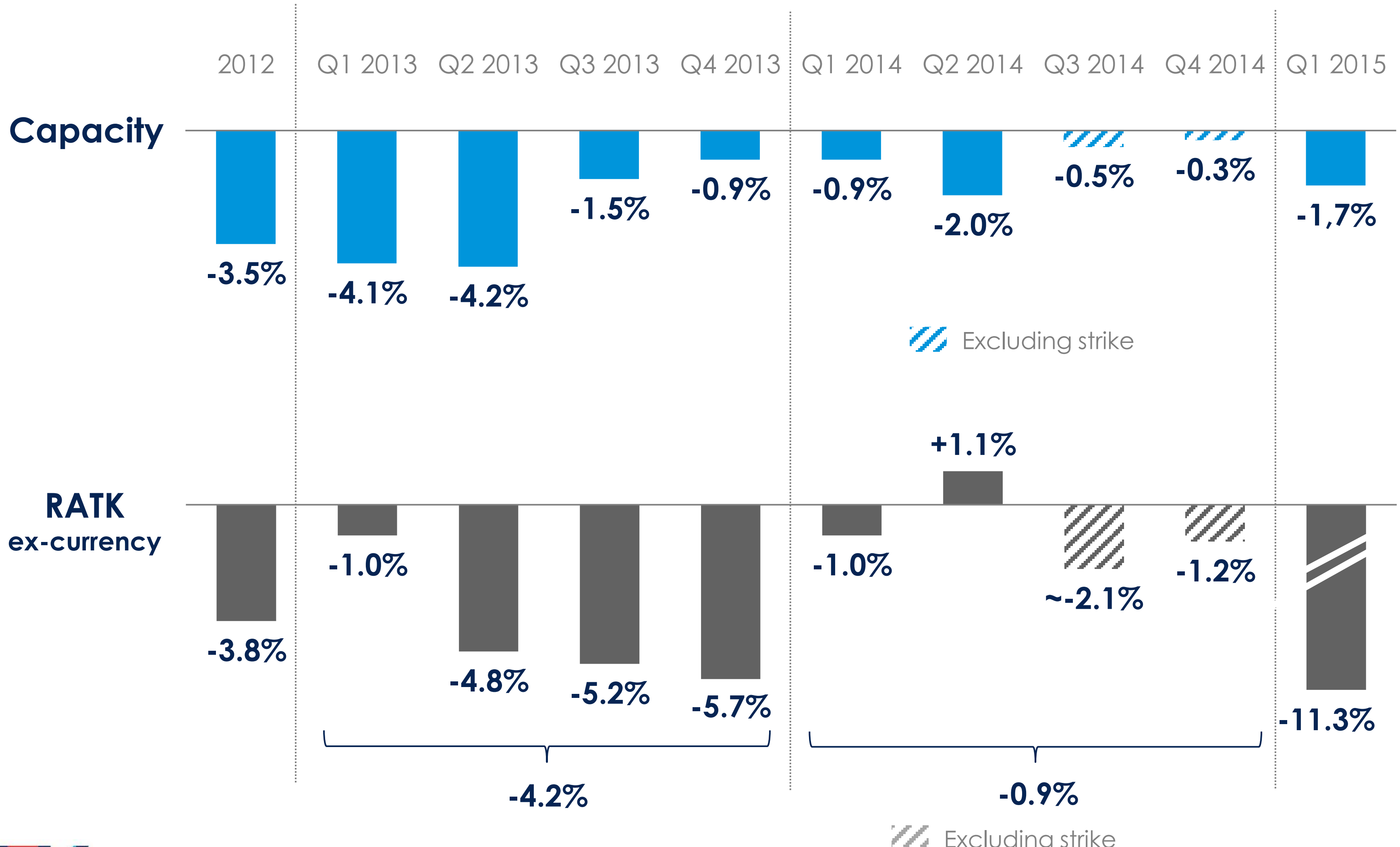


Operating Cash Flow margin
(before VDP and WCR)



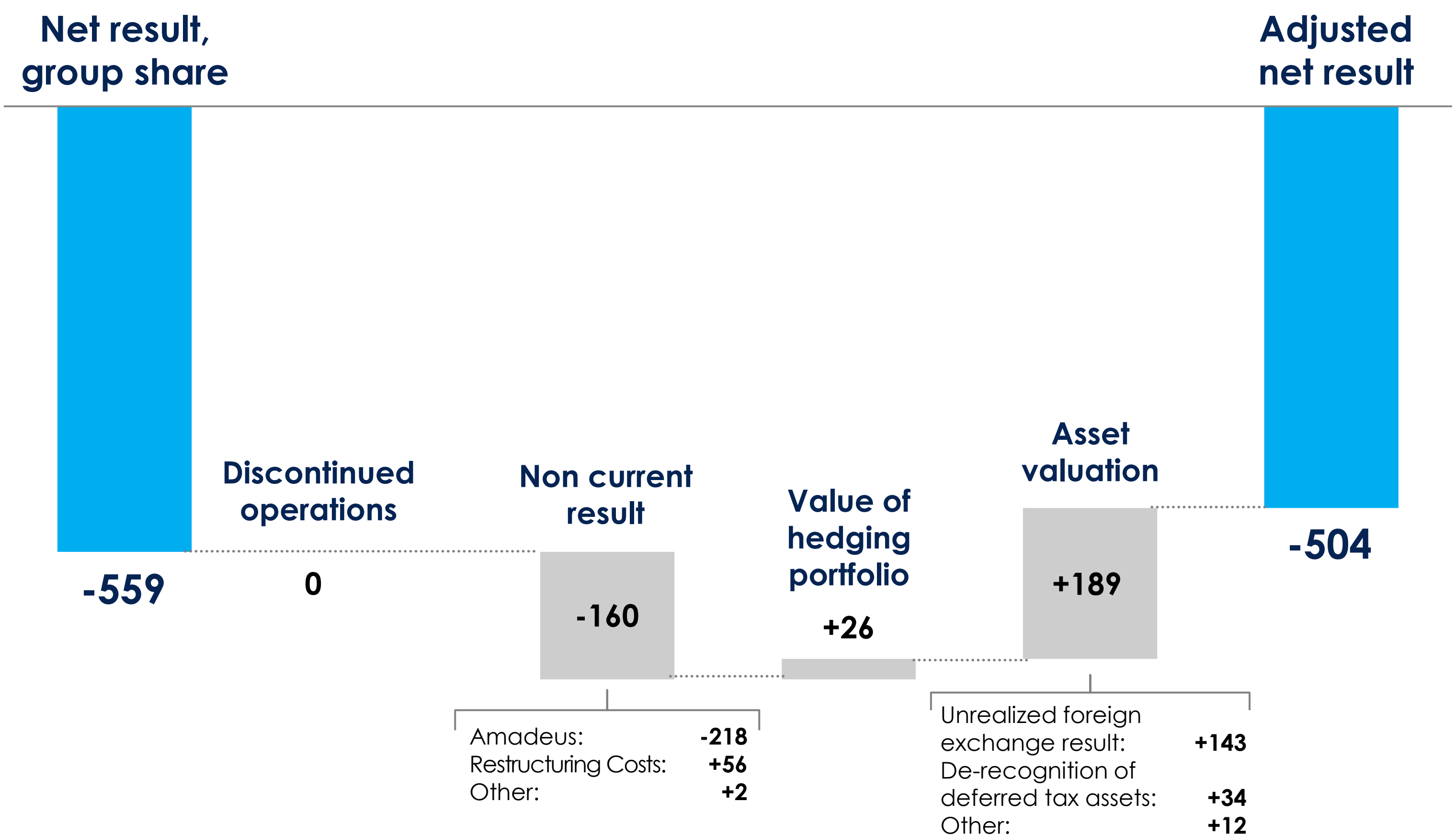
* KLM EBITDA affected by a non cash increase of 31 million euros in pension-related expenses due to changes in actuarial assumptions
NB: Sum of airlines does not equate to total group because of intercompany transactions and activity at group level

Cargo capacity and unit revenue per quarter



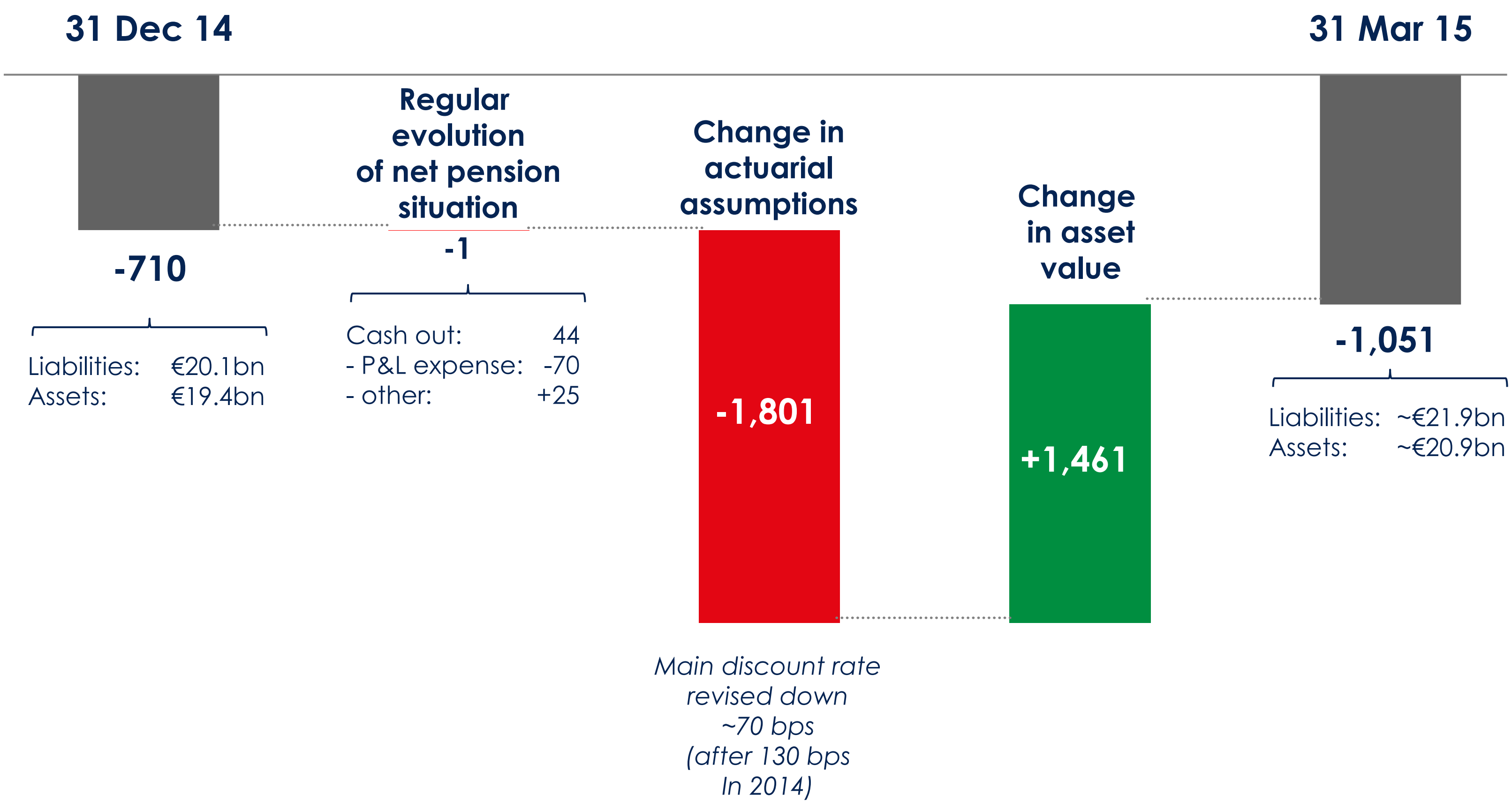
First Quarter 2015: Restated net result

Calculation of First Quarter 2015 adjusted net result, in million euros

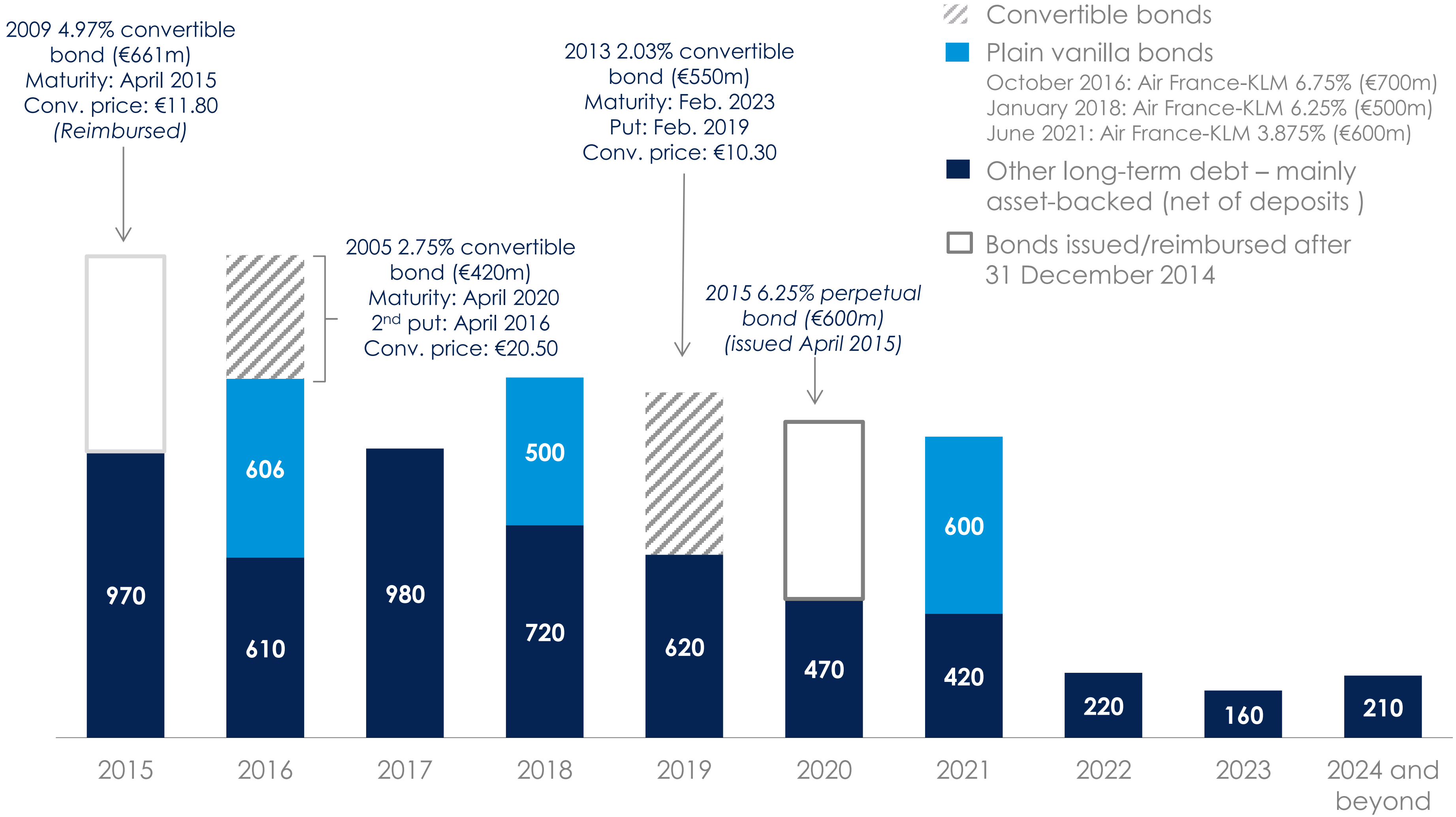


First Quarter 2015: Update on pension

Evolution of net pension balance sheet situation, in million euros



Debt reimbursement profile at 31 December 2014*



* In € millions, net of deposits on financial leases and excluding KLM perpetual debt (€564m)