

FIRST QUARTER 2017 RESULTS

4 May 2017



AIRFRANCE KLM

A resilient start of the year, traffic up 4.2%

Highlights of the First Quarter 2017

- 20.9 million passengers carried, up 5.2%, traffic (RPK) up 4.2%, capacity (ASK) up 3.3% and load factor up 0.7pts
- Confirmation of the improvement in unit revenue trend observed since the end of 2016
 - Passenger network unit revenue per available seat kilometer (RASK) ex-currency -0.5%
- Main financial KPIs:
 - Operating income of -€143m, up €28m at constant currency
 - Unit costs reduction on track, down 1.7% at constant fuel, currency and pension expense
 - Operating free cash flow of €329m

First Quarter 2017 shows resilient start

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In €m	Q1 2017	Q1 2016	Change	Change Like-for-like ⁽¹⁾	
Revenues	5,709	5,605	+1.9%	+1.3%	↗
EBITDA ⁽²⁾	269	266	+3m	+74m	↗
Operating result	-143	-99	-44m	+28m	↗
Operating margin	-2.5%	-1.8%	-0.7pt	+0.5pt	↗
Lease adjusted operating result ⁽³⁾	-48	-11	-37m	+37m	↗
Lease adjusted operating margin	-0.8%	-0.2%	-0.6pt	+0.7pt	↗
Net result, group share	-216	-155	-61m		↘
Operating free cash flow	329	196	+133m		↗
ROCE ⁽²⁾	8.5%	11.2%	-2.7pt		↘
Net debt at end of period	3,378	3,655 ⁽⁴⁾	-277m		↘
Adjusted net debt ⁽²⁾	11,029	11,166 ⁽⁴⁾	-137m		↘
Adjusted net debt / EBITDAR ⁽²⁾	2.9x	2.9x ⁽⁴⁾	0.0		=

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

(2) See definition in press release

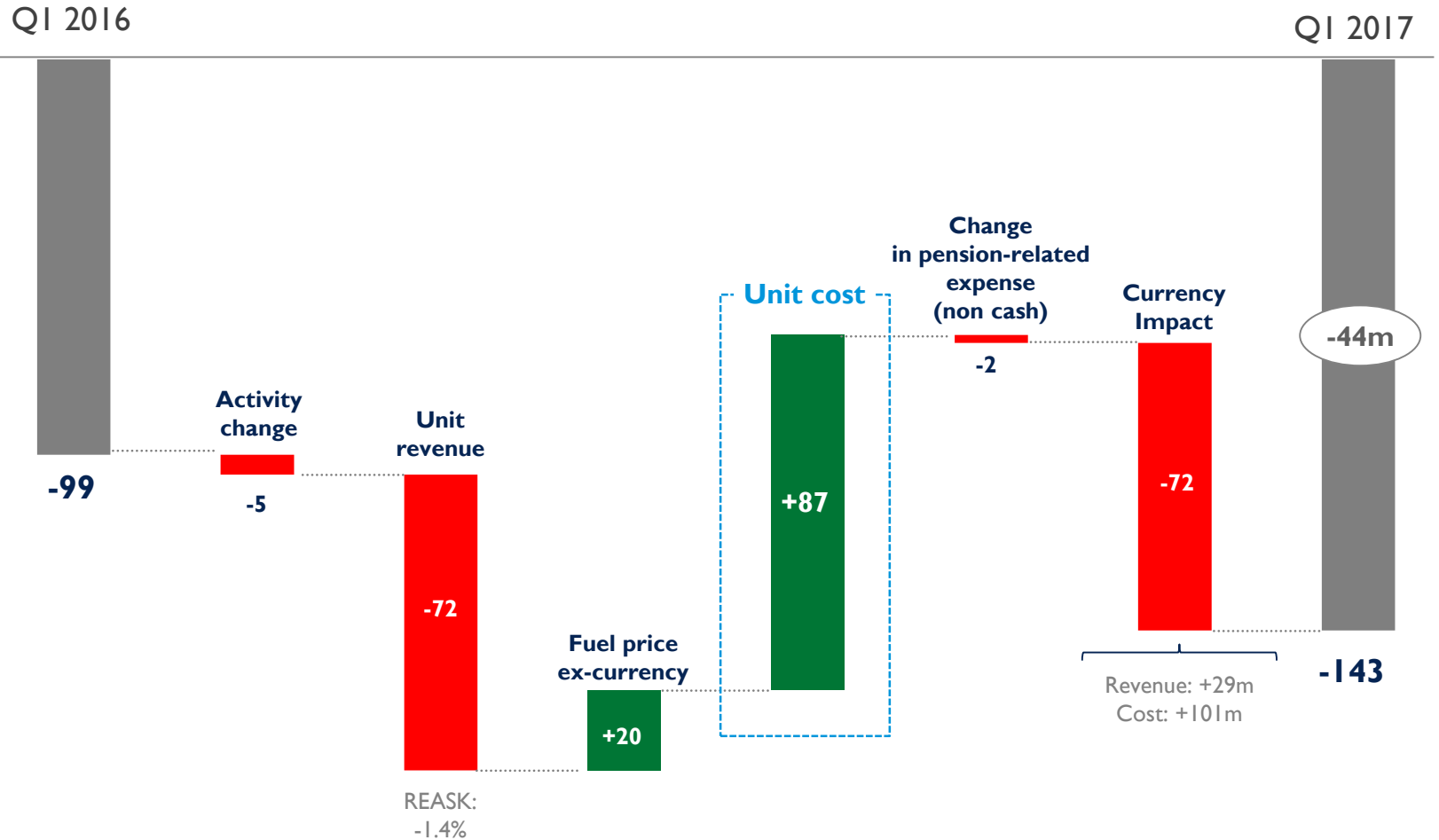
(3) Operating results adjusted for interest portion (1/3) of operating leases

(4) At 31 December 2016

Operating result driven by good cost performance, despite currency pressure

Change in operating result

In €m

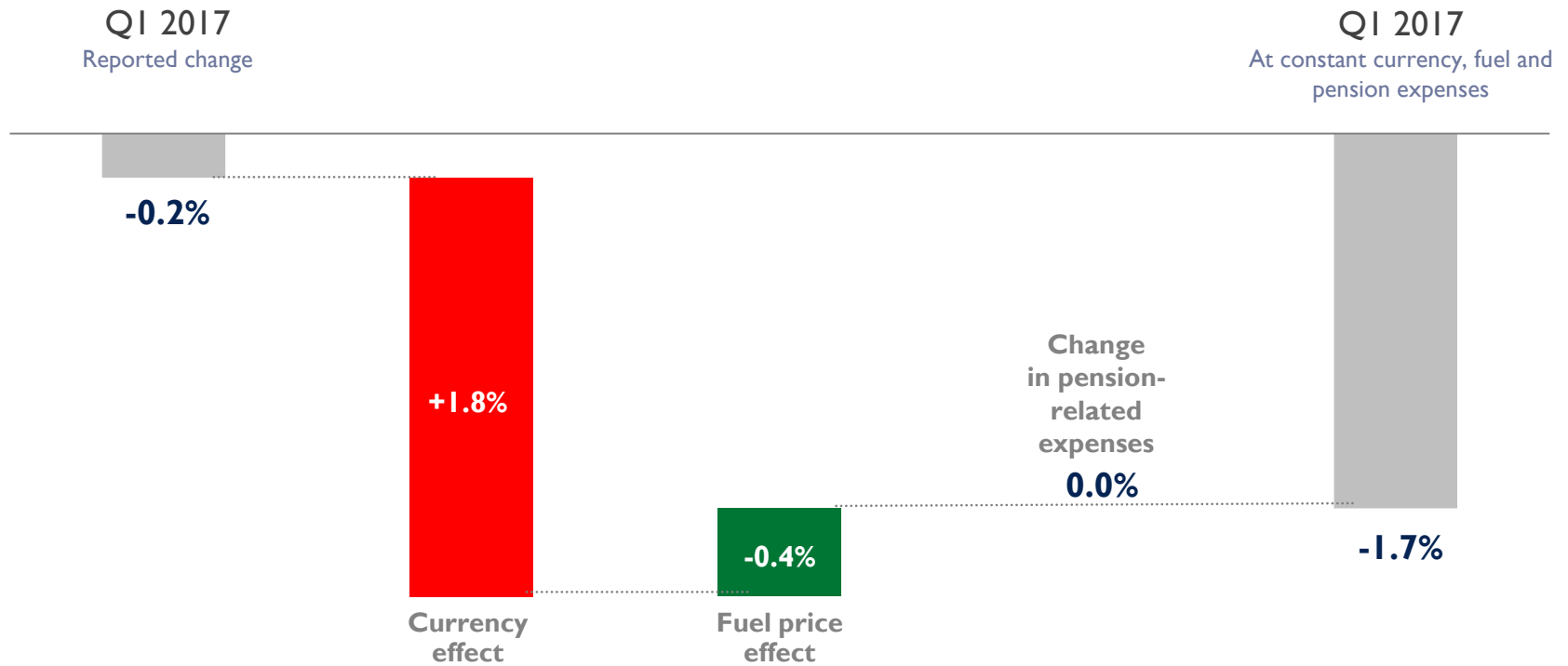


Unit cost reduction on track: down 1.7%

Net Costs: €5,146m (+2.6%)

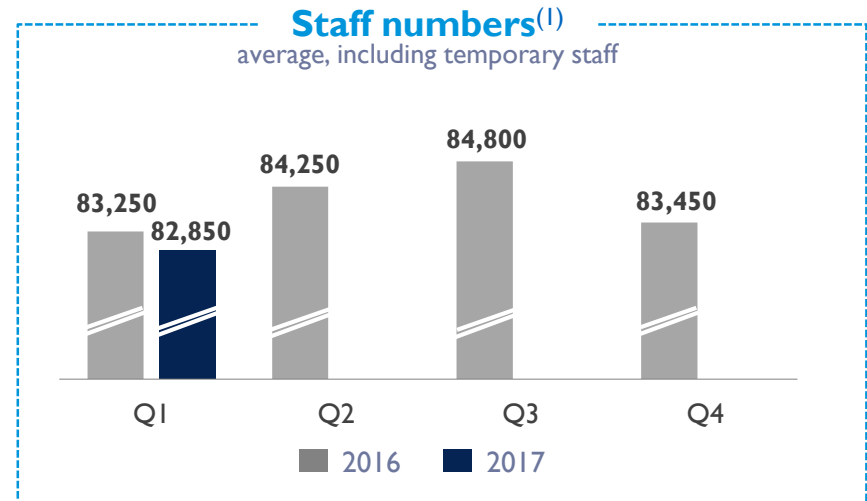
Capacity in EASK: 79,607m (+2.8%)

Unit cost per Equivalent Available-Seat Kilometer (EASK): 6.46 euro cents



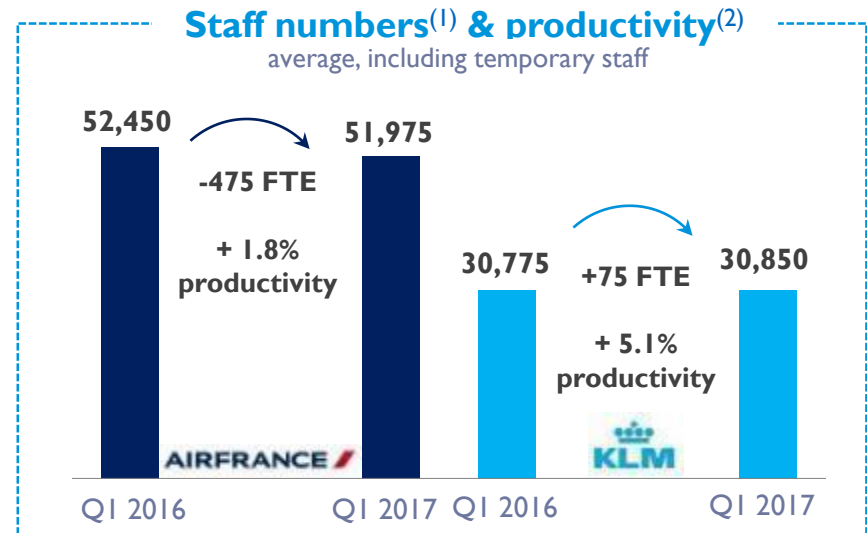
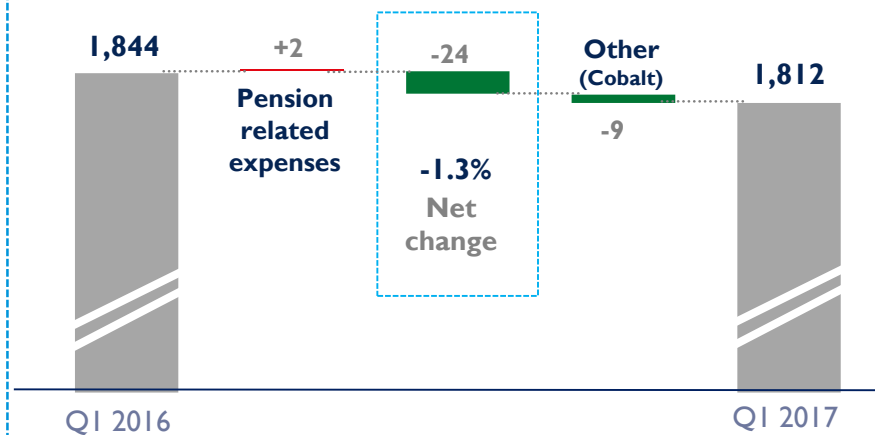
Improved employee productivity

- Increase in productivity
 - Air France +1.8% (capacity measured in EASK +0.8%)
 - KLM +5.1% (capacity measured in EASK +5.4%)
- Average headcount down 400 FTEs⁽¹⁾
- Voluntary departure program Air France:
 - 1600 FTEs have left at the end of Q1 2017 (1,400 ground staff and 200 cabin crew)



Change in total employee costs

In €m, including temporary staff



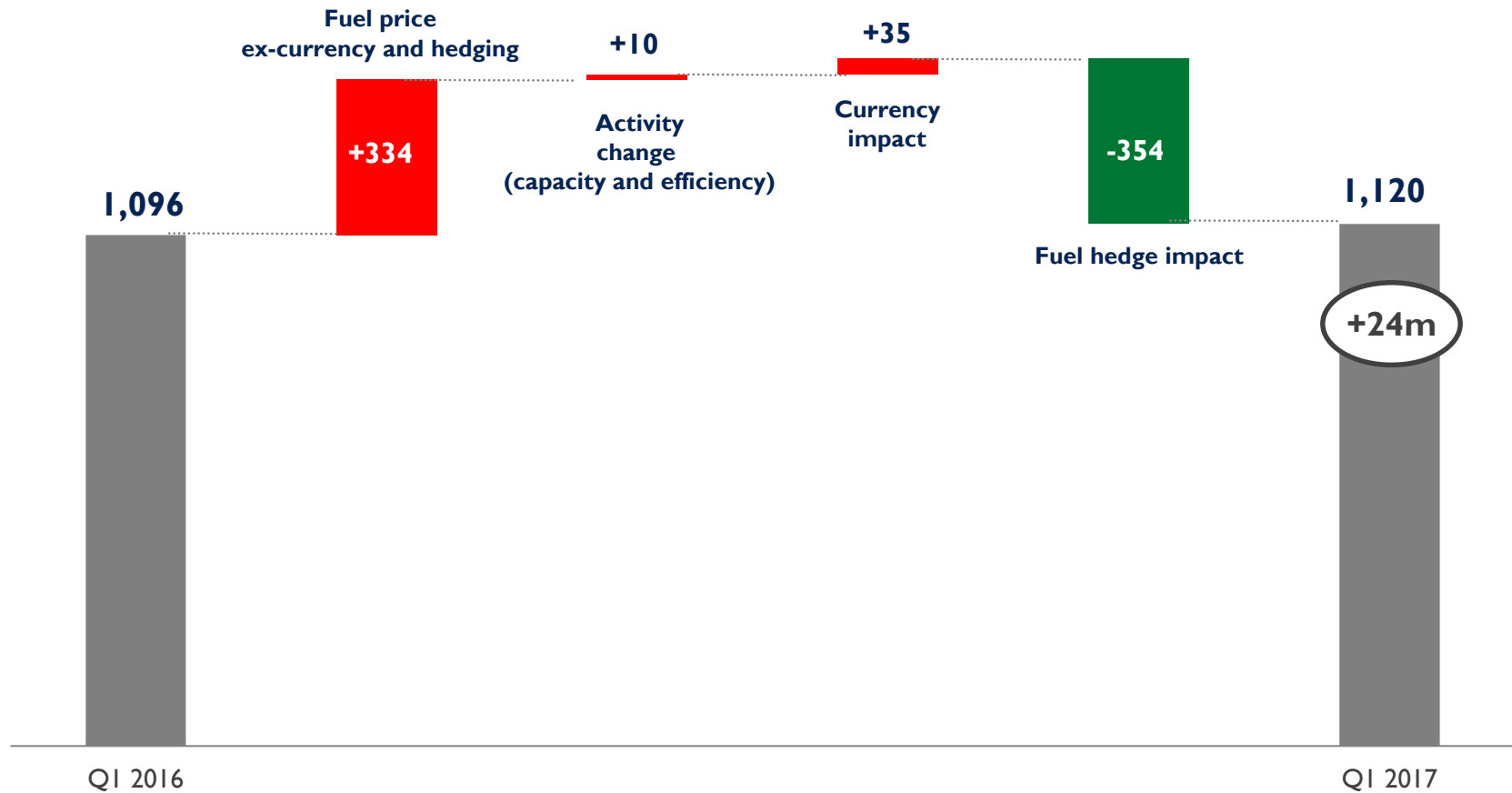
(1) 2016 FTE headcount restated for the sale of Cobalt Ground Solutions in December 2016 - 746 FTEs FY2016

(2) Productivity measured by EASK/FTE

Stable fuel bill in dollars, slight increase in euro fuel bill


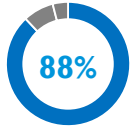
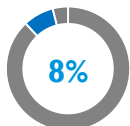
Fuel bill

In €m



Improving operating result at constant currency during Q1 2017

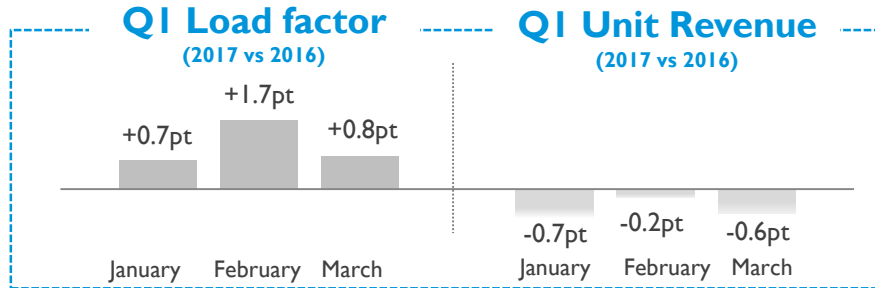
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		Revenues (€bn)	Reported change (%)	Change Like- for-like (%)		Op. Result (€m)	Reported change (€m)	Change Like- for-like (€m)
 Network⁽¹⁾		5.04	+0.8%	+0.4%		-100	-32	+37
 Maintenance		0.46	+6.7%	+4.3%		36	-2	-5
 Transavia		0.20	+23.1%	+23.0%		-77	-14	-8
Other						-2	+4	+4
Total		5.71	1.9%	+1.3%	➔	-143	-44	+28 ➔

(1) Change in segment reporting as per Q1 2017 to 'Network result': Passenger (Air France, KLM and HOP!) and Cargo

Passenger unit revenue down -0.5%, confirming the improvement in trend

- Resilient start of the year confirmed

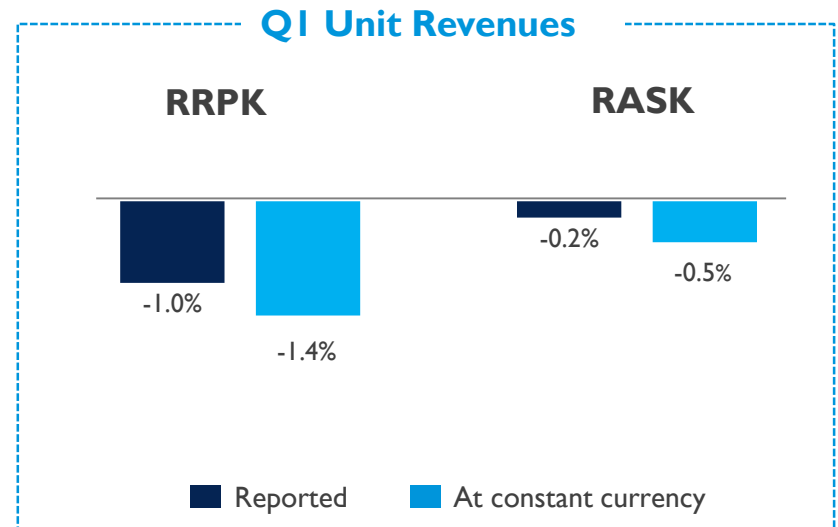
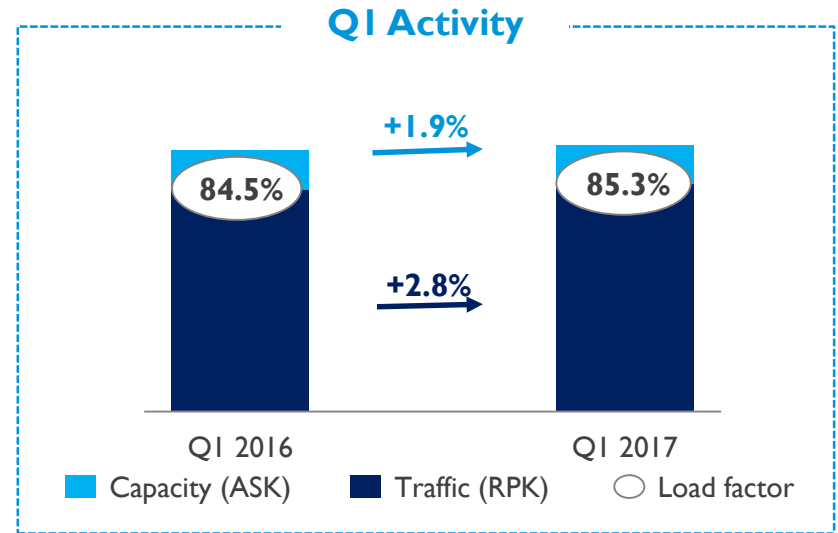


- Strong premium class performance on long haul

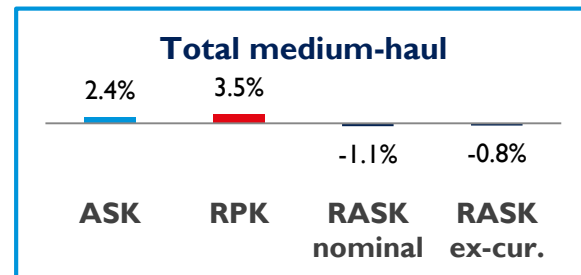
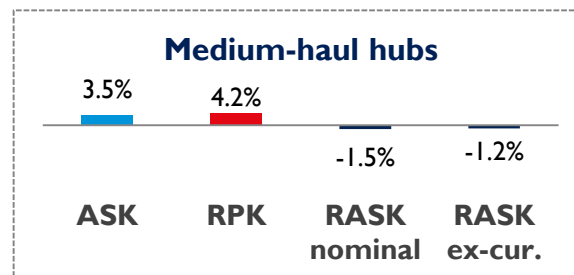
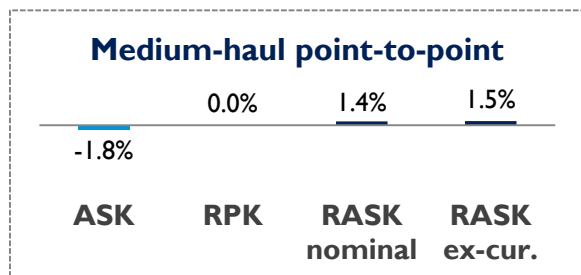
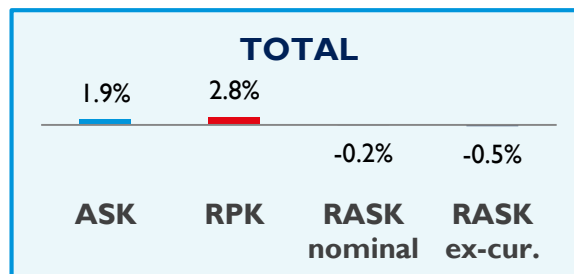
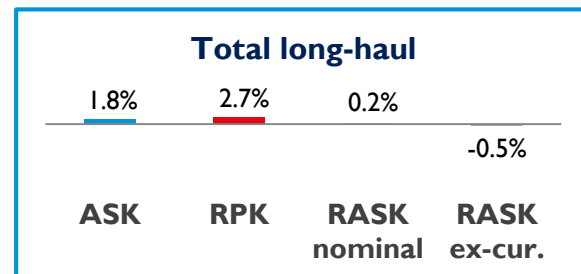
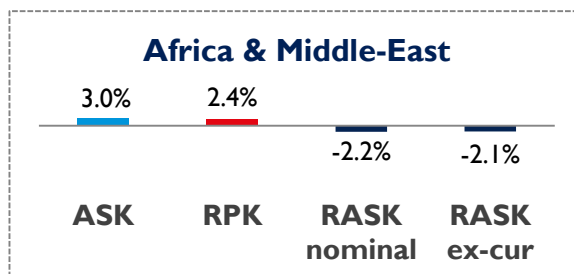
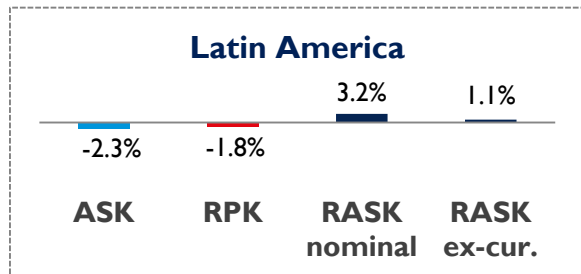
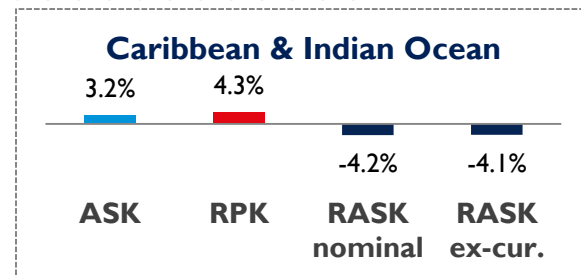
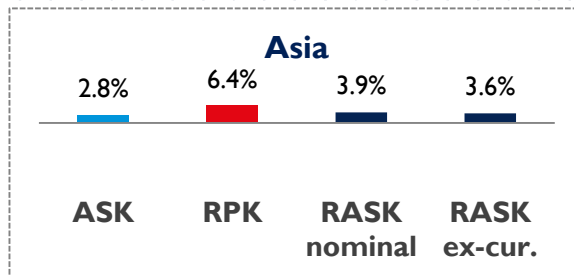
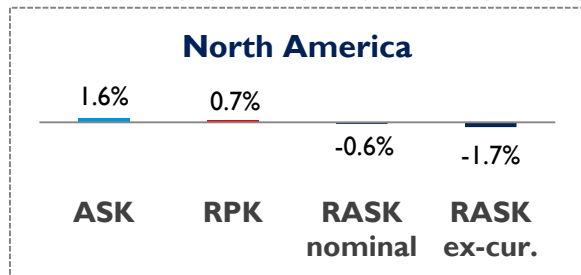
- Premium unit revenues: +4.9%
- Economy unit revenues -2.4%

- Both airlines confirming the trend

- Air France benefiting from capacity discipline (ASK +0.1%) resulting in stable unit revenues at -0.1%
- KLM continues to growth (ASK +4.7%) with unit revenues slightly down at -0.5%

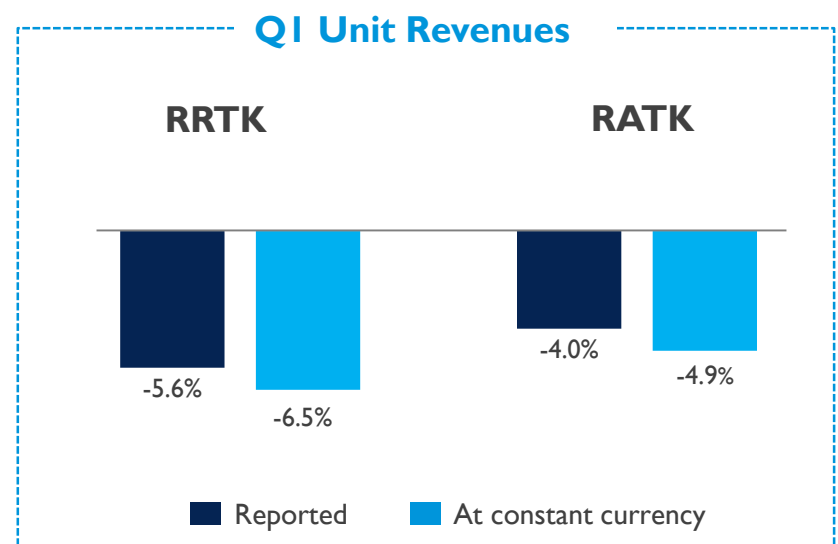
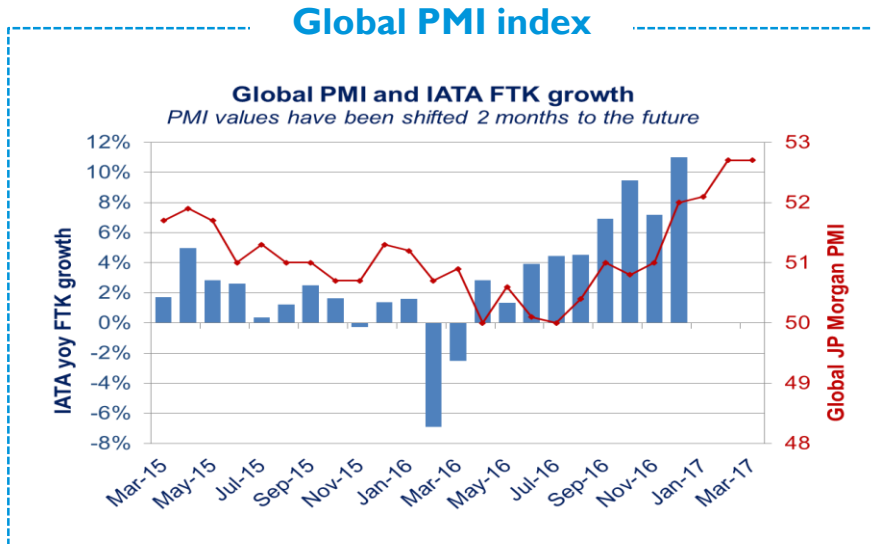
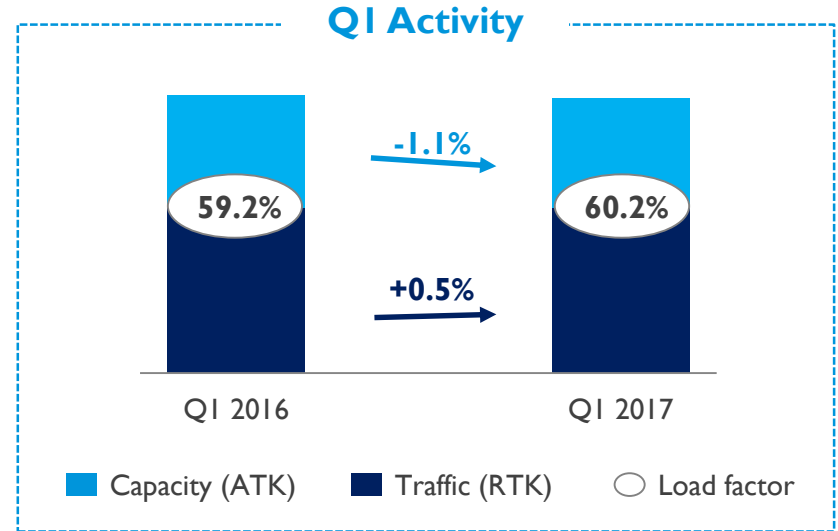
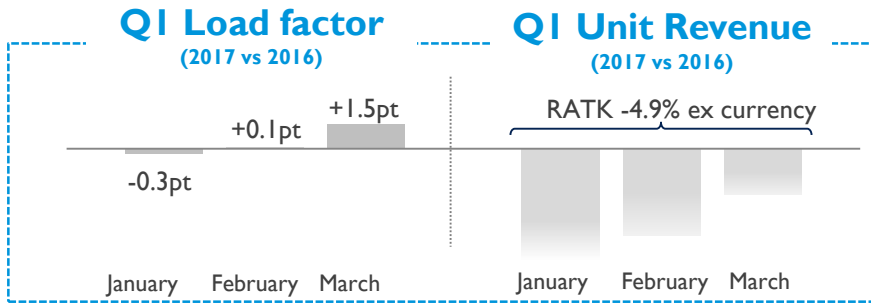


Passenger network recovery in Asia and Latin America



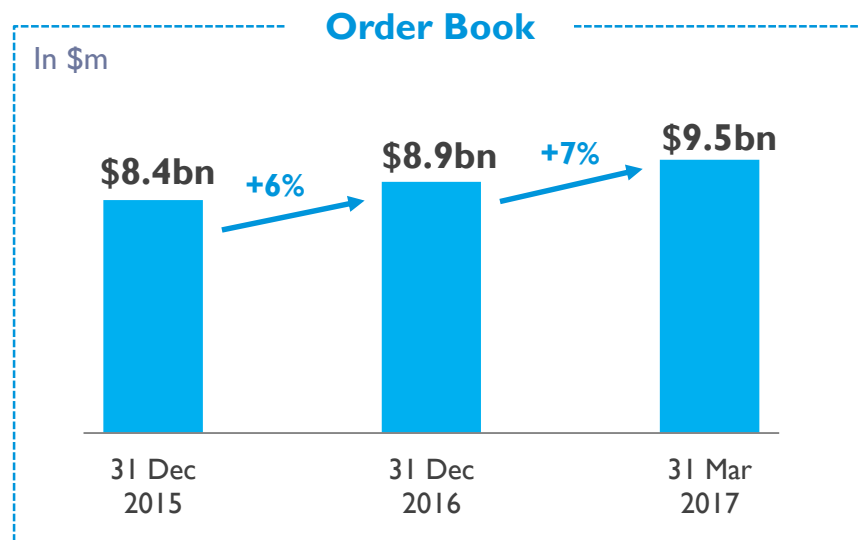
Cargo: a smooth turnaround?

- Capacity decrease driven by full freighters, down 14.8% (ATK)
- Improving performance during the quarter



Maintenance: strengthening the growth

- Third party revenue up 6.7%
- Strong increase in order book of \$0.6bn during the quarter to record high \$9.5bn
 - ▶ Driven by increase in both the Engine and the Component order books
 - ▶ Targeting ~10% growth in the order book in 2017

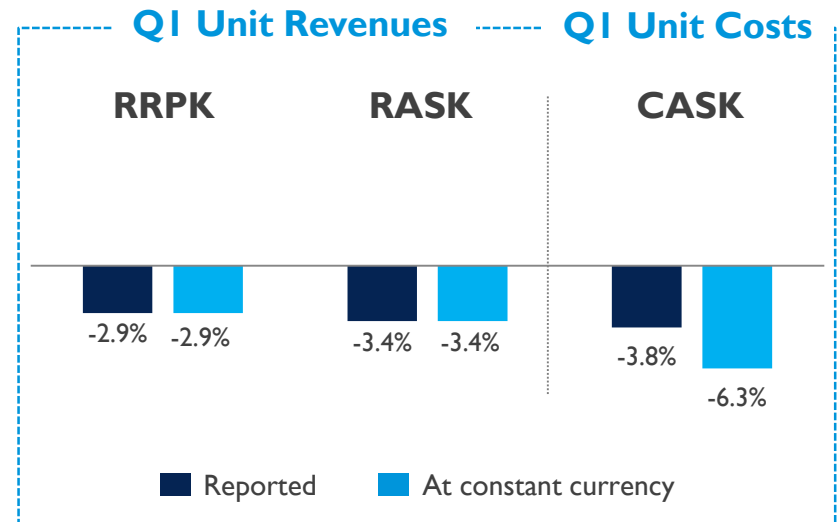
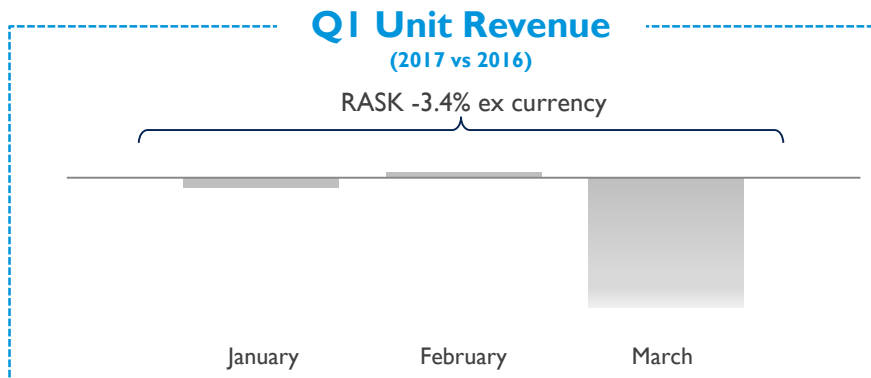
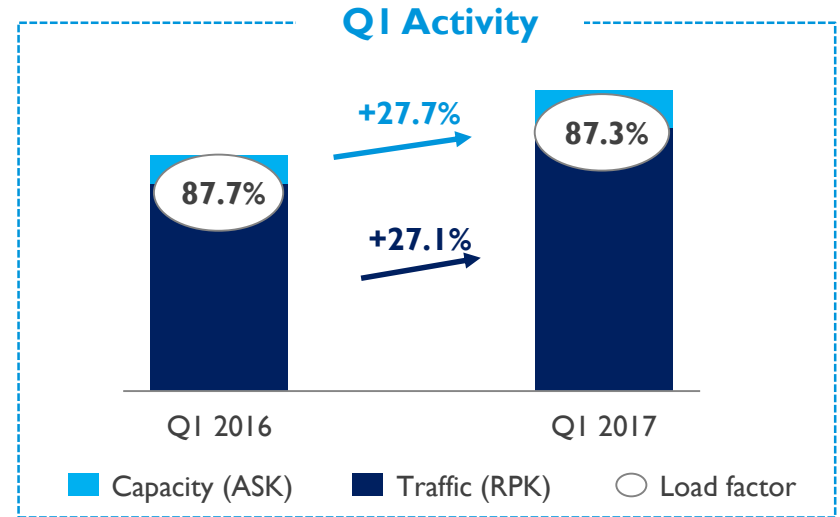


In €m	Q1 2017	Q1 2016	Change	Like-for-like
Total revenue	1,049	1,006	+4.3%	
Third party revenue	460	431	+6.7%	+4.3%
Operating result	36	38	-2	-5
Operating margin ⁽¹⁾	3.4%	3.8%	-0.4pt	-0.6pt

(1) Operating margin: operating result / total revenue

Transavia: ramp-up on track

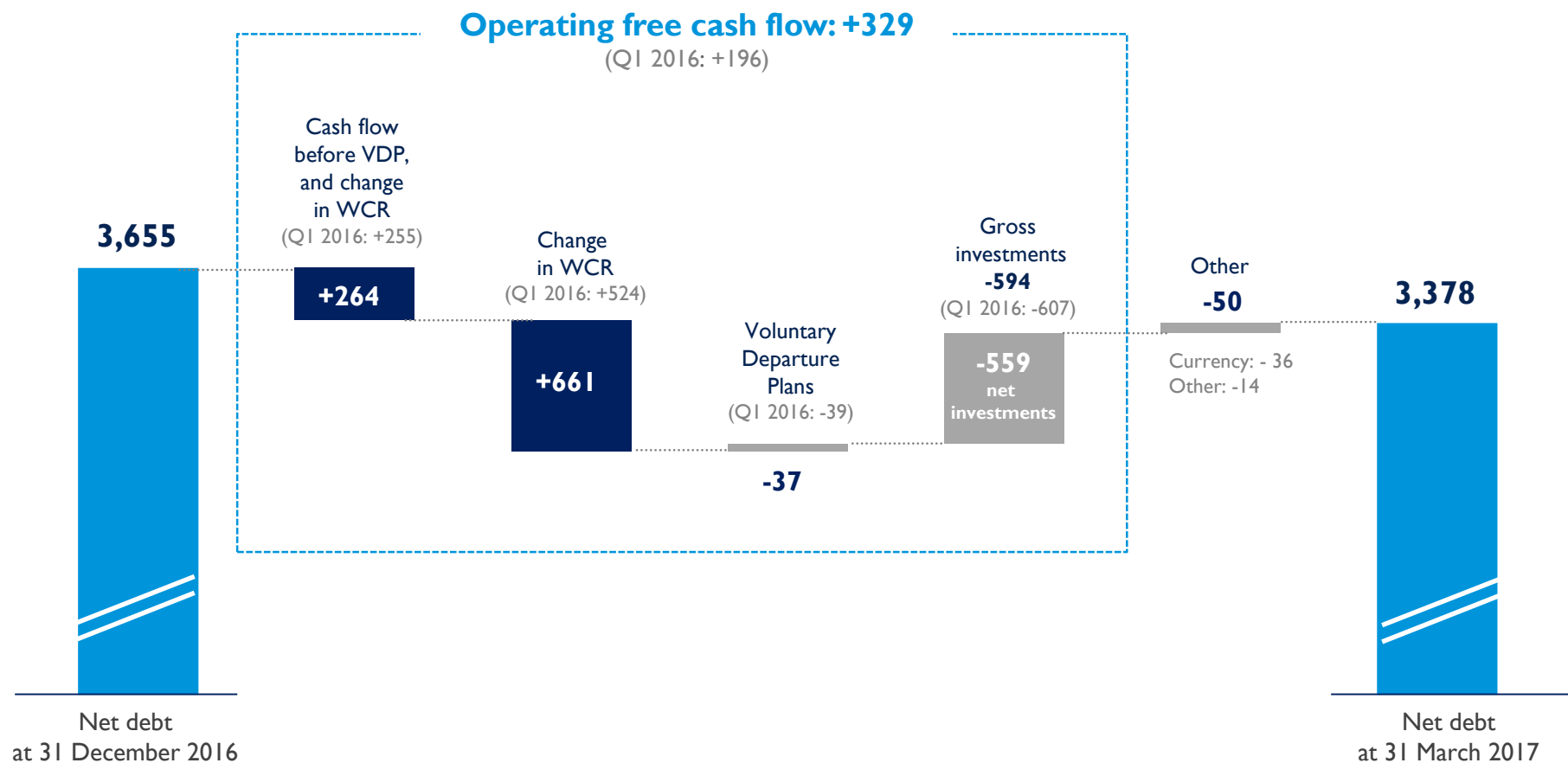
- Capacity Transavia France up 27% and Transavia Netherlands up 28%
 - Munich Base will be closed by end of October 2017
- Revenues up 24% at €200m
- 2.45 million passengers, up 29%, serving more than 100 destinations
- Unit revenues down -3.4%, impacted in March by timing of Easter
 - April unit revenue environment promising



Net debt reduction supported by improvement in working capital

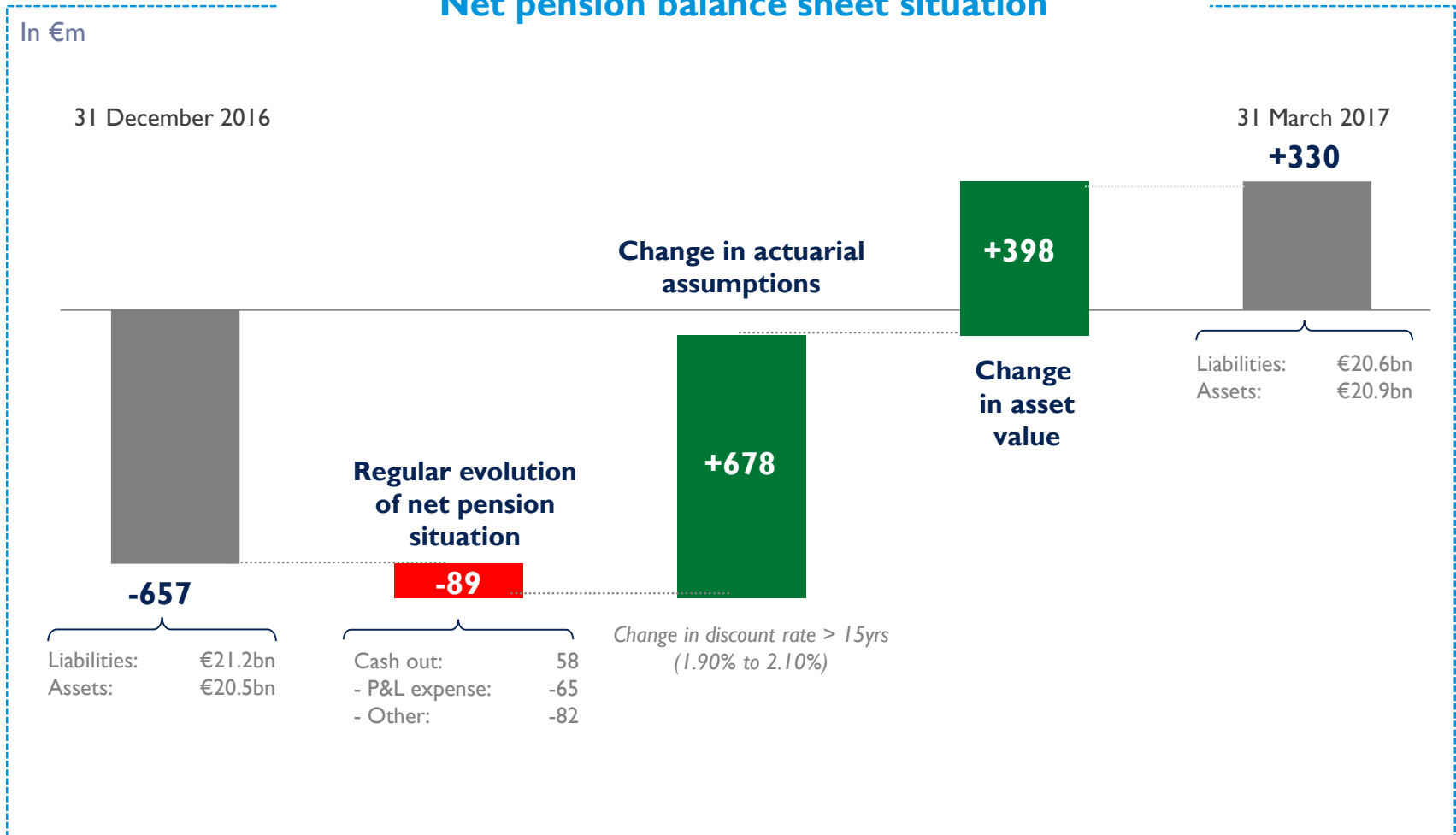
Analysis of change in net debt

In €m

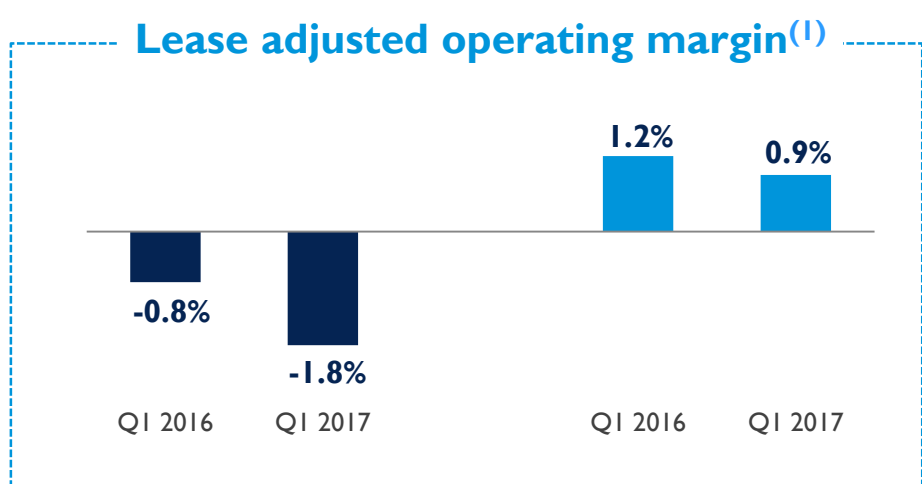
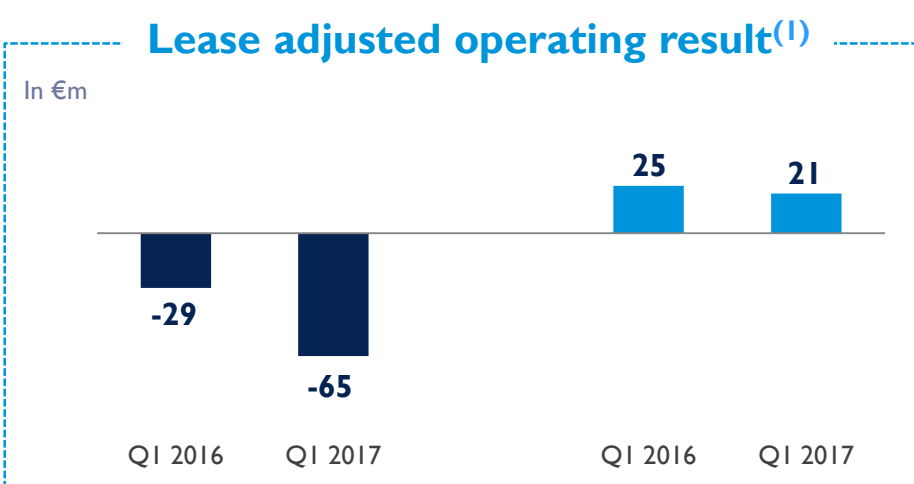
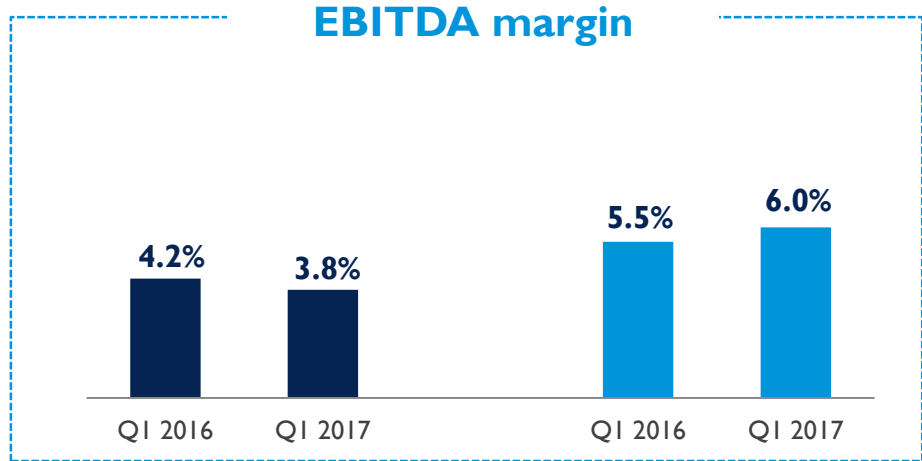
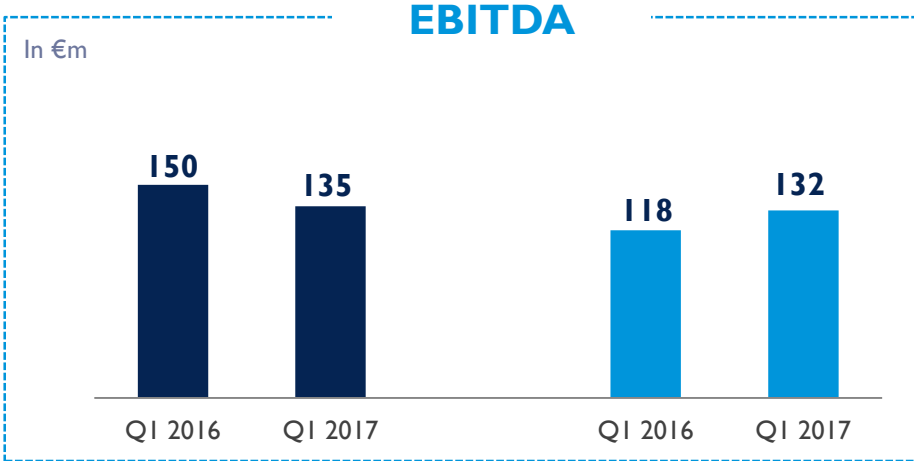


Pension update

Net pension balance sheet situation

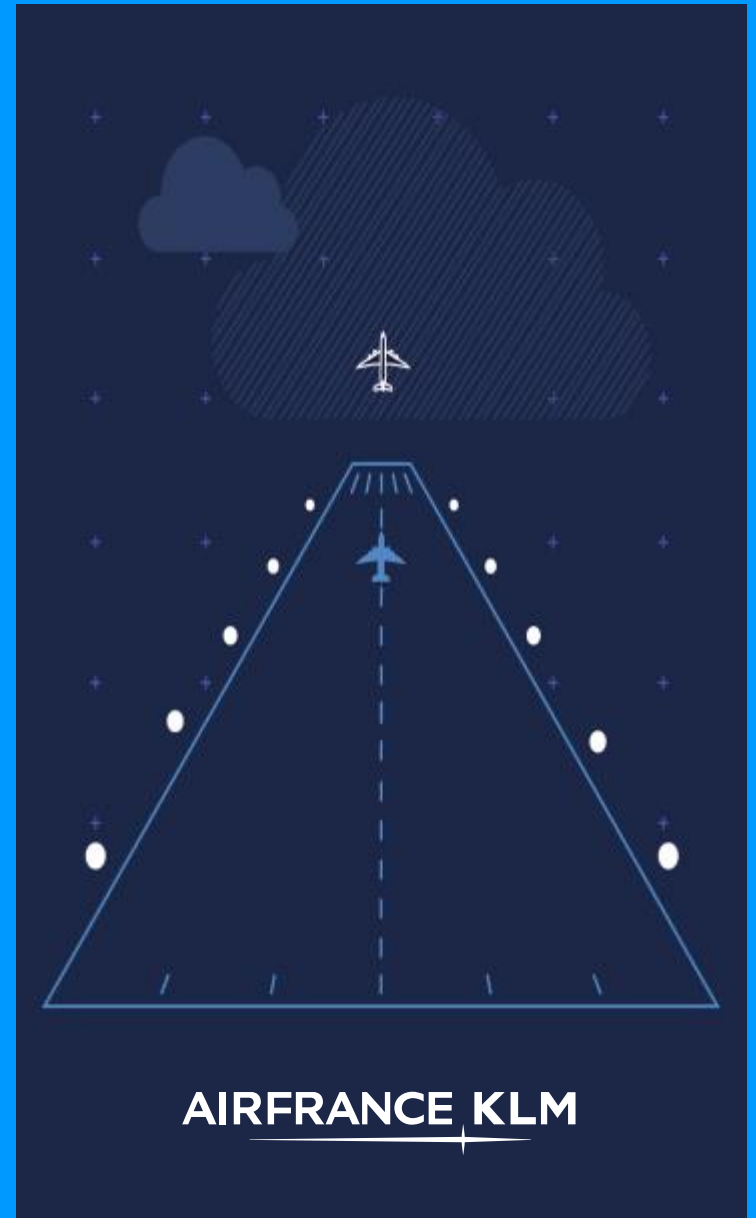


Contribution by airline



(1) Operating results adjusted for interest portion (1/3) operating leases

OUTLOOK

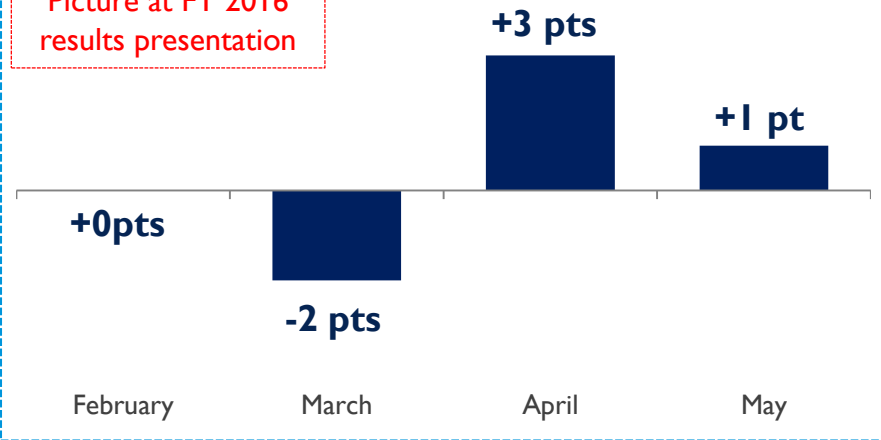


Passenger network: a continuation of the improvement in trend

Long haul forward bookings

(change vs 2016)

Picture at FY 2016 results presentation

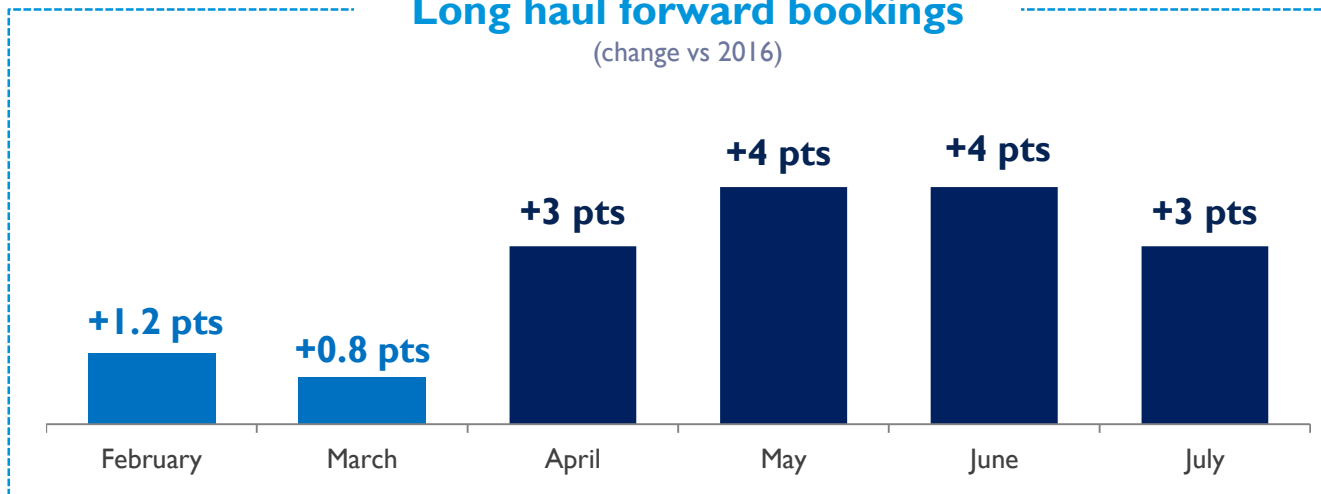


- Q2 2017 forward booking confirming the continuation in trend

- Long haul forward booked load factor ahead of last year for coming four months
- All regions contributing to the improvement in trend

Long haul forward bookings

(change vs 2016)



■ Forward booking ■ Actual Long haul load factor

Fuel bill in dollars slightly down in 2017 based on current forward prices

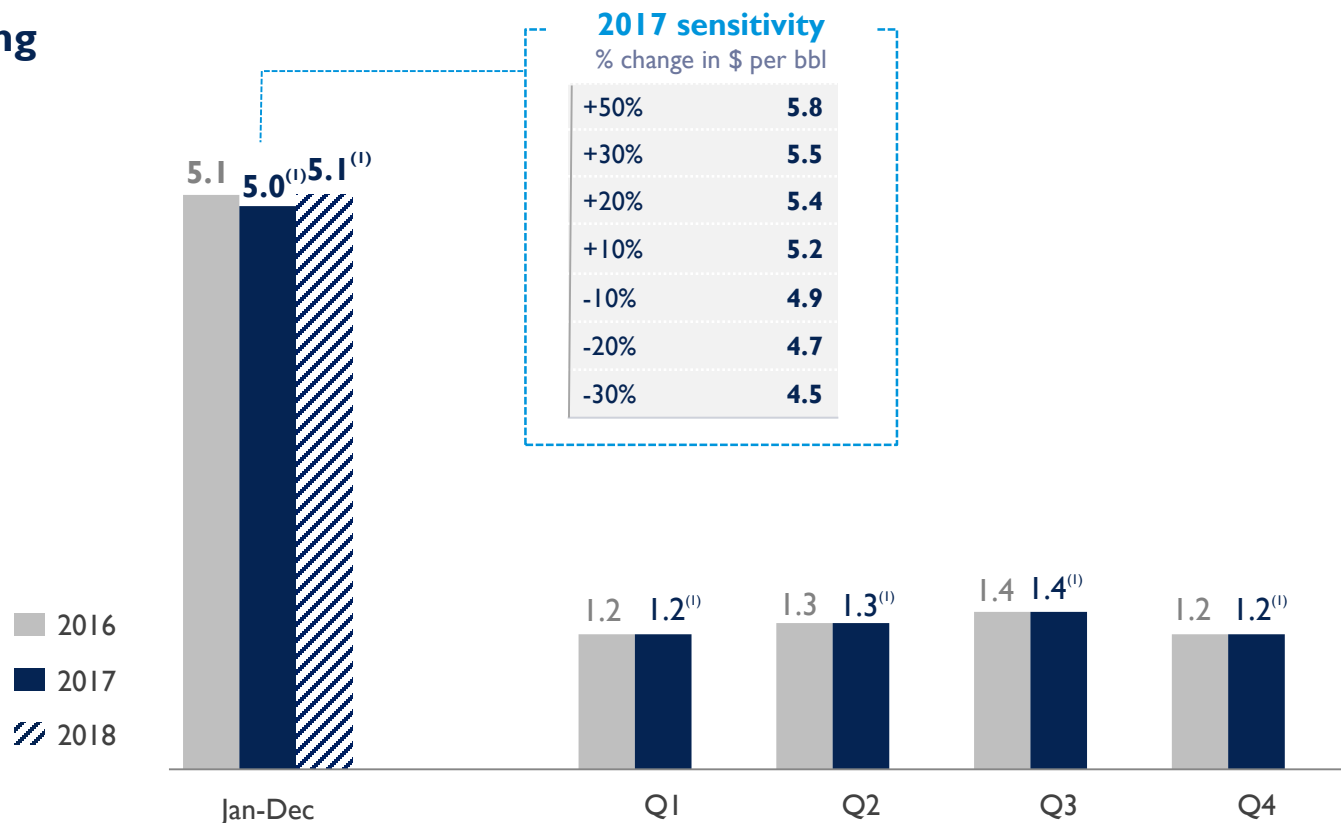
Fuel bill after hedging

In \$bn

2016:
fuel bill \$5.1bn/€4.6bn

2017:
fuel bill \$5.0bn/€4.7bn⁽²⁾

2018:
Fuel bill \$5.1bn/€4.7bn⁽²⁾



2017 MARKET PRICE	Brent (\$ per bbl) ⁽¹⁾		Q1		Q2		Q3		Q4	
		54	55	53	53	54				
	Jet fuel (\$ per metric ton) ⁽¹⁾		511		514		506		509	
			511		506		509		515	
	% of consumption already hedged		55%		56%		55%		53%	

(1) Based on forward curve at April 21st 2017. Sensitivity computation based on April-December 2017 fuel price, assuming constant crack spread between Brent and Jet Fuel

(2) Assuming average exchange rate of 1.08 US dollar per euro for April-December 2017 and full year 2018

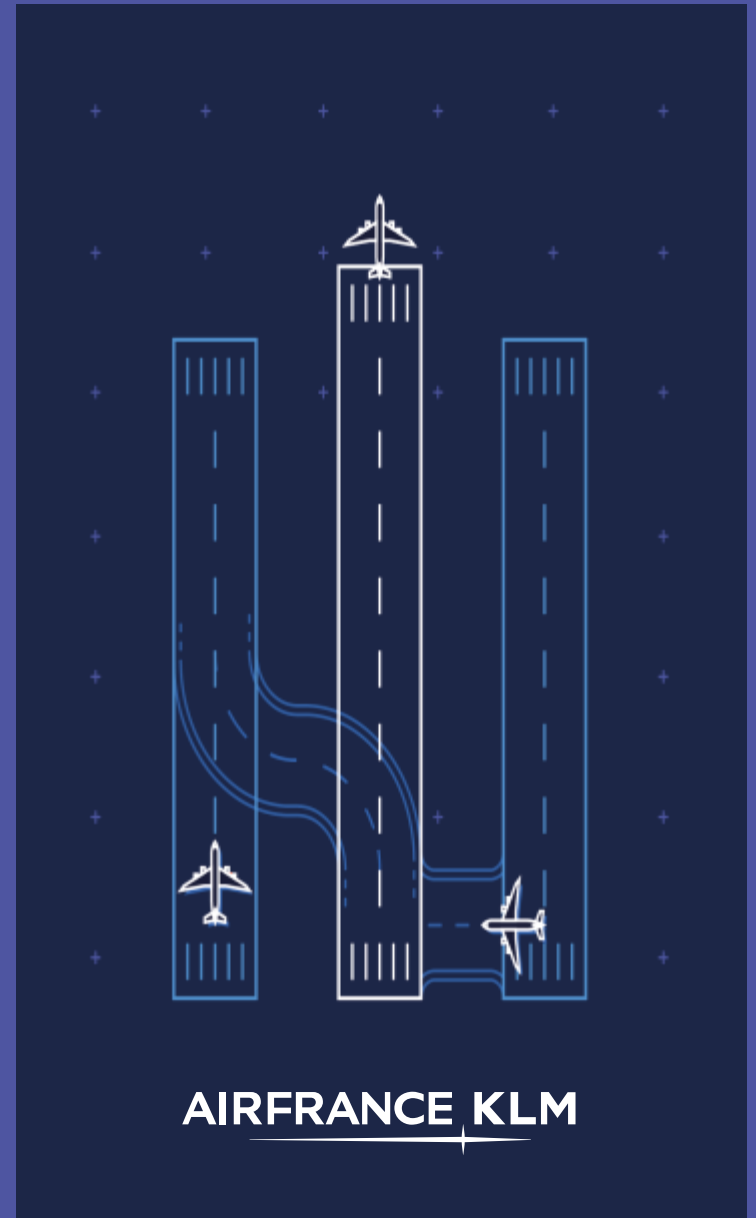
Confirming outlook for 2017

- High level of uncertainty regarding the geopolitical environment and the fuel price
- Resilient trading start 2017, confirmed for April
- Passenger capacity measures in ASKs at Group level up between 3.0% and 3.5% in 2017
- Unit cost⁽¹⁾ reduction on track, in excess of 1.5%
- Fuel bill in dollars in 2017 slightly down based on current forward prices
- Strict capex discipline
 - Positive free cash flow before disposals
 - Capex plan between €1.7- € 2.2bn in 2017
- Further net debt reduction
 - Adjusted net debt⁽²⁾ to EBITDAR below 2.5x mid cycle by end 2020

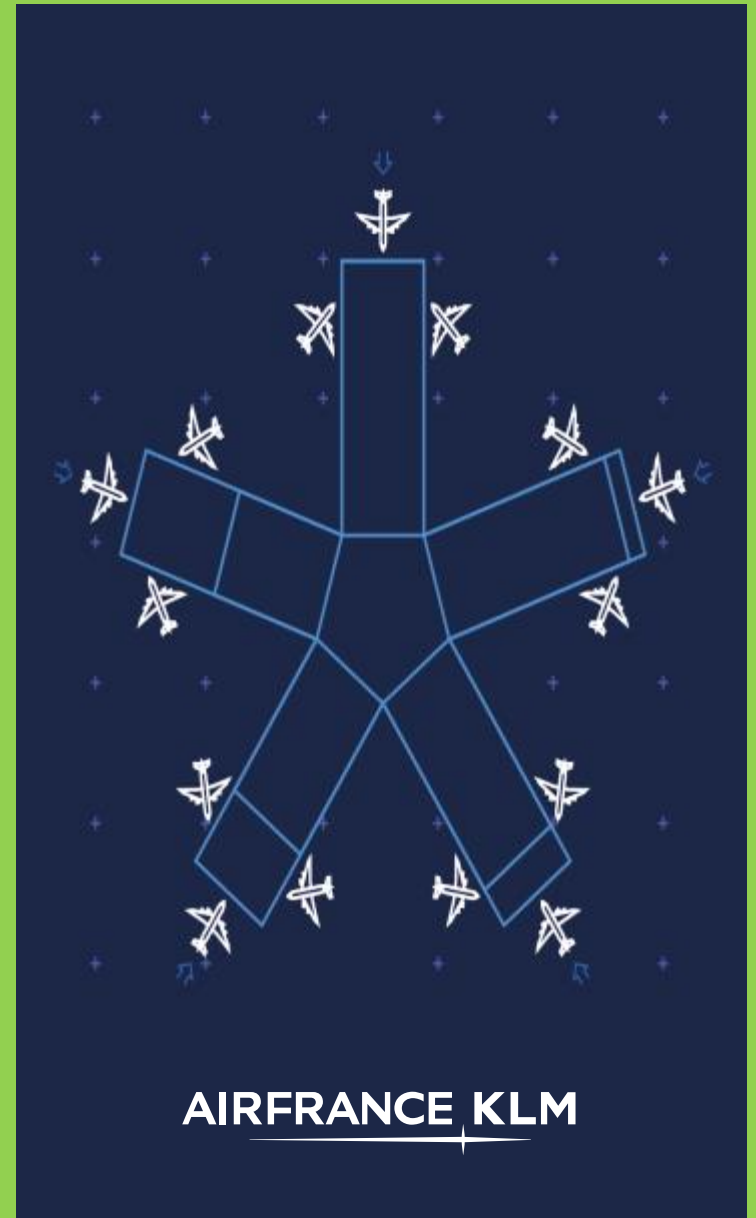
(1) On a constant currency, fuel price and pension costs

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

Q&A SESSION



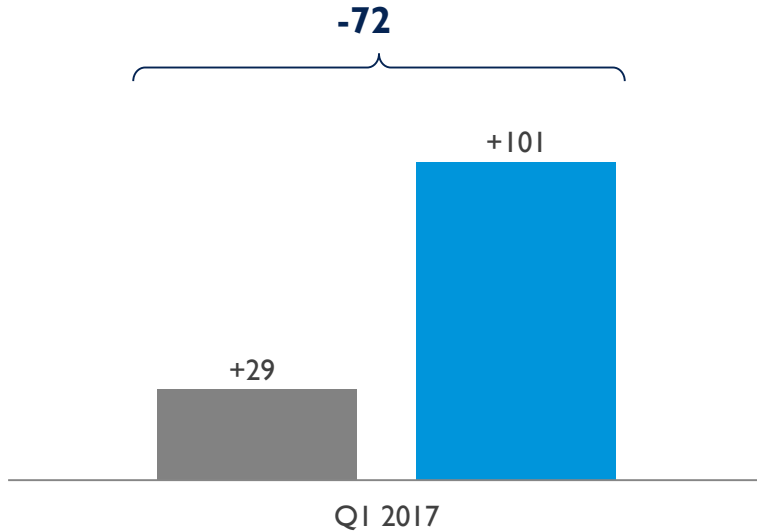
APPENDIX



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

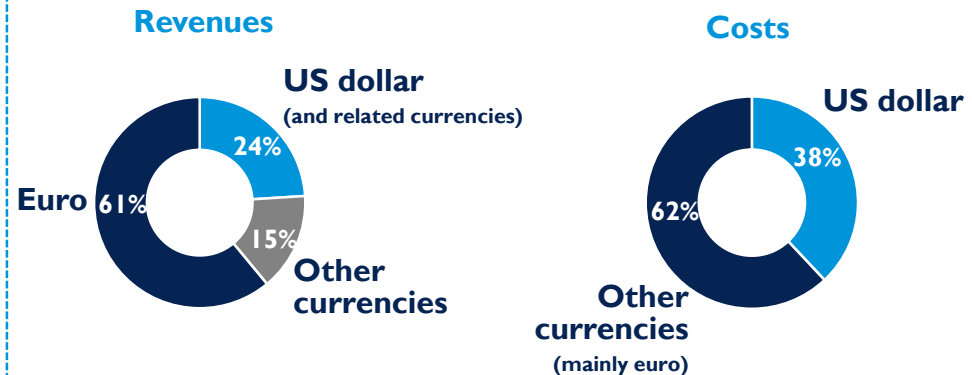
FY 2017

FY 2017 guidance

- FX headwind FY 2017 estimated between €150m - €175m based on spot €/ \$ 1.08
- Hedging policy on USD, GBP and JPY: ~50% net operational exposure 2017

Revenues and costs per currency

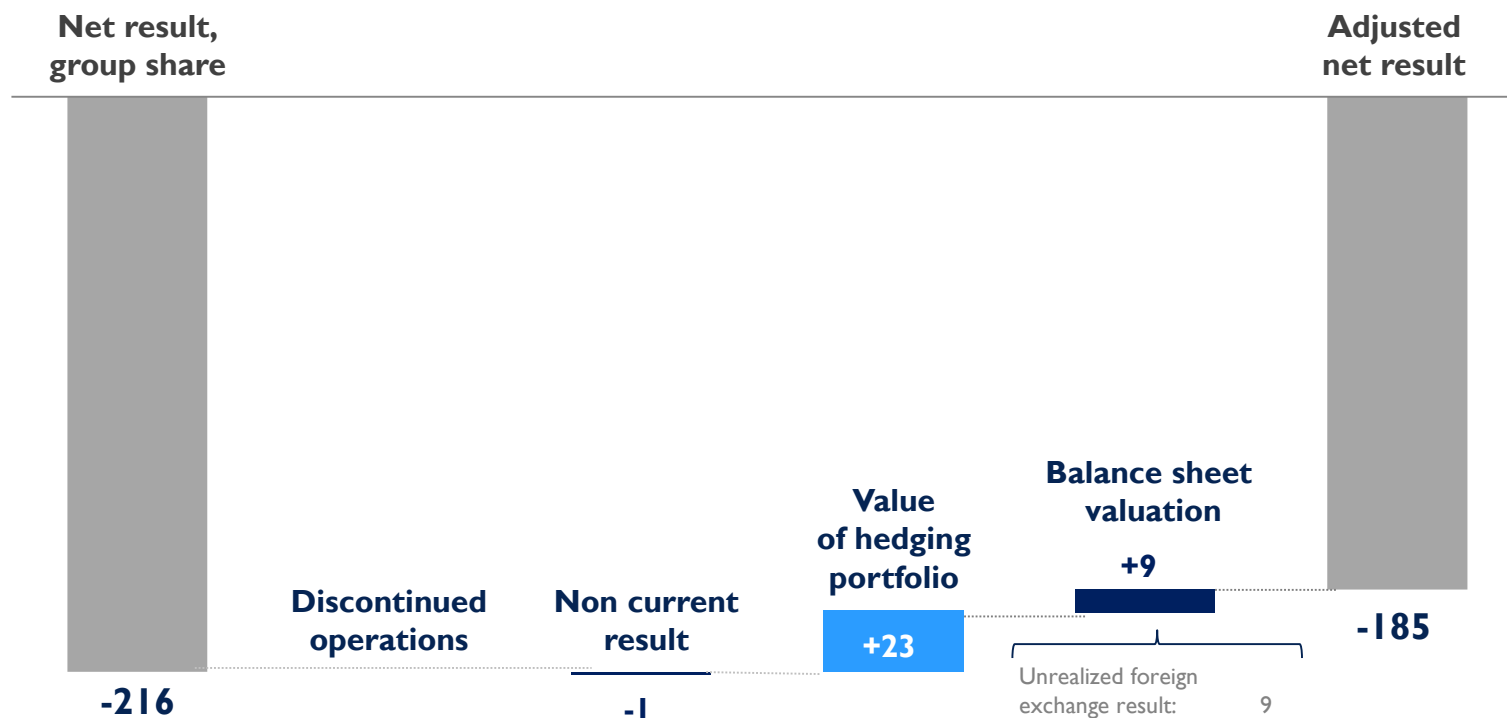
FY 2016



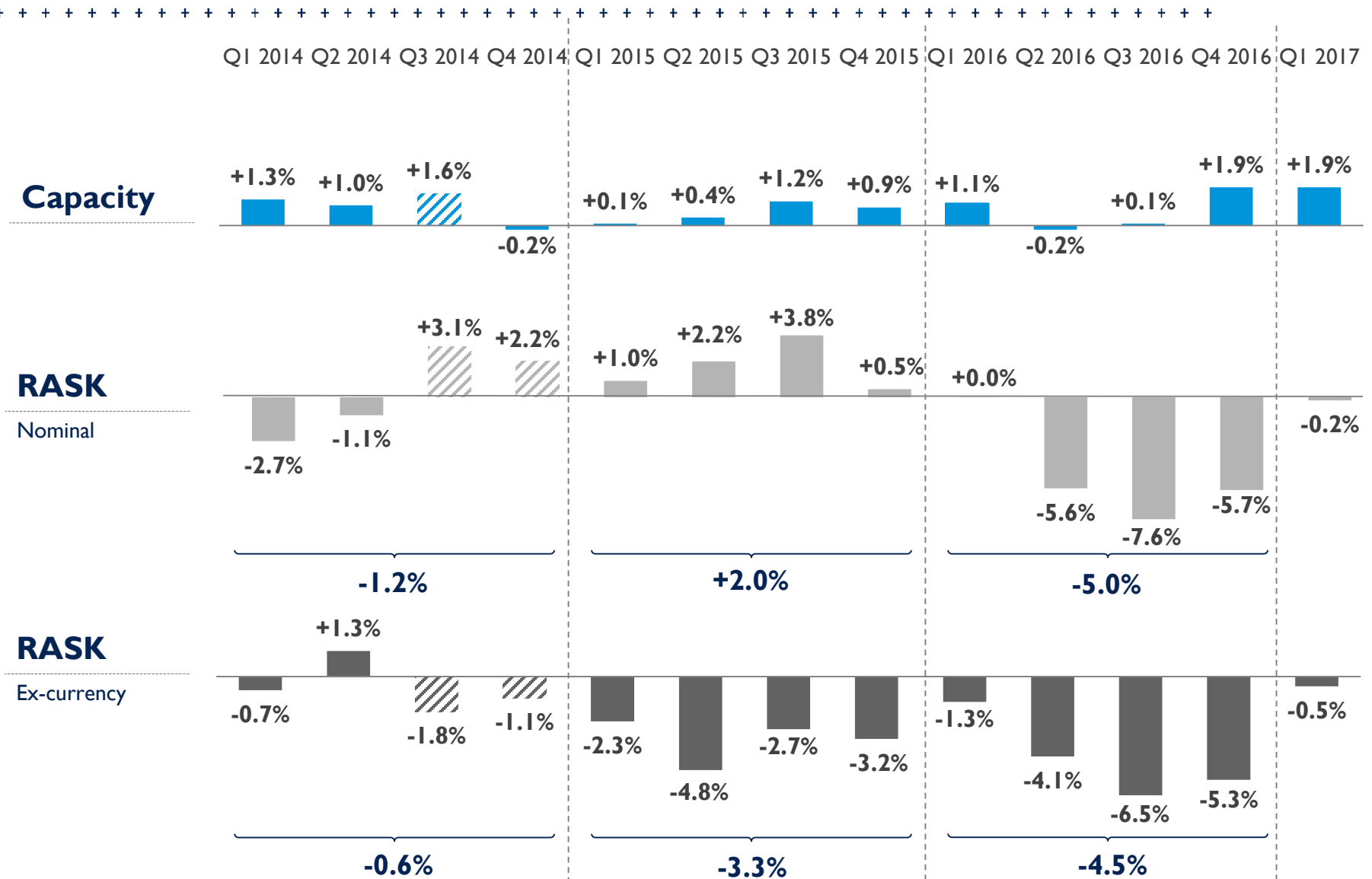
First Quarter 2017 adjusted net result

Calculation of Q1 2017 adjusted net result

In €m



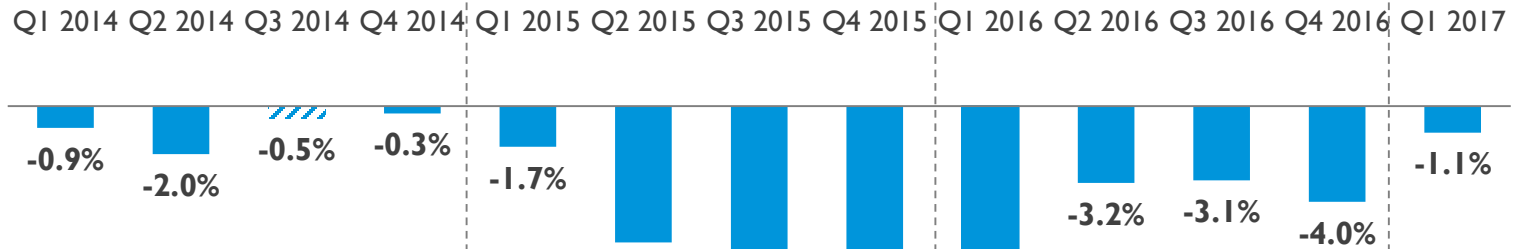
Passenger network capacity and unit revenue by quarter



Excluding September 2014 strike
 Passenger network: Air France, KLM and HOP!

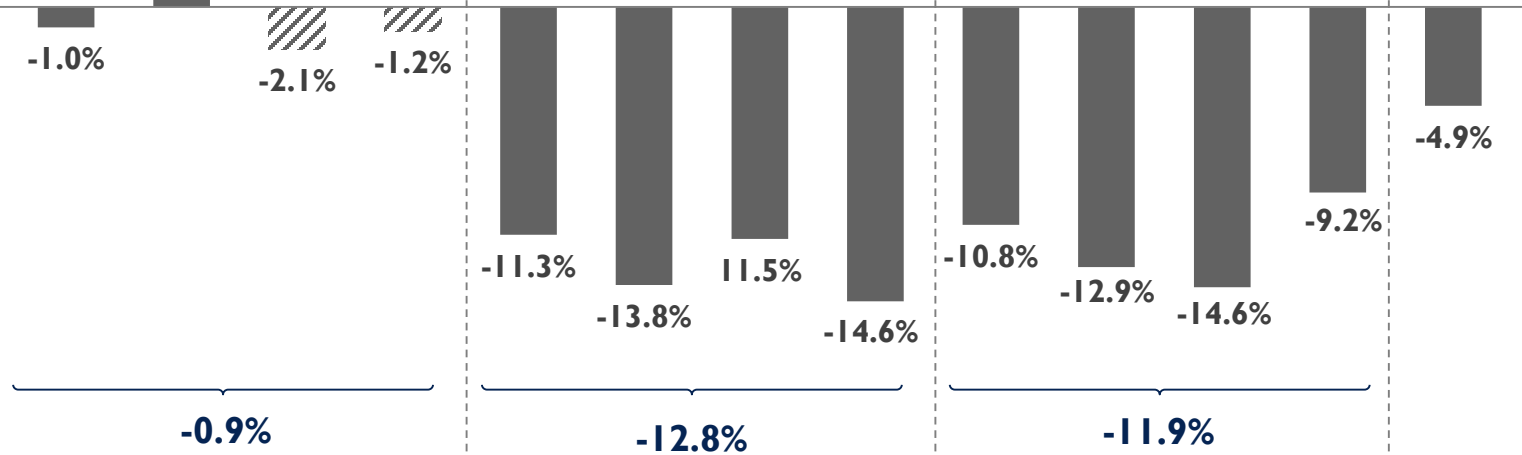
Cargo capacity and unit revenue by quarter

Capacity





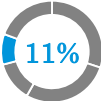
RATK

Ex-currency



Excluding September 2014 strike

Q1 2017: change in operating costs

	In €m	Reported change	Change at constant currency
 Total employee costs	1,812	-1.7%	-1.7%
 Supplier costs⁽¹⁾ excluding fuel and purchasing of maintenance services and parts	1,658	+3.1%	+2.5%
 Aircraft costs⁽²⁾	796	+8.7%	+7.7%
 Purchasing of maintenance services and parts	631	-1.7%	-3.9%
 Other income and expenses including capitalized production	-165	-24.3%	-9.5%
Operating costs ex-fuel	4,732	+2.7%	+1.2%
 Fuel	1,120	+2.2%	-1.0%
Grand total of operating costs	5,852	+2.6%	+0.8%
<i>Capacity (EASK)</i>			+2.8%

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

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

Pension details at 31 March 2017

Net pension balance sheet situation

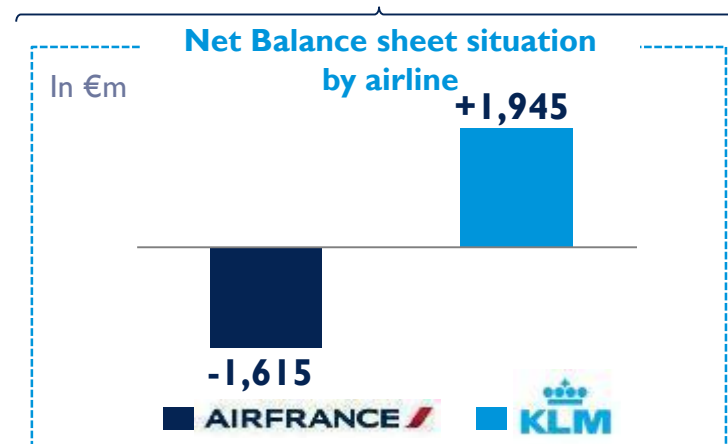
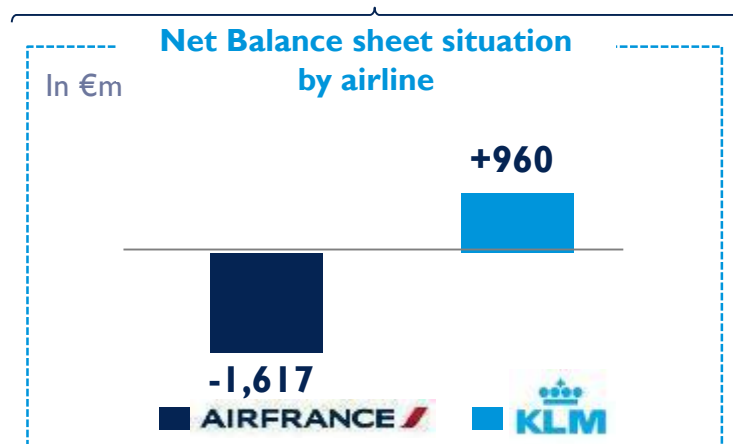
In €m

31 December 2016

31 March 2017

-657

+330



- Air France

- Air France end of service benefit plan (ICS): Pursuant to French regulations and the company agreement, every employee receives an end of service indemnity payment on retirement (no mandatory funding requirement). ICS represents the main part of the Air France position
- Air France pension plan (CRAF): related to ground staff affiliated to the CRAF until December 31st, 1992

- KLM

- Defined benefit schemes for Pilots, Cabin crew and Ground staff