



Third Quarter 2014 Results

29 October 2014

AIRFRANCE **KLM**

Highlights of the Third Quarter



Operating environment

- ◆ Economic environment remains weak
- ◆ Further currency volatility affecting revenues and results
- ◆ Slightly lower fuel price
- ◆ Summer season impacted by industry overcapacity on certain long-haul routes, notably North America and Asia



Air France-KLM

- ◆ Large impact of pilot strike on results
- ◆ High volatility of passenger revenues
- ◆ Unit cost reduced by 1.2%*, the 10th quarter of significant reduction in a row
- ◆ Operating result down €18m excluding currency and strike
- ◆ Launch of new strategic plan, Perform 2020
- ◆ €339m cash-in from Amadeus transaction

Key data

| In € millions | Q3 2014 | Q3 2013 ⁽¹⁾ | Change | 9m 2014 | 9m 2013 ⁽¹⁾ | Change |
|---|--------------|------------------------|--------|---------------|------------------------|--------|
| Revenues | 6,695 | 7,175 | -6.7% | 18,700 | 19,397 | -3.6% |
| <i>Change like-for-like⁽³⁾</i> | | | +0.2% | | | +0.4% |
| EBITDA ⁽²⁾ | 682 | 1,079 | -397m | 1,273 | 1,473 | -200m |
| <i>Change like-for-like⁽³⁾</i> | | | -21m | | | +222m |
| Operating result | 247 | 641 | -394m | 40 | 193 | -153m |
| <i>Change like-for-like⁽³⁾</i> | | | -18m | | | +267m |
| Net result, group share | 100 | 148 | -48m | -514 | -651 | +137m |
| Adjusted net result ⁽²⁾ | 111 | 372 | -261m | -231 | -314 | +83m |
| Operating free cash flow ⁽²⁾ | -158 | -66 | -92m | -75 | 496 | -571m |
| Net debt at end of period ⁽²⁾ | | | | 5,273 | 5,348 ⁽⁴⁾ | -75m |

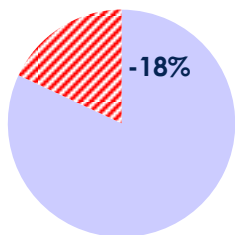
Impact of pilot strike on operating result estimated at €330 million

14 days of strike from 15 to 28th September, plus one day affected by cancellations



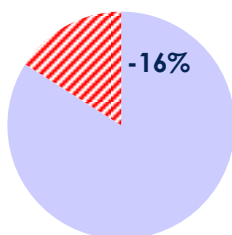
Activity: ~-4.75bn EASK

Passenger
-4,249m ASK



Strike impact on September activity

Cargo
-213m ATK



Traffic revenues: ~-416m

Passenger



-380

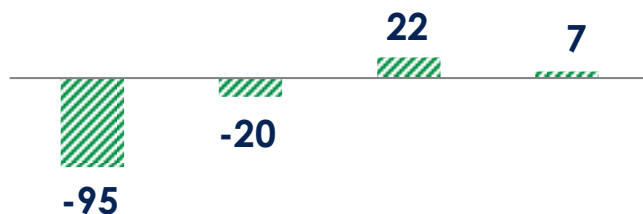
Cargo



-36



Net Costs*: ~-86m



Passenger Cargo Maintenance Other



Operating result: ~-330m

Passenger



-285

Cargo



-16

Maintenance



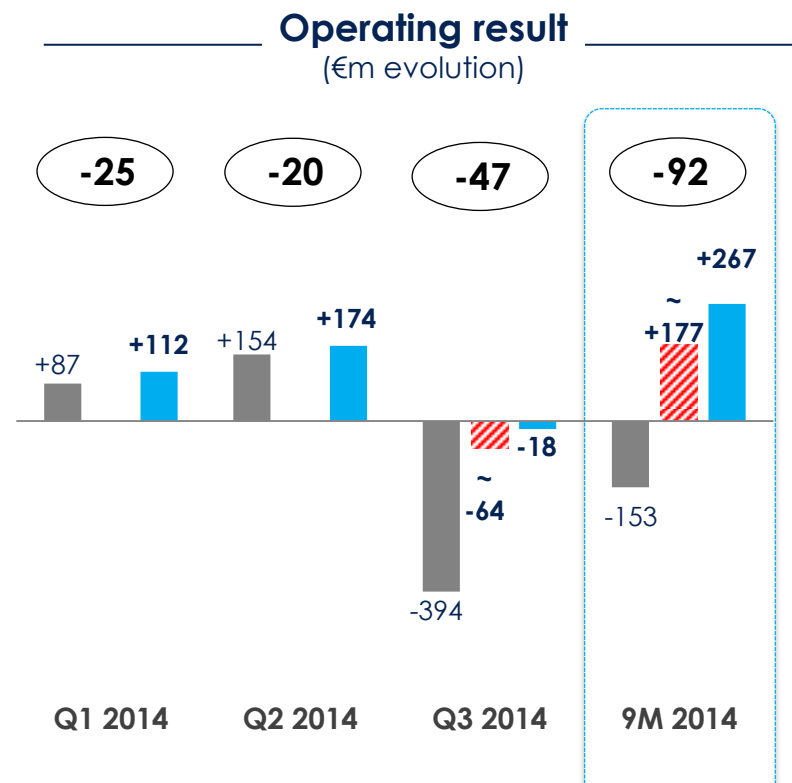
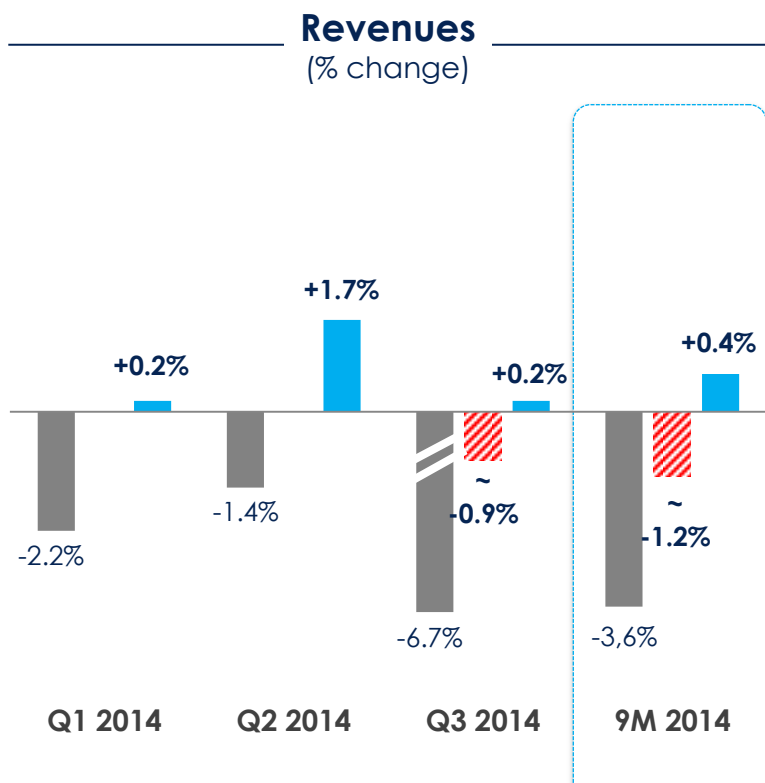
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Other




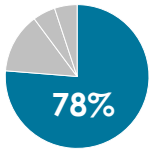

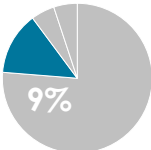

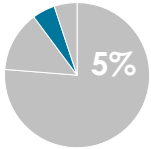
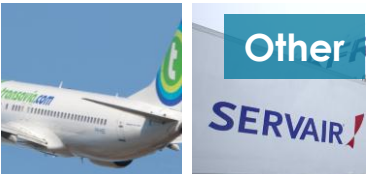
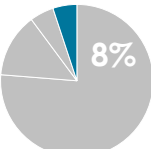
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Significant currency impact on operating result



- Reported change
- Reported change excluding strike impact
- Like-for-like: change at constant currency, excluding strike impact
- XX Currency impact in million euros

Third Quarter: Contribution by business segment

| | | Revenue (€bn) | Reported change (%) | Change Like-for-like ⁽¹⁾ (%) | | Op. result (€m) | Reported change (€m) | Change Like-for-like ⁽¹⁾ (€m) | |
|---|--|------------------|---------------------------|---|---|--------------------|----------------------------|--|---|
|  |  | 5.23 | -8.2% | -0.3% | ➔ | 211 | -373 | -40 | ➔ |
|  |  | 0.62 | -9.4% | -3.6% | ➔ | -102 | -18 | -2 | ➔ |
|  |  | 0.32 | +4.2% | +5.3% | ➔ | 61 | +7 | +27 | ➔ |
|  |  | 0.52 | +7.6% | +7.7% | ➔ | 77 | -10 | -5 | ➔ |
| Total | | 6.70 | -6.7% | +0.2% | ➔ | 247 | -394 | -18 | ➔ |

Passenger activity in the Third Quarter

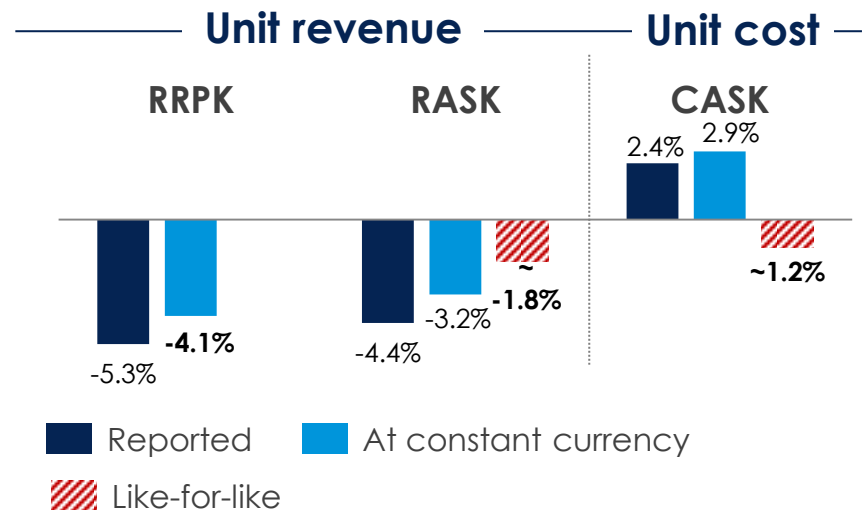
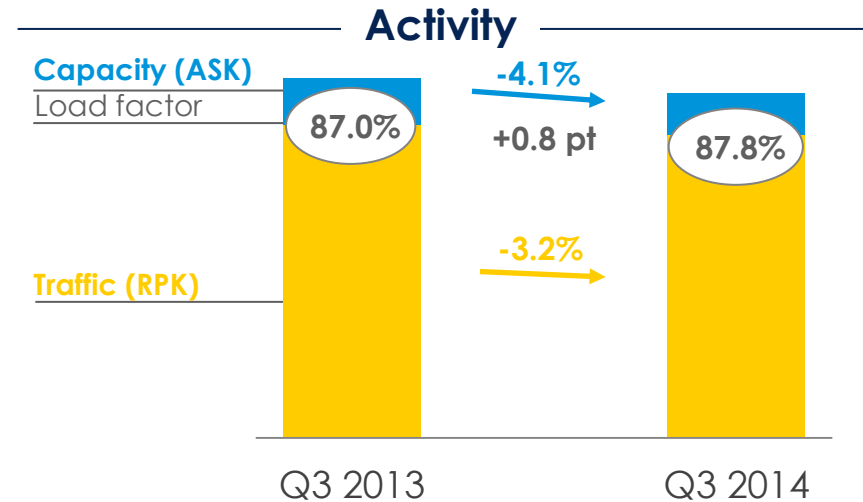
- Activity strongly affected by strike

| | ASK | RPK | Load factor |
|-----------|-----------------|--------|-------------|
| July | +1.5% | +1.9% | +0.4pts |
| August | +1.8% | +3.1% | +1.1pts |
| September | -16.7% (+1.6%*) | -15.9% | +0.8pts |

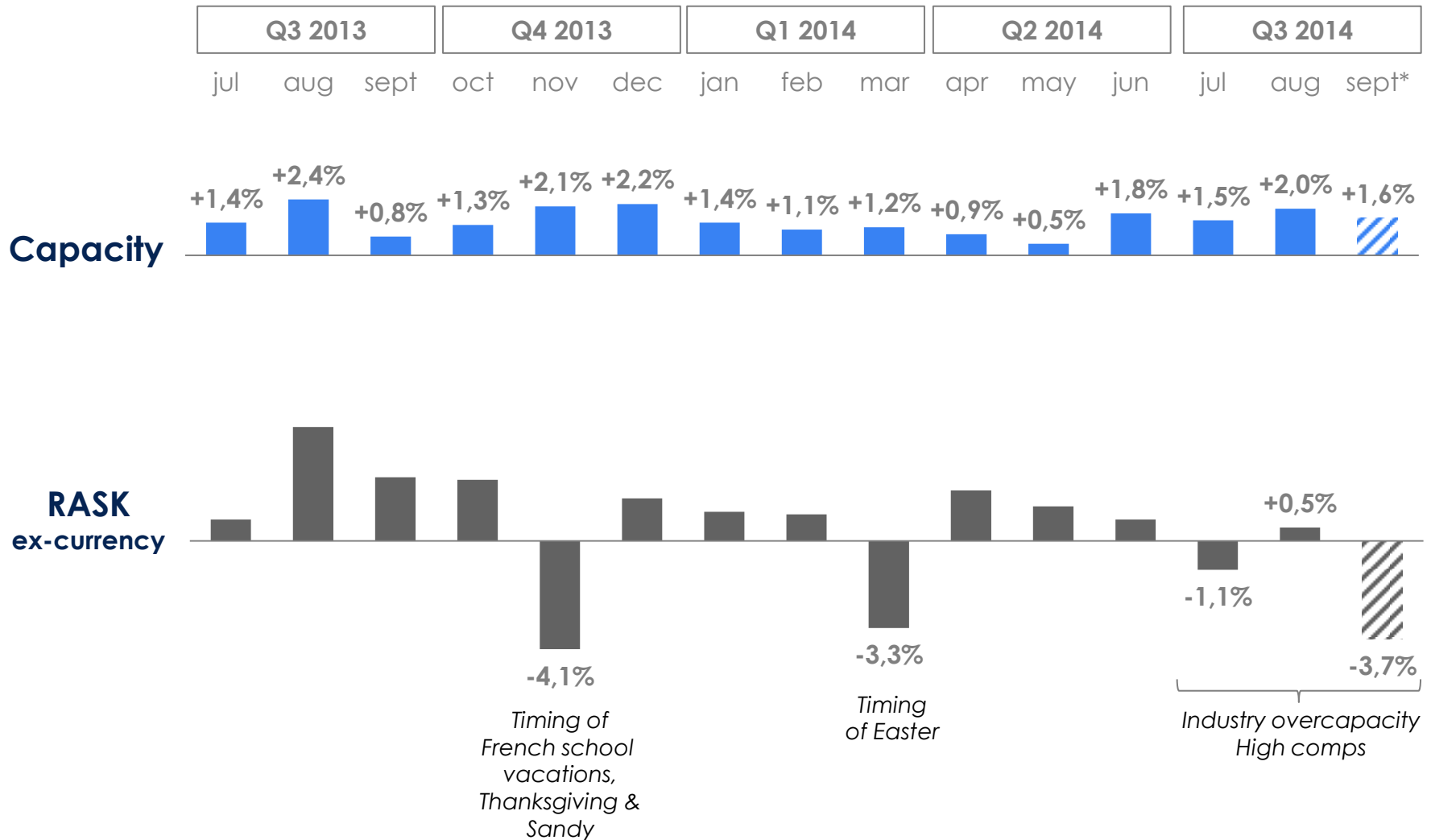
- Unit revenue impacted by industry overcapacity on certain parts of the network

- Down approximately 1.8% like-for-like*
- Long-haul: -1.3%*
 - Premium: +2.2%*
 - Economy: -2.5%*

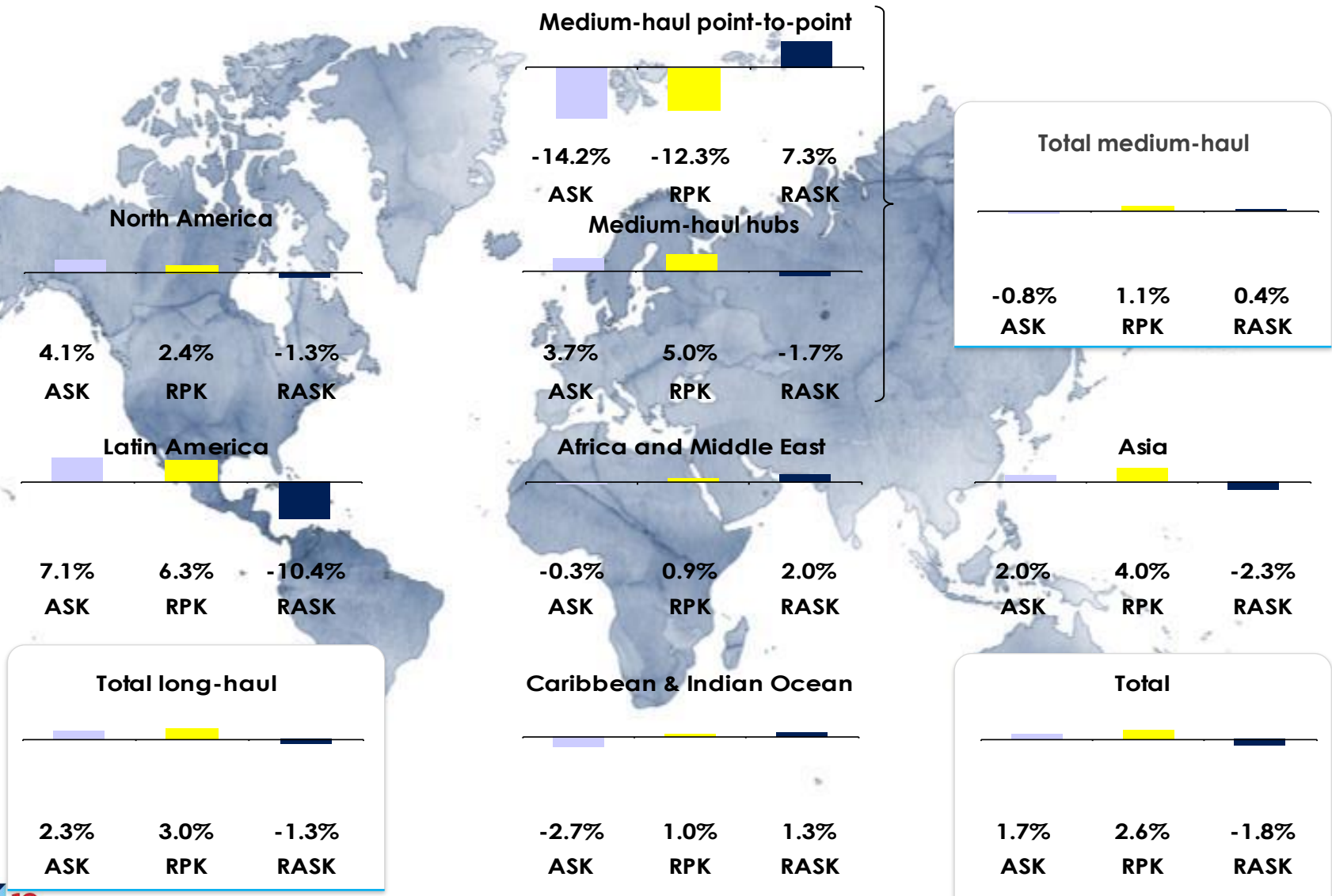
- Ongoing unit cost reduction: -1.2% like-for-like*



Challenging operating environment leads to high volatility in passenger unit revenue



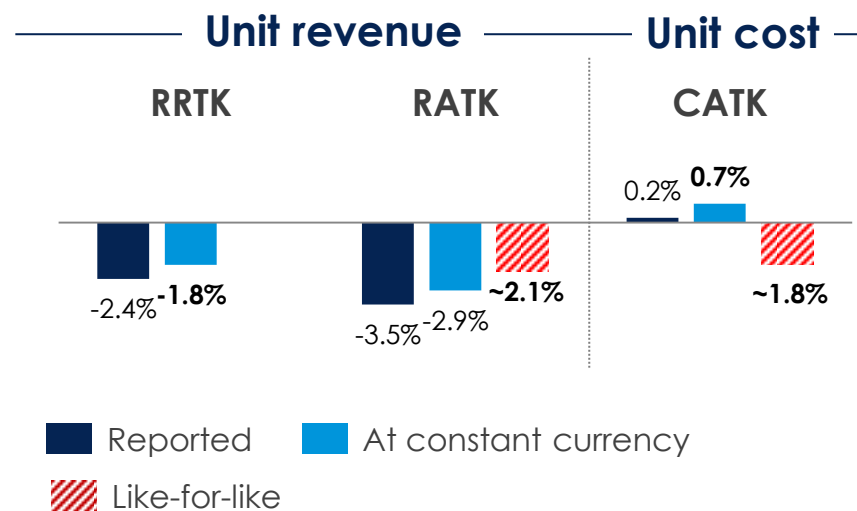
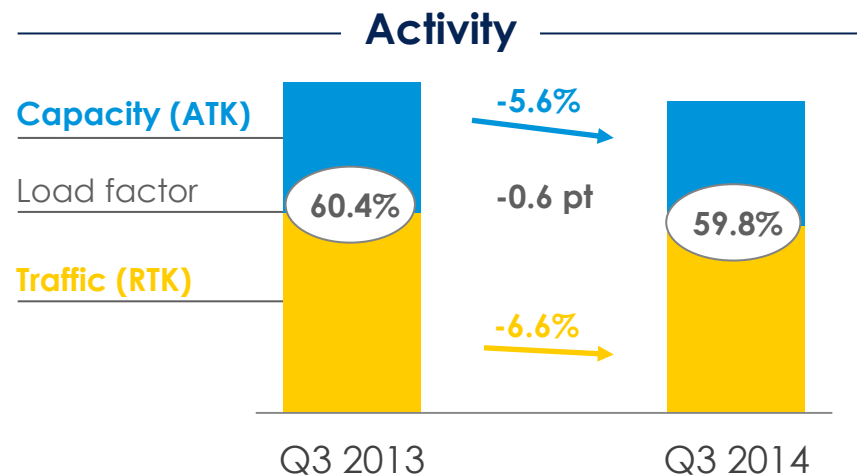
Passenger unit revenue by network in Third Quarter excluding strike impact



Cargo activity in Third Quarter

- ◆ Full freighter capacity further reduced: -7%*
- ◆ Persistently weak demand
 - ◆ RATK ~-2.1% like-for-like
- ◆ Stable operating result excluding currency and strike impact, as a result of further unit cost reduction

➔ **Perform 2020: accelerated phase-out of 9 full-freighters**



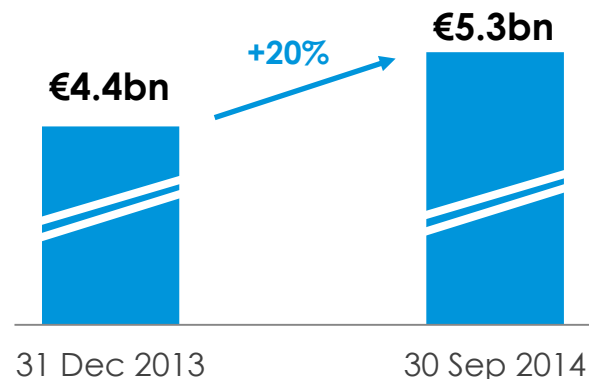
Maintenance activity in Third Quarter

- ◆ Third party revenue: +5.3%*
 - ◆ Revenue picking up as expected
- ◆ Strike affecting internal revenue and operating result
 - ◆ Impact on operating result estimated at 22 million euros
- ◆ Increase in operating result and margin
 - ◆ As a result of ongoing development of higher margin activities



Perform 2020: further development

Order book



| In € millions | Q3-14 | Q3-13 | Change | Like-for-Like** |
|-----------------------------|-------------|-------|---------|-----------------|
| Total revenue | 858 | 827 | +3.8% | |
| Third party revenue | 319 | 307 | +4.2% | |
| <i>at constant currency</i> | | | +5.3% | |
| Operating result | 61 | 54 | +7 | +27 |
| Operating margin | 7.1% | 6.6% | +0.5 pt | +2.9 pt |

Other businesses in Third Quarter: Transavia

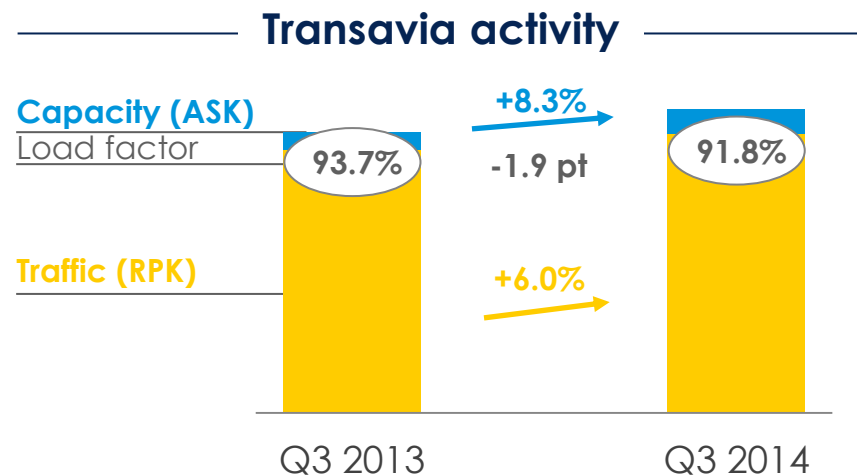
◆ Accelerated ramp-up in France on track

- ◆ Capacity up 21% in Q3 with load factor above 87%
- ◆ Unit revenue up:
 - ◆ RASK: €5.97 cents, +0.5%
 - ◆ RRPK: €6.84 cents, +3.7%

◆ Ongoing shift to LCC model in the Netherlands

- ◆ Scheduled capacity up 15.3% in Q3
- ◆ Charter capacity down -3.7% in Q3

◆ Strong development of ancillary revenues on scheduled activity



| In € millions | Q3-14 | Q3-13 | Change |
|----------------------|-------------|-------|--------|
| Total revenue | 427 | 397 | +7.6% |
| RRPK (€ cts per RPK) | 6.05 | 5.98 | +1.1% |
| RASK (€ cts per ASK) | 5.55 | 5.58 | -0.6% |
| CASK (€ cts per ASK) | 4.52 | 4.53 | -0.2% |
| Operating result | 62 | 66 | -4 |

Third Quarter: Change in operating costs



Total employee costs *including temps*

1,871

Reported
change

-1.6%

Change
at constant
currency

-1.7%

Like-for
-like⁽⁴⁾



Supplier costs⁽¹⁾ *excluding fuel and
purchasing of maintenance services and parts*

1,671

+2.6%

+3.0%



Aircraft costs⁽²⁾

771

-1.8%

-1.2%



**Purchasing of maintenance services
and parts**

336

-0.9%

+0.6%

Operating costs ex-fuel⁽³⁾

4,711

+0.7%

+1.0%

+0.8%



Fuel

1,737

-6.4%

-4.9%

+0.4%

Grand total of operating costs

6,448

-1.3%

-0.7%

+0.7%

Capacity (EASK)

-3.2%

+2.0%

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

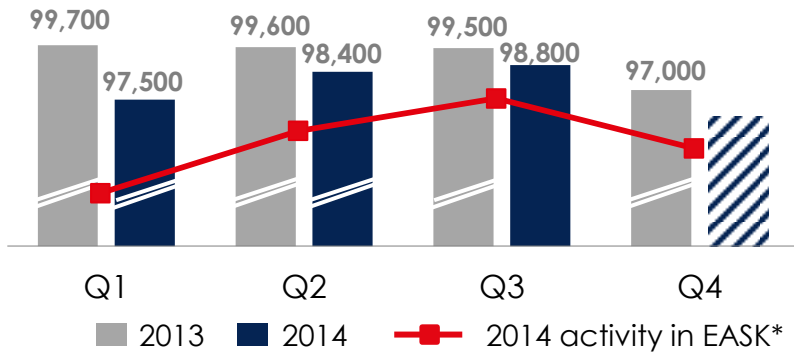
(2) Chartering (capacity purchases), aircraft operating leases, amortization, depreciation and provisions

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

(4) like-for-like: at constant currency, excluding strike impact

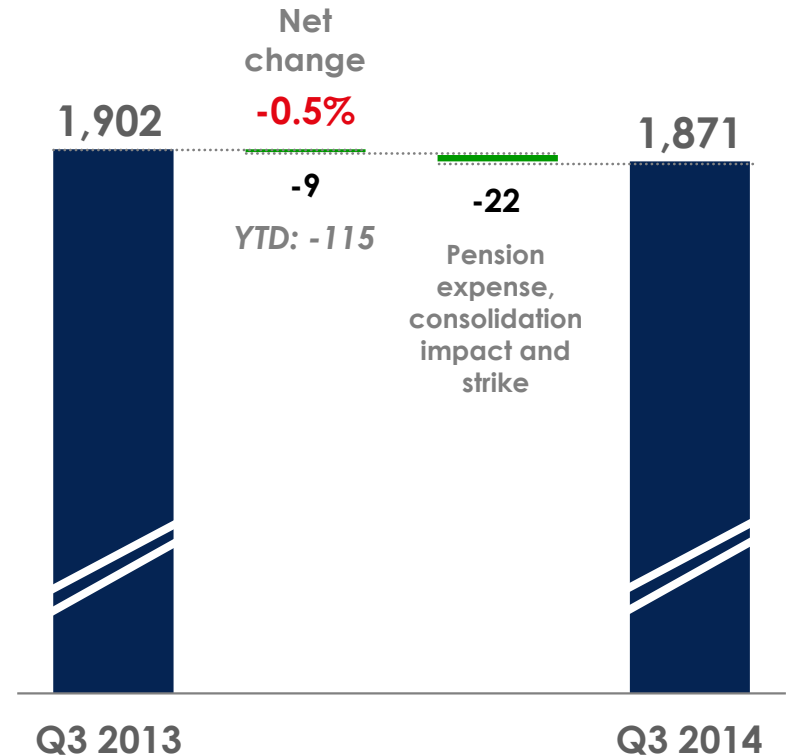
Update on employee costs

- ◆ Further headcount reduction in Q3: -700 FTEs



- ◆ General pay freeze at both Air France and KLM
- ◆ Slowing down of employee cost reduction compared to H1, in line with plan

Change in total employee costs (€m, including temporary staff)

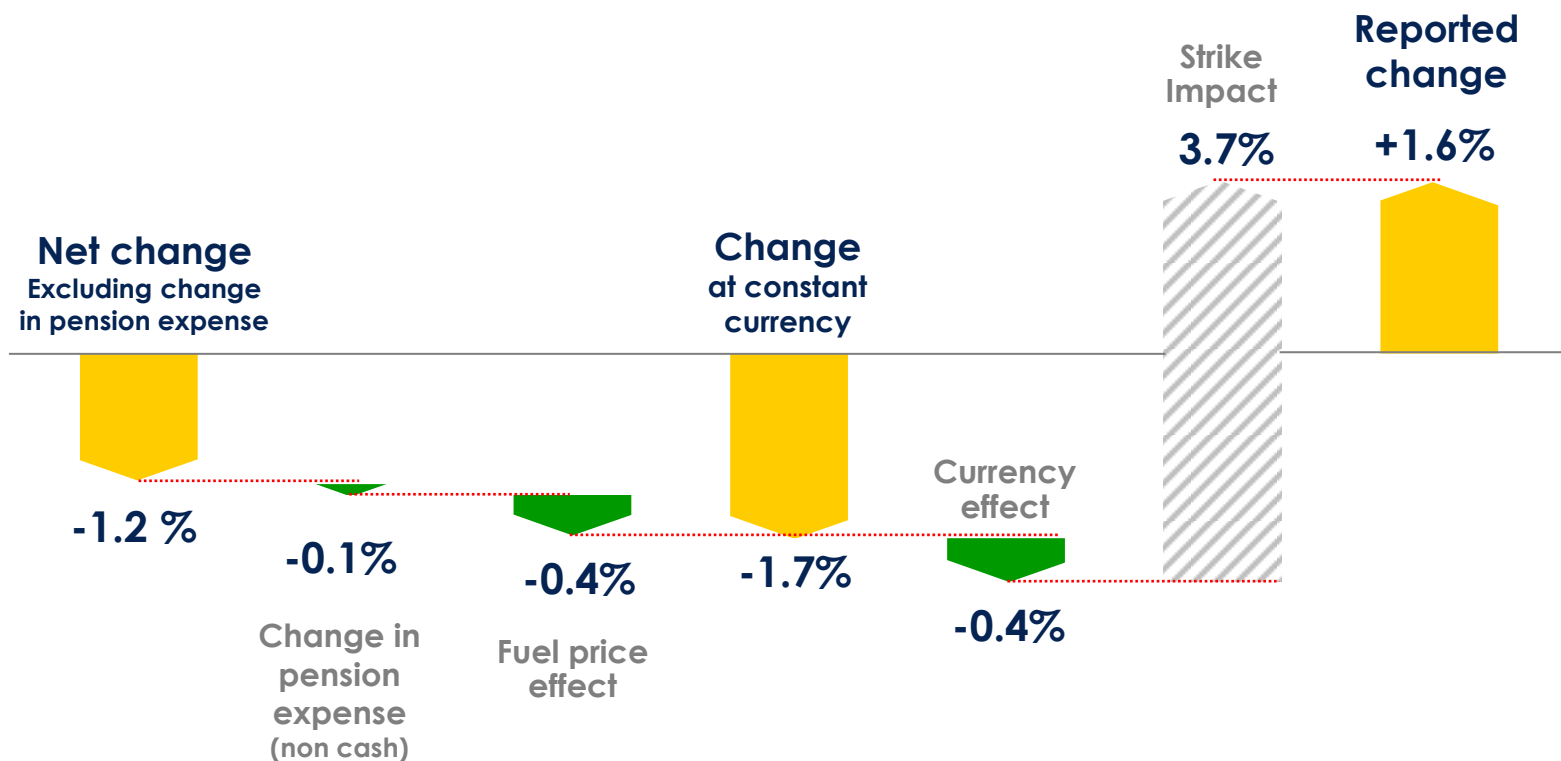


Third Quarter: Further reduction in unit costs

Net Costs: € 5,751m (-1.7%); excluding impact of pilot strike: ~€5,837m

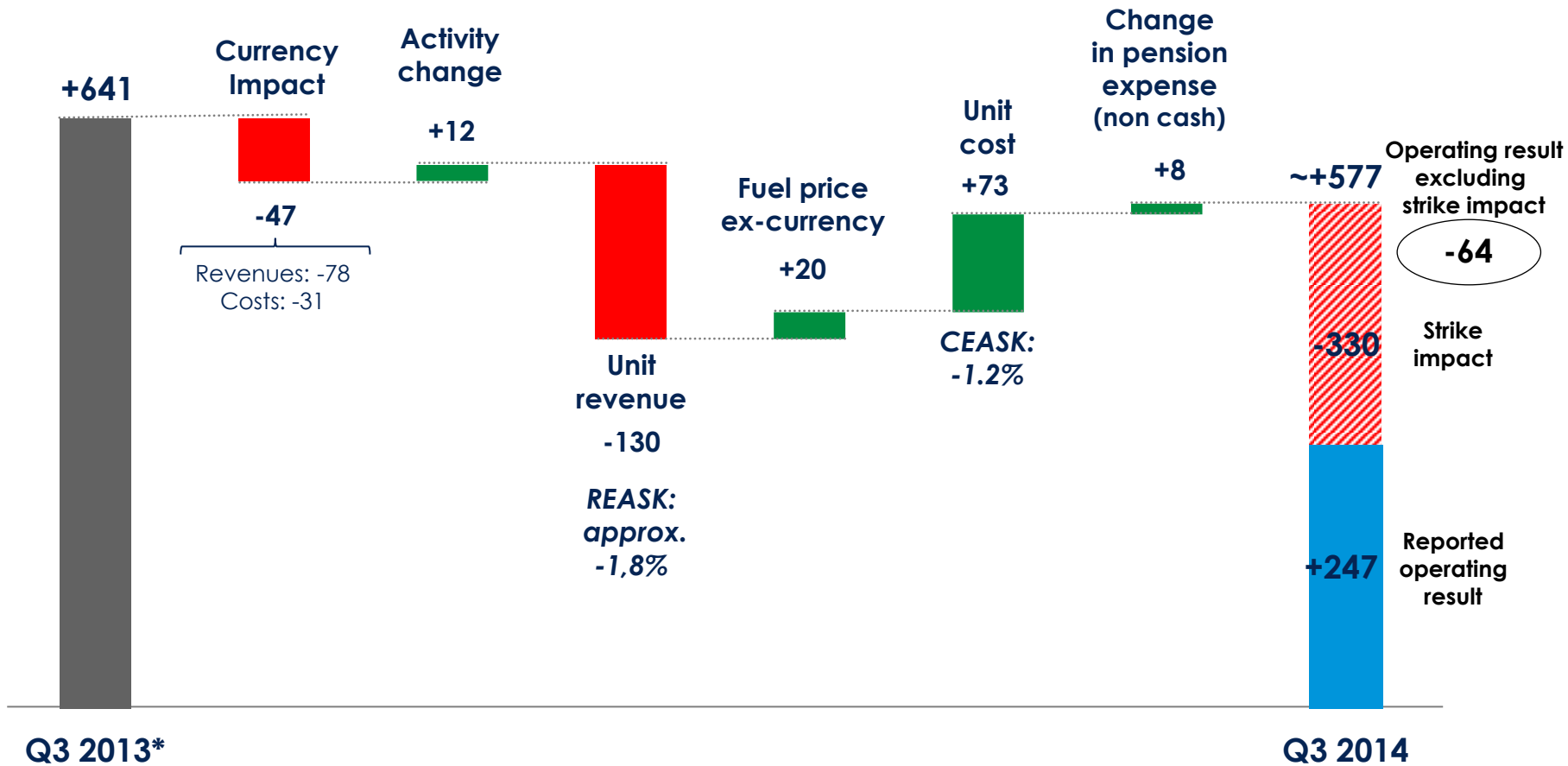
Capacity in EASK: 88,066m (-3.2%); excluding impact of pilot strike: ~92,816m (+2.0%)

Unit cost per Equivalent Available-Seat Kilometer (EASK): €6.53 cents; excluding impact of pilot strike: ~€6.29 cents



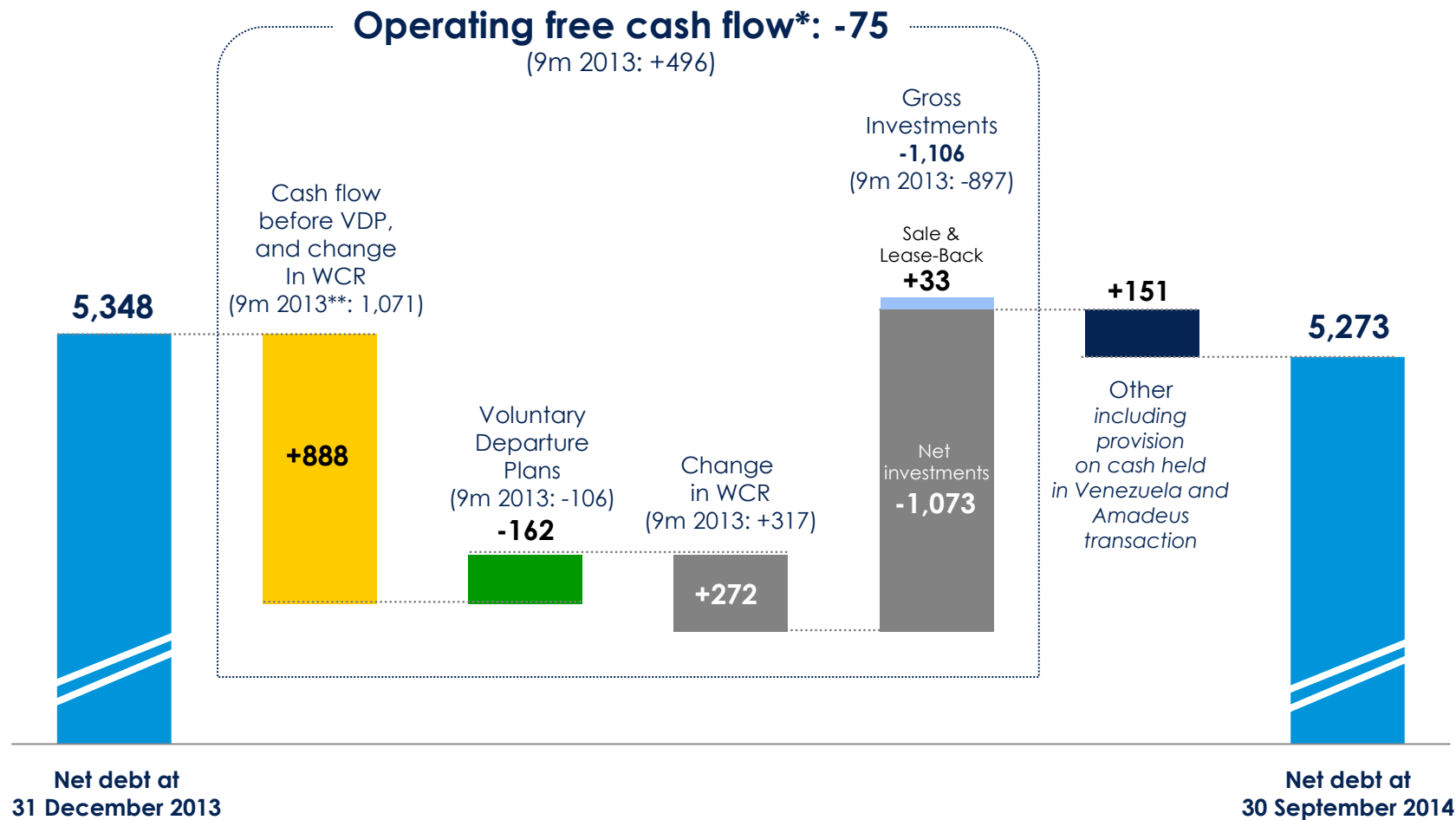
Operating result impacted by strike, currency and unit revenue weakness

Operating result, in million euros



Operating free cash flow in 9 months 2014

Analysis of change in net debt through 9 months 2014, in million euros

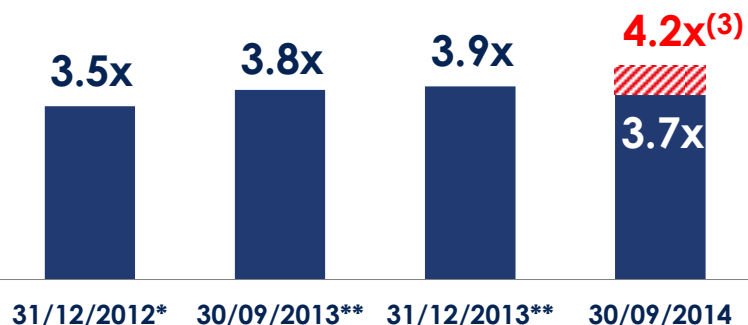


High level of liquidity

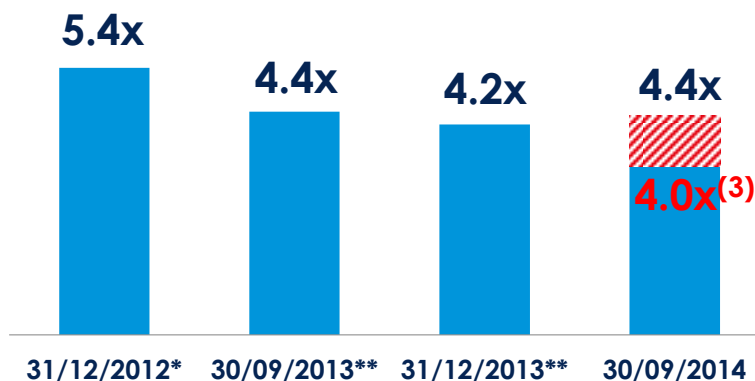
- ◆ Cash of €3.2 billion at 30 September 2014
- ◆ Undrawn credit lines of €1.80 billion
 - ◆ Air France: €1.06 billion until 2016
 - ◆ KLM: €540 million until 2016
 - ◆ Air France-KLM: €150 million until 2017
- ◆ Active debt refinancing program
 - ◆ Successful €600 million bond issue in June
 - ◆ Bonds representing €94 million euros repurchased in framework of tender offer
- ◆ €350m raised through Amadeus transaction
 - ◆ 19.7m shares remaining, current market value of more than €500 million

Financial ratios at 30 September 2014, trailing 12 months

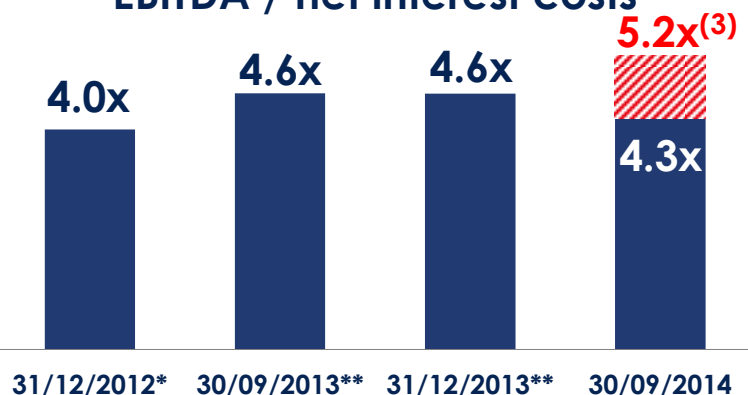
EBITDAR / adjusted net interest costs⁽¹⁾



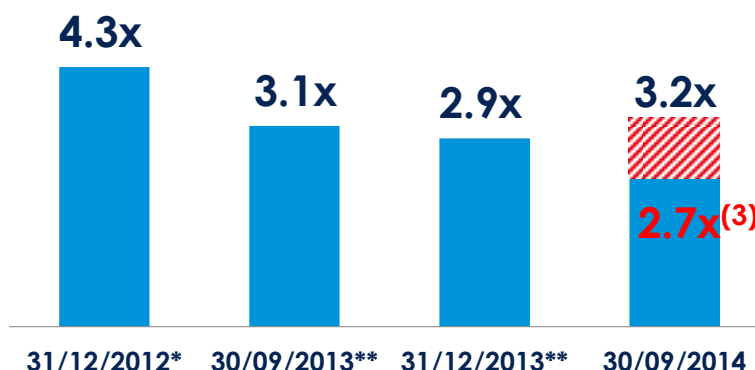
Adjusted net debt⁽²⁾ / EBITDAR



EBITDA / net interest costs



Net debt / EBITDA



 Strike adjusted (EBITDA(R) only, net debt not corrected for strike)

* IAS19 Restated

** Restated for IFRIC 21, CityJet reclassified as discontinued operation

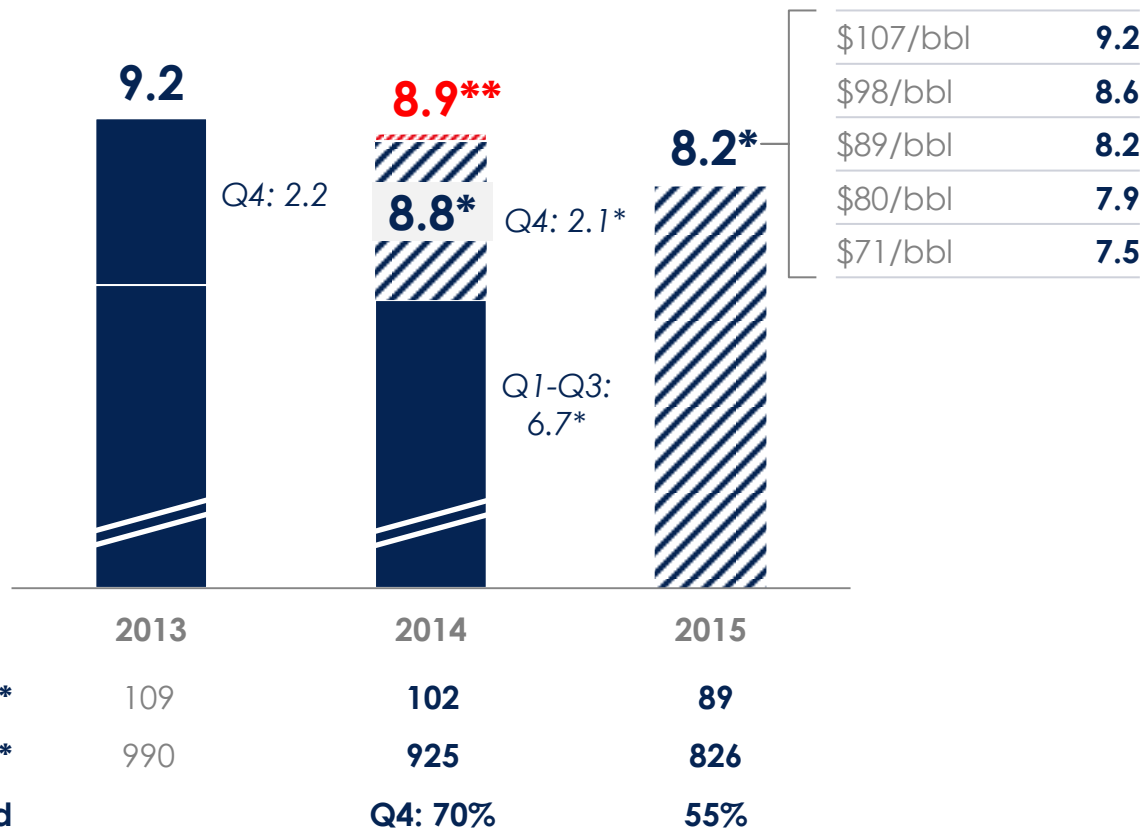
(1) Adjusted by the portion of financial costs within operating leases (34%)

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

(3) Excluding strike impact on EBITDA(R) (net debt unchanged)

Update on fuel bill

Fuel bill after hedging, in billion dollars



Outlook for Full Year 2014


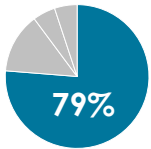

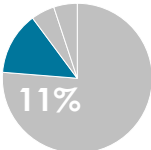

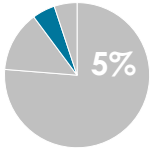
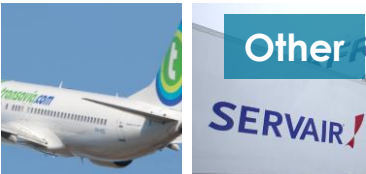
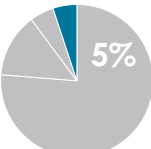
- ◆ Positive effects of Transform 2015
- ◆ Launch of several key Perform 2020 initiatives
 - ◆ Stable passenger capacity in Winter season, including a significant further reduction of point-to-point capacity
 - ◆ 4 full-freighter aircraft leaving the fleet by March 2015
 - ◆ Negotiation with pilots on Transavia development in France
- ◆ Impact of pilot strike and challenging operating environment: around €500m on 2014 EBITDA



Appendix

AIRFRANCE KLM

9 months 2014: Contribution by business segment

| | | Revenue (€ bn) | Reported Change (%) | Change Like for like ⁽¹⁾ (%) | | Op. result (€m) | Change (€m) | Change Like for like ⁽¹⁾ (€m) | |
|---|--|-------------------|---------------------------|---|----------|--------------------|----------------|--|----------|
|  |  | 14.71 | -3.7% | +0.8% | ↗ | 88 | -145 | +226 | ↗ |
|  |  | 1.97 | -6.0% | -2.3% | ↘ | -181 | +3 | +24 | ↗ |
|  |  | 0.90 | -3.5% | -0.5% | → | 113 | +2 | +31 | ↗ |
|  |  | 1.13 | 1.7% | +1.5% | ↗ | 20 | -13 | -14 | ↘ |
| Total | | 18.70 | -3.6% | +0.4% | ↗ | 40 | -153 | +267 | ↗ |

9 months 2014: Change in operating costs



Total employee costs *including temps*

5,651

Reported
change

-3.1%

Change
at constant
currency

-3.0%

Like-for
-like⁽⁴⁾



Supplier costs⁽¹⁾ *excluding fuel and
purchasing of maintenance services and parts*

4,723

+0.6%

+1.7%



Aircraft costs⁽²⁾

2,208

-5.0%

-3.2%



**Purchasing of maintenance services
and parts**

979

0.4%

3.2%

Operating costs ex-fuel⁽³⁾

13,734

-1.6%

-0.9%

-1.0%



Fuel

4,926

-6.1%

-2.7%

-0.8%

Grand total of operating costs

18,660

-2.8%

-1.4%

-0.9%

Capacity (EASK)

-0.5%

+1.4%

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

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

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

(4) like-for-like: at constant currency, excluding strike impact