AIRFRANCE KLM

29 October 2015

Financial Year 2015: Third Quarter results

THIRD QUARTER

- Revenues of 7.4 billion euros, up 4.2% excluding strike impact, down 2.4% like-for-like[1]
- EBITDAR[2] of 1,605 million euros, up 314 million euros like-for-like
- Operating result of 898 million euros, up 321 million euros excluding strike impact, up 304 million euros like-for-like
- Unit cost[2] down 0.9% like-for-like

FIRST NINE MONTHS OF 2015

- Revenues of 19.7 billion euros, up 3.1% excluding strike impact, down 3.1% like-for-like
- EBITDAR of 2,658 million euros, an improvement of 388 million euros like-for-like
- Strong operating free cash flow[2] generation: 533 million euros
- Further net debt reduction: net debt[2] of 4.33 billion euros, down 1,077 million euros compared to 31 December 2014
- Adjusted net debt / EBITDAR ratio[3] of 3.4x, an improvement of 0.6 compared to 31 December 2014

FULL YEAR 2015 OUTLOOK

- Unit cost target: reduction in the 0.5% to 0.7% range[4] (previously: in the 1.0% to 1.3% range)
- End 2015 net debt target unchanged: around 4.4 billion euros, down 1 billion euros compared to end of 2014

The Board of Directors of Air France-KLM, chaired by Alexandre de Juniac, met on 28 October 2015 to examine the accounts for the Third Quarter of the Financial Year 2015.

Alexandre de Juniac stated:
"A favorable environment, principally characterized by lower fuel prices and strong demand over the summer, resulted in an improvement of Air France-KLM's results during the third quarter and first nine months of 2015. Such circumstances came in addition to the positive effects of the Transform 2015 plan implemented since 2012.
This improvement is however not sufficient to bridge the competitiveness gap with our competitors or to generate the financial resources required to finance the Group's growth. The implementation of the Perform 2020 plan is therefore vital since unit cost reduction is Air France-KLM's main lever enabling the Group to return to a profitable growth path in a highly competitive environment.
The management invites union representatives to resume negotiations as soon as possible as they are crucial for the success of this plan."

[1] Like-for-like: excluding currency and September 2014 pilot strike. Same definition applies in rest of press release
[2] See definition in appendix
[3] Trailing 12 months, EBITDAR adjusted for September 2014 pilot strike impact; see definition in appendix
[4] On a constant currency, fuel price and pension-related expense basis. See computation in appendix

Free translation into English for convenience only - French version prevails

Website: **www.airfranceklm.com**

Key data

	Third Quarter			9 months to 30 September		
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
Passengers (thousands)	25,897	24,123	+7.4%	68,498	66,311	+3.3%
Capacity (EASK m)	93,174	88,066	+5.8%	256,354	251,037	+2.1%
Revenues (€m)	7,415	6,695	+10.8%	19,713	18,700	+5.4%
Change like-for-like (%)			*-2.4%*			*-3.1%*
EBITDAR (€m)	1,605	898	+707	2,658	1,919	+739
EBITDA (€m)	1,348	682	+666	1,896	1,273	+623
EBITDA margin (%)	18.2	10.2	+8.0 pt	9.6	6.8	+2.8 pt
EBITDA change like-for-like (€m)			*+311*			*+388*
Operating result (€m)	898	247	+651	666	40	+626
Operating margin (%)	12.1%	3.7%	+8.4 pt	3.4%	0.2%	+3.2 pt
Operating result change like-for-like (€m)			*+304*			*+415*
Net result, group share (€m)	480	86	+394	-158	-533	+375
Restated net result, group share[2] (€m)	624	106	+518	197	-233	+430
Earnings per share (€)	1.62	0.29	+1.33	(0.53)	(1.80)	+1.27
Diluted earnings per share (€)	1.32	0.24	+1.08	(0.53)	(1.80)	+1.27
Adjusted earnings per share (€)	2.11	0.36	+1.75	0.62	(0.78)	+1.40
Diluted adjusted earnings per share (€)	1.71	0.29	+1.42	0.57	(0.78)	+1.35
Operating free cash flow (€m)	259	-158	+417	533	-63	+596
Net debt at end of period (€m)				4,330	5,407*	-1,077

** At 31 December 2014*

The consolidated financial statements of the Group have been revised as of 1st January 2015 in order to improve their clarity. The changes are:

- In view of its rapid development, Transavia is now presented as a separate business segment. The passenger business segment is thus renamed from “passenger” to “passenger network”.
- Capitalized production costs are no longer deducted from individual cost lines in the profit and loss statement, but are instead fully allocated to the “other income and expenses” line. The impact per quarter of this restatement is provided in the appendix.
- Foreign currency effects on provisions are no longer recorded in “amortization, depreciation and provisions” but in “other financial income and expenses”. The closing exchange rate is used to convert provisions at the closing date. Previously, the Group used the average rate of the US dollar to convert maintenance provisions. The consolidated financial statements as of December 31, 2014 have been restated for reason of comparison. The impact of this restatement is provided in the appendix.

The Third Quarter comparison basis is strongly affected by the Air France pilot strike that disrupted operations in September 2014. As indicated last year, the impact of the strike was estimated at 416 million euros on total Third Quarter revenues, partly offset by 86 million euros of net savings on costs. The net impact on third quarter operating result was thus estimated at 330 million euros.

As a reminder, this strike also had an impact on Fourth Quarter 2014 revenues, for an estimated 95 million euros impact on revenues and operating result.

Third Quarter 2015 total revenues stood at 7.4 billion euros versus 6.7 billion euros in Third Quarter 2014, up 10.8%. Corrected for the strike impact, the revenues increased by 4.2% mainly as a result of a strong currency tailwind. Total revenues were down -2.4% like-for-like.

In the Third Quarter 2015, the negative currency impact on costs reached 471 million euros. It was lower than in the Second Quarter since the US dollar strengthened less against the euro. Due to the relatively higher weight of US dollar revenues in the Third Quarter and to the appreciation of other currencies, the currency impact on revenues was stronger than on costs, reaching 488 million euros. In consequence, for the first time since the First Quarter of 2013, the net impact of currencies on the operating result was positive. It amounted to 17 million euros.

Total operating costs were 1.1% higher year-on-year and down 7.0% on a like-for-like basis. Ex-fuel, they increased by 2.7% and by 0.5% on a like-for-like basis. Unit cost per EASK was down 0.9%, on a constant currency, fuel price and pension-related expense basis, against stable capacity measured in EASK (+0.4%).

The fuel bill amounted to 1,679 million euros, down 3.3% on a reported basis and down 23.3% like-for-like. Based on the forward curve at 16 October 2015, the Full Year 2015 fuel bill is expected to reach 6.2 billion euros[5]. Based on the same forward curve, the Full Year 2016 fuel bill could amount to 5.1 billion euros[5].

Total employee costs including temporary staff were up 1.9% to 1,939 million euros. They included a non-cash increase of 28 million euros in pension-related expenses at KLM due to changes in actuarial assumptions (lower discount rate). On a constant scope and pension-related expense basis, employee costs decreased by 0.6%.

EBITDAR amounted to 1,605 million euros, a reported increase of 707 million euros. Like-for-like, EBITDAR increased by 314 million euros, driven by a good summer peak trading.

In the **First Nine Months of 2015**, total revenues stood at 19.7 billion euros versus 18.7 billion euros in 2014, up 5.4%, but down 3.1% on a like-for-like basis. The fuel bill amounted to 4,820 million euros, down 2.2% on a reported basis, and down 20.0% like-for-like.

Over the first nine months, around 75% of the savings achieved on the fuel bill (positive 1,184 million euros excluding currency) was offset by pressure on unit revenues (negative 770 million euros excluding currency) and currency impacts (negative 118 million euros).

	Third Quarter			**9 months to 30 September**		
EBITDA per business (€m)	**2015**	**2014** ex strike	**Change like-for-like**	**2015**	**2014** ex strike	**Change like-for-like**
Passenger network	1,151	848	+265	1,662	1,354	+382
Cargo	-76	-73	+12	-204	-120	-51
Maintenance	142	133	+21	339	292	+6
Transavia	98	76	+8	39	28	+36
Other	33	30	+5	61	50	+16
Total	**1,348**	**1,014**	**+311**	**1,896**	**1,604**	**+388**

In the **First Nine Months of 2015**, EBITDA amounted to 1,896 million euros, an improvement of 388 million euros like-for-like, mainly as a result of the strong performance of the Passenger network business, which improved by 382 million euros like-for-like.

	Third Quarter			**9 months to 30 September**		
EBITDA per airline (€m)	**2015**	**2014** ex strike	**Change like-for-like**	**2015**	**2014** ex strike	**Change like-for-like**
Air France	779	611	+150	1,143	960	+257
EBITDA margin	*16.8%*	*13.7%*	*+3.1 pts*	*9.2%*	*8.0%*	*+1.2 pt*
KLM	564	398	+148	742	634	+117
EBITDA margin	*19.7%*	*14.5%*	*+5.2 pts*	*9.9%*	*8.7%*	*+1.2 pt*
Other/ eliminations	5	32	-27	11	10	+1
Total	**1,348**	**1,014**	**+311**	**1,896**	**1,604**	**+388**

In the **First Nine Months of 2015,** EBITDA improved 257 million euros like-for-like at Air France and 117 million euros like-for-like at KLM. EBITDA margins were up by 1.2 points at both airlines, reaching 9.2% at Air France and 9.9% at KLM.

The operating result stood at 666 million euros versus 40 million euros in 2014, a 626 million euro increase. Like-for-like, the operating result increased by 415 million euros, mainly as a result of the

[5] 2015 average Brent price of USD 55, average jet fuel market price of USD538 per ton, assuming average exchange rate of 1.12USD per euro October-December 2015. 2016 average Brent price of USD 55, average jet fuel market price of USD527 per ton, assuming average exchange rate of 1.12 USD per euro.

strong performance of the Passenger network business, which improved 396 million euros (see below).

The net result, group share stood at -158 million euros against -533 million euros a year ago. It included notably the non-current result related to the capital gain on the sale of Amadeus shares (+218 million euros), offset by the change in value of the hedging portfolio (-225 million euros), the unrealized foreign exchange loss (-320 million euros) and restructuring costs of 134 million euros. On an adjusted basis, the net result, group share stood at 197 million euros against -233 million euros in the first nine months of 2014, an 430 million euro increase.

At 30 September 2015, the trailing 12 months strike-adjusted return on capital employed[2] (ROCE) reached 7.3%, up 2.0 points compared to 30 September 2014.

Passenger network[6] business

Passenger network	**Q3 2015**	**Q3 2014**	***Change***	***Change like-for-like***
Passengers (thousands)	22,007	20,487	+7.4%	
Capacity (ASK m)	75,209	70,060	+7.3%	+1.2%
Traffic (RPK m)	66,626	61,498	+8.3%	+2.2%
Load factor	88.6%	87.8%	+0.8 pt	+0.8 pt
Total passenger revenues (€m)	5,895	5,232	+12.7%	-1.5%
Scheduled passenger revenues (€m)*	5,672	5,018	+13.0%	-1.6%
Unit revenue per ASK (€ cts)	7.54	7.16	+5.3%	-2.7%
Unit revenue per RPK (€ cts)	8.51	8.16	+4.3%	-3.7%
Unit cost per ASK (€ cts)	6.48	6.86	-5.5%	-7.9%
Operating result (€m)	798	211	+587	+266

** Q3 2014 restated for change in revenue allocation (8 million euros transferred from "other passenger" to "scheduled passenger revenues")*

Third Quarter 2015 total passenger network revenues amounted to 5,895 million euros, up 4.9% excluding strike and down 1.5% like-for-like. The operating result of the passenger network business stood at 798 million euros, versus 211 million euros over the Third Quarter 2014. Like-for-like, the operating result was improved by 266 million euros.

The Group maintained its strict capacity discipline, growing total passenger network capacity at a minimum (+1.2% like-for-like). Unit revenue per Available Seat Kilometer (RASK) remained volatile, down by 2.7% on a like-for-like basis, but improved compared to the previous quarter on the back of a good summer peak trading.

On the long-haul network, unit revenue was down -4.0%, affected by the expected capacity-demand balances reflected in the unit revenue pressure observed on the different parts of the network, worsened by the large drop in demand out of Brazil and Japan. In addition, several routes were affected by travel budget reductions implemented by oil and gas related customers, notably to Africa.

As planned, short and medium-haul point-to-point capacity (excluding the Paris and Amsterdam hubs) was further reduced by 12.7%, leading to a significant improvement in unit revenue of +8.2% like-for-like. The hub-related short and medium-haul activity benefited as well from the good summer peak trading, with stable unit revenues like-for-like (+0.1%).

[6] Air France, KLM and HOP!. Transavia is reported in its own business segment.

Passenger network	**9 months 2015**	**9 months 2014**	***Change***	***Change like-for-like***
Passengers (thousands)	59,860	58,355	+2.6%	
Capacity (ASK m)	209,263	203,770	+2.7%	+0.6%
Traffic (RPK m)	178,996	173,584	+3.1%	+1.0%
Load factor	85.5%	85.2%	+0.3 pt	+ 0.3 pt
Total passenger revenues (€m)	15,558	14,709	+5.8%	-2.6%
Scheduled passenger revenues (€m)*	14,920	14,092	+5.9%	-2.7%
Unit revenue per ASK (€ cts)	7.13	6.92	+3.1%	-3.3%
Unit revenue per RPK (€ cts)	8.34	8.12	+2.7%	-3.6%
Unit cost per ASK (€ cts)	6.77	6.87	-1.0%	-5.9%
Operating result (€m)	686	88	+598	+396

** 9m 2014 restated for change in revenue allocation (29 million euros transferred from "other passenger" to "scheduled passenger revenues")*

In the **First Nine Months of 2015**, passenger network revenues amounted to 15,558 million euros, up 3.0% excluding strike and down 2.6% on a like-for-like basis. The operating result of the passenger network business stood at 686 million euros, versus 88 million euros in the First Nine Months 2014, up 598 million euros on a reported basis, and up 396 million euros like-for-like.

Considering the pressure observed on the different parts of the network, the Group is adjusting its passenger network schedule for the Winter 2015-16 season, especially on the weakest routes to Brazil, Japan and East Africa. In the Winter 2015-16 schedule, the Group plans to slightly increase its capacity on the long-haul network (+1.7%), whereas the medium-haul network will continue to decrease (-1.8%).

Cargo business

Cargo	**Q3 2015**	**Q3 2014**	***Change***	***Change like-for-like***
Tons (thousands)	301	312	-3.6%	
Capacity (ATK m)	3,859	3,954	-2.4%	-7.4%
Traffic (RTK m)	2,257	2,364	-4.5%	-10.1%
Load factor	58.5%	59.8%	-1.3 pt	-1.3 pt
Total Cargo revenues (€m)	584	623	-6.3%	-17.8%
Scheduled cargo revenues (€m)	546	579	-5.7%	-17.7%
Unit revenue per ATK (€ cts)	14.15	14.64	-3.7%	-11.5%
Unit revenue per RTK (€ cts)	24.19	24.49	-1.6%	-8.8%
Unit cost per ATK (€ cts)	16.25	17.22	-5.8%	-11.6%
Operating result (€m)	-81	-102	+21	+21

The Group continued to restructure its full-freighter activity to address the weak global trade and structural air cargo industry overcapacity. During **Third Quarter 2015**, full-freighter capacity was thus reduced by 30%, while belly capacity was stable (+0.2%), leading to a strike-adjusted decrease in total Cargo capacity of 7.4%. Revenue per Available Ton Kilometer (RATK) was nevertheless down by 11.5% like-for-like, reflecting the persistently weak demand.

Cargo unit cost was down by 11.6% like-for-like, as a result of the lower fuel price and of the good unit cost performance excluding fuel price and currency, down in spite of the capacity reduction. Losses in the full-freighter activity were significantly reduced.

The operating result stood at -81 million euros, an improvement of 21 million euros like-for-like.

Cargo	9 months 2015	9 months 2014	*Change*	*Change like-for-like*
Tons (thousands)	897	968	-7.4%	
Capacity (ATK m)	11,277	11,664	-3.3%	-5.1%
Traffic (RTK m)	6,711	7,297	-8.0%	-10.0%
Load factor	59.5%	62.6%	-3.0 pt	-3.2 pt
Total Cargo revenues (€m)	1,813	1,967	-7.8%	-16.7%
Scheduled cargo revenues (€m)	1,696	1,833	-7.5%	-16.5%
Unit revenue per ATK (€ cts)	15.04	15.72	-4.4%	-12.1%
Unit revenue per RTK (€ cts)	25.27	25.12	+0.6%	-7.4%
Unit cost per ATK (€ cts)	17.01	17.27	-1.5%	-9.4%
Operating result (€m)	-222	-181	-41	-23

In the **First Nine Months of 2015**, Cargo revenues amounted to 1,813 million euros, down 9.0% excluding strike and down 16.7% on a like-for-like basis. At -222 million euros, the operating result decreased by 23 million like-for-like.

Within the framework of Perform 2020, 3 Boeing 747s were retired in the Winter 2014-15 season, while all MD11s will be retired by June 2016. The Group plans to operate only 5 full-freighters by the end of 2016. This reduction should enable the full-freighter business to return to operating breakeven in 2017 (versus a strike-adjusted loss of 95 million euros in 2014).

Maintenance business

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

Third Quarter 2015 third party maintenance revenues amounted to 371 million euros, up 16.6% and down -2.4% like-for-like. The negative evolution is driven by the volatility of the engine maintenance business, which had benefited from a favorable comparison base in the First Half.

The operating result stood at 81 million euros, up 20 million euros year-on-year, and down 12 million euros like-for-like.

Maintenance	9 months 2015	9 months 2014	*Change*	*Change like-for-like*
Total revenues (€m)	2,932	2,473	+18.6%	
Third party revenues (€m)	1,148	895	+28.3%	7.8%
Operating result (€m)	167	113	+54	+2
Operating margin (%)	5.7%	4.6%	+1.1 pt	-0.6 pt

During the **First Nine Months 2015**, third party maintenance revenues increased by 28.3% and by 7.8% like-for-like. At 167 million euros, the operating result improved by 54 million euros, benefiting from the strengthening of the dollar against the euro.

Over the period, the maintenance order book recorded a 12% increase to reach 8.4 billion dollars, including several new B787 component support contracts. The Group expanded its service portfolio with an investment in a US engine parts trading business.

Transavia

Transavia	Q3 2015	Q3 2014	*Change*
Passengers (thousands)	3,890	3,636	+7.0%
Capacity (ASK m)	7,963	7,700	+3.4%
Traffic (RPK m)	7,327	7,065	+3.7%
Load factor	92.0%	91.8%	+0.2 pt
Total passenger revenues (€m)	440	428	+3.3%
Scheduled passenger revenues (€m)*	438	427	+2.6%
Unit revenue per ASK (€ cts)	5.50	5.54	-0.8%
Unit revenue per RPK (€ cts)	5.98	6.04	-1.0%
Unit cost per ASK (€ cts)	4.54	4.74	-4.2%
Operating result (€m)	77	62	+15

** Q3 2014 restated for change in revenue allocation (17 million euros transferred from "other passenger" to "scheduled passenger revenues")*

In the **Third Quarter 2015**, Transavia capacity was up by 3.4%, reflecting the accelerated development in France (capacity up by 20.1%) and the reduction of charter capacity in the Netherlands. Traffic rose by 3.7%, while load factor remained high (92.0%). Unit revenue per ASK decreased by 0.8%, less than unit cost (-4.2%), resulting in a 15 million euro improvement of the operating result.

Transavia	9 months 2015	9 months 2014	*Change*
Passengers (thousands)	8,638	7,956	+8.6%
Capacity (ASK m)	17,840	16,983	+5.0%
Traffic (RPK m)	16,163	15,342	+5.4%
Load factor	90.6%	90.3%	+0.3 pt
Total passenger revenues (€m)	892	863	+3.4%
Scheduled passenger revenues (€m)*	881	855	+3.0%
Unit revenue per ASK (€ cts)	4.94	5.03	-1.9%
Unit revenue per RPK (€ cts)	5.45	5.57	-2.2%
Unit cost per ASK (€ cts)	4.93	5.05	-2.4%
Operating result (€m)	2	-2	+4

** 9M 2014 restated for change in revenue allocation (34 million euros transferred from "other passenger" to "scheduled passenger revenues")*

In the **First Nine Months 2015**, Transavia revenues amounted to 892 million euros, up 3.4%. The operating result stood at 2 million euros, slightly up compared to last year (+4 million euros).

The rapid development of Transavia will continue in the Winter 2015-16 season, with a planned capacity increase of 9.1% during this period.

Other business: Catering

Catering	Q3 2015	Q3 2014	*Change*
Total revenues (€m)	267	228	+17.1%
Third party revenues (€m)	110	84	+31.0%
Operating result (€m)	21	11	+10

In the **Third Quarter 2015**, third party catering revenues amounted to 110 million euros, up 31.0%, mainly driven by the consolidation of several subsidiaries. The operating result stood at 21 million euros, up 10 million euros.

Catering	9 months 2015	9 months 2014	*Change*
Total revenues (€m)	704	655	+7.5%
Third party revenues (€m)	270	234	+15.4%
Operating result (€m)	26	12	+14

In the **First Nine Months of 2015**, third party catering revenues amounted to 270 million euros, up 15.4% on the back of positive commercial momentum in both France and internationally. The operating result stood at 26 million euros, up 14 million euros.

Financial situation

In € million	9 months 2015	9 months 2014	*Change*
Cash flow before change in WCR and Voluntary Departure Plans, continuing operations	1,546	900	+646
Cash out related to Voluntary Departure Plans	-154	-162	+8
Change in Working Capital Requirement (WCR)	249	272	-23
Operating cash flow	**1,641**	**1,010**	**+631**
Net investments before sale & lease-back	-1,108	-1,106	-2
Cash received through sale & lease-back transactions	0	33	-33
Net investments after sale & lease-back	-1,108	-1,073	-35
Operating free cash flow	**533**	**-63**	**+596**

In the **First Nine Months of 2015**, the increase of 623 million euros in EBITDA translated into a 646 million euro increase in cash flow before change in WCR and cash out related to Voluntary Departure Plans. The Group disbursed 154 million euros for Voluntary Departure Plans. The change in Working Capital Requirement contributed 249 million euros to operating cash flow, slightly lower than last year (+272 million euros). Net investments before sale & lease-back transactions stood at 1,108 million euros. As a result, operating free cash flow reached 533 million euros, up 596 million euros compared to the First Nine Months of 2014.

The operating free cash flow does not incorporate the free cash flow from financial investments, including the cash-in of 327 million euros from the sale of Amadeus shares in January. Neither does it include the 600 million euro hybrid bond issued in April, which contributed to the reduction in net debt.

In October, the Group signed a contract to transfer six pairs of slots at London Heathrow to its joint venture partner Delta Air Lines. This operation generated cash proceeds of 276 million dollars which will be recorded in the Fourth Quarter.

Net debt amounted to 4.33 billion euros at 30 September 2015, versus 5.41 billion euros at 31 December 2014. Currencies had a significant 167 million euro negative impact on net debt, which was also affected by the requalification of some operating leases into financial leases for an amount of 128 million euros.

Excluding the impact of the pilot strike on EBITDAR, the trailing 12 months adjusted net debt over EBITDAR ratio stood at 3.4x at 30 September 2015, an improvement of 0.6 points compared to both 31 December 2014 and 30 September 2014.

Thanks to a modest rebound in discount rates during the First Nine Months of 2015 (+15bp), and despite the decrease in plan assets, the balance sheet pension situation improved; it evolved from a net liability of 710 million euros at 31 December 2014 to a net liability of 609 million euros at 30 September 2015.

At 30 September 2015, total equity amounted to 20 million euros, an improvement of 673 million euros over the First Nine Months on the back a decrease of 66 million euros in the after tax net pension liability, a 326 million euros improvement in the fair value of the fuel hedging portfolio, and the 600 million euro hybrid bond issued in April, partially offset by the negative net result of -158 million euros. The fair value of the fuel hedging portfolio remains however strongly negative, at around 1 billion euros at 30 September 2015.

Full Year 2015 outlook

The prevailing imbalance between capacity and demand in several key markets is being reflected in sustained pressure on unit revenues. As seen during the first nine months of the financial year and despite the improvement witnessed during the peak summer period, the vast majority of the expected saving on the fuel bill in 2015 could be offset by the weak unit revenue trend and negative currency impacts.

In view of the downwards revision in capacity growth for the fourth quarter, of the delayed application of the remaining measures in the Transform 2015 plan, and with no significant contribution from the new Perform 2020 measures at Air France, the Group is adjusting its 2015 unit cost reduction target to between 0.5% and 0.7%.[7]

The net debt target of around €4.4 billion at the end of 2015 is maintained, a reduction of nearly €1 billion relative to the end of 2014.

*****

The Third Quarter 2015 accounts are not audited by the Statutory Auditors.

The results presentation is available at **www.airfranceklm.com** on 29 October 2015 from 7:15am CET.

A conference call hosted by Pierre-François Riolacci, Chief Financial Officer of Air France-KLM will be held on 29 October 2015 at 08.00am CET.

To connect to the conference call, please dial:
- in France: +33 1 76 77 22 26 (code: 8667504)
- in the Netherlands: +31 20 716 8257 (code: 8667504)
- in the United Kingdom: +44 203 4271 907 (code: 8667504)
- in the United States: +1 646 254 3388 (code: 8667504)

[7] On a constant currency, fuel price and pension-related expense basis. See calculation in the appendix. Previous target: a reduction between 1 and 1.3%

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

- in France: +33 1 74 20 28 00 (code: 8667504)
- in the Netherlands: +31 20 708 5013 (code: 8667504)
- in the United Kingdom: +44 20 3427 0598 (code: 8667504)
- in the United States: +1 347 366 9565 (code: 8667504)

Investor relations
Bertrand Delcaire
Head of Investor Relations
Tel : +33 1 49 89 52 59
Email: bedelcaire@airfranceklm.com

Dirk Voermans
Senior manager, Investor Relations
Tel : +33 1 49 89 52 60
Email: divoermans@airfranceklm.com
www.airfranceklm.com

Press
+33 1 41 56 56 00

CONSOLIDATED INCOME STATEMENT

In millions euros	Third Quarter			9 months to 30 September		
	2015	2014*	Change	2015	2014*	Change
SALES	**7,415**	**6,695**	**10.8%**	**19,713**	**18,700**	**5.4%**
Other revenues	-1	8	NA	1	17	-94.1%
EXTERNAL EXPENSES	-4,355	-4,246	2.6%	-12,775	-12,070	5.8%
Aircraft fuel	-1,679	-1,737	-3.3%	-4,820	-4,926	-2.2%
Chartering costs	-108	-120	-10.0%	-325	-329	-1.2%
Aircraft operating lease costs	-257	-216	19.0%	-762	-646	18.0%
Landing fees and en route charges	-537	-494	8.7%	-1,478	-1,385	6.7%
Catering	-185	-161	14.9%	-494	-444	11.3%
Handling charges and other operating costs	-406	-417	-2.6%	-1,147	-1,099	4.4%
Aircraft maintenance costs	-497	-432	15.0%	-1,657	-1,249	32.7%
Commercial and distribution costs	-238	-228	4.4%	-703	-665	5.7%
Other external expenses	-448	-441	1.6%	-1,389	-1,327	4.7%
Salaries and related costs	-1,888	-1,850	2.1%	-5,729	-5,602	2.3%
Taxes other than income taxes	-41	-37	10.8%	-130	-130	0.0%
Amortization, depreciation and provisions	-450	-435	3.4%	-1,230	-1,233	-0.2%
Other income and expenses	218	112	94.6%	816	358	127.9%
INCOME FROM CURRENT OPERATIONS	**898**	**247**	**263.6%**	**666**	**40**	**1565.0%**
Sales of aircraft equipment	1	0	NA	-4	-5	-20.0%
Other non-current income and expenses	-1	192	NA	88	75	17.3%
INCOME FROM OPERATING ACTIVITIES	**898**	**439**	**104.6%**	**750**	**110**	**581.8%**
Income from cash and cash equivalents	16	18	-11.1%	47	57	-17.5%
Cost of financial debt	-93	-114	-18.4%	-291	-337	-13.6%
Net cost of financial debt	**-77**	**-96**	**-19.8%**	**-244**	**-280**	**-12.9%**
Foreign exchange gains (losses), net	-75	-59	-27.1%	-320	-178	-79.8%
Change in fair value of financial assets and liabilities	-128	-172	25.6%	-225	-146	-54.1%
Other financial income and expenses	-20	-4	-400.0%	-66	-38	-73.7%
INCOME BEFORE TAX	**598**	**108**	**453.7%**	**-105**	**-532**	**80.3%**
Income taxes	-96	-15	540.0%	-14	21	NA
NET INCOME OF CONSOLIDATED COMPANIES	**502**	**93**	**439.8%**	**-119**	**-511**	**76.7%**
Share of profits (losses) of associates	-18	-4	-350.0%	-34	-15	-126.7%
INCOME FROM CONTINUING OPERATIONS	**484**	**89**	**443.8%**	**-153**	**-526**	**70.9%**
Net income from discontinued operations	0	0	NA	0	-4	NA
NET INCOME FOR THE PERIOD	**484**	**89**	**443.8%**	**-153**	**-530**	**71.1%**
Minority interest	-4	-3	-33.3%	-5	-3	-66.7%
NET INCOME FOR THE PERIOD - GROUP	**480**	**86**	**458.1%**	**-158**	**-533**	**70.4%**

** Restated, see page 17*

CONSOLIDATED BALANCE SHEET

Assets *In million euros*	**September 30, 2015**	**December 31, 2014***
Goodwill	244	243
Intangible assets	1,029	1,009
Flight equipment	8,773	8,728
Other property, plant and equipment	1,702	1,750
Investments in equity associates	115	139
Pension assets	1,475	1,409
Other financial assets	1,163	1,502
Deferred tax assets	913	1,042
Other non-current assets	270	243
Total non-current assets	**15,684**	**16,065**
Assets held for sale	3	3
Other short-term financial assets	975	787
Inventories	588	538
Trade receivables	1,962	1,728
Other current assets	1,175	961
Cash and cash equivalents	3,199	3,159
Total current assets	**7,902**	**7,176**
Total assets	**23,586**	**23,241**

** Restated, see page 17*

Liabilities and equity *In million euros*	**September 30, 2015**	**December 31, 2014***
Issued capital	300	300
Additional paid-in capital	2,971	2,971
Treasury shares	(84)	(86)
Perpetual	587	-
Reserves and retained earnings	(3,802)	(3,877)
Equity attributable to equity holders of Air France-KLM	**(28)**	**(692)**
Non-controlling interests	48	39
Total Equity	**20**	**(653)**
Pension provisions	2,084	2,119
Other provisions	1,493	1,404
Long-term debt	8,102	7,994
Deferred tax liabilities	12	14
Other non-current liabilities	479	536
Total non-current liabilities	**12,170**	**12,067**
Provisions	791	731
Current portion of long-term debt	1,065	1,885
Trade payables	2,474	2,444
Deferred revenue on ticket sales	2,907	2,429
Frequent flyer programs	767	759
Other current liabilities	3,388	3,330
Bank overdrafts	4	249
Total current liabilities	**11,396**	**11,827**
Total liabilities	**23,566**	**23,894**
Total equity and liabilities	**23,586**	**23,241**

** Restated, see page 17*

CONSOLIDATED STATEMENT OF CASH FLOWS

In € millions **Period from January 1 to September 30,**	**9M 2015**	**9M 2014***
Net income from continuing operations	(153)	(526)
Net income from discontinued operations	-	(4)
Amortization, depreciation and operating provisions	1,230	1,240
Financial provisions	65	37
Results on disposals of tangible and intangible assets	4	(13)
Results on disposals of subsidiaries and associates	(224)	(184)
Derivatives – non monetary result	158	134
Unrealized foreign exchange gains and losses, net	268	177
Share of (profits) losses of associates	34	15
Deferred taxes	(19)	(50)
Impairment	-	110
Other non-monetary items	29	(204)
Subtotal	**1,392**	**732**
Of which discontinued operations	**-**	**(6)**
(Increase) / decrease in inventories	(29)	(29)
(Increase) / decrease in trade receivables	(240)	(187)
Increase / (decrease) in trade payables	5	(82)
Change in other receivables and payables	513	570
Change in working capital from discontinued operations	-	20
Net cash flow from operating activities	**1,641**	**1,024**
Acquisition of subsidiaries, of shares in non-controlled entities	(2)	(41)
Purchase of property plants, equipments and intangible assets	(1,181)	(1,155)
Loss of subsidiaries, of disposal of shares in non-controlled entities	342	354
Proceeds on disposal of property, plant and equipment and intangible assets	73	82
Dividends received	3	20
Decrease (increase) in net investments, more than 3 months	(205)	260
Net cash flow used in investing activities of discontinued operations	-	(20)
Net cash flow used in investing activities	**(970)**	**(500)**
Capital increase	600	-
Issuance of debt	921	1,300
Repayment on debt	(1,379)	(1,753)
Payment of debt resulting from finance lease liabilities	(543)	(454)
New loans	(53)	(24)
Repayment on loans	122	55
Dividends paid	(3)	(2)
Net cash flow from financing activities	**(335)**	**(878)**
Effect of exchange rate on cash and cash equivalents and bank overdrafts	(52)	(77)
Change in cash and cash equivalents and bank overdrafts	**284**	**(431)**
Cash and cash equivalents and bank overdrafts at beginning of period	2,910	3,518
Cash and cash equivalents and bank overdrafts at end of period	3,194	3,093

* *Restated, see page 17*

KEY FINANCIAL INDICATORS

EBITDA and EBITDAR

In million euros	Q3 2015	Q3 2014*	9M 2015	9M 2014*
Income/(loss) from current operations	898	247	666	40
Amortization, depreciation and provisions	450	435	1,230	1,233
EBITDA	**1,348**	**682**	**1,896**	**1,273**
Aircraft operating lease costs	(257)	(216)	(762)	(646)
EBITDAR	**1,605**	**898**	**2,658**	**1,919**

* *Restated, see page 17*

Restated net result, group share

In million euros	Q3 2015	Q3 2014*	9M 2015	9M 2014*
Net income/(loss), Group share (in €m)	480	86	(158)	(533)
Net income/(loss) from discontinued operations (in €m)	0	0	0	4
Unrealized foreign exchange gains and losses, net (in €m)	31	53	268	177
Change in fair value of financial assets and liabilities (derivatives) (in €m)	107	159	158	134
Non-current income and expenses (in €m)	0	(192)	(84)	(70)
Depreciation of shares available for sale (in €m)	6	0	13	29
De-recognition of deferred tax assets (in €m)	0	0	0	26
Restated net income/(loss), group share (in €m)	**624**	**106**	**197**	**(233)**
Restated net income/(loss) per share (in €)	2.11	0.36	0.62	(0.78)

* *Restated, see page 17*

Return on capital employed (ROCE)

In million euros	30 Sep. 2015	30 Sep. 2014*	30 Sep. 2014*	30 Sep. 2013**
Goodwill and intangible assets	1,273	1,241	1,241	1,119
Flight equipment	8,773	9,122	9,122	9,705
Other property, plant and equipment	1,702	1,752	1,752	1,840
Investments in equity associates, *excluding Alitalia*	115	161	161	173
Other financial assets excluding shares available for sale, marketable securities and financial deposits	216	134	134	154
Provisions, excluding pension, cargo litigation and restructuring	(1,572)	(1,205)	(1,205)	(1,054)
WCR, excluding market value of derivatives	(5,345)	(5,221)	(5,221)	(4,778)
Capital employed on balance sheet	**5,162**	**5,984**	**5,984**	**7,159**
Average capital employed on balance sheet	5,573		6,572	
Capital employed related to flight equipment under operating leases (operating leases x7)	6,923		6,076	
Average capital employed, *excluding Alitalia* (A)	**12,496**		**12,648**	
Operating result, adjusted for operating leases	833		272	
- Dividends received	(1)		(17)	
- Share of profits (losses) of associates, *excluding Alitalia*	(58)		(16)	
- Tax recognized in the adjusted net result	39		95	
Adjusted result after tax, *excluding Alitalia* (B)	813		334	
ROCE, trailing 12 months (B/A)	**6.5%**		**2.6%**	
Adjusted result after tax, *excl. Alitalia*, excluding strike (C)	908		664	
ROCE excluding strike, trailing 12 months (C/A)	**7.3%**		**5.3%**	

* *Restated, see page 17*
** *Restated for IFRIC 21, CityJet reclassified as discontinued operation.*

Net debt

Balance sheet at ***(In million euros)***	**30 September 2015**	**31 December 2014***
Current and non-current financial debt	9,167	9,879
Deposits on aircraft under finance lease	(455)	(584)
Financial assets pledged (OCEANE swap)	(393)	(196)
Currency hedge on financial debt	(33)	(21)
Accrued interest	(97)	(123)
Gross financial debt (A)	**8,189**	**8,955**
Cash and cash equivalents	3,199	3,159
Marketable securities	76	73
Cash pledges	405	399
Deposits (bonds)	183	166
Bank overdrafts	(4)	(249)
Net cash (B)	3,859	**3,548**
Net debt (A) – (B)	**4,330**	**5,407**

* *Restated, see page 17*

Adjusted net debt and adjusted net debt/EBITDAR ratio

	30 September 2015	**31 December 2014***
Net debt (in €m)	4,330	5,407
Aircraft operating leases x 7 (trailing 12 months, in €m)	6,923	6,111
Adjusted net debt (in €m)	**11,253**	**11,518**
EBITDAR (trailing 12 months, in €m)	3,201	2,462
EBITDAR excluding strike (trailing 12 months, in €m)	3,295	2,887
Adjusted net debt/EBITDAR ratio (trailing 12 months)	3.5x	4.7x
Adjusted net debt/EBITDAR ratio, excluding strike (trailing 12 months)	**3.4x**	**4.0x**

* *Restated, see page 17*

Operating free cash flow

In million euros	**9M 2015**	**9M 2014**
Net cash flow from operating activities, continued operations	1,641	1,010
Investment in property, plant, equipment and intangible assets	-1,181	-1,155
Proceeds on disposal of property, plant, equipment and intangible assets	73	82
Operating free cash flow	**533**	**(63)**

Unit cost: net cost per EASK

	Q3 2015	Q3 2014*	9M 2015	9M 2014*
Revenues (in €m)	7,415	6,695	19,713	18,700
Income/(loss) from current operations (in €m)	898	247	666	40
Total operating expense (in €m)	(6,517)	(6,448)	(19,047)	(18,660)
Passenger network business – other revenues (in €m)**	223	214	638	617
Cargo business – other revenues (in €m)	38	44	117	134
Third-party revenues in the maintenance business (in €m)	372	319	1,148	895
Transavia - other revenues (in €m)	4	1	11	8
Third-party revenues of other businesses (in €m)	122	93	302	266
Net cost (in €m)	**5,758**	**5,777**	**16,831**	**16,740**
Net cost excluding strike (in €m)		5,863		16,826
Capacity produced, reported in EASK	93,174	88,066	256,354	251,037
Capacity produced, reported in EASK excluding strike		92,816		255,787
Net cost per EASK (in € cents per EASK) excluding strike	**6.18**	**6.32**	**6.57**	**6.58**
Gross change		-2.2%		-0.2%
Currency effect on net costs (in €m)		397		1,148
Change at constant currency		-8.4%		-6.6%
Fuel price effect (in €m)		-501		-1,184
Change on a constant currency and fuel price basis		-0.4%		0.0%
Change in pension-related expenses (in €m)***		28		89
Net cost per EASK on a constant currency, fuel price and pension-related expenses basis (in € cents per EASK)	**6.18**	**6.23**	**6.57**	**6.60**
Change on a constant currency, fuel price and pension-related expenses basis		**-0.9%**		**-0.5%**

** Restated, see page 17*

*** Passenger other revenues restated for change in revenue allocation (8 million euros transferred from "other passenger" to "scheduled passenger revenues" in Q3, 29 million euros in 9M)*

**** Includes a €91m reduction of the net periodic pension cost and a €180m increase in wages and salaries*

INDIVIDUAL AIRLINE RESULTS

Air France

	9M 2015	9M 2014*	Change	Change like-for-like
Revenue (€m)	12,419	11,621	+6.9%	-2.6%
EBITDA (€m)	1,143	618	+525	+257
Operating result (€m)	349	-201	+550	+304
Operating margin	2.8%	-1.7%	+4.5 pt	
Operating cash flow before WCR and restructuring cash out (€m)	990	508	+482	
Operating cash flow (before WCR and restructuring) margin	8.0%	4.4%	+3.6 pt	

** Restated, see page 17*

KLM

	9M 2015	9M 2014*	Change	Change like-for-like
Revenue (€m)	7,527	7,311	+3.0%	-4.0%
EBITDA (€m)**	742	646	+96	+117
Operating result (€m)**	345	232	+113	+135
Operating margin	4.6%	3.2%	+1.4 pt	
Operating cash flow before WCR and restructuring cash out (€m)	617	446	+171	
Operating cash flow (before WCR and restructuring) margin	8.2%	6.1%	+2.1 pt	

** Restated, see page 17*

*** KLM EBITDA and operating result are affected by a non-cash increase of 89 million euros in pension-related expenses*

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

Restatement of income statement for capitalized costs

To improve the readability of its financial statements, the Group has decided, as from January 1, 2015, to isolate the items relating to capitalized production in a single line of the income statement (within "other income and expenses") while they had previously been allocated by type of expenditure. The consolidated financial statements as of December 31, 2014 have been restated to facilitate comparison. The impact of this reclassification on the 2014 income statement is the following:

In million euros	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014
Aircraft maintenance costs	-84	-90	-96	-103	-373
Other external expenses	-16	-18	-17	-21	-72
Salaries and related costs	-35	-30	-31	-32	-128
Other income and expenses	135	138	145	155	573
Income from current operations	**0**	**0**	**0**	**0**	**0**

Modification in the conversion method of provisions in foreign currencies

The Group records provisions for future expenses in foreign currency, primarily for the restitution of aircraft under operating leases. A significant portion of these provisions is made to cover the purchase of spare parts to be purchased in US dollars whatever the functional currency of the entity. To facilitate analysis of the impacts linked to the dollar variation, the Group has decided, with effect from January 1, 2015, to isolate the foreign currency effect on provisions in "Other financial income and expenses" while it had hitherto been recorded in "Amortization, depreciation and provisions".

Moreover, the closing rate will be used to convert provisions at the closing date. Previously, the Group had used the average rate of the US dollar to convert maintenance provisions. The consolidated financial statements as of December 31, 2014 have been restated for reasons of comparison. The impacts of this restatement on the income statement are the following:

In million euros	9 months 2014	FY 2014
Other financial income and expenses	-29	-41
Income before tax	**-29**	**-41**
Income taxes	+10	+14
Net income for the period	**-19**	**-27**

The impacts of this restatement on the balance sheet are the following:

In million euros	1 January 2014	31 December 2014
Deferred tax assets	-3	+11
Total assets	**-3**	**+11**
Reserves and retained earnings	+6	-21
Other provisions	-9	+32
Total equity and liabilities	**-3**	**+11**

GROUP FLEET AT 30 SEPTEMBER 2015

Aircraft type	AF (incl. HOP)	KL (incl. KLC & Martinair)	Transavia	Owned	Finance lease	Operating lease	Total	In operation	Change / 31/12/14
B747-400	5	22		18	1	8	**27**	27	-1
B777-300	39	10		9	22	18	**49**	49	4
B777-200	25	15		15	12	13	**40**	40	
A380-800	10			1	4	5	**10**	10	
A340-300	13			5	5	3	**13**	13	
A330-300		5				5	**5**	5	
A330-200	15	12		4	7	16	**27**	27	
Total Long-Haul	**107**	**64**	**0**	**52**	**51**	**68**	**171**	**171**	**3**
B737-900		5		1	1	3	**5**	5	
B737-800		25	45	8	9	53	**70**	70	9
B737-700		18	9	3	8	16	**27**	27	
A321	21			5	6	10	**21**	21	-3
A320	46			8	3	35	**46**	45	
A319	38			15	10	13	**38**	38	-3
A318	18			11	7		**18**	18	
Total Short and Medium-Haul	**123**	**48**	**54**	**51**	**44**	**130**	**225**	**224**	**3**
ATR72-600	4					4	**4**	4	4
ATR72-500	7			1	3	3	**7**	7	-4
ATR42-500	13			4	4	5	**13**	13	
Canadair Jet 1000	14			14			**14**	14	1
Canadair Jet 700	15			15			**15**	13	
Canadair Jet 100	8			8			**8**		-4
Embraer 190	10	28		4	13	21	**38**	38	
Embraer 170	16			8	2	6	**16**	16	
Embraer 145	18			12	6		**18**	16	1
Embraer 135	5			5			**5**		-1
Fokker 70		19		19			**19**	19	
Total Regional	**110**	**47**	**0**	**90**	**28**	**39**	**157**	**140**	**-3**
B747-400ERF		3		2	1		**3**	3	-2
B747-400BCF		3				3	**3**	1	
B777-F	2			2			**2**	2	
MD-11-CF		2		2			**2**	1	-2
MD-11-F		3			2	1	**3**	3	
Total Cargo	**2**	**11**	**0**	**6**	**3**	**4**	**13**	**10**	**-4**
Total Air France-KLM	**342**	**170**	**54**	**199**	**126**	**241**	**566**	**545**	**-1**