

## Financial Year 2016: Third Quarter results

### THIRD QUARTER

- ▶ Revenues of 6.94 billion euros, down 5.1% and down 4.1% like-for-like<sup>1</sup>
- ▶ EBITDA of 1,149 million euros, a decrease of 174 million euros and down 84 million euros like-for-like
- ▶ Continuous decrease in ex-fuel unit costs at constant currency and pension costs, down reported 0.2%, 1.0% excluding strike
- ▶ Fuel bill savings during the quarter more than offset by downward pressure on unit revenue and negative currency impact
- ▶ Operating result of 737 million euros, down 143 million euros and down 49 million euros like-for-like
- ▶ Impact of Air France cabin crew strike on the operating result estimated at 90 millions euros

### FIRST NINE MONTHS OF 2016

- ▶ Revenues of 18.76 billion euros, a decrease of 3.5%, down 3.1% like-for-like
- ▶ EBITDAR of 2,941 million euros, an increase of 324 million euros, up 526 million euros like-for-like
- ▶ Impact of Air France cockpit and cabin crew strikes estimated at 130 million euros on the operating result
- ▶ Net debt reduction: net debt<sup>2</sup> of 4.16 billion euros, down 144 million euros compared to 31 December 2015
- ▶ Adjusted net debt / EBITDAR<sup>2</sup> ratio of 3.1x, an improvement of 0.3 points compared to 31 December 2015

### FULL YEAR 2016 OUTLOOK

- ▶ High level of geopolitical and economic uncertainties, increasing pressure on unit revenues and continuing concern about France as a destination
- ▶ Impact of fuel savings on P&L expected to be more than offset in the coming quarter by downward pressure on unit revenue and negative currency impact
- ▶ Continued progress in unit cost reduction, targeted at around 1% ex fuel in 2016
- ▶ Operating free cash flow generation after disposals narrowed to between 0.6 billion euros and 0.8 billion euros in 2016
- ▶ Further significant net debt reduction

---

The Board of Directors of Air France-KLM, chaired by Jean-Marc Janailac, met on 2<sup>nd</sup> November 2016 to approve the accounts for the Third Quarter of the Financial Year 2016.

---

<sup>1</sup> Like-for-like: excluding currency. Same definition applies in rest of press release

<sup>2</sup> See definition in appendix

## Key data

	Third Quarter			9 months to 30 September		
	2016	2015*	Change	2016	2015*	Change
Passengers (thousands)	26,553	25,897	+2.5%	70,834	68,498	+3.4%
Capacity (EASK m)	94,081	93,174	+1.0%	257,760	256,354	+0.5%
Revenues (€m)	6,938	7,308	-5.1%	18,758	19,447	-3.5%
Change like-for-like (%)			-4.1%			-3.1%
EBITDAR (€m)	1,419	1,581	-162	2,941	2,617	+324
EBITDA (€m)	1,149	1,323	-174	2,143	1,855	+288
EBITDA margin (%)	16.6	18.1	-1.5 pt	11.4	9.5	+1.9 pt
EBITDA change like-for-like (€m)			-84			+497
Operating result (€m)	737	880	-143	955	643	+312
Operating margin (%)	10.6%	12.0%	-1.4 pt	5.1%	3.3%	+1.8 pt
Operating result change like-for-like (€m)			-49			+531
Net result, group share (€m)	544	481	+63	430	-158	+588
Restated net result, group share <sup>2</sup> (€m)	521	612	-91	497	181	+316
Earnings per share (€)	1.84	1.62	+0.22	1.39	-0.53	+1.98
Diluted earnings per share (€)	1.57	1.32	+0.25	1.22	-0.53	+1.80
Adjusted earnings per share (€)	1.74	2.11	-0.37	1.68	0.61	+1.00
Diluted adjusted earnings per share (€)	1.49	1.71	-0.22	1.46	0.61	+0.84
Operating free cash flow (€m)	-123	257	-380	250	522	-272
Net debt at end of period (€m)				4,163	4,307	-144

\* Servair reclassified as discontinued operation.

The consolidated financial statements of the Group were revised as of 1<sup>st</sup> January 2016 in order to reflect Servair as a discontinued operation. The 2015 financial statements have been restated accordingly. Details of this restatement can be found in the appendix of this press release.

**Third Quarter 2016** total revenues stood at 6.94 billion euros versus 7.31 billion euros in Third Quarter 2015, down 5.1% and down 4.1% like-for-like as a result of increasing pressure on unit revenue.

Currencies had a negative 77 million euro impact on revenues, primarily driven by the weakening of currencies other than the US dollar against the euro, notably the GBP, BRL and CNY. The negative effect of currencies on costs amounted to 17 million euros. The net impact of currencies on the operating result thus amounted to a negative 94 million euros.

Total operating costs were 3.5% lower year-on-year and down 3.8% on a like-for-like basis. Ex-fuel, they increased by 4.4% and by 3.8% on a like-for-like basis. Unit cost per EASK was down 0.2%, on a constant currency, fuel price and pension-related expense basis, against a capacity increase measured in EASK of +1.0%. On a strike adjusted base, the unit costs per EASK decreased by 1.0%.

The fuel bill amounted to 1,244 million euros, down 25.9% and down 25.6% like-for-like. Based on the forward curve at 21 October 2016, the Full Year 2016 fuel bill is expected to reach 4.6 billion euros<sup>3</sup> and the Full Year 2017 fuel bill is expected to remain stable at 4.6 billion euros<sup>4</sup>.

Total employee costs including temporary staff were stable at 1,837 million euros (down 0.1%). On a constant scope and pension-related expense basis, employee costs also remained stable (up 0.1%) and decreased by 3.5% excluding the increase in the profit sharing scheme.

In the **Third Quarter 2016**, the downward pressure on unit revenues (REASK -6.5%) and the negative currency impact (94 million euros) more than offset the fuel bill savings achieved (399 million euros), where 55% of the fuel bill savings was retained during First Quarter 2016 and 15% retained during the Second Quarter 2016.

<sup>3</sup> 2016 average Brent price of USD 45, average jet fuel market price of USD 427 per ton, average exchange rate of 1.10 USD per euro for Q4 (October-December) 2016.

<sup>4</sup> 2017 average Brent price of USD 56, average jet fuel market price of USD 519 per ton, average exchange rate of 1.10 USD per euro.

The operating result amounted to 737 million euros, a reported decrease of 143 million euros and down 49 million euros like-for-like. The operating result was notably impacted by the seven day cabin crew strike in July and August 2016, which had a negative impact of an estimated 90 million euros.

EBITDAR amounted to 1,419 million euros, a reported decrease of 162 million euros and down 72 million euros like-for-like.

EBITDA amounted to 1,149 million euros, a decrease of 174 million euros. Like-for-like, EBITDA decreased by 84 million euros, mainly as a result of the decrease in the Passenger network performance, which declined by 78 million euros like-for-like, impacted by the strike.

EBITDA per business (€m)	Third Quarter				9 months to 30 September			
	2016	2015*	Change	like-for-like	2016	2015*	Change	like-for-like
Passenger network	999	1,151	-152	-78	1,951	1,661	+290	+464
Cargo	-91	-76	-15	-11	-194	-204	+10	+27
Maintenance	117	142	-25	-25	310	339	-29	-30
Transavia	117	98	+19	+30	67	39	+28	+51
Other	7	8	-1	+0	9	20	-11	-15
<b>Total</b>	<b>1,149</b>	<b>1,323</b>	<b>-174</b>	<b>-84</b>	<b>2,143</b>	<b>1,855</b>	<b>+288</b>	<b>+497</b>

\* Servair reclassified as discontinued operation.

Third Quarter 2016 EBITDA decreased by 122 million euros like-for-like at Air France and improved by 35 million euros like-for-like at KLM. The EBITDA margin at Air France reached 14.0%, down 1.7 points like-for-like. At KLM, the EBITDA margin stood at 19.6%, up 1.5 points like-for-like.

EBITDA per airline (€m)	Third Quarter				9 months to 30 September			
	2016	2015*	Change	like-for-like	2016	2015*	Change	like-for-like
Air France	589	754	-165	-122	1,121	1,101	+20	+118
EBITDA margin	14.0%	16.7%	-2.7 pt	-1.7 pt	9.7%	9.1%	+0.6 pt	+1.4 pt
KLM	553	564	-11	+35	1,012	742	+270	+371
EBITDA margin	19.6%	19.7%	-0.1 pt	+1.5 pt	13.6%	9.9%	+3.8 pt	+5.1 pt
Other/ eliminations	7	5	+2	+2	10	12	-2	+8
<b>Total</b>	<b>1,149</b>	<b>1,323</b>	<b>-174</b>	<b>-84</b>	<b>2,143</b>	<b>1,855</b>	<b>+288</b>	<b>+497</b>

\* Servair reclassified as discontinued operation.

In the **First Nine Months of 2016**, total revenues stood at 18.8 billion euros versus 19.5 billion euros in the First Nine Months of 2015, down 3.5% on a reported basis and on down 3.1% like-for-like. The fuel bill amounted to 3,507 million euros, a reported decrease of 27.2% and down 27.9% on a like-for-like basis. The ex-fuel unit costs at constant currency and pension expense is down 0.9% on a reported base and down 1.4% corrected for the June pilot and July Cabin crew strike.

In the First Nine Months of 2016, EBITDA amounted to a 2,143 million euros, an increase of 288 million euros. On a like-for-like basis, EBITDA increased by 497 million euros.

At 1,951 million euros, the Passenger Network was the main contributor to EBITDA, up 464 million euros like-for-like. Despite the challenging Cargo operating context, marked by structural industry overcapacity, Cargo EBITDA improved by 27 million euros like-for-like mainly as a result of restructuring efforts.

The operating result stood at 955 million euros versus 643 million euros in 2015, an improvement of 312 million euros. Like-for-like, the operating result increased by 531 million euros.

The net result, group share stood at 430 million euros against a negative 158 million euros a year ago.

At 30 September 2016, the trailing 12 months return on capital employed (ROCE) was 9.9%, up 2.8 points compared to 30 September 2015.

## Passenger network<sup>5</sup> business

Passenger network	Q3 2016	Q3 2015	Change	Change like-for-like
Passengers (thousands)	21,771	22,007	-1.1%	
Capacity (ASK m)	75,253	75,209	+0.1%	
Traffic (RPK m)	65,846	66,626	-1.2%	
Load factor	87.5%	88.6%	-1.1 pt	
Total passenger revenues (€m)	5,470	5,895	-7.2%	-6.1%
Scheduled passenger revenues (€m)	5,243	5,672	-7.6%	-6.4%
Unit revenue per ASK (€ cts)	6.97	7.54	-7.6%	-6.5%
Unit revenue per RPK (€ cts)	7.96	8.51	-6.5%	-5.3%
Unit cost per ASK (€ cts)	6.09	6.48	-6.1%	-6.3%
Operating result (€m)	664	798	-134	-55

**Third Quarter 2016** total passenger network revenues amounted to 5,470 million euros, down 7.2% and down 6.1% like-for-like. The Air France cabin crew strike negatively impacted the operating result by an estimated 90 million euros. The operating result of the passenger network business stood at 664 million euros, versus 798 million euros for the Third Quarter 2015. Like-for-like, the operating result was down 55 million euros.

The Group maintained its strict capacity discipline, keeping total passenger network capacity stable (+0.1% and +0.6% excluding strike). Unit revenue per Available Seat Kilometer (RASK) remained volatile and was on average down by 6.5% excluding currency. The increasing pressure on unit revenue compared to the previous quarters reflected the weak supply-demand balance in the different regions of the network and weak flows to France as a destination.

Passenger network	9 months 2016	9 months 2015	Change	Change like-for-like
Passengers (thousands)	60,395	59,860	+0.9%	
Capacity (ASK m)	209,895	209,263	+0.3%	
Traffic (RPK m)	179,756	178,996	+0.4%	
Load factor	85.6%	85.5%	+0.1 pt	
Total passenger revenues (€m)	14,883	15,558	-4.3%	-3.8%
Scheduled passenger revenues (€m)	14,250	14,920	-4.5%	-3.9%
Unit revenue per ASK (€ cts)	6.79	7.13	-4.8%	-4.2%
Unit revenue per RPK (€ cts)	7.93	8.34	-4.9%	-4.3%
Unit cost per ASK (€ cts)	6.32	6.80	-7.1%	-7.7%
Operating result (€m)	983	686	+297	+476

In the **First Nine Months of 2016**, passenger network revenues amounted to 14,883 million euros, down 4.3% and down 3.8% on a like-for-like basis. The operating result of the passenger network business stood at 983 million euros, versus 686 million euros in the First Nine Months of 2015, an improvement of 297 million euros and 476 million euros like-for-like.

<sup>5</sup> Air France, KLM and HOP!. Transavia is reported in its own business segment.

## Cargo business

Cargo	Q3 2016	Q3 2015	Change	Change like-for-like
Tons (thousands)	279	301	-7.1%	
Capacity (ATK m)	3,738	3,859	-3.1%	
Traffic (RTK m)	2,113	2,257	-6.4%	
Load factor	56.5%	58.5%	-2.0 pt	
Total Cargo revenues (€m)	487	584	-16.6%	-16.1%
Scheduled cargo revenues (€m)	447	546	-18.1%	-17.7%
Unit revenue per ATK (€ cts)	11.98	14.10	-15.1%	-14.6%
Unit revenue per RTK (€ cts)	21.18	24.10	-12.1%	-11.6%
Unit cost per ATK (€ cts)	14.64	16.22	-9.7%	-9.9%
Operating result (€m)	-100	-81	-19	-15

The Group continued to restructure its Cargo activity to address the weak global trade and structural air cargo industry overcapacity. During **Third Quarter 2016**, full-freighter capacity was thus reduced by 22%, leading to a decrease in total Cargo capacity of 3.1%. Revenue per Available Ton Kilometer (ATK) was down by 14.6% like-for-like.

The operating result stood at negative 100 million euros, a decline of 19 million euros like-for-like.

Cargo	9 months 2016	9 months 2015	Change	Change like-for-like
Tons (thousands)	837	897	-6.7%	
Capacity (ATK m)	10,737	11,277	-4.8%	
Traffic (RTK m)	6,234	6,711	-7.1%	
Load factor	58.1%	59.5%	-1.4 pt	
Total Cargo revenues (€m)	1,523	1,813	-16.0%	-15.7%
Scheduled cargo revenues (€m)	1,404	1,696	-17.2%	-17.0%
Unit revenue per ATK (€ cts)	13.07	15.04	-13.1%	-12.8%
Unit revenue per RTK (€ cts)	22.51	25.27	-10.9%	-10.7%
Unit cost per ATK (€ cts)	15.08	17.01	-11.3%	-11.9%
Operating result (€m)	-216	-222	+6	+23

**First Nine Months of 2016** Cargo revenues amounted to 1,523 million euros, down 15.7% like-for-like. At -216 million euros, the operating result increased by 23 million like-for-like resulting from a strong decrease in unit costs (-11.9% like-for-like) due to restructuring measures implemented.

One MD11 freighter was retired during the First Quarter, and two MD11 freighters were phased out during the first week of July 2016 reducing the total number of full freighters in operation to six.

## Maintenance business

Maintenance	Q3 2016	Q3 2015	Change	Change like-for-like
Total revenues (€m)	1,046	953	+9.8%	
Third party revenues (€m)	482	372	+29.6%	30.3%
Operating result (€m)	77	81	-4	-4
Operating margin (%)	7.4%	8.5%	-1.1 pt	-1.2 pt

**Third Quarter 2016** third party maintenance revenues amounted to 482 million euros, up by 29.6% and by 30.3% like-for-like. Revenues were up from the contracts gained in previous years. Over the period, the maintenance order book recorded an 8.4% increase from the beginning of the year to reach 9.1 billion dollars, including several new A350 support contracts.

The operating result stood at 77 million euros, down 4 million euros year-on-year.

<b>Maintenance</b>	<b>9 months 2016</b>	<b>9 months 2015</b>	<b>Change</b>	<b>Change like-for-like</b>
Total revenues (€m)	3,052	2,912	+4.8%	
Third party revenues (€m)	1,348	1,148	+17.4%	16.4%
Operating result (€m)	172	167	+5	+4
Operating margin (%)	5.6%	5.7%	-0.1 pt	-0.1 pt

During the **First Nine Months of 2016**, third party maintenance revenues increased by 17.4% and by 16.4% like-for-like. At 172 million euros, the operating result improved by 5 million euros.

## Transavia

<b>Transavia</b>	<b>Q3 2016</b>	<b>Q3 2015</b>	<b>Change</b>
Passengers (thousands)	4,782	3,890	+22.9%
Capacity (ASK m)	9,173	7,963	+15.2%
Traffic (RPK m)	8,391	7,327	+14.5%
Load factor	91.5%	92.0%	-0.5 pt
Total passenger revenues (€m)	490	442	+10.9%
Scheduled passenger revenues (€m)	490	438	+11.9%
Unit revenue per ASK (€ cts)	5.34	5.50	-3.2%
Unit revenue per RPK (€ cts)	5.84	5.98	-2.4%
Unit cost per ASK (€ cts)	4.34	4.53	-4.9%
Operating result (€m)	92	77	+15
<i>Operating result change like-for-like (€m)</i>			+26

In the **Third Quarter 2016**, Transavia capacity was up by 15.2%, reflecting the accelerated development in France (capacity up by 19%) and the opening of the Munich base on 25<sup>th</sup> March 2016. Traffic, measured in revenue passenger kilometers (RPK), rose by 14.5%. The load factor remained high (91.5%) despite the increase in capacity.

The unit revenue per ASK decreased by 3.2%, mainly due to geopolitical unrest and intensification of low cost competition. Unit costs per ASK decreased by 4.9%. The operating result stood at 92 million euros, up 26 million euros like-for-like.

<b>Transavia</b>	<b>9 months 2016</b>	<b>9 months 2015</b>	<b>Change</b>
Passengers (thousands)	10,439	8,638	+20.8%
Capacity (ASK m)	20,116	17,840	+12.8%
Traffic (RPK m)	18,041	16,163	+11.6%
Load factor	89.7%	90.6%	-0.9 pt
Total passenger revenues (€m)	973	892	+9.1%
Scheduled passenger revenues (€m)	965	881	+9.5%
Unit revenue per ASK (€ cts)	4.80	4.94	-2.9%
Unit revenue per RPK (€ cts)	5.35	5.45	-1.9%
Unit cost per ASK (€ cts)	4.37	4.80	-9.0%
Operating result (€m)	17	2	+15
<i>Operating result change like-for-like (€m)</i>			+38

In the **First Nine Months of 2016**, Transavia revenues amounted to 973 million euros, up 9.1%. The operating result increased by 38 million euros like-for-like and amounted to 17 million euros.

## Financial situation

In € million	9 months 2016	9 months 2015*	Change
Cash flow before change in WCR and Voluntary Departure Plans, continuing operations	1,870	1,516	+354
Cash out related to Voluntary Departure Plans	-208	-154	-54
Change in Working Capital Requirement (WCR)	+45	+255	-210
<b>Operating cash flow</b>	<b>1,707</b>	<b>1,617</b>	<b>+90</b>
Net investments before sale & lease-back	-1,457	-1,095	-362
Cash received through sale & lease-back transactions	0	0	+0
Net investments after sale & lease-back	-1,457	-1,095	-362
<b>Operating free cash flow</b>	<b>250</b>	<b>522</b>	<b>-272</b>

\* *Servair reclassified as discontinued operation.*

In the First Nine Months of 2016, the increase of 288 million euros in EBITDA translated into a 354 million euro increase in cash flow before change in working capital requirement and cash out related to Voluntary Departure Plans. The Group disbursed 208 million euros for Voluntary Departure Plans. The change in Working Capital Requirement contributed 45 million euros to operating cash flow. Net investments before sale & lease-back transactions stood at 1,457 million euros. As a result, operating free cash flow reached 250 million euros, down 272 million euros compared to the First Nine Months of 2015.

Net debt amounted to 4.2 billion euros at 30 September 2016, versus 4.3 billion euros at 31 December 2015, an improvement of 144 million euros. Currencies had a significant negative impact of 130 million euro on net debt.

The trailing 12 months adjusted net debt/EBITDAR ratio stood at 3.1x at 30 September 2016, down 0.3 points compared to 31 December 2015, and down 0.5 points compared to 30 September 2015.

The 95 basis point fall in discount rates (for period > 15 years) during First Nine Months 2016 led to a significant increase in the actuarial valuation of retirement obligations of more than 3.4 billion euros. The change in asset value amounted to 1,304 million euros during the First Nine Months. The balance sheet pension situation thus moved from a net liability of 177 million euros at 31 December 2015 to a net liability of 2,180 million euros at 30 September 2016 of which 1,622 million euros accounted for by Air France and 558 million euros by KLM's defined benefit schemes.

The current funding agreement with the KLM Flight Deck Crew Union could result in a significant additional contribution to reach required coverage ratio to be able to grant indexation. Discussions with the KLM Flight Deck Crew Union have been initiated to renegotiate the current funding agreement. In parallel, the Group has decided to terminate this funding agreement on a unilateral way. A court ruling on September 27th 2016 confirmed that KLM is entitled to cancel the agreement, however KLM aims to reach a mutual acceptable new funding agreement with the KLM Flight Deck Crew Union and the pension fund.

At 30 September 2016, equity, group share, amounted to negative 230 million euros, down 503 million euros over the first nine months mainly due to the increase in the net pension liability.

The Group continues to enjoy a good level of liquidity, with net cash of 3.9 billion euros at 30 September 2016, and undrawn credit lines of 1.8 billion euros. During the course of October 2016, the Group successfully placed a six-year bond for 400 million euros and reimbursed a 600 million euros bond which was due in October 2016.

## Outlook

The global context remains highly uncertain regarding the geopolitical and economic environment in which we operate, fuel prices and the continuation of the overcapacity on several markets, resulting in pressures on unit revenues and a special concern about France as a destination.

Under these conditions, the Group is expecting for Full Year 2016:

- Operating free cash flow generation after disposals narrowed to between 0.6 billion euros and 0.8 billion euros. The 2016 investment plan stands between 1.8 billion euros and 2.0 billion euros (including buying back aircraft under operating lease) and the disposal program stands between 0.4 billion euros and 0.6 billion euros
- Impact of fuel savings on the P&L expected to be more than offset in the current quarter by downward pressure on unit revenue and negative currency impacts
- Unit cost reduction target remains around 1% at constant currency, fuel price and pension related expenses
- Further significant reduction in net debt

\*\*\*\*\*

The Third Quarter 2016 accounts are not audited by the Statutory Auditors.

The results presentation is available at [www.airfranceklm.com](http://www.airfranceklm.com) on November 3<sup>rd</sup> 2016 from 8:30 am CET.

A conference call hosted by Mr Janailac (CEO) and Mr Riolacci (CFO) will be held on November 3<sup>rd</sup> 2016 at 10.30 am CET.

To connect to the conference call, please dial:

- France: +33(0)1 76 77 22 57
- Netherlands: +31(0)20 703 8261
- United Kingdom: +44(0)20 7026 5967
- USA: +1 719 457 1036

Confirmation Code: 6217261

To listen to a recording of the conference in English, please dial:

- France: +33(0)1 70 48 00 94
- Netherlands: +31(0)20 721 8903
- United Kingdom: +44(0)207 984 7568
- USA: +1 719 457 0820

Replay Passcode: 6217261

### Investor relations

#### Marie-Agnes de Peslouan

Head of Investor Relations

Tel : +33 1 49 89 52 59

Email: [madepeslouan@airfranceklm.com](mailto:madepeslouan@airfranceklm.com)

#### Dirk Voermans

Senior manager, Investor Relations

Tel : +33 1 49 89 52 60

Email: [divoermans@airfranceklm.com](mailto:divoermans@airfranceklm.com)

### Press

+33 1 41 56 56 00

## INCOME STATEMENT

	Third Quarter			9 months to 30 September		
	2016	2015*	Change	2016	2015*	Change
<i>In millions euros</i>						
<b>SALES</b>	<b>6,938</b>	<b>7,306</b>	<b>-5.0%</b>	<b>18,758</b>	<b>19,447</b>	<b>-3.5%</b>
Other revenues	1	0	NA	1	1	NA
<b>EXTERNAL EXPENSES</b>	<b>-3,778</b>	<b>-4,067</b>	<b>-7.1%</b>	<b>-10,797</b>	<b>-11,942</b>	<b>-9.6%</b>
Aircraft fuel	-1,244	-1,679	-25.9%	-3,507	-4,820	-27.2%
Chartering costs	-109	-108	0.9%	-324	-325	-0.3%
Landing fees and en route charges	-523	-537	-2.6%	-1,437	-1,478	-2.8%
Catering	-121	-127	-4.7%	-336	-350	-4.0%
Handling charges and other operating costs	-446	-406	9.9%	-1,196	-1,147	4.3%
Aircraft maintenance costs	-601	-497	20.9%	-1,847	-1,657	11.5%
Commercial and distribution costs	-227	-238	-4.6%	-690	-703	-1.8%
Other external expenses	-507	-475	6.7%	-1,460	-1,462	-0.1%
Salaries and related costs	-1,837	-1,838	-0.1%	-5,543	-5,582	-0.7%
Taxes other than income taxes	-37	-38	-2.6%	-125	-120	4.2%
Other income and expenses	132	218	-39.4%	647	813	-20.4%
<b>EBITDAR</b>	<b>1,419</b>	<b>1,581</b>	<b>-10.2%</b>	<b>2,941</b>	<b>2,617</b>	<b>12.4%</b>
Aircraft operating lease costs	-270	-257	5.1%	-798	-762	4.7%
<b>EBITDA</b>	<b>1,149</b>	<b>1,323</b>	<b>-13.2%</b>	<b>2,143</b>	<b>1,855</b>	<b>15.5%</b>
Amortization, depreciation and provisions	-412	-443	-7.0%	-1,188	-1,212	-2.0%
<b>INCOME FROM CURRENT OPERATIONS</b>	<b>737</b>	<b>880</b>	<b>-16.3%</b>	<b>955</b>	<b>643</b>	<b>48.5%</b>
Sales of aircraft equipment	8	0	NA	16	-5	NA
Other non-current income and expenses	0	-1	NA	-107	88	NA
<b>INCOME FROM OPERATING ACTIVITIES</b>	<b>745</b>	<b>880</b>	<b>-15.3%</b>	<b>864</b>	<b>726</b>	<b>19.0%</b>
Income from cash and cash equivalents	11	17	-35.3%	39	47	-17.0%
Cost of financial debt	-75	-93	-19.4%	-237	-291	-18.6%
<b>Net cost of financial debt</b>	<b>-64</b>	<b>-76</b>	<b>-15.8%</b>	<b>-198</b>	<b>-244</b>	<b>-18.9%</b>
Foreign exchange gains (losses), net	-12	-74	83.8%	-131	-319	58.9%
Change in fair value of financial assets and liabilities	-7	-129	94.6%	51	-225	NA
Other financial income and expenses	-15	-21	-28.6%	2	-66	NA
<b>INCOME BEFORE TAX</b>	<b>647</b>	<b>580</b>	<b>11.6%</b>	<b>588</b>	<b>-128</b>	<b>NA</b>
Income taxes	-113	-90	25.6%	-166	-5	NA
<b>NET INCOME OF CONSOLIDATED COMPANIES</b>	<b>534</b>	<b>490</b>	<b>9.0%</b>	<b>422</b>	<b>-133</b>	<b>NA</b>
Share of profits (losses) of associates	2	-19	NA	3	-37	NA
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>536</b>	<b>471</b>	<b>13.8%</b>	<b>425</b>	<b>-170</b>	<b>NA</b>
Net income from discontinued operations	12	13	-7.7%	14	17	-17.6%
<b>NET INCOME FOR THE PERIOD</b>	<b>548</b>	<b>484</b>	<b>13.2%</b>	<b>439</b>	<b>-153</b>	<b>NA</b>
Minority interest	-4	-4	0.0%	-9	-5	-80.0%
<b>NET INCOME FOR THE PERIOD - GROUP</b>	<b>544</b>	<b>481</b>	<b>13.3%</b>	<b>430</b>	<b>-158</b>	<b>NA</b>

\* Servair reclassified as discontinued operation

## BALANCE SHEET

<b>Assets</b> <i>In million euros</i>	<b>September 30, 2016</b>	<b>December 31, 2015*</b>
Goodwill	217	247
Intangible assets	1,037	1,018
Flight equipment	9,214	8,743
Other property, plant and equipment	1,485	1,670
Investments in equity associates	78	118
Pension assets	692	1,773
Other financial assets	1,273	1,224
Deferred tax assets	742	702
Other non-current assets	327	295
<b>Total non-current assets</b>	<b>15,065</b>	<b>15,790</b>
Assets held for sale	392	4
Other short-term financial assets	83	967
Inventories	595	532
Trade receivables	1,950	1,800
Other current assets	973	1,138
Cash and cash equivalents	3,567	3,104
<b>Total current assets</b>	<b>7,560</b>	<b>7,545</b>
<b>Total assets</b>	<b>22,625</b>	<b>23,335</b>

\* *Servair reclassified as discontinued operation*

<b>Liabilities and equity</b> <i>In million euros</i>	<b>September 30, 2016</b>	<b>December 31, 2015*</b>
Issued capital	300	300
Additional paid-in capital	2,971	2,971
Treasury shares	-83	-85
Perpetual	600	600
Reserves and retained earnings	-4,062	-3,561
<b>Equity attributable to equity holders of Air France-KLM</b>	<b>-274</b>	<b>225</b>
Non-controlling interests	44	48
<b>Total Equity</b>	<b>-230</b>	<b>273</b>
Pension provisions	2,872	1,995
Other provisions	1,490	1,513
Long-term debt	6,845	7,060
Deferred tax liabilities	8	11
Other non-current liabilities	282	484
<b>Total non-current liabilities</b>	<b>11,497</b>	<b>11,063</b>
Liabilities relating to assets held for sale	254	-
Provisions	719	742
Current portion of long-term debt	1,680	2,017
Trade payables	2,356	2,395
Deferred revenue on ticket sales	2,702	2,515
Frequent flyer programs	798	760
Other current liabilities	2,843	3,567
Bank overdrafts	6	3
<b>Total current liabilities</b>	<b>11,358</b>	<b>11,999</b>
<b>Total equity and liabilities</b>	<b>22,625</b>	<b>23,335</b>

\* *Servair reclassified as discontinued operation*

## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In € millions</i>		
Period from January 1 to September 30,	9M 2016	9M 2015*
Net income from continuing operations	425	-170
Net income from discontinued operations	14	17
Amortization, depreciation and operating provisions	1,194	1,230
Financial provisions	-7	65
Loss (gain) on disposals of tangible and intangible assets	-69	4
Loss (gain) on disposals of subsidiaries and associates	-10	-224
Derivatives – non monetary result	-131	158
Unrealized foreign exchange gains and losses, net	121	268
Share of (profits) losses of associates	-1	33
Deferred taxes	141	-19
Impairment	2	0
Other non-monetary items	12	30
<b>Subtotal</b>	<b>1,691</b>	<b>1,392</b>
<i>Of which discontinued operations</i>	<b>29</b>	<b>30</b>
(Increase) / decrease in inventories	-108	-29
(Increase) / decrease in trade receivables	-198	-240
Increase / (decrease) in trade payables	54	3
Change in other receivables and payables	297	521
<i>Change in working capital from discontinued operations</i>	-10	-1
<b>Net cash flow from operating activities</b>	<b>1,726</b>	<b>1,646</b>
Acquisition of subsidiaries, of shares in non-controlled entities	-7	-6
Purchase of property plants, equipments and intangible assets	-1,595	-1,166
Proceeds on disposal of subsidiaries, of shares in non-controlled entities	4	342
Proceeds on disposal of property, plant and equipment and intangible assets	138	71
Dividends received	4	1
Decrease (increase) in net investments, more than 3 months	798	-205
<i>Net cash flow used in investing activities of discontinued operations</i>	-11	-7
<b>Net cash flow used in investing activities</b>	<b>-669</b>	<b>-970</b>
Perpetual	0	599
Issuance of debt	686	908
Repayment on debt	-792	-1,377
Payment of debt resulting from finance lease liabilities	-387	-540
New loans	-83	-51
Repayment on loans	32	122
Dividends and coupons on perpetual paid	-1	-1
<i>Net cash flow used in financing activities of discontinued operations</i>	-10	5
<b>Net cash flow from financing activities</b>	<b>-555</b>	<b>-335</b>
Effect of exchange rate on cash and cash equivalents and bank overdrafts	-16	-52
<i>Effect of exch. rate on cash and cash eq. and bank overdrafts of disc. ops.</i>	-1	-5
<b>Change in cash and cash equivalents and bank overdrafts</b>	<b>485</b>	<b>284</b>
Cash and cash equivalents and bank overdrafts at beginning of period	3,073	2,902
Cash and cash equivalents and bank overdrafts at end of period	3,561	3,164
<i>Change in cash of discontinued operations</i>	-3	22

\* Servair reclassified as discontinued operation

## KEY FINANCIAL INDICATORS

### EBITDA and EBITDAR

<i>In million euros</i>	Q3 2016	Q3 2015*	9M 2016	9M 2015*
Income/(loss) from current operations	737	880	955	643
Amortization, depreciation and provisions	412	443	1,188	1,212
<b>EBITDA</b>	<b>1,149</b>	<b>1,323</b>	<b>2,143</b>	<b>1,855</b>
Aircraft operating lease costs	270	257	798	762
<b>EBITDAR</b>	<b>1,419</b>	<b>1,581</b>	<b>2,941</b>	<b>2,617</b>

\* *Servair reclassified as discontinued operation*

### Restated net result, group share

<i>In million euros</i>	Q3 2016	Q3 2015*	9M 2016	9M 2015*
Net income/(loss), Group share (in €m)	544	481	430	-158
Net income/(loss) from discontinued operations (in €m)	-12	-13	-14	-17
Unrealized foreign exchange gains and losses, net (in €m)	-1	31	121	268
Change in fair value of financial assets and liabilities (derivatives) (in €m)	-2	107	-131	158
Non-current income and expenses (in €m)	-8	1	91	-83
Depreciation of shares available for sale (in €m)	0	6	0	13
De-recognition of deferred tax assets (in €m)	0	0	0	0
<b>Restated net income/(loss), group share (in €m)</b>	<b>521</b>	<b>612</b>	<b>497</b>	<b>181</b>
Restated net income/(loss) per share (in €)	1.74	2.11	1.62	0.62

\* *Servair reclassified as discontinued operation*

### Return on capital employed (ROCE)

<i>In million euros</i>	30 Sep. 2016	30 Sep. 2015*	30 Sep. 2015*	30 Sep. 2014
Goodwill and intangible assets	1,254	1,273	1,273	1,241
Flight equipment	9,214	8,773	8,773	9,122
Other property, plant and equipment	1,485	1,702	1,702	1,752
Investments in equity associates	78	115	115	161
Financial assets excluding shares available for sale, marketable securities and financial deposits	198	216	216	134
Provisions, excluding pension, cargo litigation and restructuring	-1,557	-1,572	-1,572	-1,205
WCR, excluding market value of derivatives	-5,195	-5,345	-5,345	-5,221
<b>Capital employed before operating leases</b>	<b>5,477</b>	<b>5,162</b>	<b>5,162</b>	<b>5,984</b>
Operating leases x7	7,441		6,923	
<b>Average capital employed (A)</b>	<b>12,761</b>		<b>12,496</b>	
Adjusted results from current operations	1,454		897	
- Dividends received	-2		-1	
- Share of profits (losses) of associates	5		-61	
- Tax recognized in the adjusted net result	-191		48	
<b>Adjusted result from current operations after tax (B)</b>	<b>1,266</b>		<b>883</b>	
<b>ROCE, trailing 12 months (B/A)</b>	<b>9.9%</b>		<b>7.1%</b>	

\* *Servair reclassified as discontinued operation*

## Net debt

Balance sheet at (In million euros)	30 September 2016	31 December 2015*
Current and non-current financial debt	8,525	9,077
Deposits on aircraft under finance lease	-331	-453
Financial assets pledged (OCEANE swap)	0	-393
Currency hedge on financial debt	-36	-40
Accrued interest	-90	-95
<b>Gross financial debt (A)</b>	<b>8,068</b>	<b>8,096</b>
Cash and cash equivalents	3,567	3,104
Marketable securities	70	466
Cash pledges	15	18
Deposits (bonds)	270	204
Bank overdrafts	-6	(3)
Other	-11	0
<b>Net cash (B)</b>	<b>3,905</b>	<b>3,789</b>
<b>Net debt (A) – (B)</b>	<b>4,163</b>	<b>4,307</b>

\* Servair reclassified as discontinued operation

## Adjusted net debt and adjusted net debt/EBITDAR ratio

	30 September 2016	31 December 2015*
Net debt (in €m)	4,163	4,307
Aircraft operating leases x 7 (trailing 12 months, in €m)	7,441	7,189
<b>Adjusted net debt (in €m)</b>	<b>11,604</b>	<b>11,496</b>
EBITDAR (trailing 12 months, in €m)	3,740	3,413
<b>Adjusted net debt/EBITDAR ratio, excluding strike (trailing 12 months)</b>	<b>3.1x</b>	<b>3.4 x</b>

\* Servair reclassified as discontinued operation

## Operating free cash flow

In million euros	9M 2016	9M 2015*
Net cash flow from operating activities, continued operations	1,707	1,617
Investment in property, plant, equipment and intangible assets	-1,595	-1,166
Proceeds on disposal of property, plant, equipment and intangible assets	138	71
<b>Operating free cash flow</b>	<b>250</b>	<b>522</b>

\* Servair reclassified as discontinued operation

## Unit cost: net cost per EASK

	Q3 2016	Q3 2015*	9M 2016	9M 2015*
Revenues (in €m)	6,938	7,308	18,758	19,447
Income/(loss) from current operations (in €m)	737	880	955	643
Total operating expense (in €m)	-6,201	-6,428	-17,803	-18,804
Passenger network business – other revenues (in €m)**	227	223	633	638
Cargo business – other revenues (in €m)	40	38	119	117
Third-party revenues in the maintenance business (in €m)	482	373	1,348	1,148
Transavia - other revenues (in €m)	0	4	8	11
Third-party revenues of other businesses (in €m)	9	15	31	36
<b>Net cost (in €m)</b>	<b>5,443</b>	<b>5,775</b>	<b>15,664</b>	<b>16,854</b>
Capacity produced, reported in EASK	94,081	93,174	257,760	256,354
<b>Net cost per EASK (in € cents per EASK)</b>	<b>5.79</b>	<b>6.20</b>	<b>6.08</b>	<b>6.58</b>
Gross change		-6.7%		-7.6%
Currency effect on net costs (in €m)		23		129
Change at constant currency		-7.1%		-8.3%
Fuel price effect (in €m)		-399		-1,257
Change on a constant currency and fuel price basis		-0.3%		-1.0%
Change in pension-related expenses (in €m)***		3		8
<b>Net cost per EASK on a constant currency, fuel price and pension-related expenses basis (in € cents per EASK)</b>	<b>5.79</b>	<b>5.80</b>	<b>6.08</b>	<b>6.14</b>
<b>Change on a constant currency, fuel price and pension-related expenses basis</b>		<b>-0.2%</b>		<b>-0.9%</b>

\* Servair reclassified as discontinued operation

## INDIVIDUAL AIRLINE RESULTS

### Air France

	Q3 2016	Q3 2015*	Change	9M 2016	9M 2015*	Change
Revenue (€m)	4,202	4,516	-7.0%	11,578	12,147	-4.7%
EBITDA (€m)	589	754	-165	1,121	1,100	+21
Operating result (€m)	311	458	-147	326	324	+2
Operating margin	7.4%	10.1%	-2.7 pt	2.8%	2.7%	+0.1 pt
Operating cash flow before WCR and restructuring cash out (€m)	520	722	-202	1,035	989	+46
Operating cash flow (before WCR and restructuring) margin	12.4%	16.0%	-3.6 pt	8.9%	8.1%	+0.8 pt

\* Servair reclassified as discontinued operation

### KLM

	Q3 2016	Q3 2015	Change	9M 2016	9M 2015	Change
Revenue (€m)	2,826	2,870	-1.5%	7,430	7,527	-1.3%
EBITDA (€m)	553	564	-11	1,012	742	+270
Operating result (€m)	422	424	-2	629	345	+284
Operating margin	14.9%	14.8%	+0.2 pt	8.5%	4.6%	+3.9 pt
Operating cash flow before WCR and restructuring cash out (€m)	504	515	-11	888	617	+271
Operating cash flow (before WCR and restructuring) margin	17.8%	17.9%	-0.1 pt	12.0%	8.2%	+3.8 pt

NB: Sum of individual airline results does not add up to Air France-KLM total due to intercompany eliminations at Group level.

## Presentation of Servair Group as discontinued operation

The Group studied various scenarios to ensure the development of its subsidiary Servair and opted for the participation of another company in the share capital of Servair. In March 2016, both Servair and Air France informed the representative bodies of their employees about this process. Taken into consideration the offers received by Air France, this should lead to a loss of control of Servair by Air France-KLM Group, as defined in IFRS 10 standard. Servair currently constitutes the main cash-generating unit of the segment "Other". The above elements have triggered the accounting treatment of the Servair Group in "discontinued operations" as of March 31, 2016, as defined in IFRS 5 standard. The consolidated figures as at March 31, 2015 have consequently been restated for the purpose of comparison.

During the First Half 2016, the third party revenues amounted to 195 million euros, resulting in a reported EBITDA of 15 million euros and an operating profit of 10 million euros.

In the context of this operation, the assets and liabilities of the Servair Group have been reclassified on the lines *assets held for sale* and *liabilities relating to assets held for sale*, for respectively €380 million and €253 million as of June 30, 2016.

<i>In millions euros</i>	Full Year 2015 - Servair				
	Q1	Q2	Q3	Q4	Total
<b>THIRD PARTY REVENUES</b>	<b>74</b>	<b>85</b>	<b>109</b>	<b>102</b>	<b>370</b>
Other revenues	0	0	0	0	0
<b>EXTERNAL EXPENSES</b>	<b>27</b>	<b>27</b>	<b>18</b>	<b>14</b>	<b>86</b>
Catering	-39	-46	-57	-51	-193
Other external expenses	66	73	75	65	279
Salaries and related costs	-91	-99	-100	-98	-388
Taxes other than income taxes	-5	-2	-3	-2	-12
Other income and expenses	0	2	1	2	5
<b>EBITDAR</b>	<b>5</b>	<b>13</b>	<b>25</b>	<b>18</b>	<b>61</b>
Aircraft operating lease costs	0	0	0	0	0
<b>EBITDA</b>	<b>5</b>	<b>13</b>	<b>25</b>	<b>18</b>	<b>61</b>
Amortization, depreciation and provisions	-5	-7	-6	-7	-25
<b>INCOME FROM CURRENT OPERATIONS</b>	<b>0</b>	<b>6</b>	<b>19</b>	<b>11</b>	<b>36</b>
Other non-current income and expenses	0	0	0	-1	-1
<b>INCOME FROM OPERATING ACTIVITIES</b>	<b>0</b>	<b>6</b>	<b>19</b>	<b>10</b>	<b>35</b>
Income from cash and cash equivalents	0	0	0	1	1
Cost of financial debt	0	0	0	-1	-1
<b>Net cost of financial debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other financial income and expenses	0	-1	-1	1	-1
<b>INCOME BEFORE TAX</b>	<b>0</b>	<b>5</b>	<b>18</b>	<b>11</b>	<b>34</b>
Income taxes	0	-3	-6	-4	-13
<b>NET INCOME OF CONSOLIDATED COMPANIES</b>	<b>0</b>	<b>2</b>	<b>12</b>	<b>7</b>	<b>21</b>
Share of profits (losses) of associates	2	1	1	1	5
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>2</b>	<b>3</b>	<b>13</b>	<b>8</b>	<b>26</b>
Net income from discontinued operations	0	0	0	0	0
<b>NET INCOME FOR THE PERIOD</b>	<b>2</b>	<b>3</b>	<b>13</b>	<b>8</b>	<b>26</b>
Minority interest	-2	-2	-2	-2	-8
<b>NET INCOME FOR THE PERIOD - GROUP</b>	<b>0</b>	<b>1</b>	<b>11</b>	<b>6</b>	<b>18</b>

## GROUP FLEET AT 30 SEPTEMBER 2016

Aircraft type	AF (incl. HOP!)	KL (incl. KLC & Martinair)	Transavia	Owned	Finance lease	Operating lease	Total	In operation	Change / 31/12/15
B747-400		20		18		2	20	19	-6
B777-300	43	12		9	25	21	55	55	5
B777-200	25	15		19	10	11	40	40	
B787-9		8			1	7	8	8	6
A380-800	10			1	4	5	10	10	
A340-300	12			5	5	2	12	11	-1
A330-300		5				5	5	5	
A330-200	15	8		4	7	12	23	23	-2
<b>Total Long-Haul</b>	<b>105</b>	<b>68</b>	<b>0</b>	<b>56</b>	<b>52</b>	<b>65</b>	<b>173</b>	<b>171</b>	<b>2</b>
B737-900		5		1	1	3	5	5	
B737-800		25	55	8	9	63	80	80	10
B737-700		18	8	3	8	15	26	26	
A321	20			5	6	9	20	20	
A320	43			5	3	35	43	43	
A319	38			19	6	13	38	38	
A318	18			11	7		18	18	3
<b>Total Short and Medium-Haul</b>	<b>119</b>	<b>48</b>	<b>63</b>	<b>52</b>	<b>40</b>	<b>138</b>	<b>230</b>	<b>230</b>	<b>13</b>
ATR72-600	5					5	5	5	
ATR72-500	5			1	3	1	5	5	-1
ATR42-500	12			5	3	4	12	12	-1
Canadair Jet 1000	14			14			14	14	
Canadair Jet 700	11			11			11	11	-2
Canadair Jet 100	3			3			3		
Embraer 190	10	30		4	15	21	40	40	
Embraer 175		3		3			3	3	3
Embraer 170	15			8	2	5	15	15	-1
Embraer 145	18			13	5		18	16	
Embraer 135	4			4			4		
Fokker 70		15		15			15	13	-3
<b>Total Regional</b>	<b>97</b>	<b>48</b>	<b>0</b>	<b>81</b>	<b>28</b>	<b>36</b>	<b>145</b>	<b>134</b>	<b>-5</b>
B747-400ERF		3		3			3	3	
B747-400BCF		3		2		1	3	1	
B777-F	2			2			2	2	
MD-11-CF									-1
MD-11-F									-2
<b>Total Cargo</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>1</b>	<b>8</b>	<b>6</b>	<b>-3</b>

<b>Total Air France-KLM</b>	<b>323</b>	<b>170</b>	<b>63</b>	<b>196</b>	<b>120</b>	<b>240</b>	<b>556</b>	<b>541</b>	<b>7</b>
-----------------------------	------------	------------	-----------	------------	------------	------------	------------	------------	----------