

FIRST QUARTER 2016 RESULTS



4 May 2016

Highlights of the First Quarter 2016

Environment

- Steep decrease in fuel bill
- Ongoing pressure on unit revenues
- High level of geopolitical uncertainties
- Economic environment still weak in several key markets including Brazil and oil routes

Operations

- Passenger network: strict capacity discipline; load factor increase +2.0pts to 84.5%
- Cargo: sharp fall in unit revenues; continuing to reduce capacity and restructuring
- Maintenance: strong increase in external revenues
- Transavia: continuous development including opening Munich base

Financial highlights

- Ex-fuel unit costs down -1.3% at constant currency
- Significant improvement in all financial KPI's
- Improved profitability and free cash flow generation
- Restructuring provision for a voluntary departure plan

Accounting

- Reclassification Servair as discontinued operations following decision to consider options for the participation of another company in the share capital

Key data

In €m	Q1 2016	Q1 2015 ⁽¹⁾	Change	
Revenues	5,605	5,583	+0.4%	↗
<i>Change like-for-like⁽²⁾</i>			-1.3%	↘
EBITDAR ⁽³⁾	531	224	+307m	↗
<i>Change like-for-like</i>			+371m	↗
EBITDA ⁽³⁾	266	-26	+292m	↗
<i>Change like-for-like</i>			+370m	↗
Operating result	-99	-417	+318m	↗
<i>Change like-for-like</i>			+397m	↗
Net result, group share	-155	-559	+404m	↗
Adjusted net result ⁽³⁾	-102	-506	+404m	↗
Operating free cash flow ⁽³⁾	196	-46	+242m	↗
ROCE ^(3, 4)	11.2%	5.2%	+6.0pt	↗
Net debt at end of period	4,161	4,307 ⁽⁵⁾	-146m	↘
Adjusted net debt / EBITDAR ^(3, 4)	3.0x	3.4x ⁽⁵⁾	-0.4	↘

(1) Reclassification Servair as discontinued operations


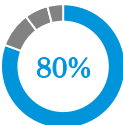

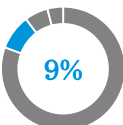

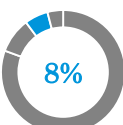

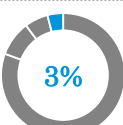
(2) Like-for-like: excluding currency. Same definition applies in rest of presentation unless otherwise stated

(3) See definition in press release

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

(5) At 31 December 2015

Contribution by business segment to First Quarter 2016 results

		Revenue (€bn)	Reported change* (%)	Change Like-for-like* (%)		Op. Result (€m)	Reported change* (€m)	Change Like-for-like* (€m)	
 Passenger network ⁽¹⁾		4.47	+1.2%	-0.2%	=	-18	+304	+375	➔
 Cargo		0.53	-15.4%	-16.9%	➔	-50	+13	+16	➔
 Maintenance		0.43	+13.4%	+7.0%	➔	38	+3	0	=
 Transavia		0.16	+9.6%	+9.5%	➔	-63	+6	+11	➔
Other						-6	-8	-6	➔
Total		5.61	+0.4%	-1.3%	➔	-99	+318	+397	➔

* 2015 reclassification Servair as discontinued operations

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

Passenger network activity in First Quarter 2016

Strict capacity discipline

- ▶ Capacity up +1.1%
- ▶ Load factor up + 2.0pt

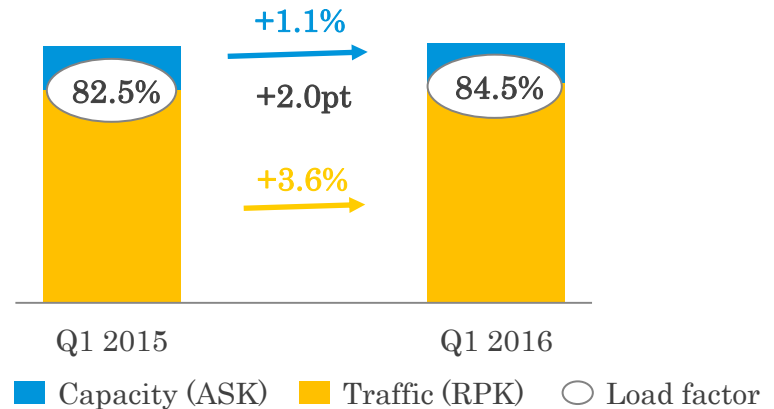
Continuous pressure and volatility on unit revenue

- ▶ Unit revenue down 1.3% at constant currency:
 - ✦ Long-haul down 1.6%
 - ✦ Premium: +0.2%
 - ✦ Economy: -1.5%
 - ✦ Medium-haul unit revenue: +0.6%
- ▶ Increase in traffic in all regions of the network, except Asia following the planned reduction in capacity

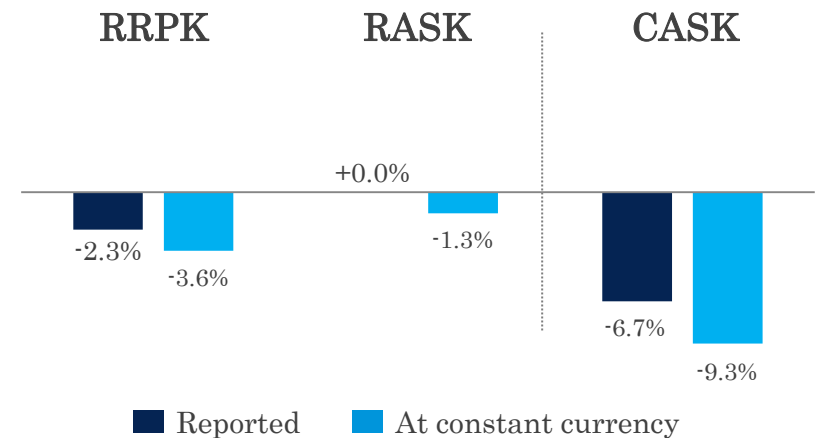
Strong improvement in operating result

- ▶ Up €375m like-for-like

Activity



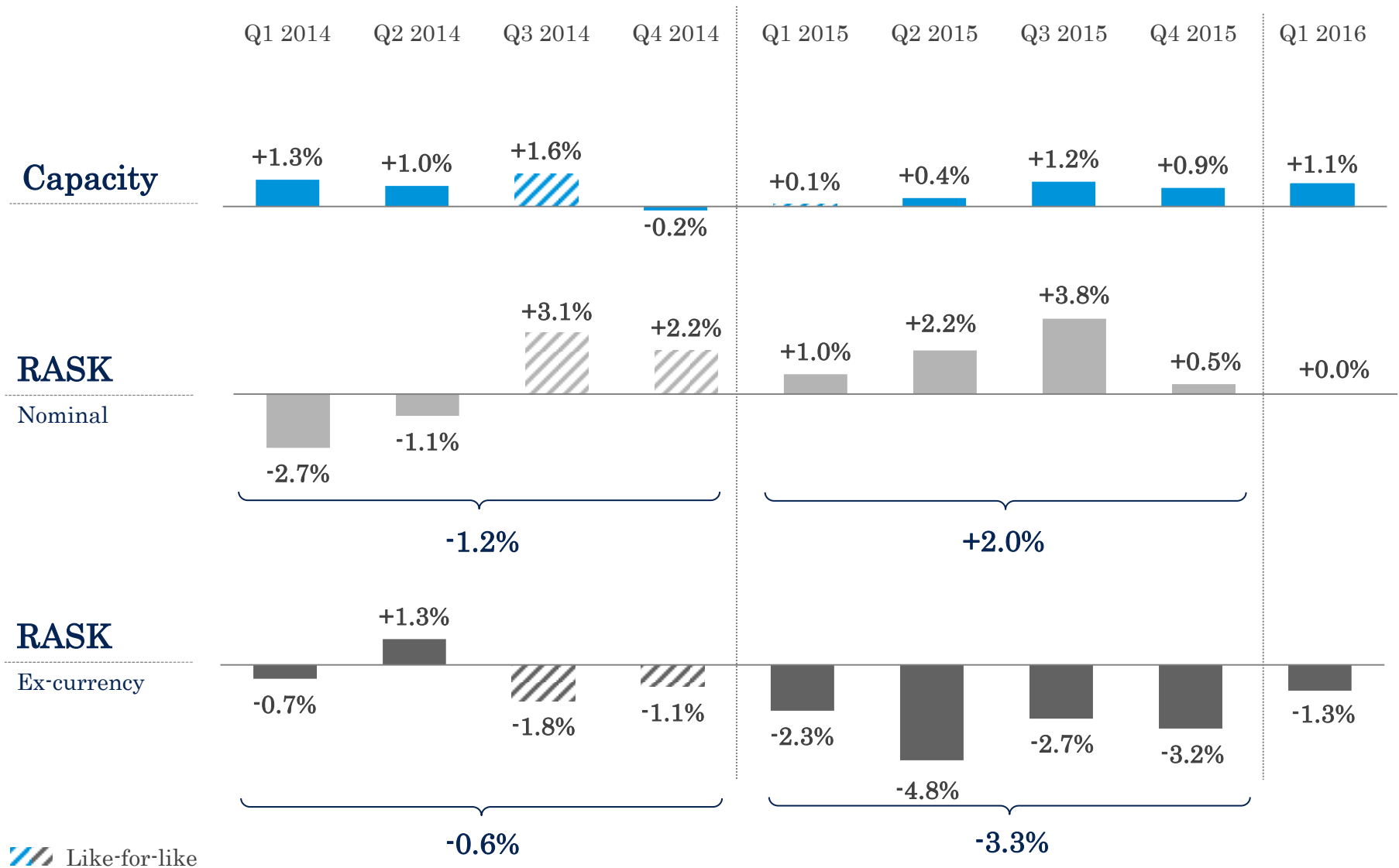
Unit Revenue



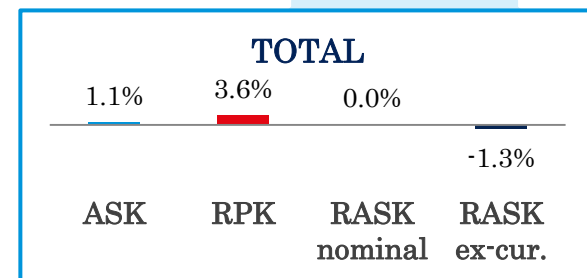
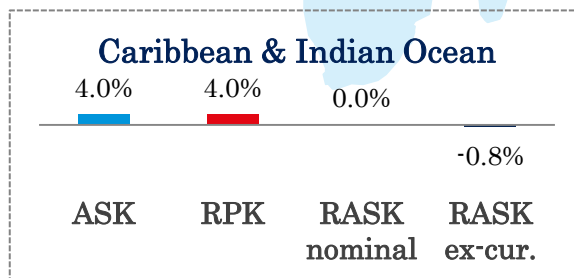
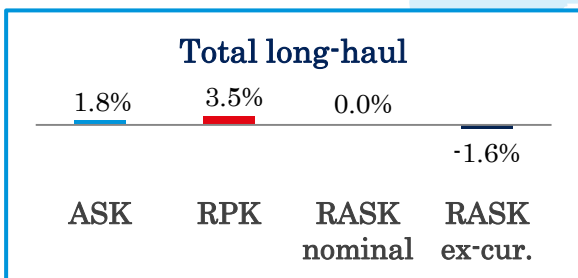
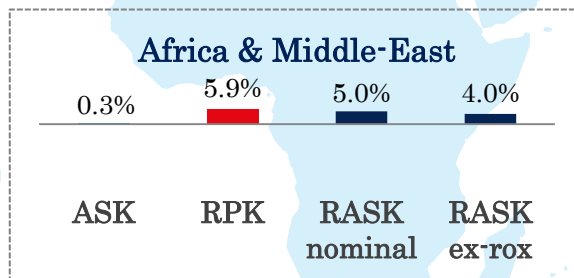
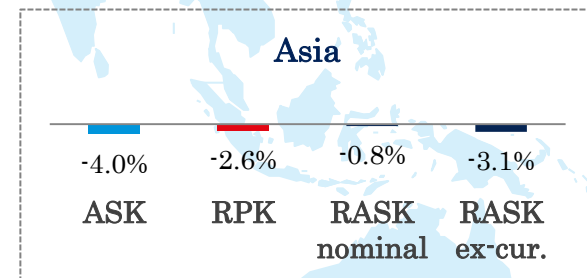
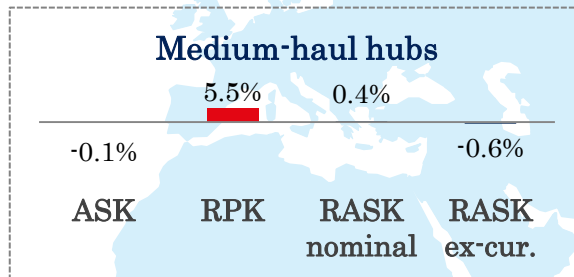
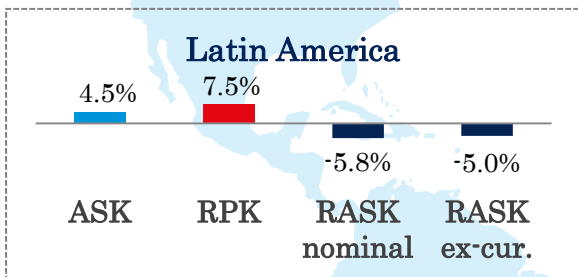
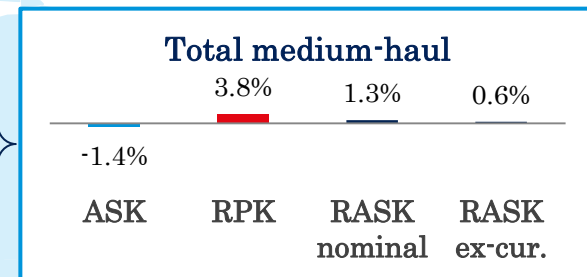
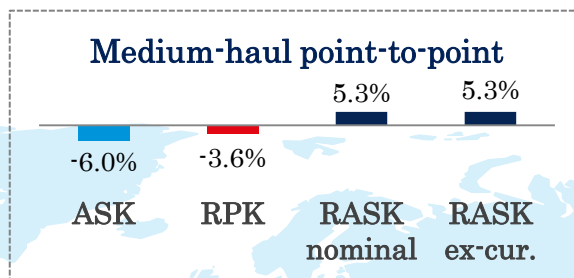
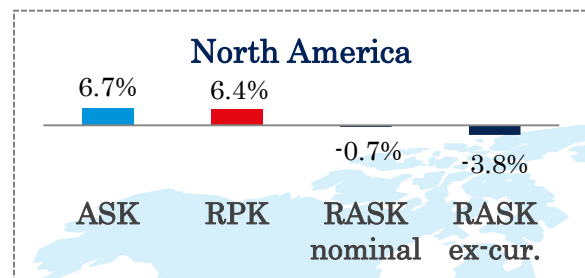
Unit Cost

CASK

Passenger network capacity and unit revenue by quarter



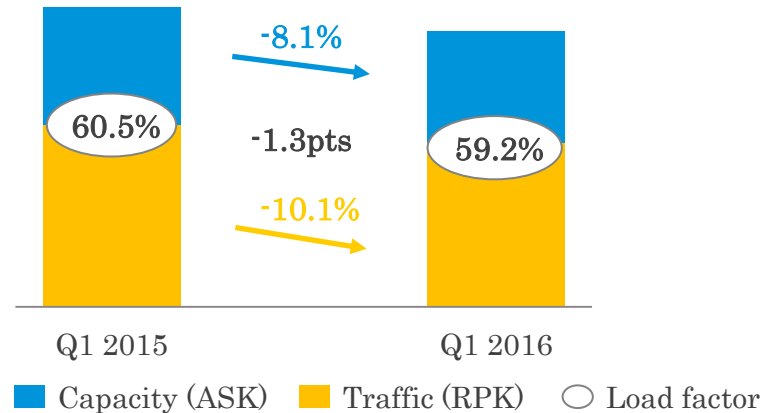
First Quarter 2016 Passenger network unit revenue by network



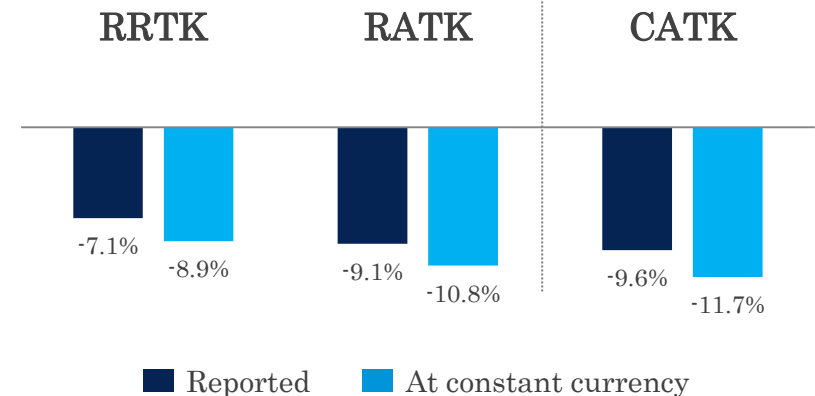
Cargo activity in First Quarter 2016

- Full-freighter capacity reduced by 32% vs Q1 2015
 - ▶ Full-freighter capacity represented 19% of total group cargo capacity
 - ▶ 8 full-freighters in operation: down 1 compared to year-end 2015
- Persistently weak demand
 - ▶ RATK down 10.8% at constant currency
 - ▶ Reflection of structural overcapacity, especially on flows from Asia to Europe
- Ongoing restructuring
 - ▶ FTE's down 9.3% vs. last year
- Operating result improved by €16m like-for-like

Activity



Unit Revenue

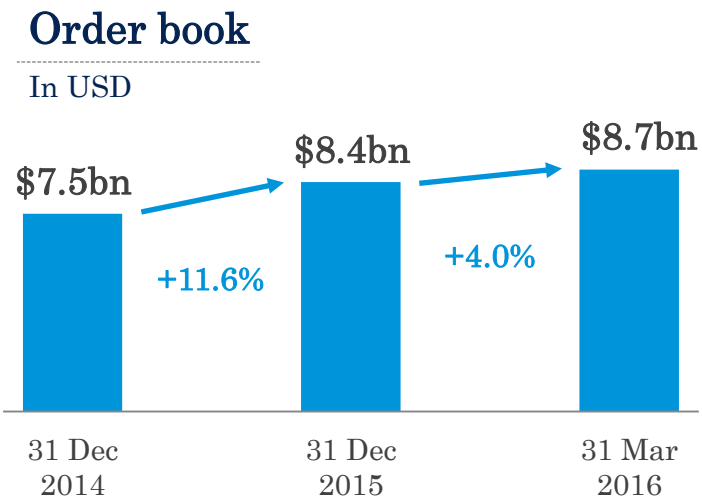


Maintenance activity in First Quarter 2016

- Third party revenue up more than 13%
 - ▶ Revenues up 7.0% like-for-like

- Further increase in the order book
 - ▶ New contracts for CFM engines and first A350 total support contract

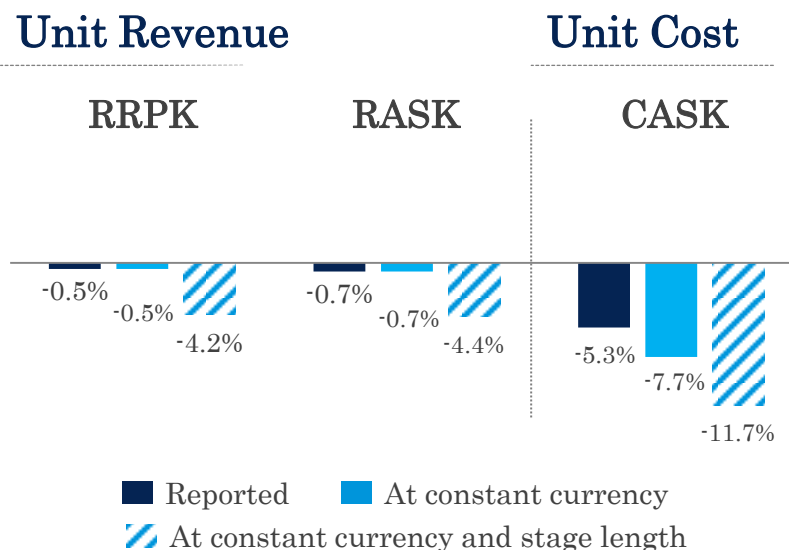
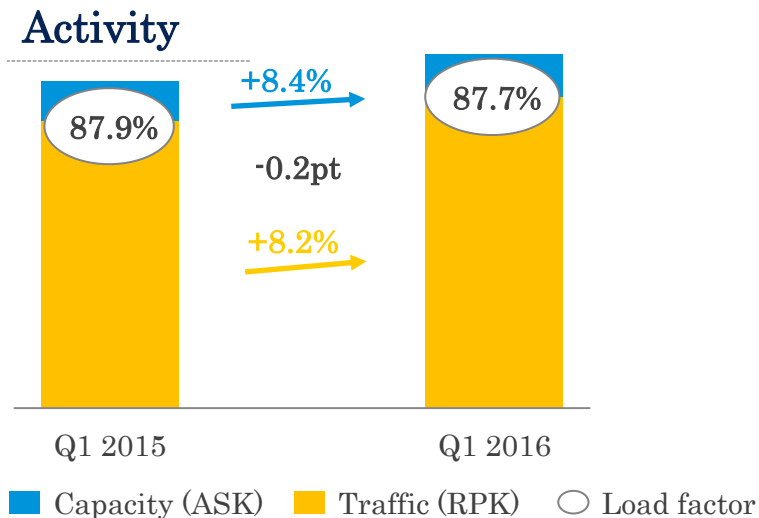
- Operating margin stabilizing
 - ▶ Change in business mix from mature contracts to new growth
 - ▶ OEM supply chain under pressure in engine business
 - ▶ Labor costs linked to profit sharing





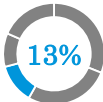
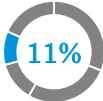

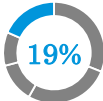
In €m	Q1 2016	Q1 2015	Change	Like-for-like
Total revenue	1,006	960	+4.8%	
Third party revenue	431	380	+13.4%	+7.0%
Operating result	38	35	+3	+0
Operating margin	3.8%	3.6%	+0.2pt	-0.2pt

Transavia activity in First Quarter 2016

- 1.9 million passengers, up 14.3%, serving more than 100 destinations
- Negative impact on revenues due to geopolitical turmoil
- Accelerated ramp-up in France on track
 - ▶ Capacity up 18.6%
- Munich base operational by 25th March 2016
 - ▶ 2 aircraft operational, serving 9 destinations, followed by 2 more aircraft in May 2016 serving additional destinations
- Operating result improved by €11m like-for-like



First Quarter 2016: change in operating costs

	In €m	Reported change ⁽¹⁾	Change at constant currency
 Total employee costs <i>including temps</i>	1,844	+0.8%	+0.7%
 Supplier costs⁽²⁾ <i>excluding fuel and purchasing of maintenance services and parts</i>	1,608	+0.2%	-0.2%
 Aircraft costs⁽³⁾	732	-2.1%	-4.5%
 Purchasing of maintenance services and parts	642	+10.9%	+6.0%
 Other income and expenses <i>including capitalized production</i>	-218	-10.3%	-0.8%
Operating costs ex-fuel	4,608	+2.0%	+0.3%
 Fuel	1,096	-25.9%	-30.5%
Grand total of operating costs <i>Capacity (EASK)</i>	5,704	-4.9%	-7.6%
			+0.3%

(1) 2015 reclassification Servair as discontinued operations

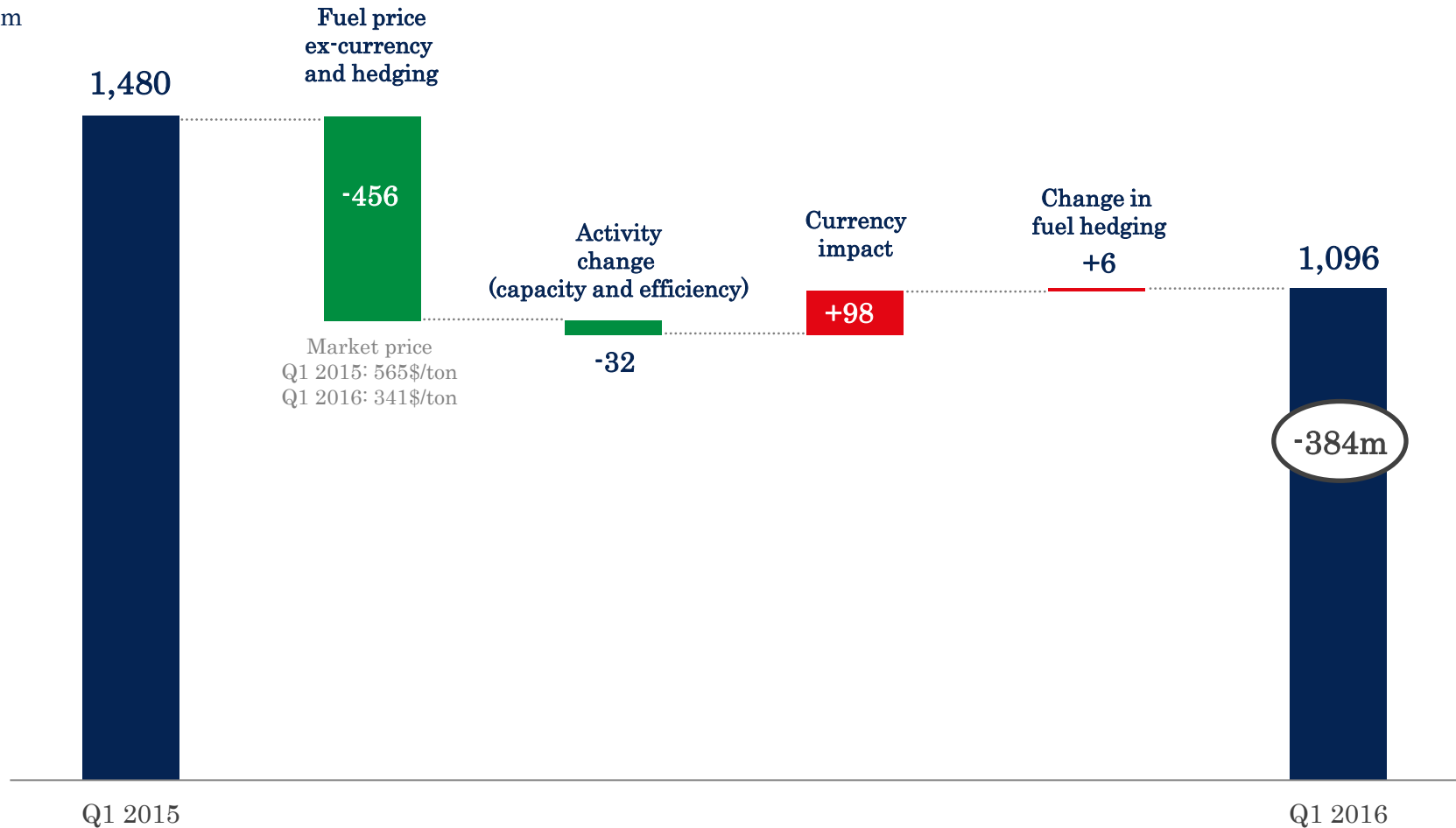
(2) Catering, handling, commercial and distribution charges, landing fees and air-route charges, other external expenses, excluding temps

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

First Quarter 2016 fuel bill

Fuel bill

In €m



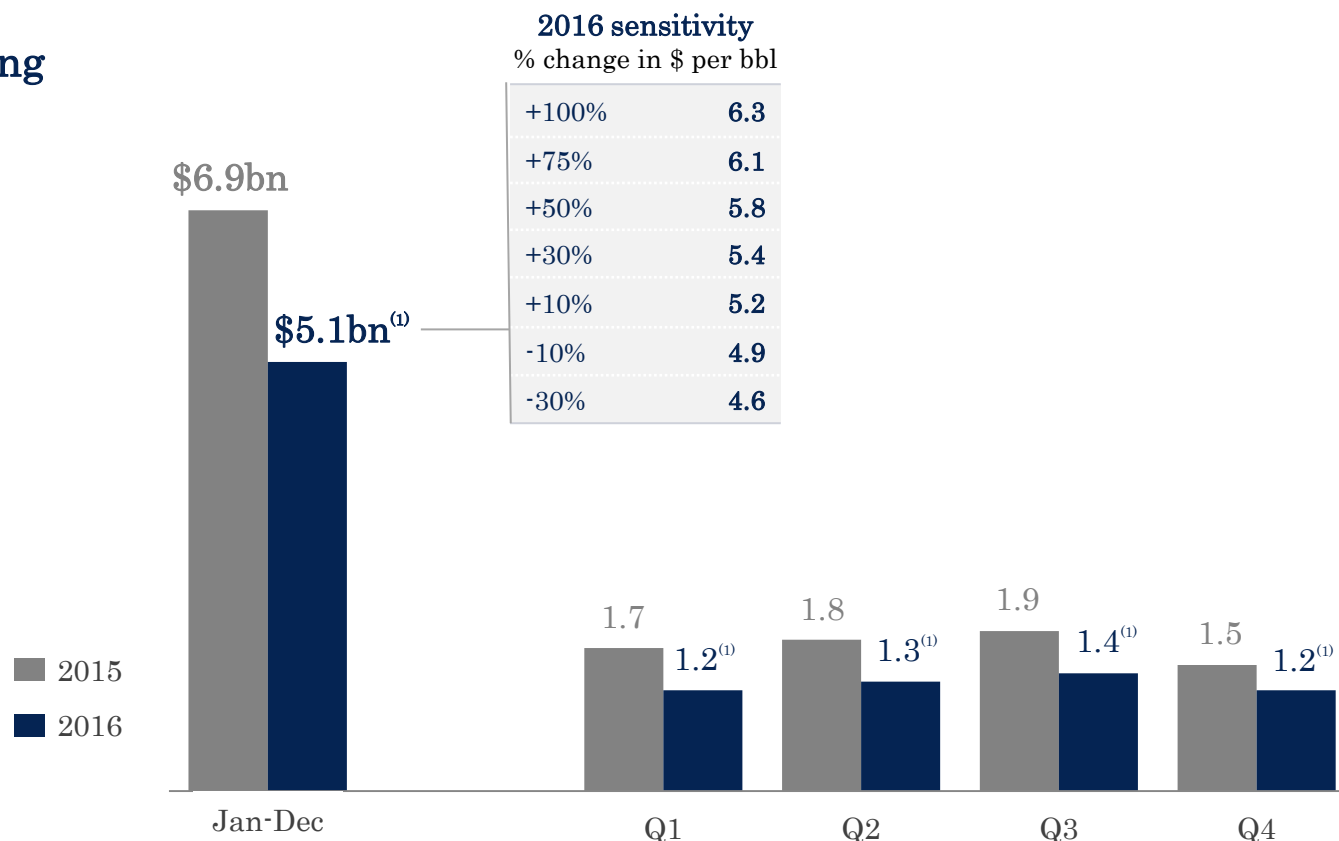
Update on 2016 fuel bill

Fuel bill after hedging

In \$bn

2015:
fuel bill \$6.9bn/€6.2bn

2016:
fuel bill \$5.1bn/€4.6bn⁽²⁾



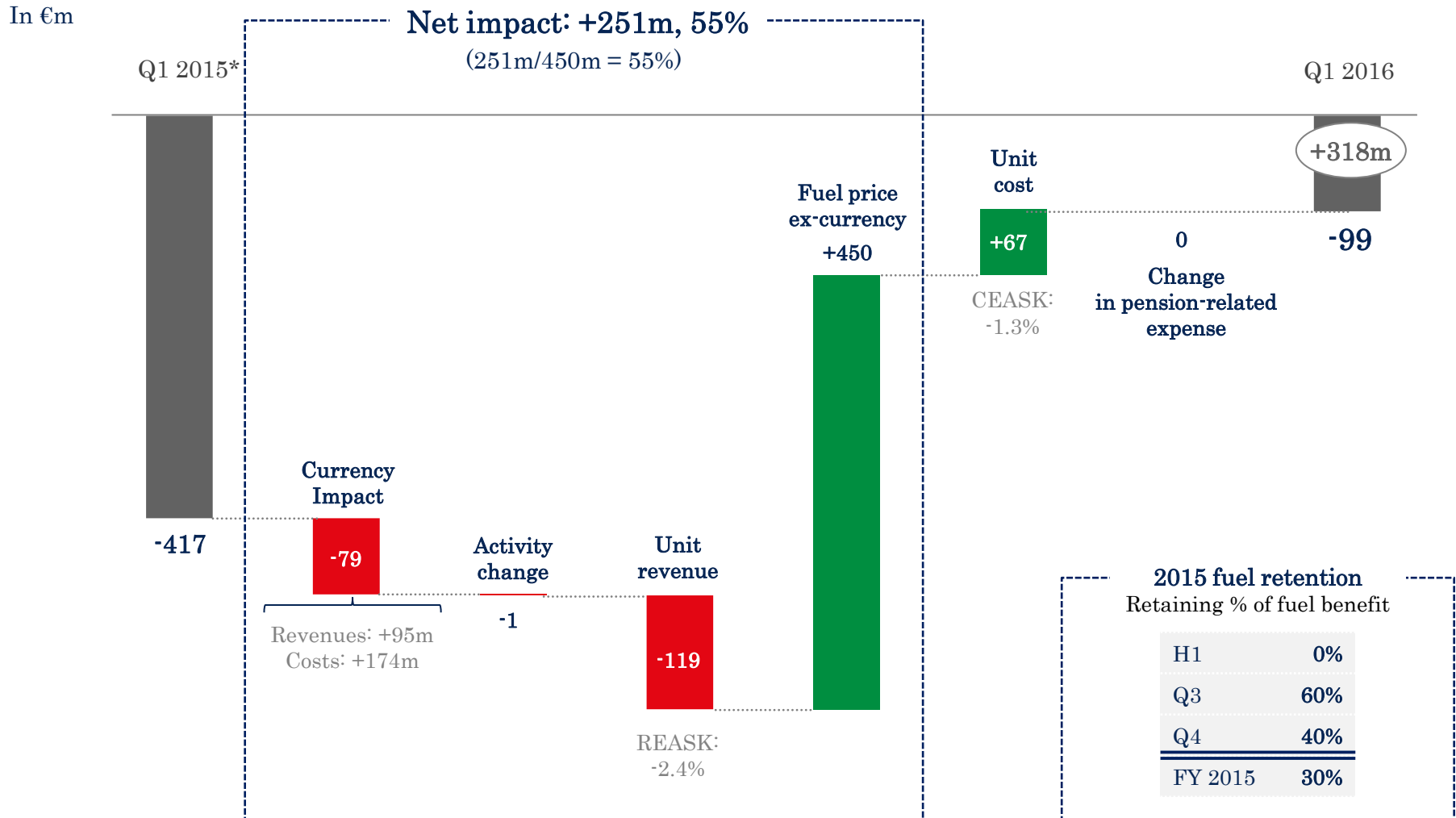
MARKET PRICE	2016		2016				
	Brent (\$ per bbl) ⁽¹⁾	Jet fuel (\$ per metric ton) ⁽¹⁾	Jan-Dec	Q1	Q2	Q3	Q4
			43	35	44	46	47
			409	341	413	436	449
		% of consumption already hedged	73%		74%	77%	77%

(1) Based on forward curve at April 22nd 2016. Sensitivity computation based on April-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 April-December year 2016

Operating result: retaining 55% of Q1 2016 fuel benefit

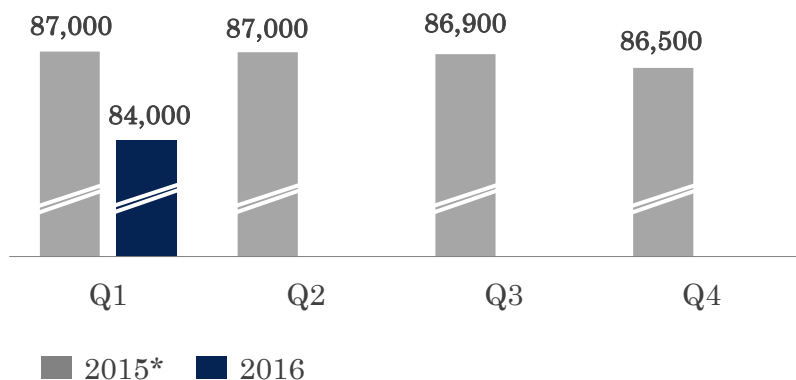
Change in operating result



* 2015 reclassification Servair as discontinued operations

Update on employee costs

Headcount down 3,028 FTE's



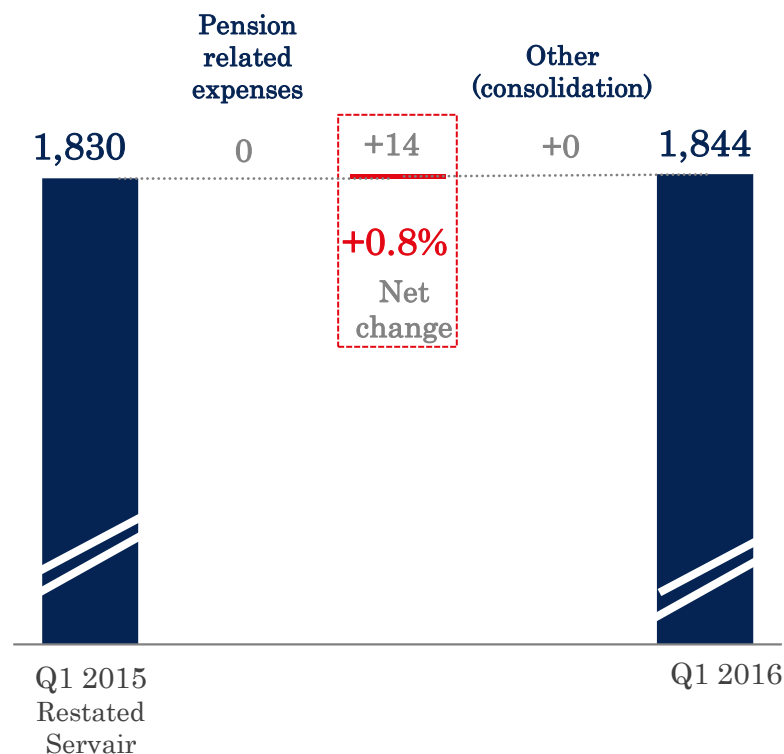
Employee costs impacted by

- ▶ Profit sharing : net change excluding profit sharing -1.2%
- ▶ Air France one-off variable pay

Restructuring provision for a voluntary departure plan

Change in total employee costs

In €m, including temporary staff

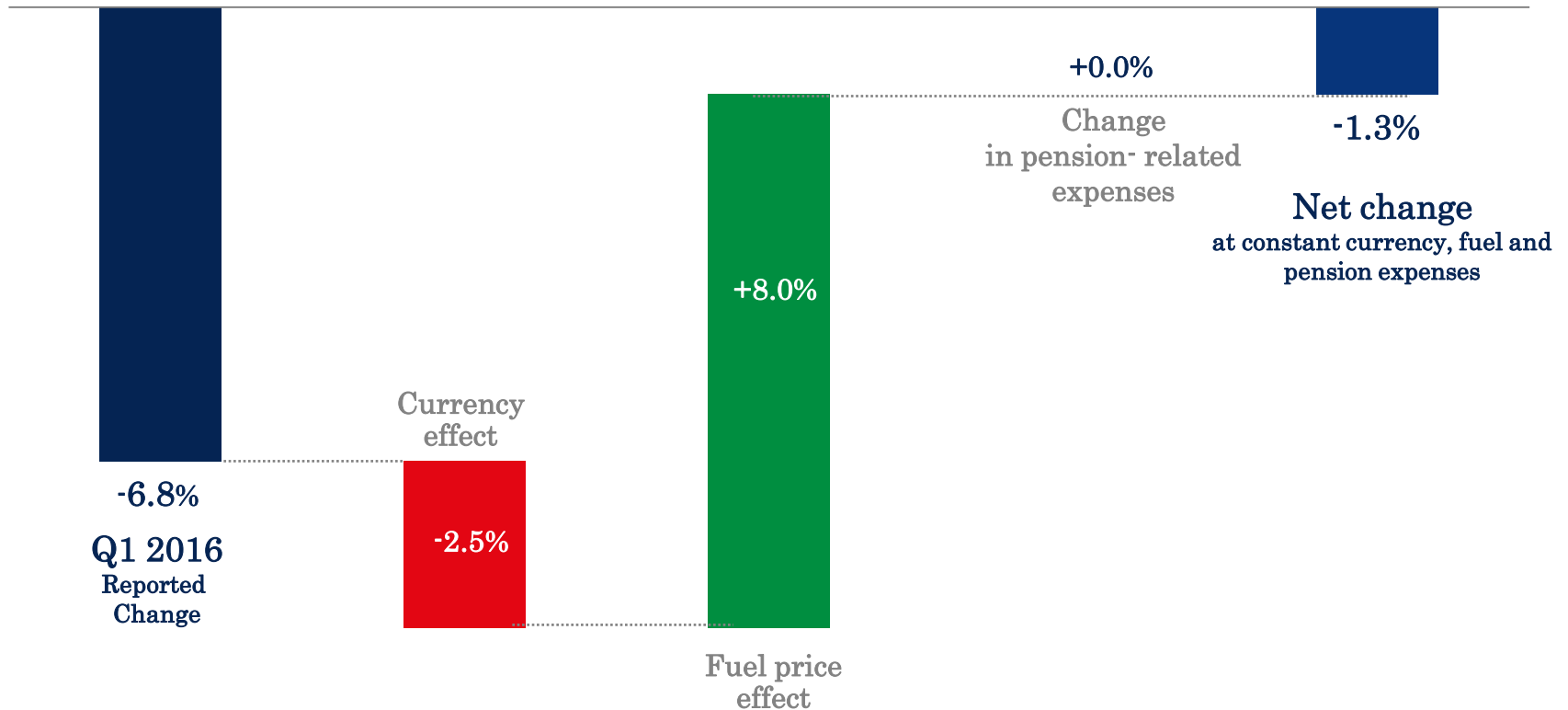


First Quarter 2016 unit cost at constant currency, fuel and pension expenses

Net Costs: €5,018m (-6.6%)

Capacity in EASK: 77,444m (+0.3%)

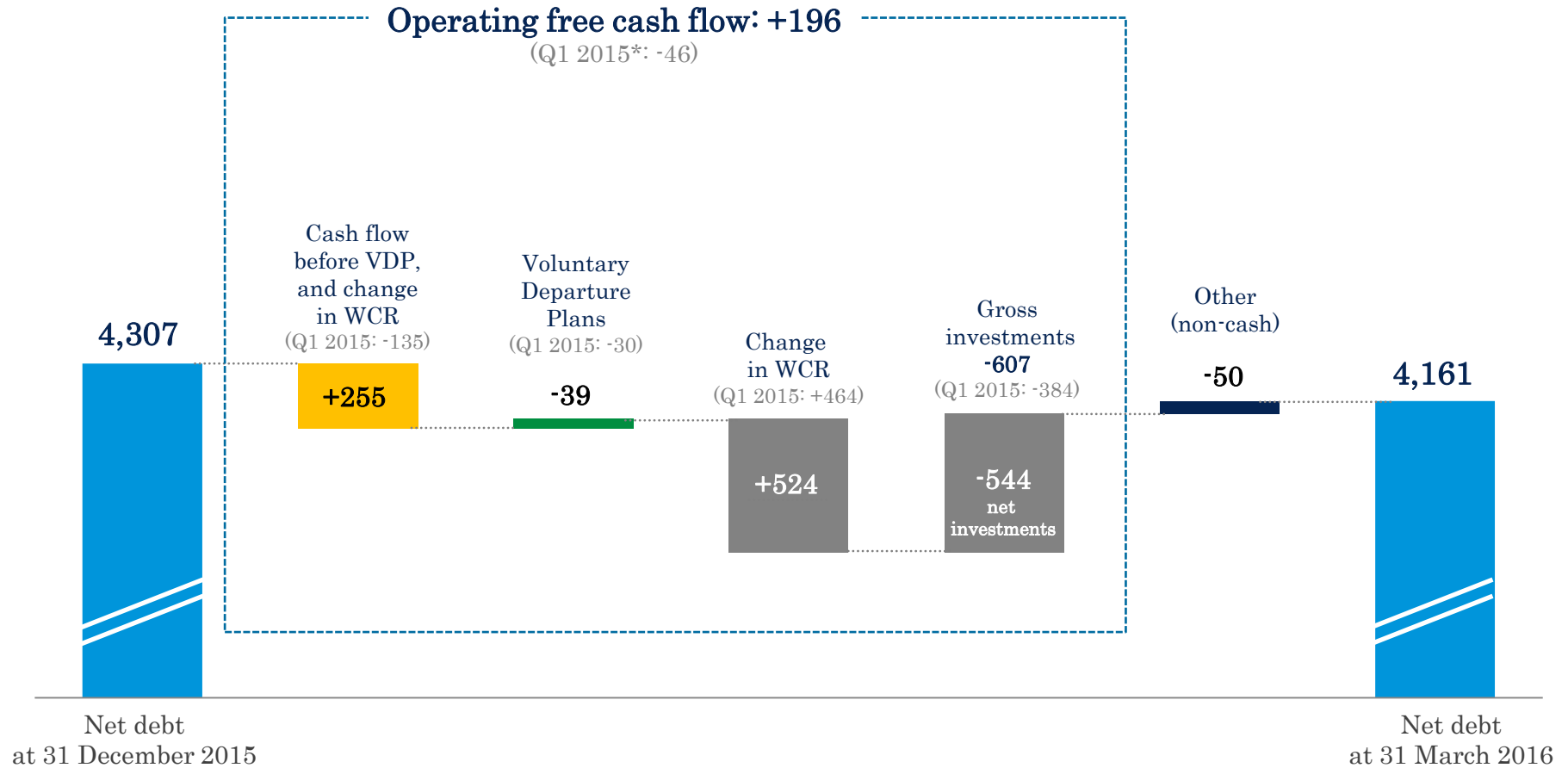
Unit cost per Equivalent Available-Seat Kilometer (EASK): €6.48 cents



First Quarter 2016 operating free cash flow

Analysis of change in net debt

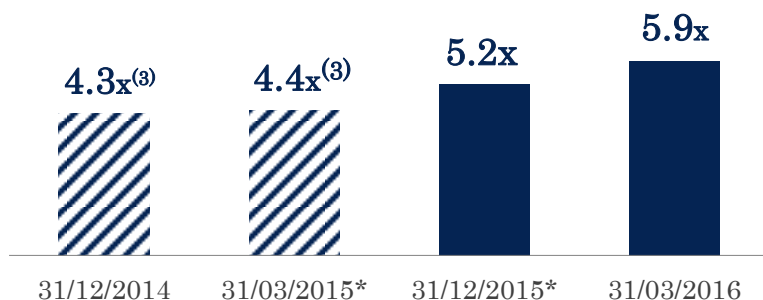
In €m



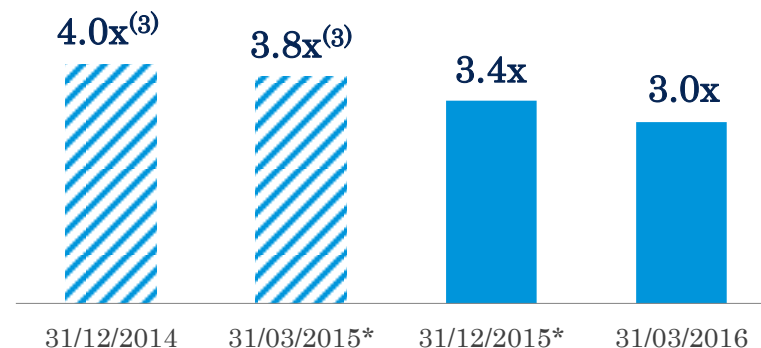
* 2015 reclassification Servair as discontinued operations

Financial ratios at 31 March 2016

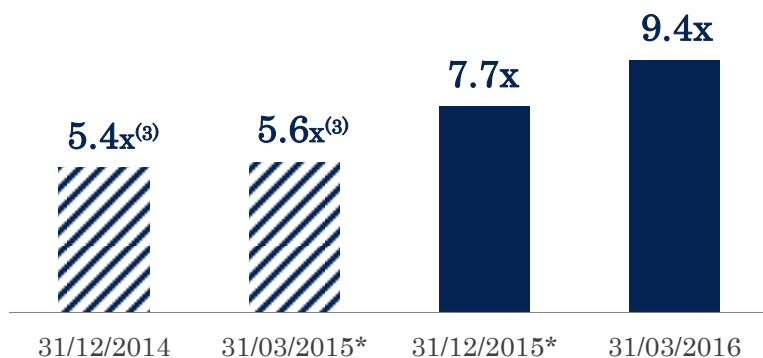
EBITDAR/adjusted net interest costs⁽¹⁾



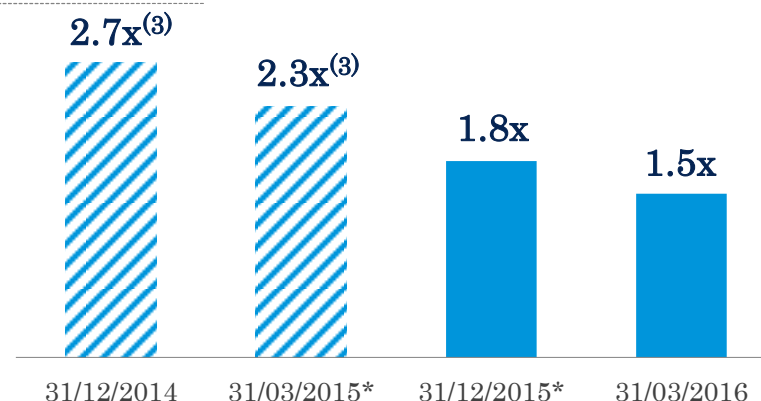
Adjusted net debt⁽²⁾/EBITDAR



EBITDA/net interest costs



Net debt/EBITDA



* Servair 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 4.6x at 31 March 2015. Reported net debt / EBITDA of 3.4x at 31 December 2014 and 3.3x at 31 March 2015

 Excluding strike

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 in the coming quarters expected to be significantly offset by downward pressure on unit revenue and negative currency impacts
- Continued unit cost⁽¹⁾ 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

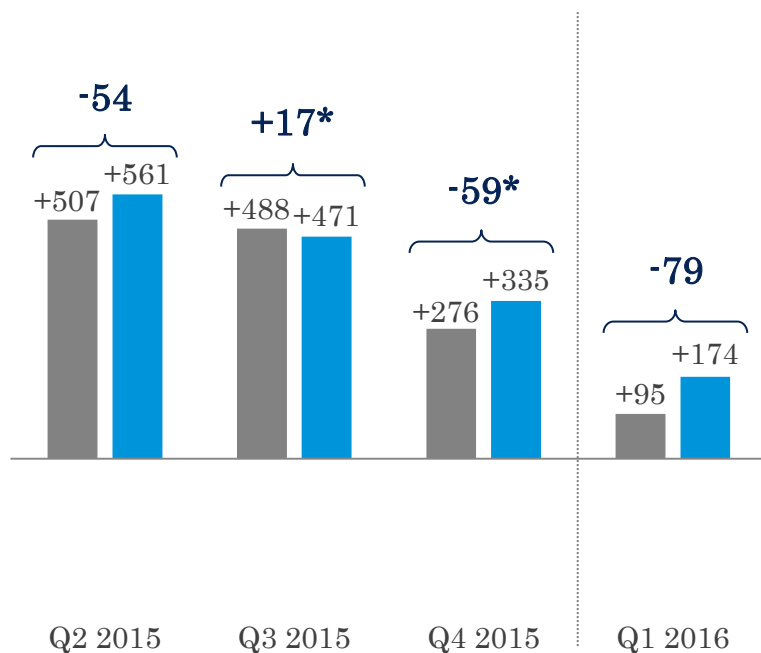
Appendix



First Quarter: negative currency impact on the operating result

Currency impact on revenues and costs

In €m



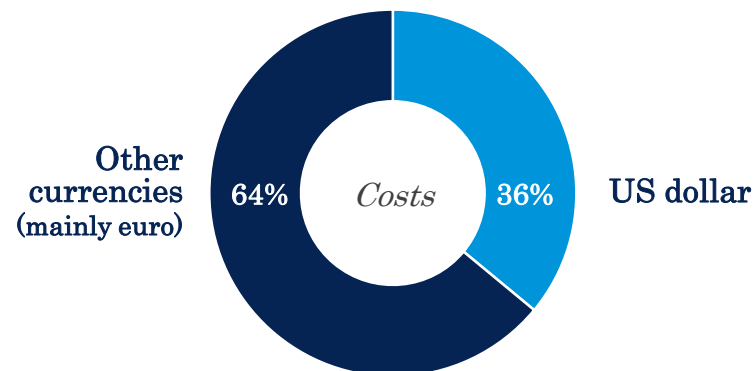
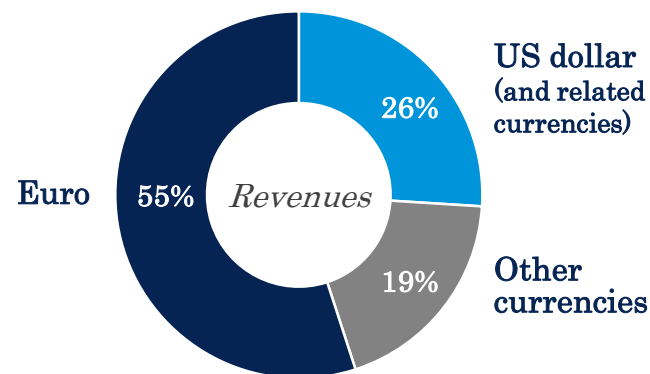
■ Currency impact on revenues

■ Currency impact on costs, including hedging

-XX Currency impact on operating result

Revenues and costs per currency

FY 2015

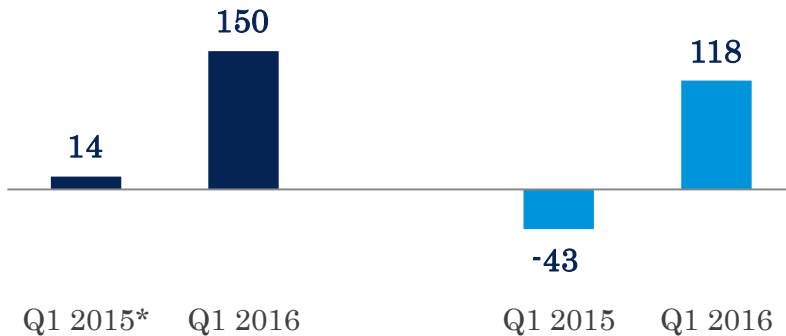


* Currency impact calculated on a strike adjusted base

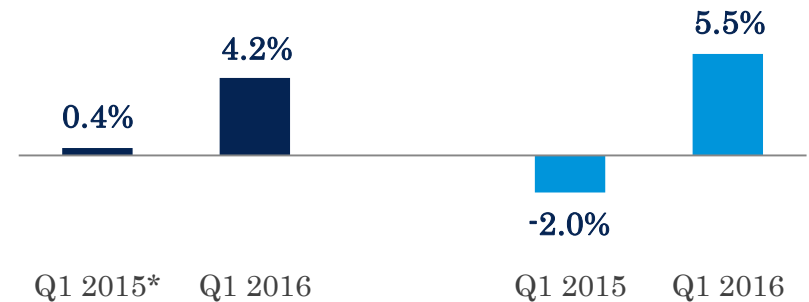
Q1 2016 EBITDA and operating cash flow by airline

EBITDA

In €m

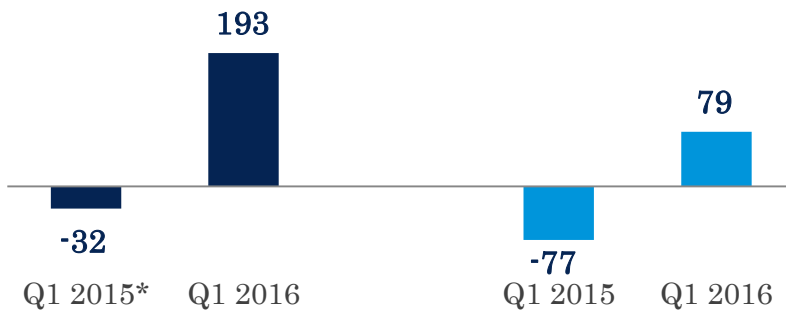


EBITDA margin



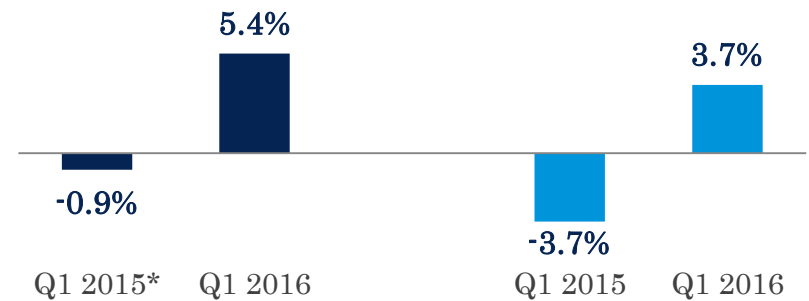
Operating Cash Flow

In €m, before VDP and WCR



Operating Cash Flow margin

Before VDP and WCR

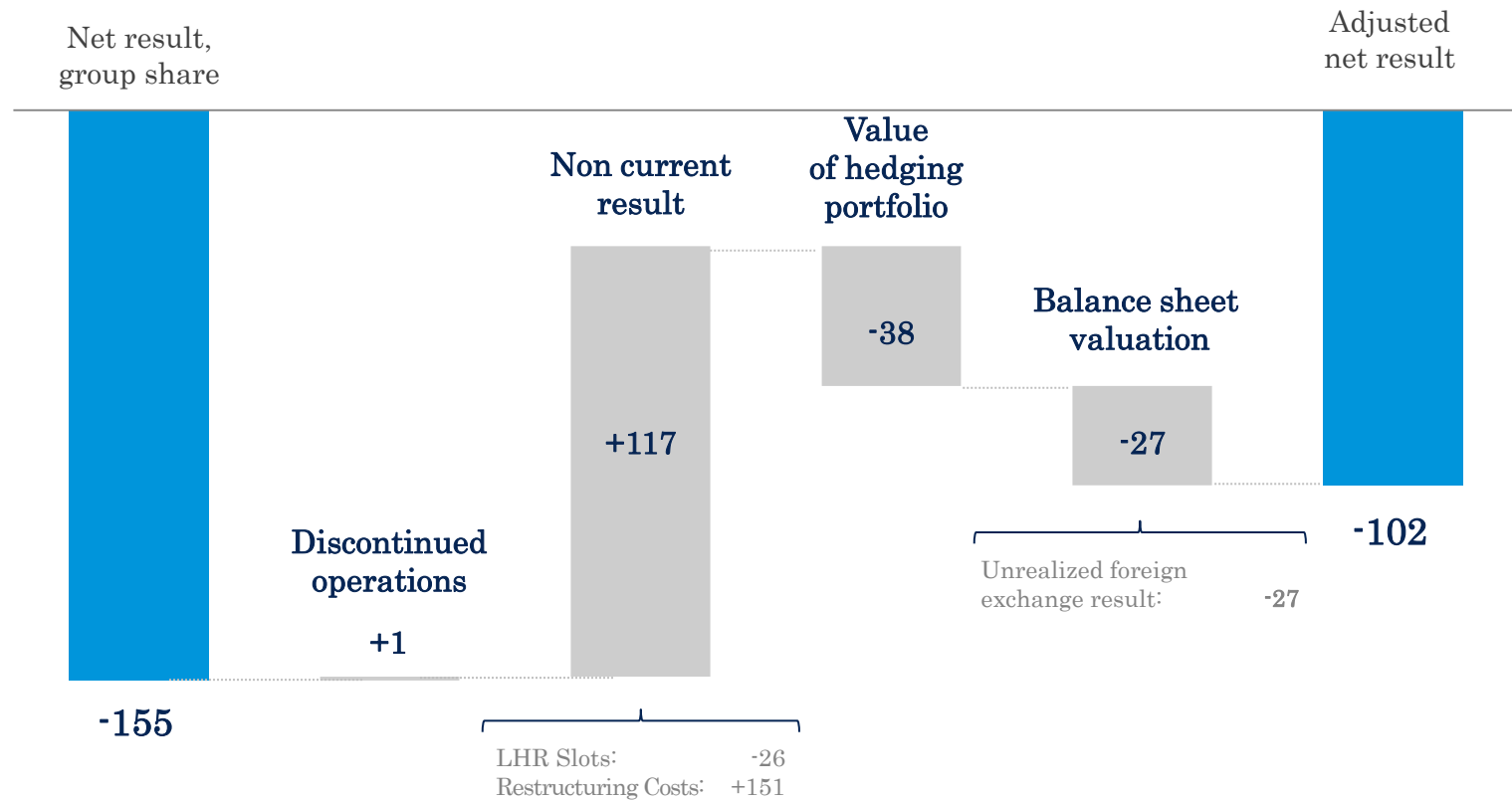


* 2015 reclassification Servair as discontinued operations

First Quarter 2016: adjusted net result

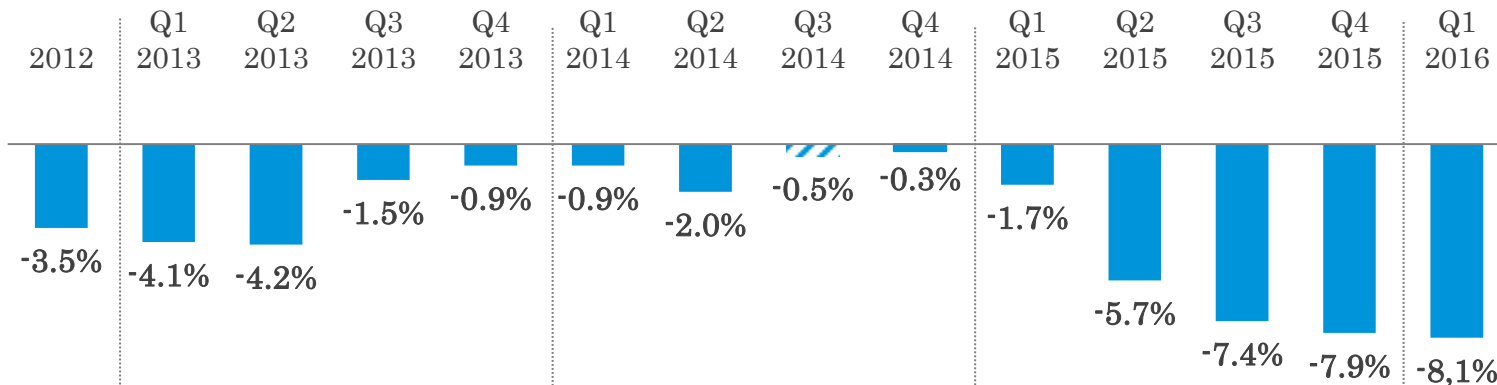
Calculation of First Quarter 2016 adjusted net result

In €m



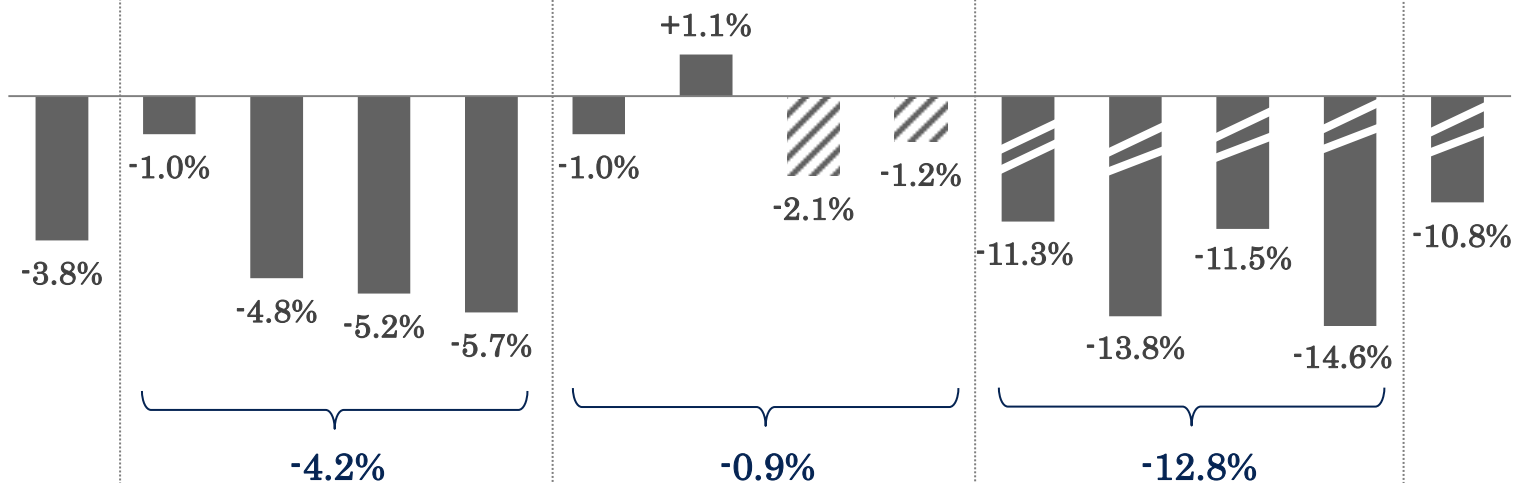
Cargo capacity and unit revenue by quarter

Capacity



RATK

Ex-currency



Excluding strike

Other Businesses: Servair

Reclassified as discontinued operations as per 1 January 2016 according IFRS 5

- Following the decision to consider options for participation of another company in the share capital of Servair



Servair	Q1 2016	Q1 2015	Variation
Total revenue	193	172	+12.4%
Third party revenue	95	74	+28.4%
EBITDA	4	5	-1
Operating result	-1	0	-1

Servair	FY 2015	FY 2014	Variation
Total revenue	797	723	+10.2%
Third party revenue	370	306	+20.9%
EBITDA	60	41	+19
Operating result	36	19	+17

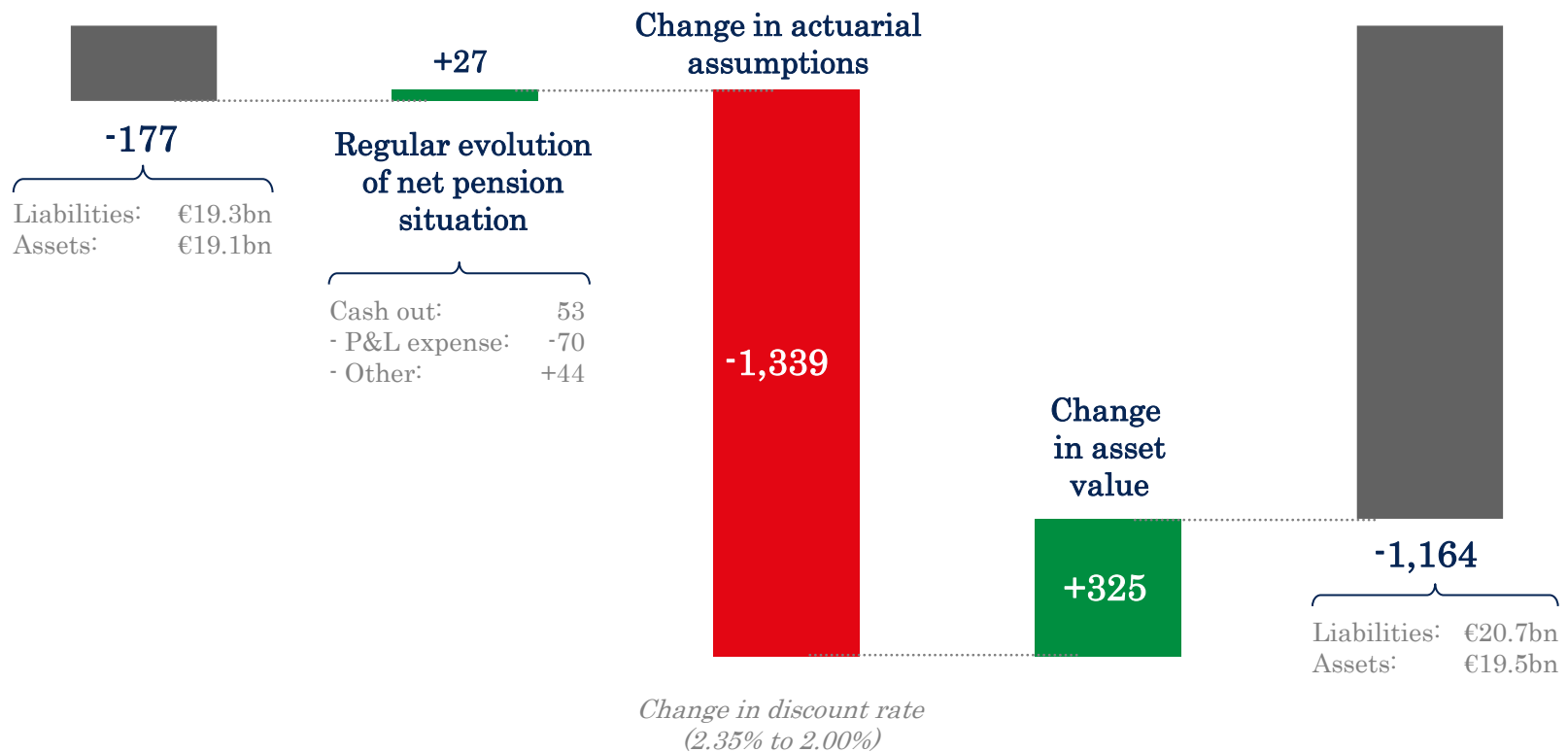
Pension update

Evolution of net pension balance sheet situation

In €m

31 December 2015*

31 March 2016



* 2015 reclassification Servair as discontinued operations