

THIRD QUARTER 2015 RESULTS



29 October 2015

Highlights of the Third Quarter 2015

Environment

- Poor demand environment in several key markets, including Japan, Brazil and oil routes
- Significant fall in fuel price over the quarter

Operations

- Passenger network: good summer peak trading; weak supply-demand balance remains in several markets
- Cargo: ongoing fall in unit revenues on the back of structural air cargo industry overcapacity

Strategy/ Perform2020

- More than 50 long-haul aircraft equipped with new products
- Strong growth of Transavia in France
- Full-freighter activity reduction in line with plan
- Productivity agreements signed by KLM unions
- Restructuring of Air France long-haul network launched, subject to ongoing discussions
- Disposal of non-core assets: \$276m proceeds from slots
- Further reduction in net debt

Key data

In €m	Q3 2015	Q3 2014	Change		9m 2015	9m 2014	Change	
Revenues	7,415	6,695	+10.8%	↗	19,713	18,700	+5.4%	↗
<i>Change like-for-like⁽¹⁾</i>			-2.4%	↘			-3.1%	↘
EBITDAR ⁽²⁾	1,605	898	+707m	↗	2,658	1,919	+739m	↗
<i>Change like-for-like⁽¹⁾</i>			+314m	↗			+388m	↗
EBITDA ⁽²⁾	1,348	682	+666m	↗	1,896	1,273	+623m	↗
<i>Change like-for-like⁽¹⁾</i>			+311m	↗			+388m	↗
Operating result	898	247	+651m	↗	666	40	+626m	↗
<i>Change like-for-like⁽¹⁾</i>			+304m	↗			+415m	↗
Net result, group share	480	86	+394m	↗	-158	-533	+375m	↗
Adjusted net result ⁽²⁾	624	106	+518m	↗	197	-233	+430m	↗
Operating free cash flow ⁽²⁾	259	-158	+417m	↗	533	-63	+596m	↗
ROCE ^(2, 4)					7.3%	5.3%	+2.0 pt	↗
Net debt at end of period					4,330	5,407 ⁽³⁾	-1,077	↗
Adjusted net debt / EBITDAR ^(2, 4)					3.4x	4.0x ⁽³⁾	-0.6	↗

(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

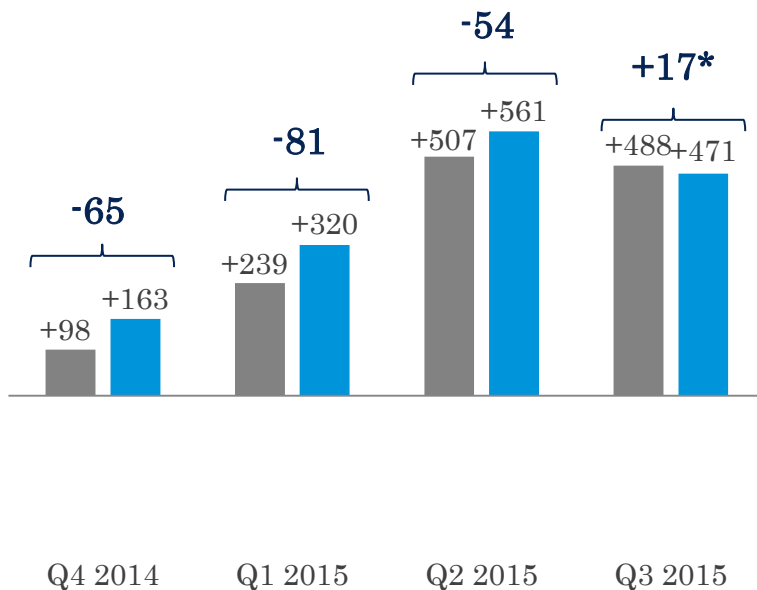
(3) At 31 December 2014

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

Third Quarter: slightly positive currency impact on the operating result

Currency impact on revenues and costs

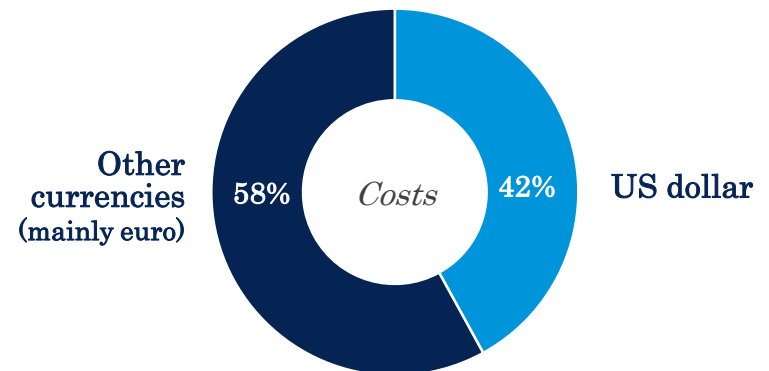
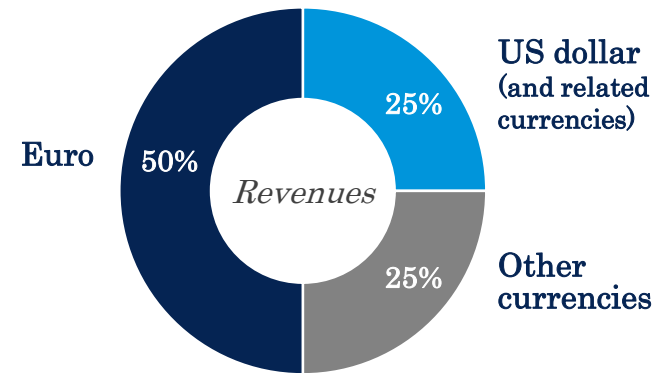
In €m



- Currency impact on revenues
- Currency impact on costs, including hedging
- XX Currency impact on operating result



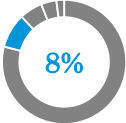
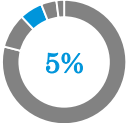


Reminder: Revenues and costs per currency

FY 2014



* Currency impact calculated on a strike adjusted base

Contribution by business segment to Third Quarter 2015

		Revenue (€bn)	Reported change (%)	Change Like-for- like (%)		Op. Result (€m)	Reported change (€m)	Change Like-for- like (€m)	
 Passenger network ⁽¹⁾		5.90	+12.7%	-1.5%	↘	798	+587	+266	↗
 Cargo		0.58	-6.3%	-17.8%	↘	-81	+21	+21	↗
 Maintenance		0.37	+16.6%	-2.4%	↘	81	+20	-12	↘
 Transavia		0.44	+3.3%	+3.2%	↗	77	+15	+27	↗
 Other		0.13	+31.2%	+30.9%	↗	23	+8	+2	=
Total		7.42	+10.8%	-2.4%	↘	898	+651	+304	↗

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

Passenger network activity in Third Quarter 2015

Strict capacity discipline

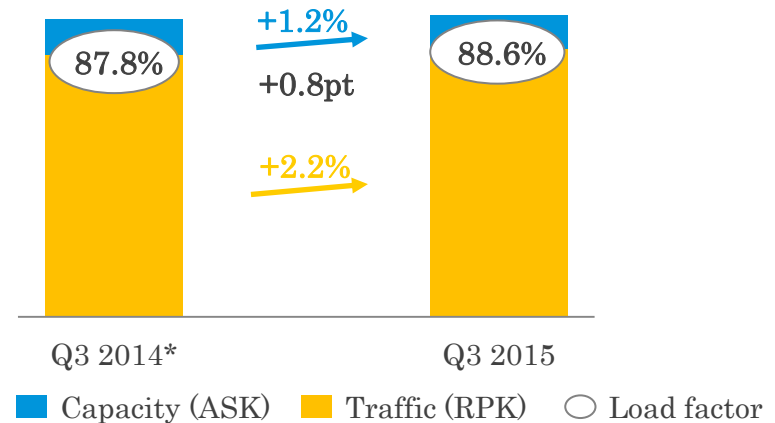
- ▶ Unit revenue excluding strike up 3.8% on the back of strong currency impacts

Good summer peak trading, limits pressure on revenues

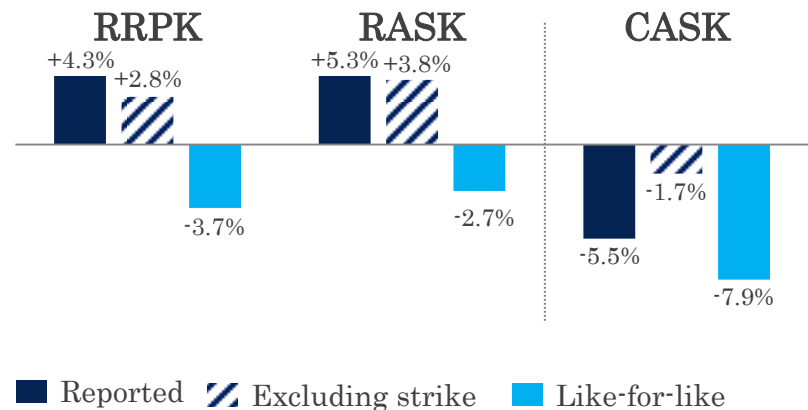
- ▶ Total unit revenue down 2.7%* at constant currency
- ▶ Long-haul unit revenue down 4.0%* at constant currency: weak supply/demand balance remains on several key markets
 - ✦ Premium: -1.0%*
 - ✦ Economy: -3.9%*
- ▶ Strong medium-haul unit revenue performance

Operating result up €266m like-for-like

Activity

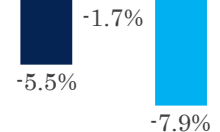


Unit Revenue



Unit Cost

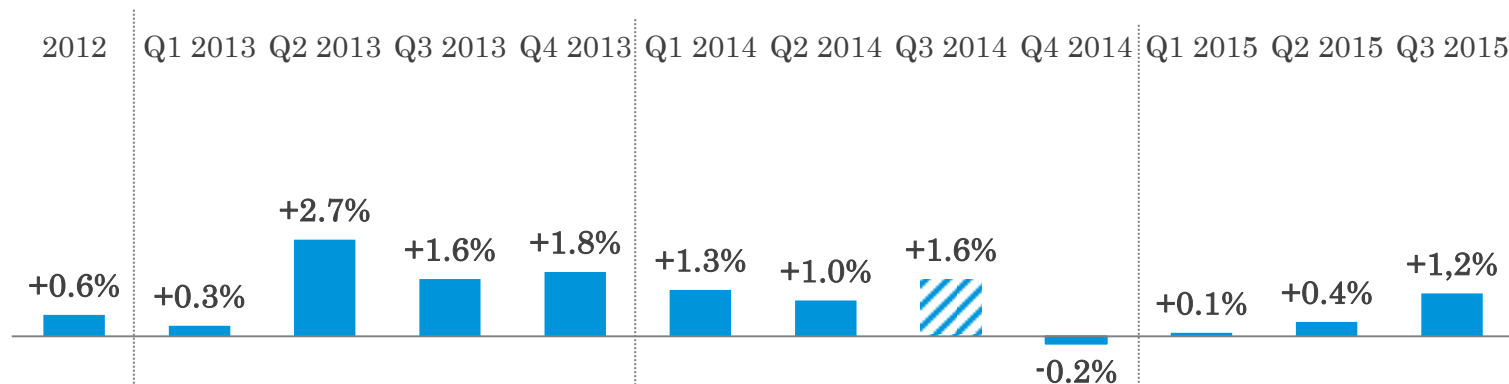
CASK



* Q3 2014 strike adjusted. Impact on activity estimated at ASK 4,249m and RPK 3,704m
NB: Passenger network: Air France, KLM and HOP!

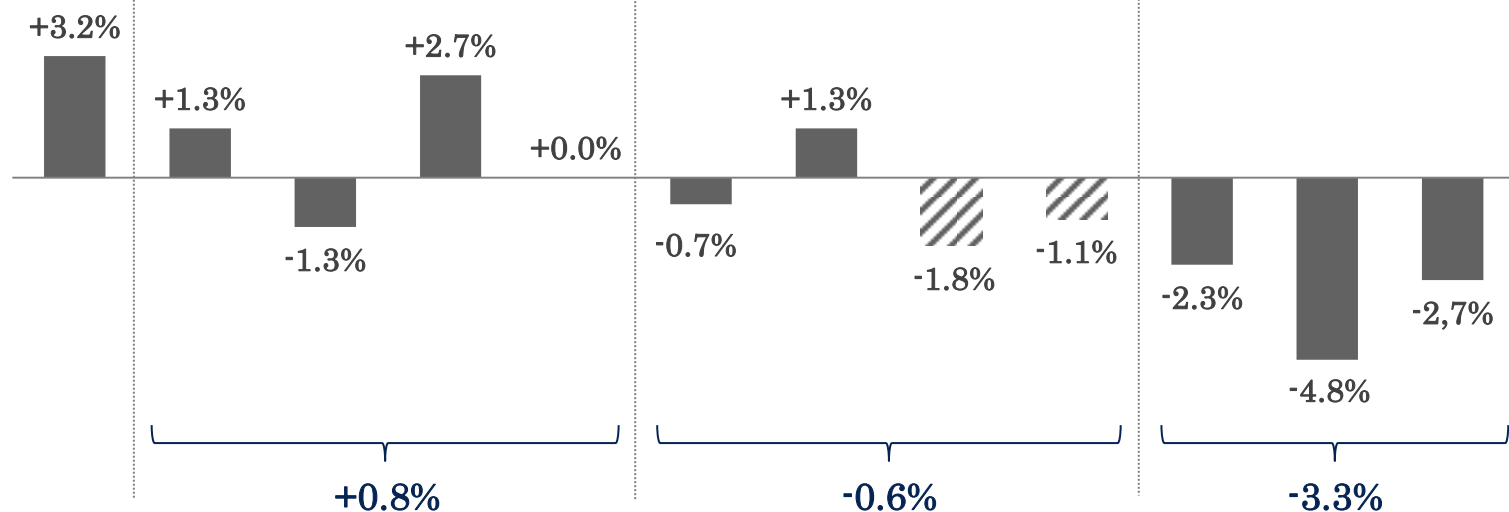
Passenger network capacity and unit revenue by quarter

Capacity



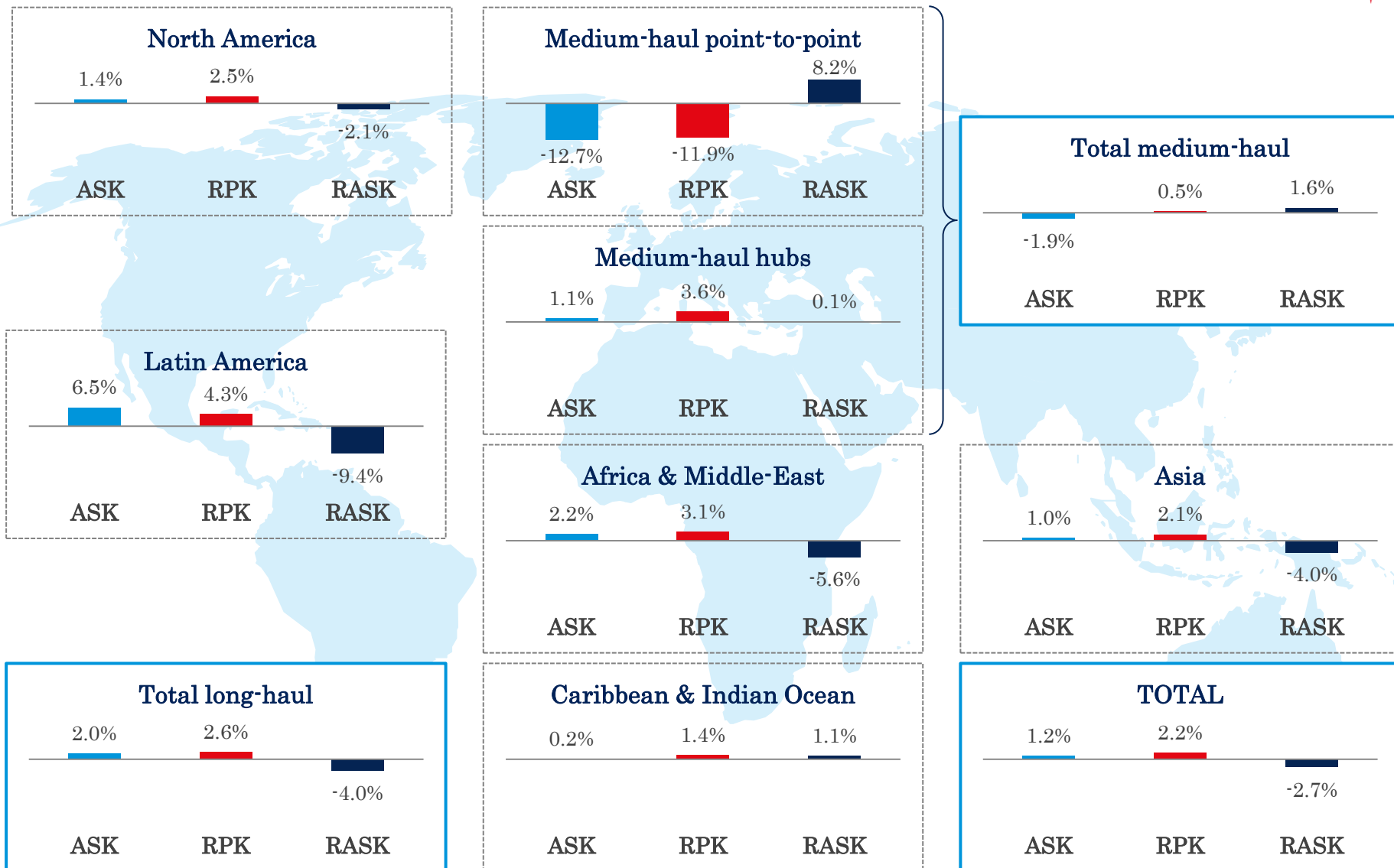
RASK

Ex-currency



/// Like-for-like⁽¹⁾

Third Quarter 2015 Passenger network unit revenue by network



NB: Passenger network: Air France, KLM and HOP!
 ASK: capacity, RPK: traffic, RASK: unit revenue per ASK, change like-for-like

Cargo activity in Third Quarter 2015

Restructuring of full-freighter activity fully on track

- ▶ 3 B747s already retired
- ▶ Full-freighter capacity further reduced by 30% in quarter*
- ▶ Ex fuel ex currency unit cost down in spite of capacity cut; total cargo FTEs down 10%
- ▶ Significant reduction of losses in full-freighter activity

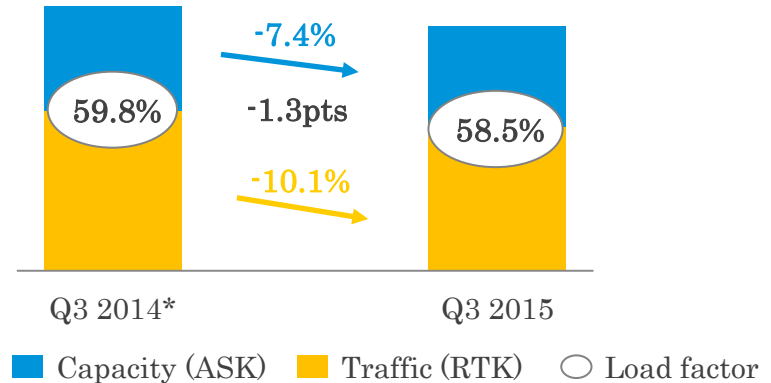
Persistently weak demand

- ▶ RATK down 11.5% like-for-like
- ▶ Pricing environment dictated by non-hedged players

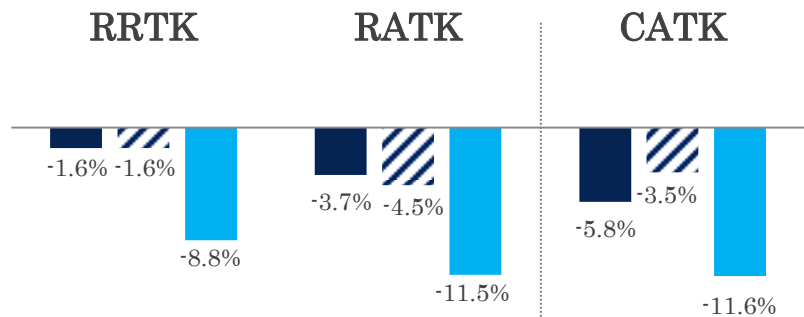
Operating result stabilizing

- ▶ up €21m like-for-like

Activity



Unit Revenue



* Compared to Q3 2014 corrected for strike

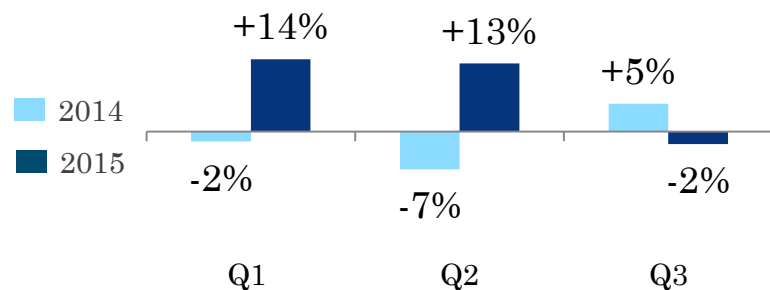
Maintenance activity in Third Quarter 2015

Third party revenue up more than 16%

- ▶ Revenues down 2.4% at constant currency
- ▶ Strong dollar supporting revenue

Engine maintenance revenues remain volatile

Third party revenue like-for-like trend

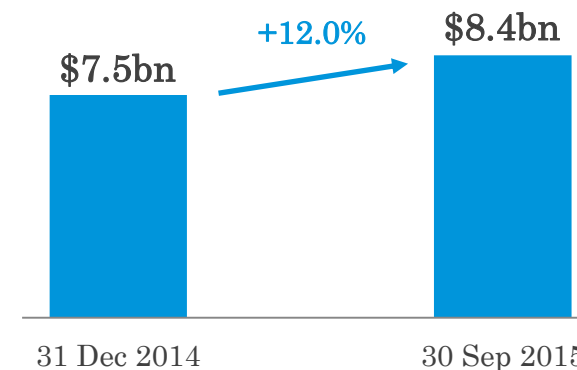


Very high order book

Profitability benefiting from dollar strengthening

Order book

In USD



In €m	Q3 2015	Q3 2014	Change	Like-for-like
Total revenue	959	858	+11.8%	
Third party revenue	371	319	+16.6%	-2.4%
Operating result	81	61	+20	-12
Operating margin	8.4%	7.1%	+1.3pt	+0.1pt

Transavia activity in Third Quarter 2015

3.9 million passengers, up 7.0%

Accelerated ramp-up in France on track

▶ Capacity up 20.1%

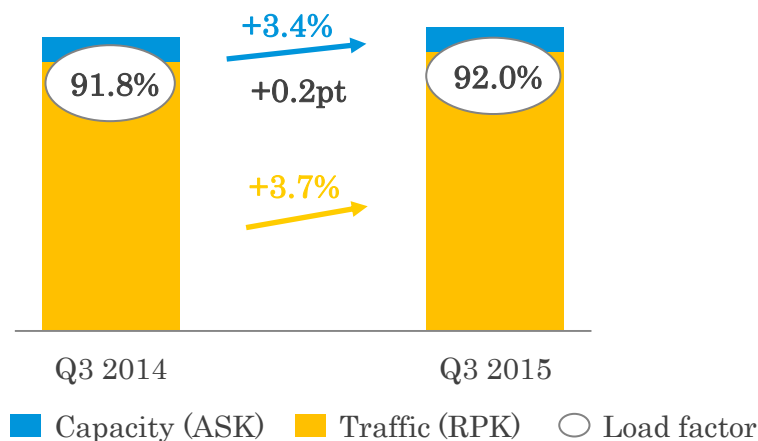
Strong peak summer trading

▶ Strong demand for scheduled leisure services

▶ Limited impact of Tunisia and Morocco




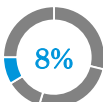


Productivity agreements signed in the Netherlands, enabling further growth

Activity



In €m	Q3 2015	Q3 2014	Change
Total revenue	440	428	+3.3%
RRPK (€ cts per RPK)	5.98	6.04	-1.0%
RASK (€ cts per ASK)	5.50	5.54	-0.8%
CASK (€ cts per ASK)	4.54	4.74	-4.2%
<i>Like-for-like</i>			-7.3%
Stage length (km)	1,884	1,943	-3.1%
Operating result	77	62	+15
<i>Like-for-like</i>			+27

Third Quarter 2015: change in operating costs⁽¹⁾

	In €m	Reported change	Change excluding strike	Change like-for-like
 Total employee costs including temps	1,939	+1.9%	+1.1%	+0.5%
 Supplier costs⁽²⁾ excluding fuel and purchasing of maintenance services and parts	1,764	+4.4%	+5.1%	+1.5%
 Aircraft costs⁽³⁾	815	+5.7%	+6.5%	-0.6%
 Purchasing of maintenance services and parts	497	+15.0%	+12.4%	-4.8%
 Other income and expenses including capitalized production	-176	+112.0%	+89.2%	-3.6%
Operating costs ex-fuel	4,838	+2.7%	+2.7%	+0.5%
 Fuel	1,679	-3.3%	-8.4%	-23.3%
Grand total of operating costs	6,517	+1.1%	-0.3%	-7.0%
<i>Capacity (EASK)</i>			+0.4%	

(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

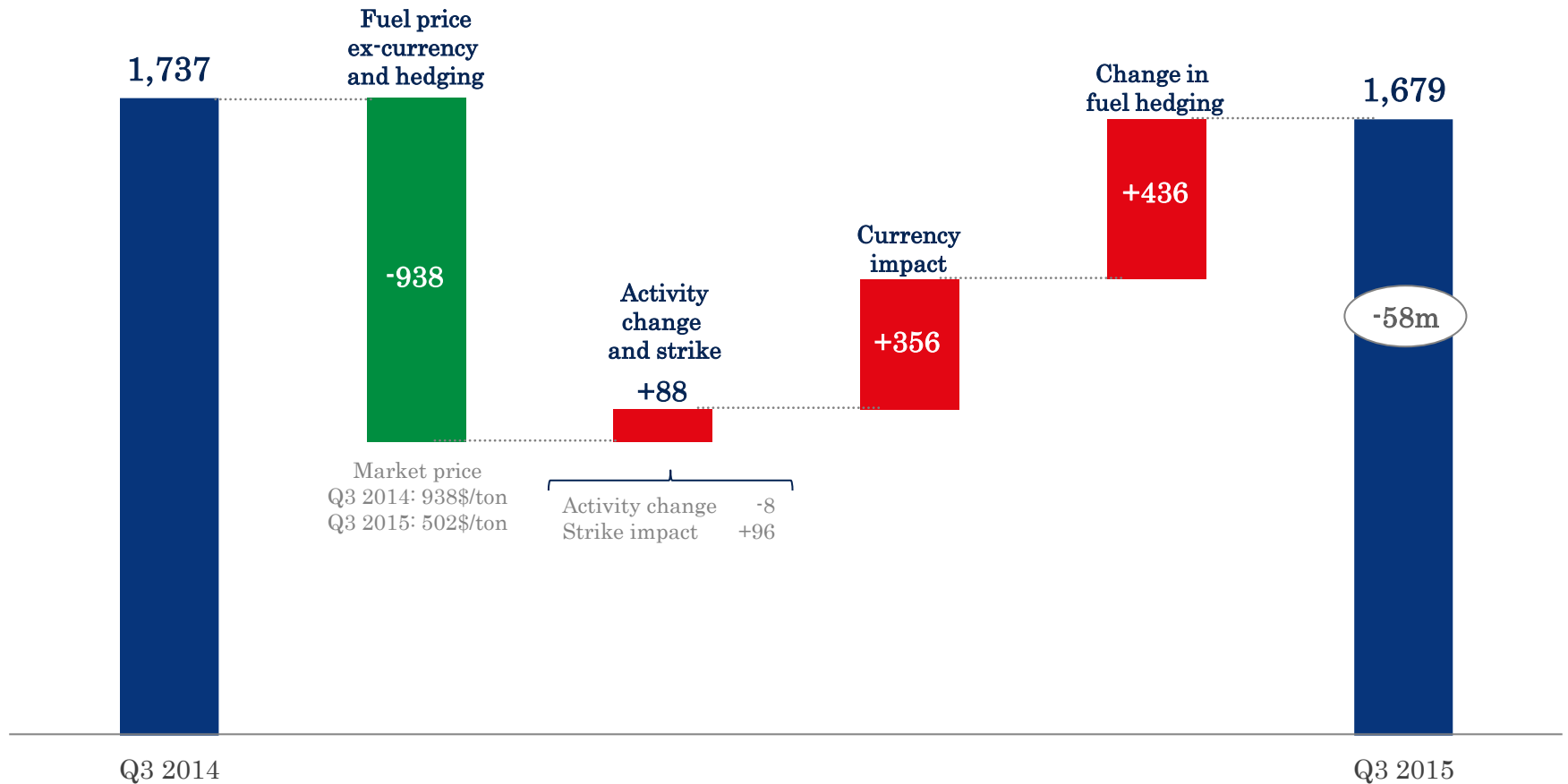
(2) Catering, handling, commercial and distribution charges, landing fees and air-route charges, other external expenses, excluding temps **Third Quarter 2015 results**

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

Third Quarter 2015: fuel bill slightly down in euros

Fuel bill

In €m



Update on fuel bill

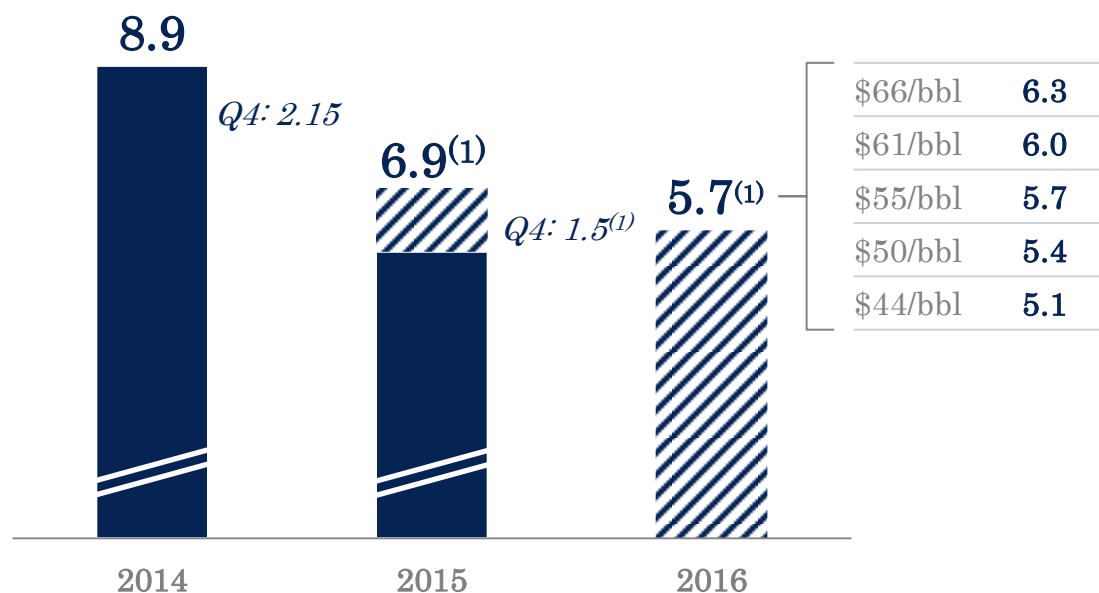
Fuel bill after hedging

In \$bn

2014:
fuel bill \$8.9bn / €6.6bn

2015:
fuel bill \$6.9bn / €6.2bn⁽²⁾

2016:
fuel bill \$5.7bn / €5.1bn⁽²⁾



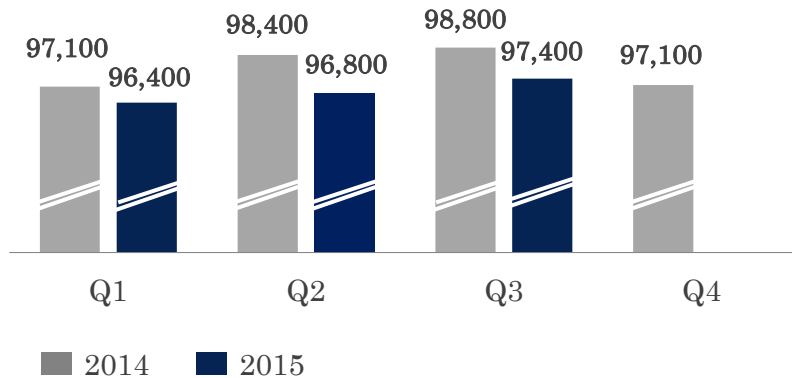
	2014	2015	2016
Market price - Brent (\$ per bbl) ⁽¹⁾	100	55	55
Market price - Jet fuel (\$ per metric ton) ⁽¹⁾	908	538	527
% of consumption already hedged		Q4: 76%	54%

(1) Based on forward curve at 16 October 2015. Sensitivity computation based on FY 2016 fuel price, assuming constant crack spread between Brent and Jet Fuel

(2) Assuming average exchange rate of 1.12 US dollar per euro from Q4 2015 onwards

Third Quarter 2015: further headcount reduction

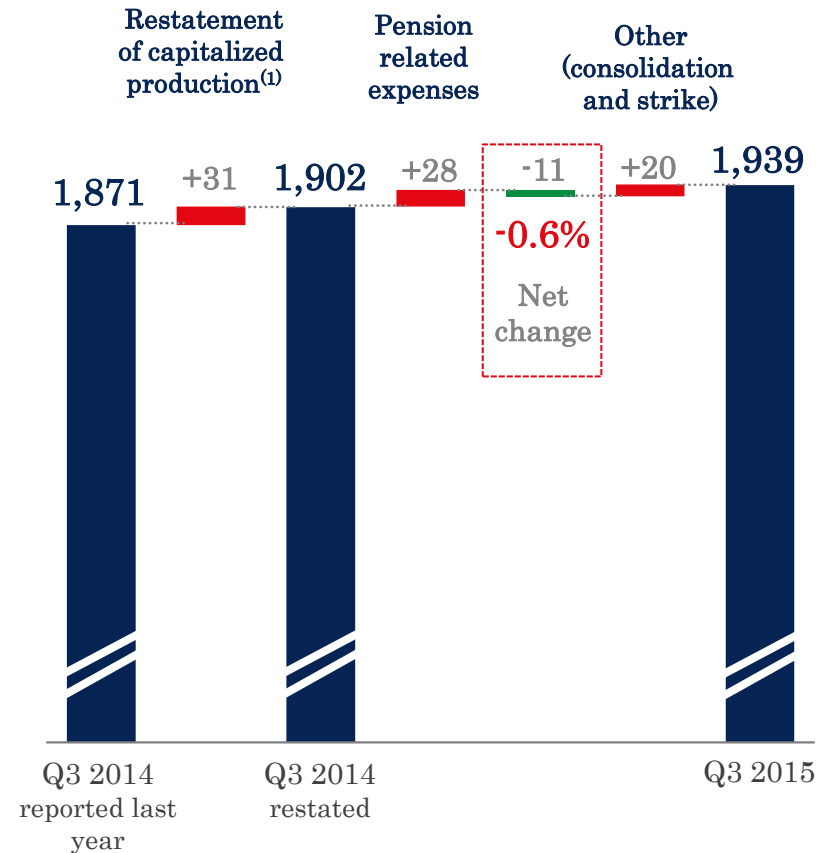
Headcount down 1,400 FTEs in Q3 2015



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

Change in total employee costs

In €m, including temporary staff

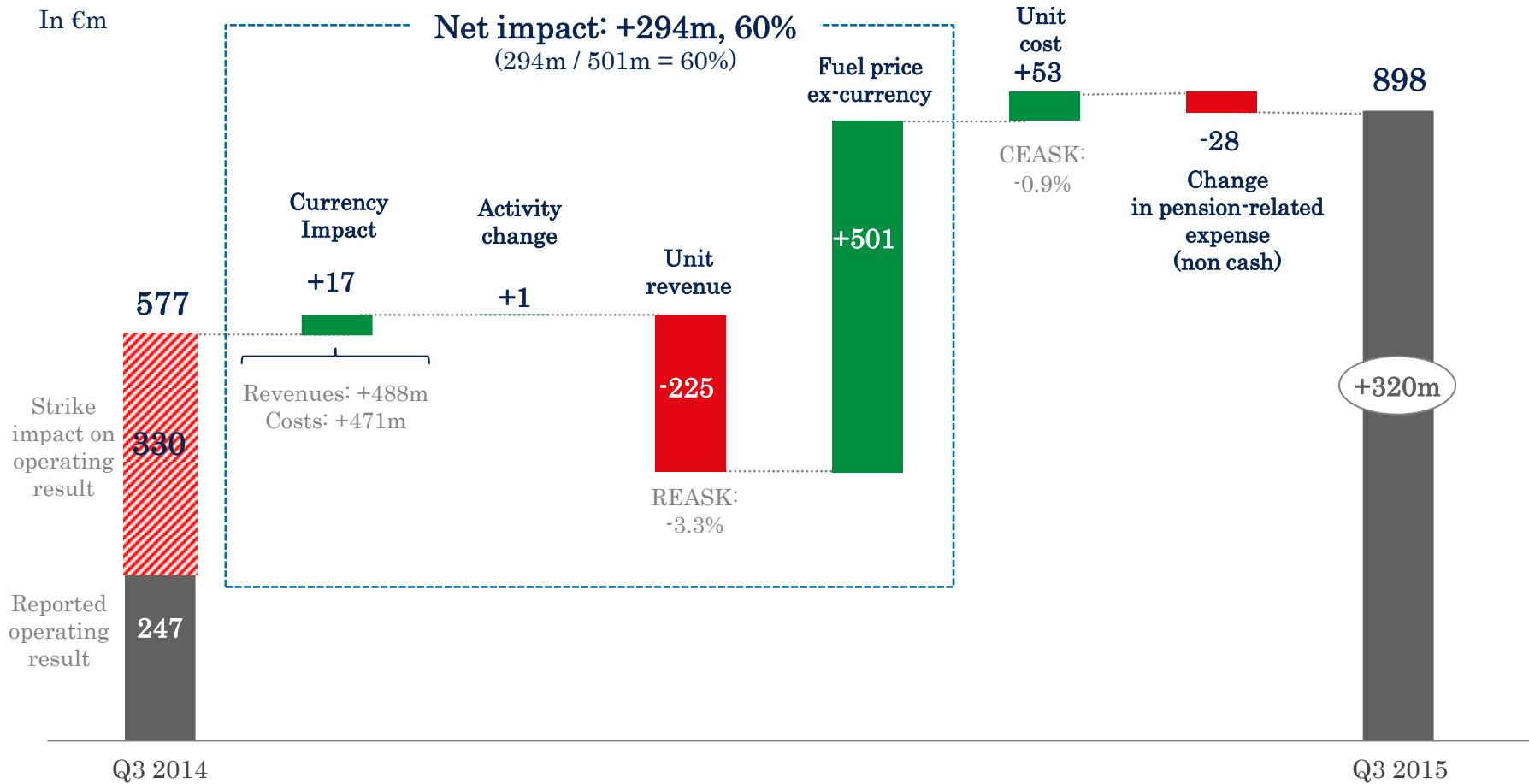


(1) Capitalized production: see explanation in press release

Operating result: retaining 60% of Q3 fuel price benefit...

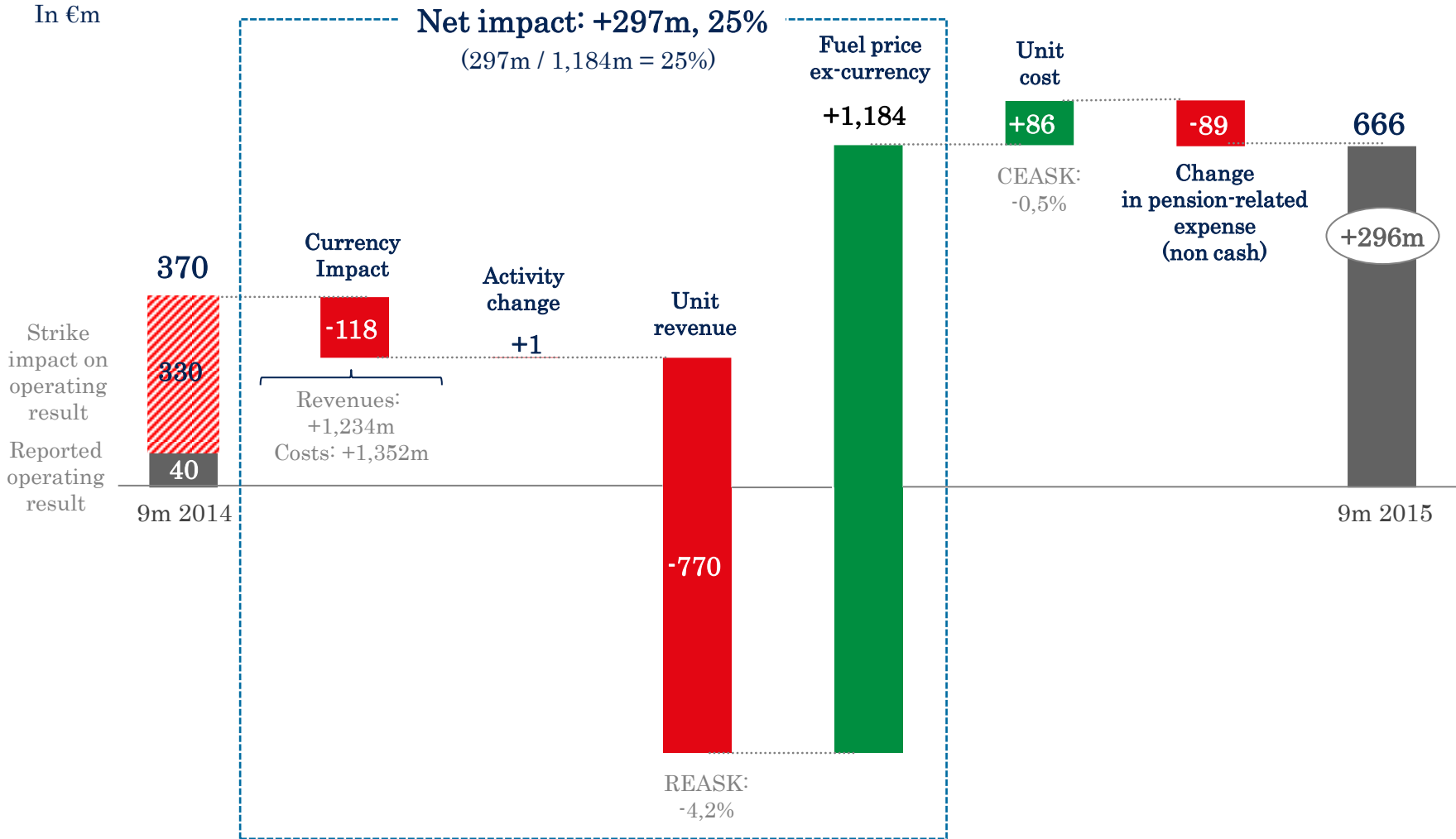
Change in operating result

In €m



...but only 25% over 9 months

Change in operating result

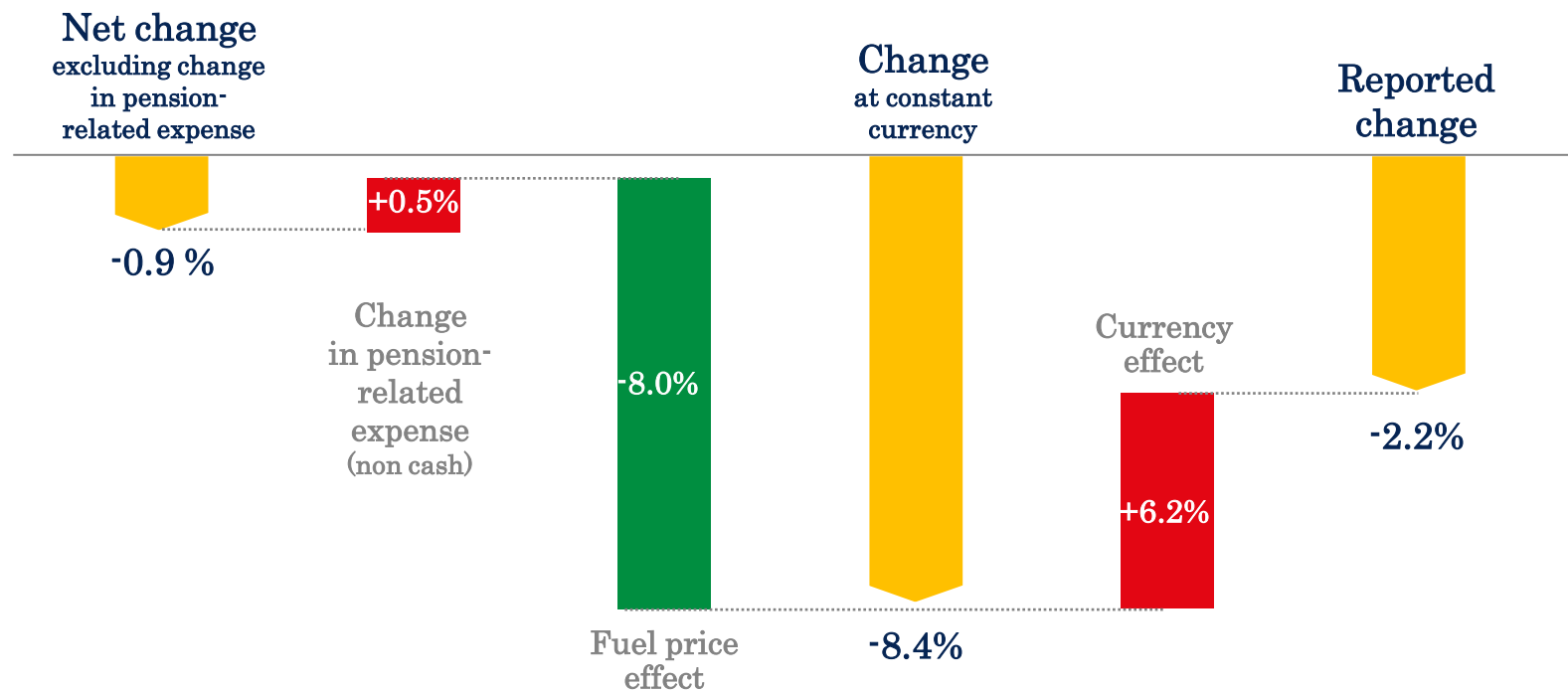


Third Quarter 2015 unit cost performance

Net Costs: €5,758m (-1.8% strike adjusted)

Capacity in EASK: 93,174m (+0.4% strike adjusted)

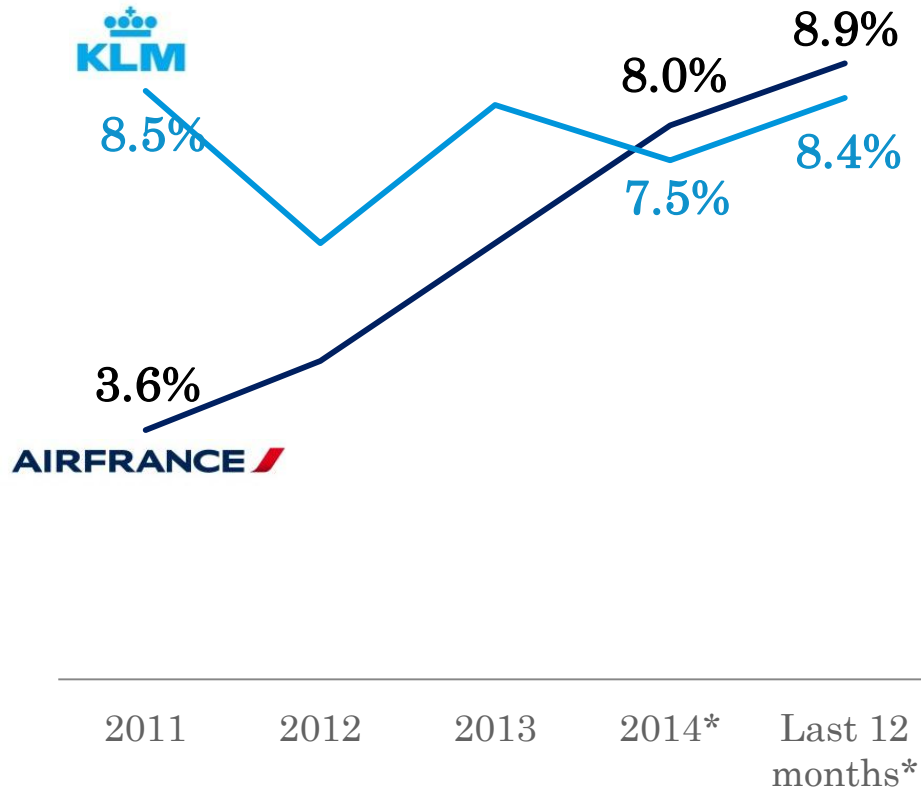
Unit cost per Equivalent Available-Seat Kilometer (EASK): 6.18 euro cents



EBITDA margin improvement at both Air France and KLM

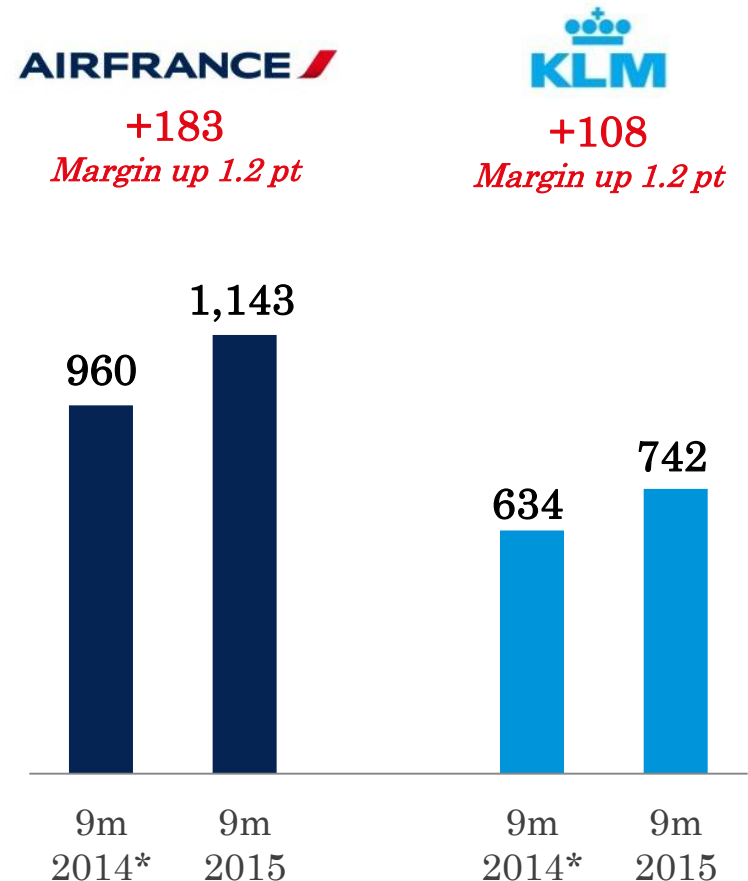
Historical EBITDA margin trends

In % of revenues



9-month EBITDA trend

In €m

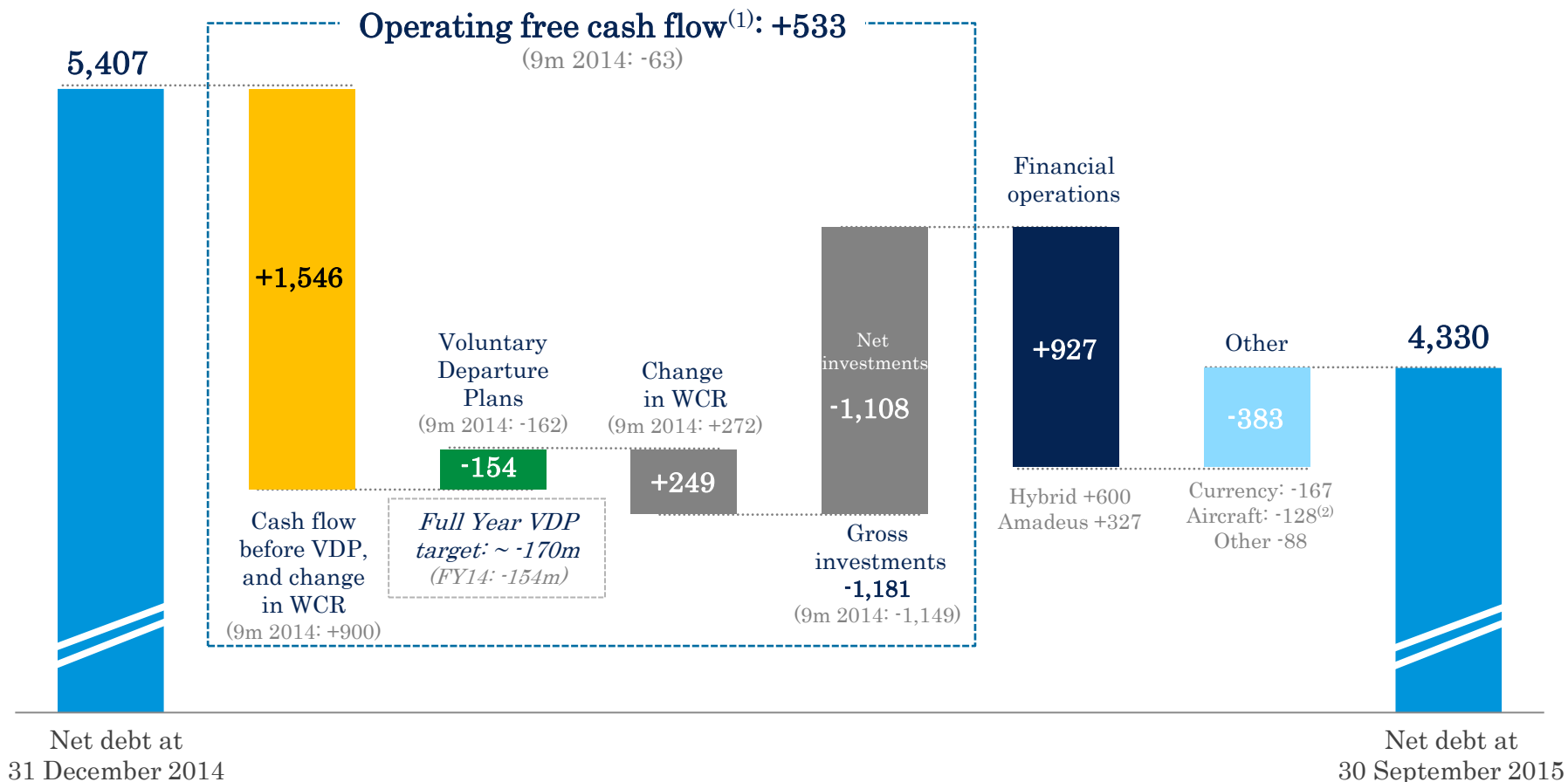


* Excluding strike impact

Operating free cash flow in 9 months 2015

Analysis of change in net debt, 9 months 2015

In €m

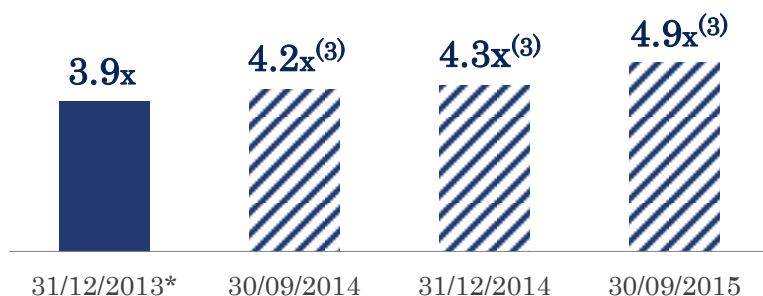


(1) Net cash flow from operating activities less net capex on tangibles and intangibles. All amounts excluding discontinued operations. See definition in press release

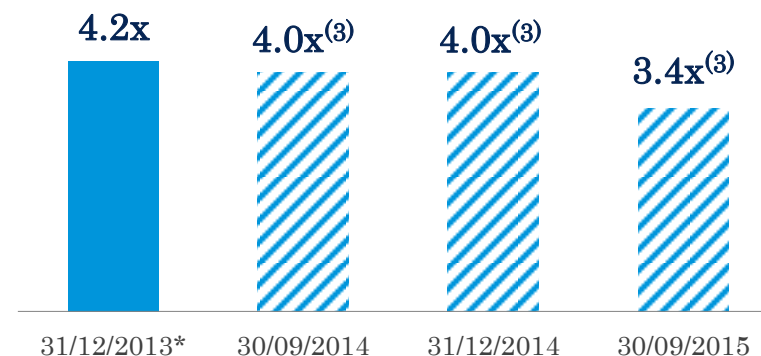
(2) Requalification of aircraft from operating leases to financial leases

Financial ratios at 30 September 2015, trailing 12 months

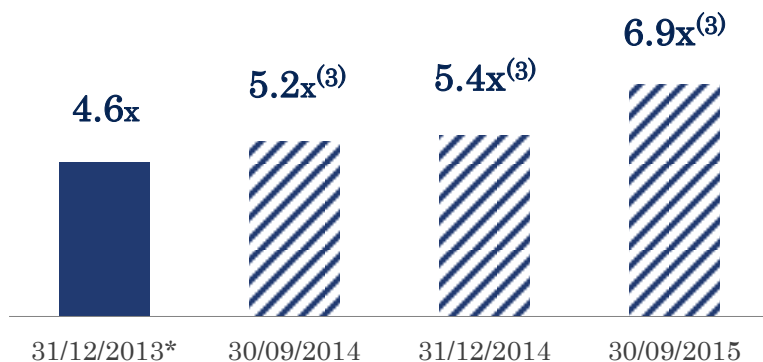
EBITDAR / adjusted net interest costs⁽¹⁾



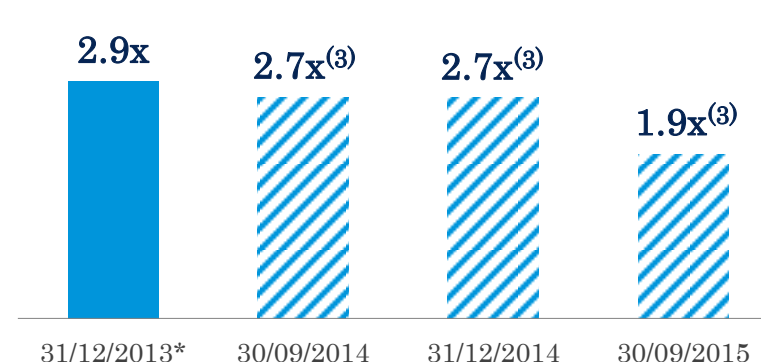
Adjusted net debt⁽²⁾ / EBITDAR



EBITDA / net interest costs



Net debt / EBITDA



* Restated for IFRIC 21, CityJet reclassified as discontinued operation

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

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

(3) Excluding strike impact on EBITDA(R). Reported adjusted net debt / EBITDAR of 4.7x at 31 December 2014 and 3.5x at 30 September 2015. Reported net debt / EBITDA of 3.4x at 31 December 2014 and 2.0x at 30 September 2015

Outlook



Q3 2015: significant progress on Perform 2020

PERFORM 2020



- ✓ Product and service upgrade in full swing
- ✓ Rapid development of Transavia in France
- ✓ Record maintenance order book

- ✓ Strict capacity discipline
- ✓ All cost initiatives identified and rolled out
- ✓ Productivity agreements signed at KLM
- ✓ Further disposal of non-core assets
- ✓ Strong free cash flow generation and deleveraging

Negotiation of productivity agreements at Air France

■ Long-haul restructuring plan launched

- ▶ Air France long-haul capacity to decline by around 10% between 2015 and 2017
- ▶ Air France long-haul fleet to be reduced from 107 aircraft in operation in Summer 2015 to 93 in Summer 2017
- ▶ Focus on routes with highest losses, with minimal expected impact on commercial footprint
- ▶ 2016 network adjustments focused on frequencies
- ▶ Restructuring charges to be recorded after finalization of measures to address overstaffing

■ Air France management ready to reopen negotiations

- ▶ Talks with ground staff unions
- ▶ Discussions with cockpit crew unions and with cabin crew unions
- ▶ Deadline to review 2017 fleet and capacity adjustments: early 2016

Full Year 2015 outlook

- Sustained pressure on unit revenues
- The vast majority of the significant savings on the fuel bill expected in 2015 could be offset by weak unit revenue and negative currency impacts
- Unit cost reduction⁽¹⁾ target: reduction in the 0.5% to 0.7% range⁽²⁾
- Net debt of around 4.4 billion euros at end 2015

(1) On a constant currency, fuel price and pension-related expense basis

(2) Previously: in the 1.0% to 1.3% range

Appendix

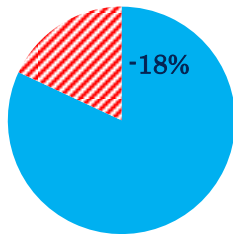


Reminder: Third Quarter 2014 strike impact

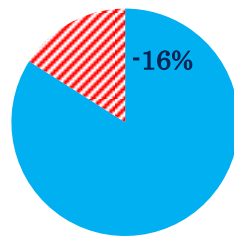
14 days of strike from 14 to 28th September, plus one day affected by cancellations

Activity: -4.75bn EASK

Passenger
-4,249m ASK



Cargo
-213m ATK



Strike impact on September activity

Traffic revenues: -416m

Passenger



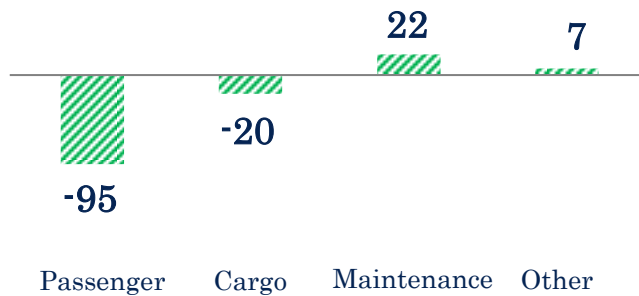
-380

Cargo

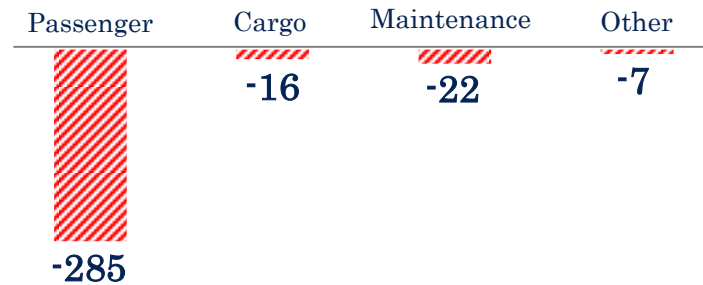


-36

Net Costs*: -86m


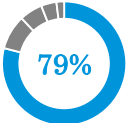

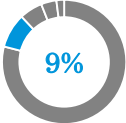

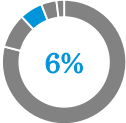

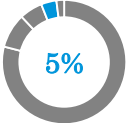

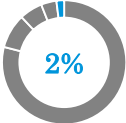


Operating result: -330m



* Including impact on intersegment revenues (eliminated at group level)

9 months 2015: Contribution by business segment

		Revenue (€bn)	Reported change (%)	Change Like-for- like (%)		Op. Result (€m)	Reported change (€m)	Change Like-for- like (€m)	
 Passenger network ⁽¹⁾		15.56	+5.8%	-2.6%	↘	686	+598	+396	↗
 Cargo		1.81	-7.8%	-16.7%	↘	-222	-41	-23	↘
 Maintenance		1.15	+28.3%	+7.8%	↗	167	+54	+2	=
 Transavia		0.89	+3.4%	+3.2%	↗	2	+4	+31	↗
 Other		0.30	+13.5%	+13.2%	↗	33	+11	+9	↗
Total		19.71	+5.4%	-3.1%	↘	666	+626	+415	↗

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

9 months 2015: change in operating costs⁽¹⁾

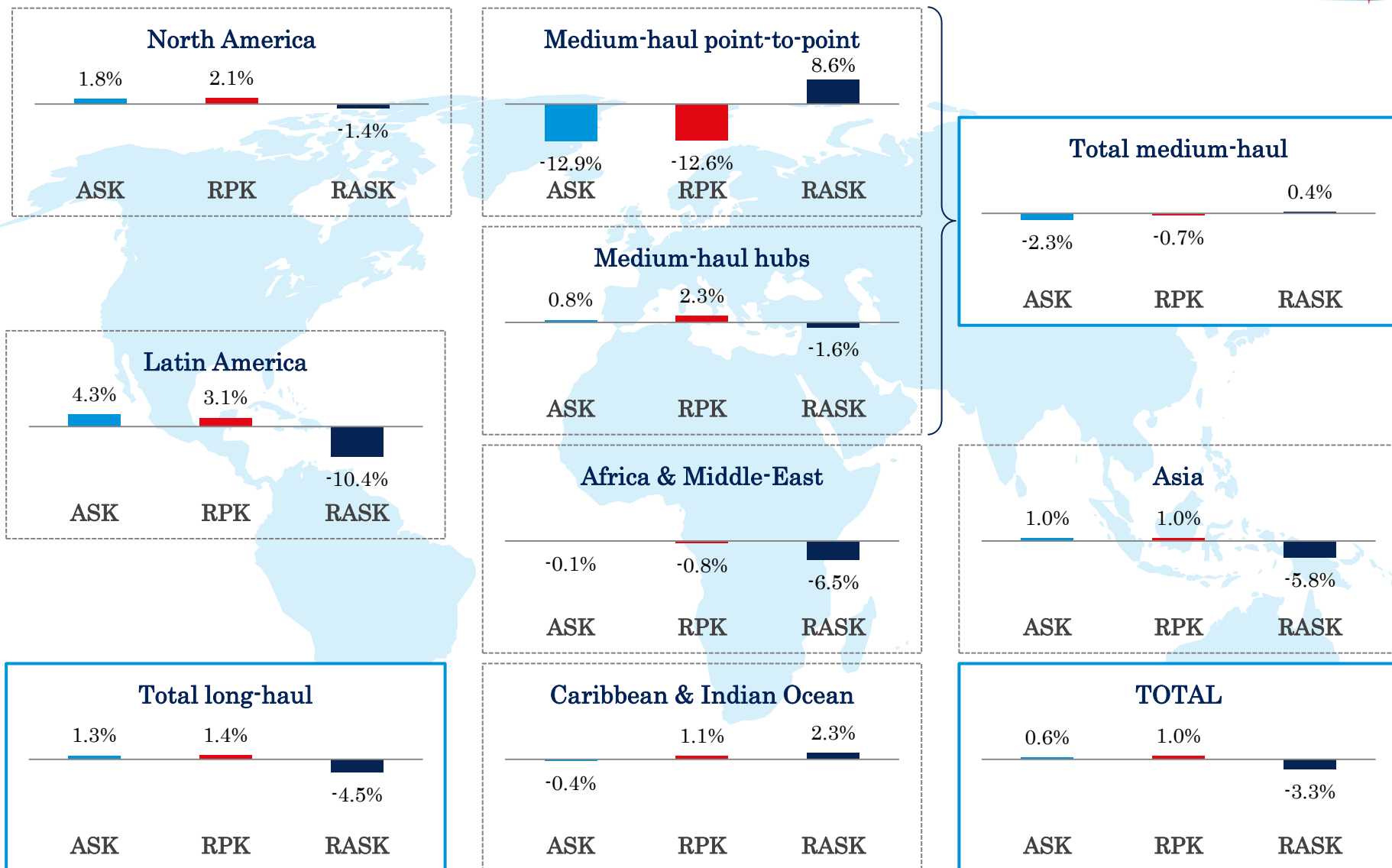
	In €m	Reported change	Change excluding strike	Change like-for-like
Total employee costs including temps	5,872	+2.2%	+1.9%	+1.3%
Supplier costs⁽²⁾ excluding fuel and purchasing of maintenance services and parts	5,068	+6.1%	+6.4%	+2.5%
Aircraft costs⁽³⁾	2,317	+4.9%	+5.2%	-2.0%
Purchasing of maintenance services and parts	1,657	+32.7%	+31.6%	+11.7%
Other income and expenses including capitalized production	-687	+180.4%	+169.4%	+35.2%
Operating costs ex-fuel	14,227	+3.6%	+3.6%	+1.1%
Fuel	4,820	-2.2%	-4.0%	-20.0%
Grand total of operating costs	19,047	+2.1%	+1.6%	-5.2%
<i>Capacity (EASK)</i>			+0.2%	

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

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

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

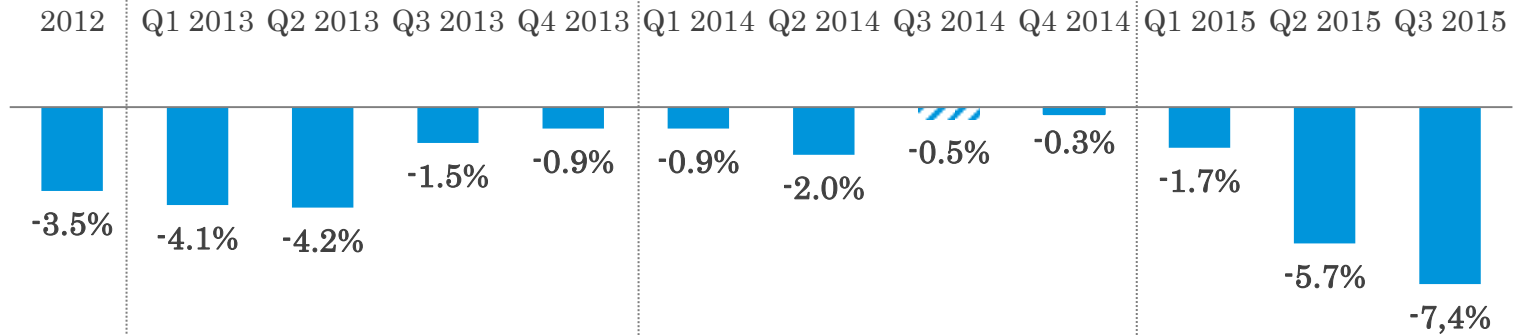
9 months 2015: Passenger network unit revenue by network



NB: Passenger network: Air France, KLM and HOP!
 ASK: capacity, RPK: traffic, RASK: unit revenue per ASK, change like-for-like

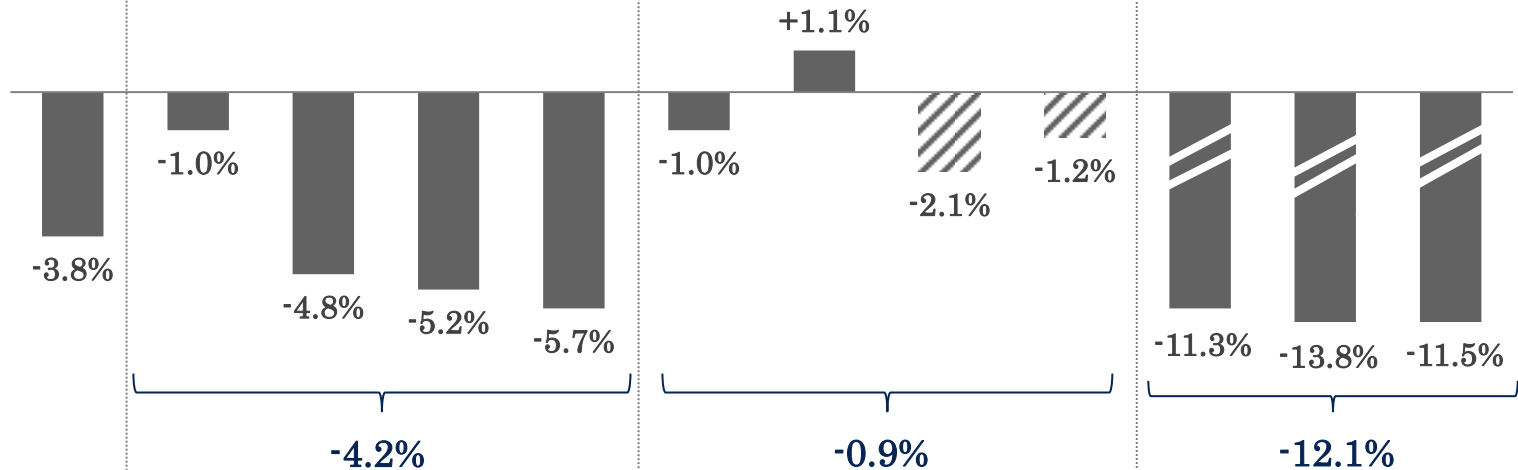
Cargo capacity and unit revenue by quarter

Capacity



RATK

Ex-currency

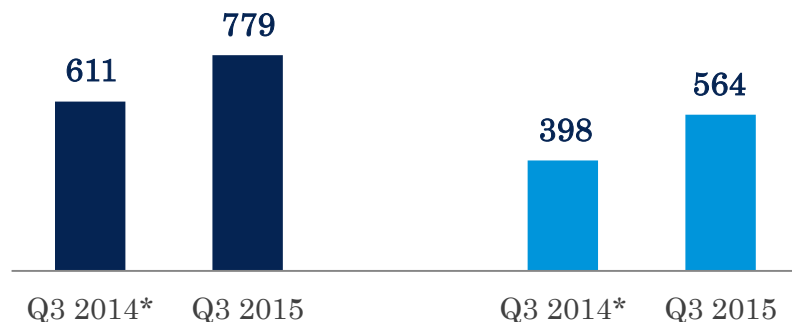


Excluding strike

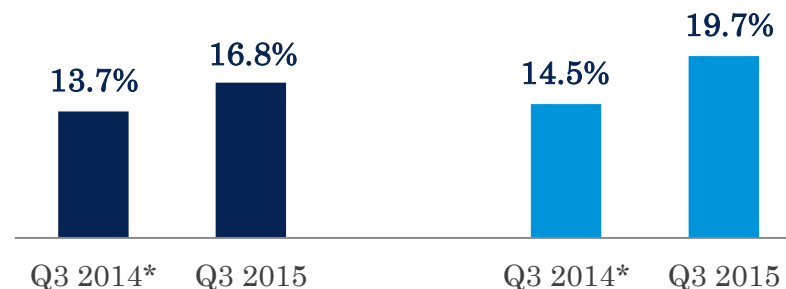
Q3 2015 EBITDA and operating cash flow by airline

EBITDA

In €m

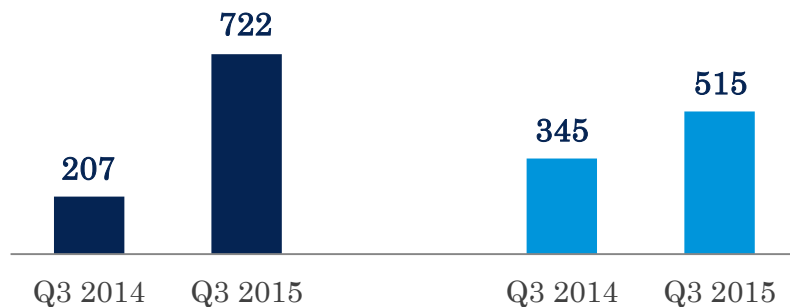


EBITDA margin



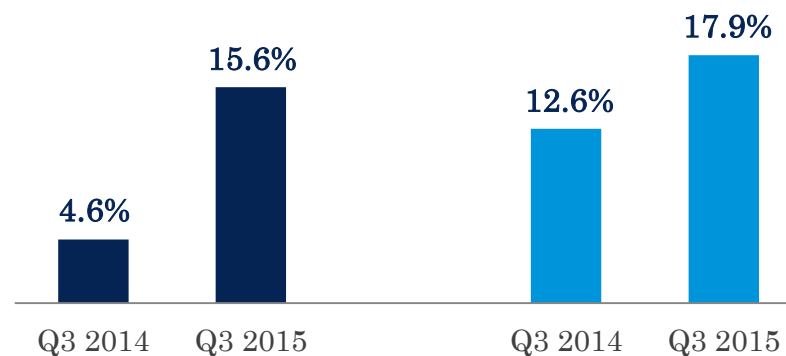
Operating Cash Flow

In €m, before VDP and WCR



Operating Cash Flow margin

Before VDP and WCR



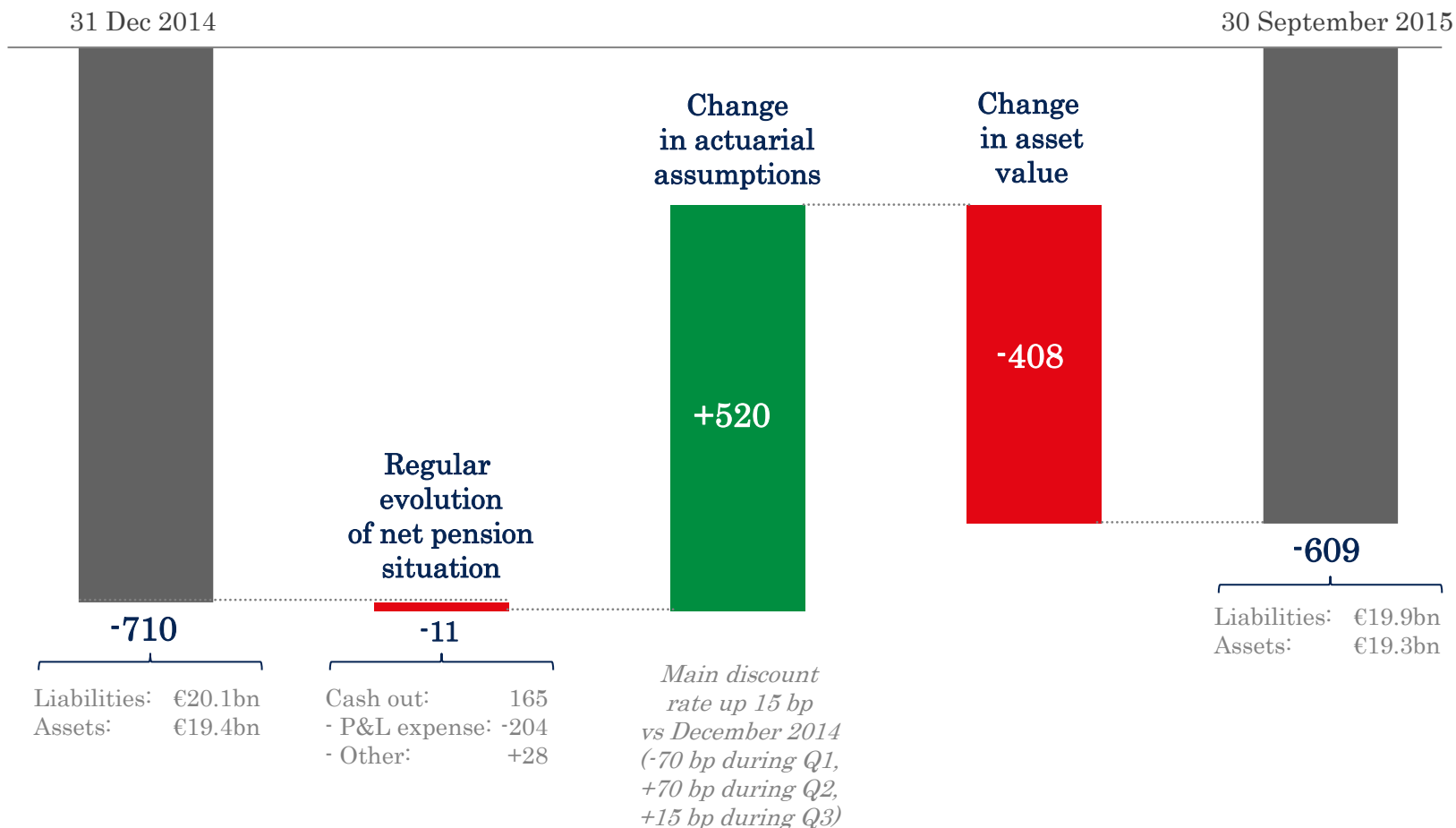
* Excluding strike

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

9 months 2015: stable pension situation

Trend in net pension balance sheet situation

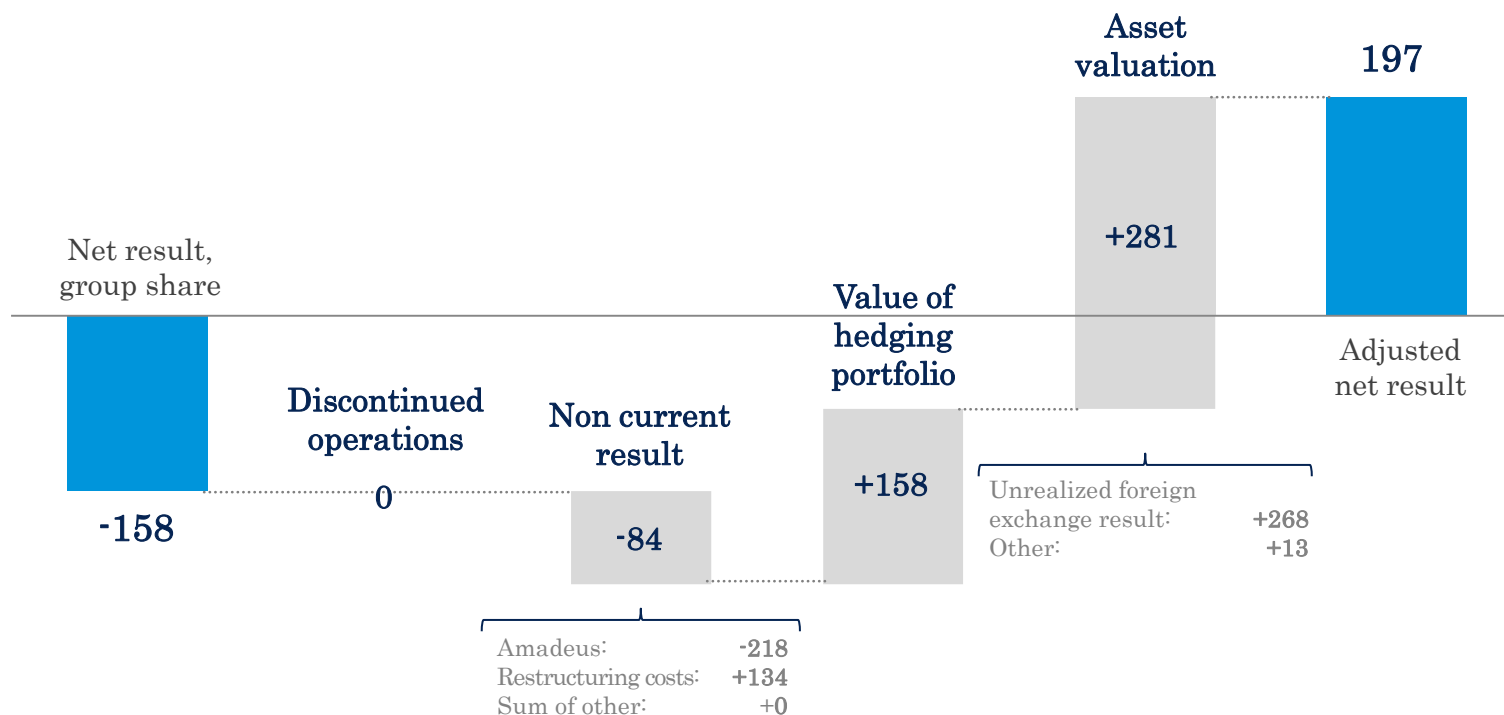
In €m



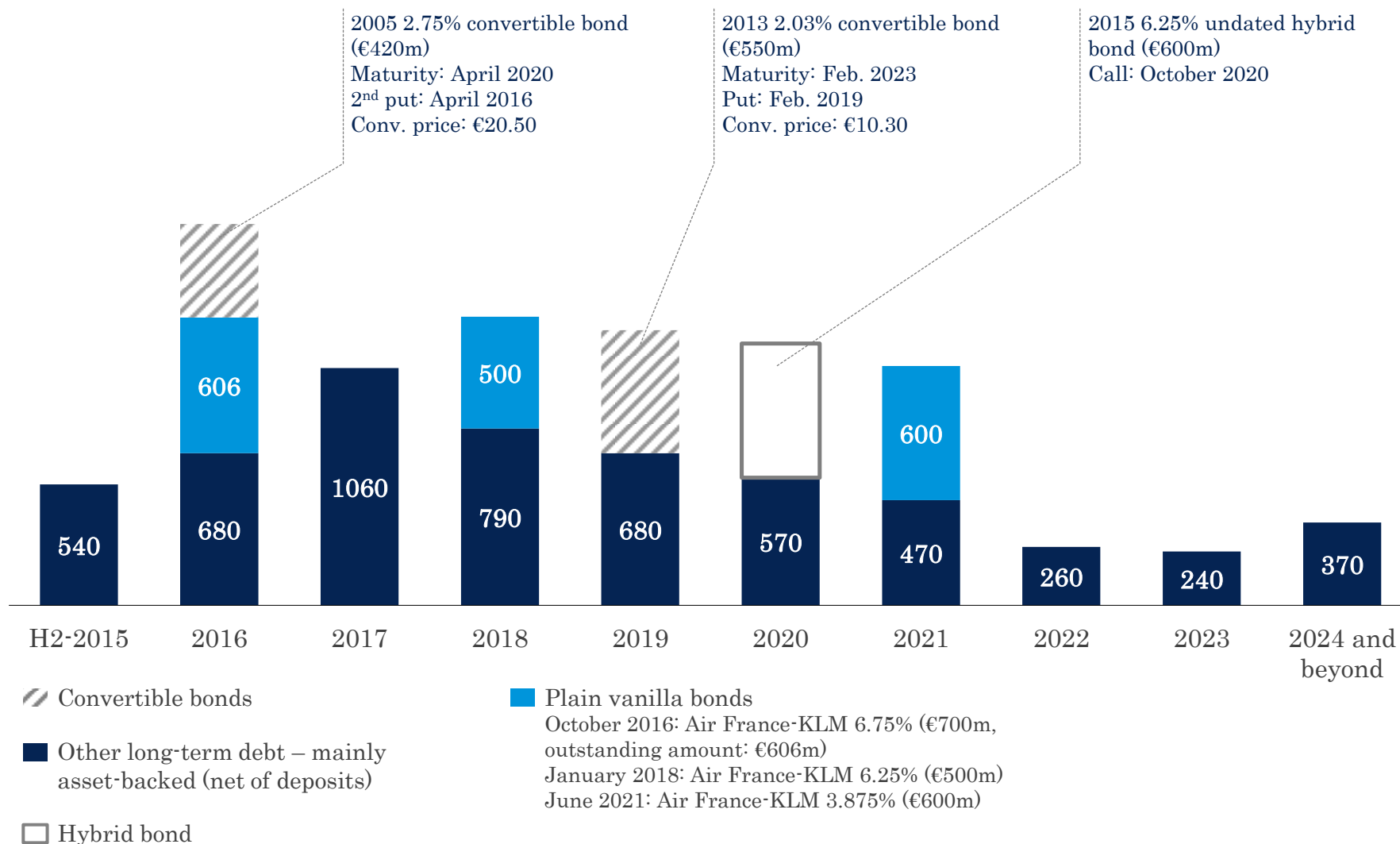
9 months 2015: restated net result

Calculation of adjusted net result based on net result, group share

In €m



Debt reimbursement profile at 30 June 2015⁽¹⁾



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