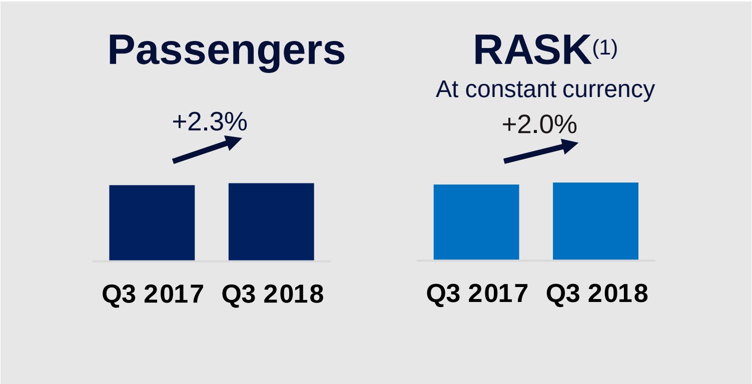
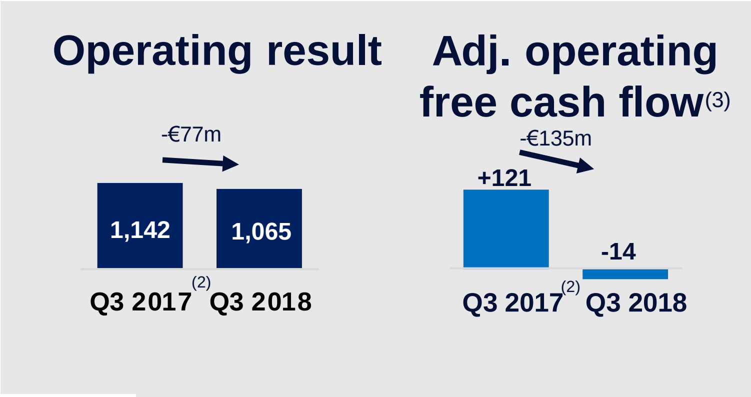
AIR FRANCE-KLM RESULTS PRESENTATION

Results as at 30th of September 2018

31st October 2018

Q3 2018: GOOD RESILIENCE OF OPERATING RESULT THANKS TO REVENUE PERFORMANCE AND UNIT COST DECREASE





Key Messages

- Agreement signed between Air France and its representative unions regarding employee compensation
- Commercial teams achieved a strong performance across all business segments
- Solid operating result, thanks to unit cost reduction of -1.0% along with revenue growth helping to offset fuel and currency headwinds
- Repurchase of €197m of hybrid perpetual notes, resulting in reduction of future coupons

(1) Group Revenue per Available Seat Kilometer (RASK) Passenger + Transavia
(2) Restated for implementation of new IFRS accounting standards
(3) Adjusted operating free cash flow = operating free cash flow with deduction of repayment of lease debt

MAJOR STEPS IN LABOR WAGE NEGOTIATIONS

AIRFRANCE

- Air France and its representative unions signed an agreement regarding employee compensation on 19 October 2018.
- The key provisions of the agreement include a general pay increase of 2%, retroactive to 1st of January 2018, and a general pay increase of 2% on 1st of January 2019.
- Pilots' categorical negotiations will open next week.

KLM

- Cockpit, Cabin and Ground negotiations with unions completed, new CLAs are currently implemented.
- All three CLAs are effective until June 2019.
- Salary increase is comparable over the three CLAs (spread in 3 instalments over the duration period) and effectively equal at +4% at total cost level per CLA.
- Other adjustments to CLA agreements are balanced agreements between improved working conditions and increased flexibility and productivity.

FINANCIAL REVIEW

Results as at 30th of September 2018

STRONG COMMERCIAL PERFORMANCE RESULTING IN REVENUE GROWTH AND OPERATING RESULT AT €1.07 BILLION

	Q3 2018	Q3 2017 (1)	Change	Change at constant currency
Revenues (€ bn)	**7.55**	7.26	+4.0%	+5.8%
EBITDA (€ m)	**1,771**	1,853	-4.4%	+0.3%
Operating result (€ m)	**1,065**	1,142	-6.7%	+1.0%
Operating margin	**14.1%**	15.7%	-1.6 pt	-0.7 pt
Net income - Group part (€ m)	**786**	641	+22.6% (2)	

	30 Sep 2018	31 Dec 2017	Change
Net debt (€ m)	**6,349**	6,571	-222m
Net debt/EBITDA *12 months trailing*	**1.4x**	1.4x	-

(1) Restated for implementation of new IFRS accounting standards
(2) Net income - group part one-off elements in Q3 2017:
- Positive effect of €98 million after tax in Q3 2017 resulting from IFRS 16 restatement of lease debt in dollars
- Non current expense impact of €233 million after tax in Q3 2017 related to KLM Cabin pension plan de-recognition

Excluding these incidentals, the change of Net income - group part Q3 2018 is +€10 million compared to last year.

AIRFRANCE KLM

ALL BUSINESS SEGMENTS CONTRIBUTE TO STRONG REVENUE GROWTH OF +4.0%, WITH +5.8% AT CONSTANT CURRENCY

Q3 2018

	Capacity (1)	Unit Revenue (2) Constant Currency	Revenues (€ m)	Change	Operating result (€ m)	Change (3)	Operating margin	Change (3)
Network (passenger)	+2.0%	+1.8%	6,430	+3.0%	810	-8.6%	12.6%	-1.6 pt
Network (cargo)	+1.6%	+6.7%						
Transavia	+5.8%	+4.5%	615	+10.6%	178	+2.9%	28.9%	-2.2 pt
Maintenance			489	+9.4%	77	-6.1%	7.3%	-0.7 pt
Group	+2.3%	+2.4%	7,545	+4.0%	1,065	-6.7%	14.1%	-1.6 pt

(1) Passenger airlines capacity is Available Seat Kilometer, Cargo capacity is Available Ton Kilometer, Group is Equivalent Available Seat Kilometer
(2) Unit Revenue: Passenger airlines is Revenue per Available Seat Kilometer, Cargo is Revenue per Available Ton Kilometer, Group is Revenue per Equivalent Available Seat Kilometer
(3) 2017 restated for implementation of new IFRS accounting standards

STRONG PERFORMANCE OF NORTH AMERICAN AND ASIAN ROUTES, DEMAND OUT OF BRAZIL AND ARGENTINA IMPACTED BY CURRENCY DEPRECIATION

Q3 2018

Total

ASK	RPK	RASK ex cur.
2.0%	2.4%	1.8%

RASK ex cur.

Premium	Economy
+4.3%	+1.0%

Medium-haul point-to-point

ASK	RPK	RASK ex cur.
1.1%	2.0%	-3.0%

Medium-haul hubs

ASK	RPK	RASK ex cur.
1.7%	1.4%	3.3%

Total medium-haul

ASK	RPK	RASK ex cur.
1.6%	1.5%	2.1%

North America

ASK	RPK	RASK ex cur.
4.6%	4.7%	3.8%

Caribbean & Indian Ocean

ASK	RPK	RASK ex cur.
-1.1%	-0.1%	-0.2%

Asia

ASK	RPK	RASK ex cur.
1.1%	1.6%	2.5%

Latin America

ASK	RPK	RASK ex cur.
7.7%	7.3%	-2.4%

Africa & Middle East

ASK	RPK	RASK ex cur.
-3.6%	-2.2%	2.8%

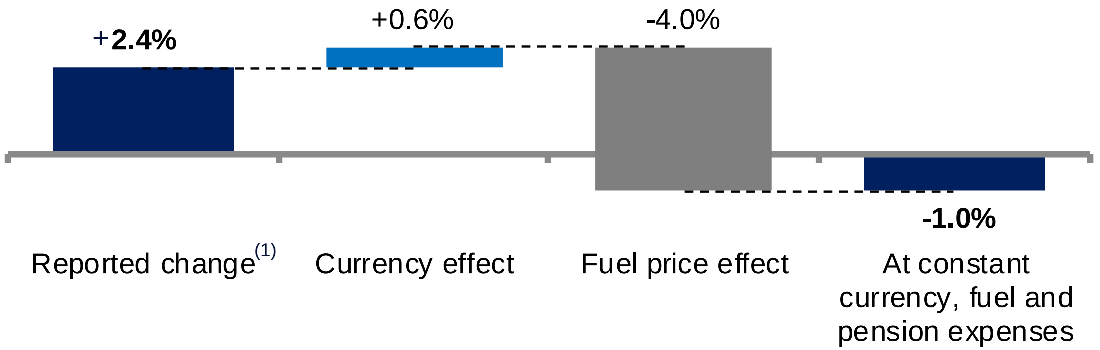
Total long-haul

ASK	RPK	RASK ex cur.
2.1%	2.6%	1.9%

AIRFRANCE KLM

UNIT COSTS -1%, CONSISTENT WITH FULL YEAR TARGET RANGE OF 0 TO +1%

Q3 2018



(1) 2017 restated for implementation of new IFRS accounting standards

STAFF COST STABLE, IMPROVED LABOR PRODUCTIVITY SUPPORTED BY CAPACITY GROWTH

- **FTEs at 85,550, up 1,400 FTEs compared to last year:**
  > +850 Ground, mainly driven by growth of IT Innovation department and third party activities in E&M and Customer centers workload

  > +300 Cabin and +250 Cockpit due to capacity growth

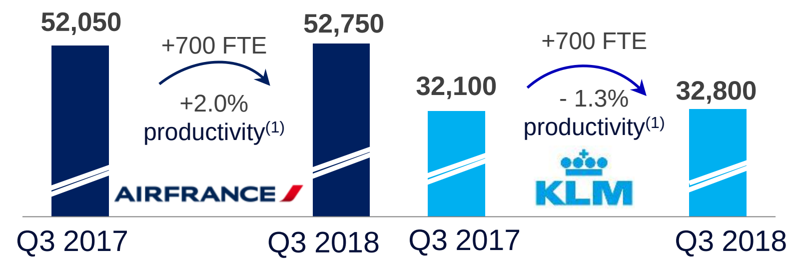
  > Employee productivity(1) +0.6% in Q3 (capacity measured in EASK +2.3%)

- **Net change in staff cost -0.6% compared to last year:**
  > Staff costs related to the new Air France labor agreement will be booked in Q4 2018

  > Overall staff costs would have been stable if we include the Q3 2018 impact of the new agreement

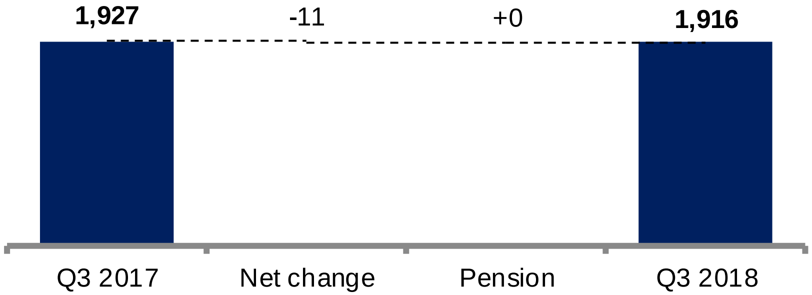
Employee productivity

Average FTEs, including temporary staff



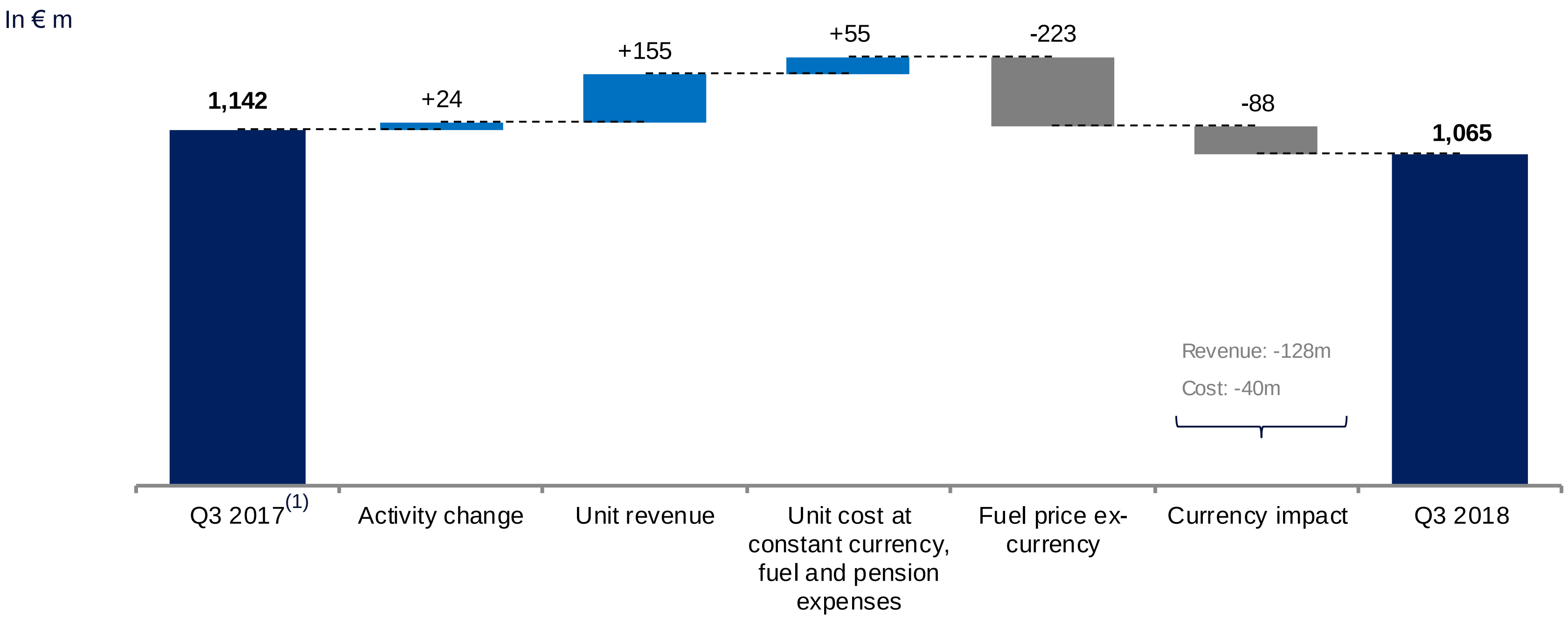
Change in total staff costs

In € m, including temporary staff



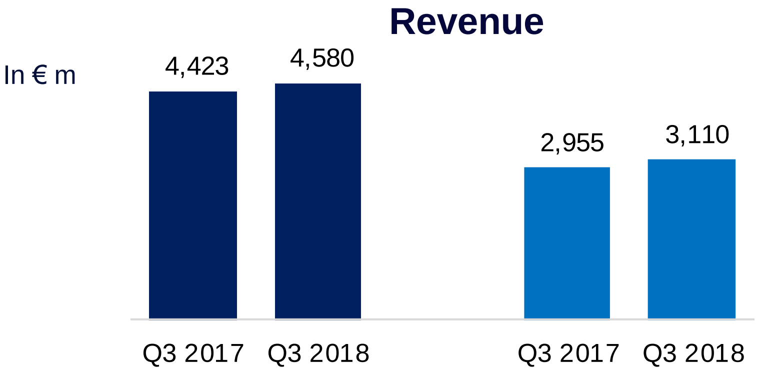
(1) Productivity measured by EASK/FTE

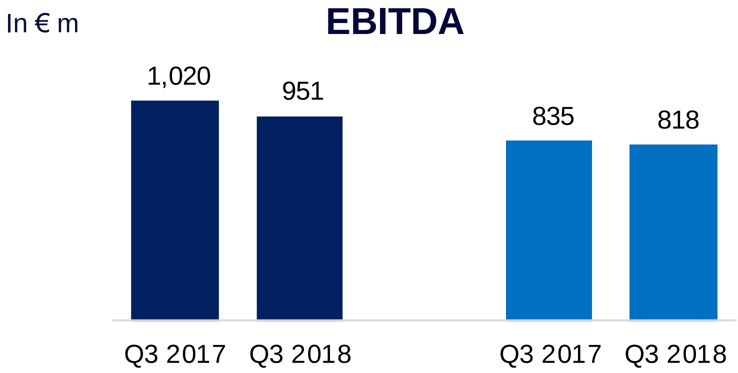
GOOD RESILIENCE OF OPERATING RESULT THANKS TO REVENUE PERFORMANCE AND UNIT COST REDUCTION

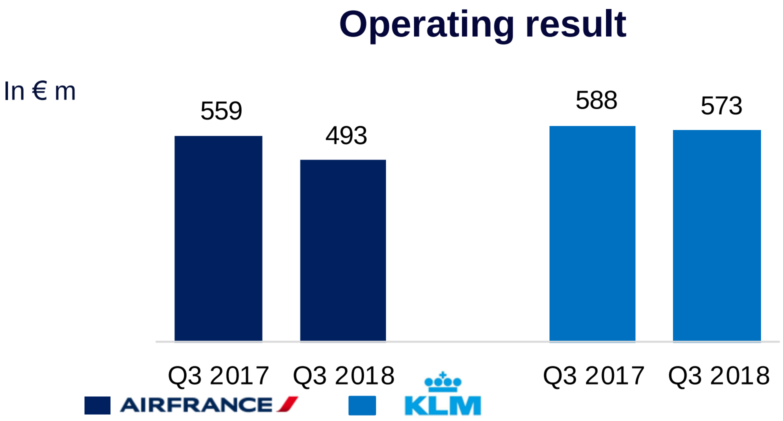


(1) Restated for implementation of new IFRS accounting standards

AIR FRANCE AND KLM DELIVERING ROBUST GROWTH AND MARGINS OVER THE SUMMER







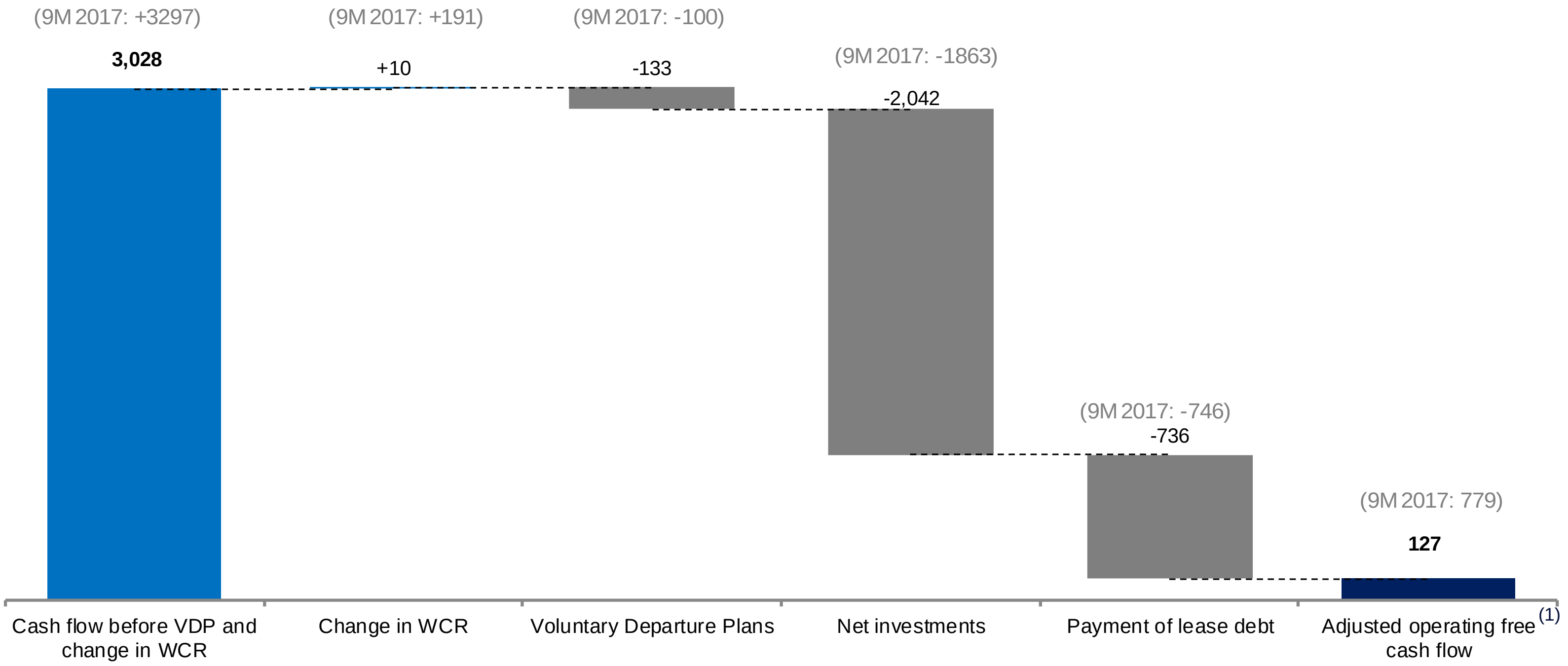
2017 restated for implementation of new IFRS accounting standards

AIRFRANCE KLM

ADJUSTED OPERATING FREE CASH FLOW +€127M

9M 2018

In € m



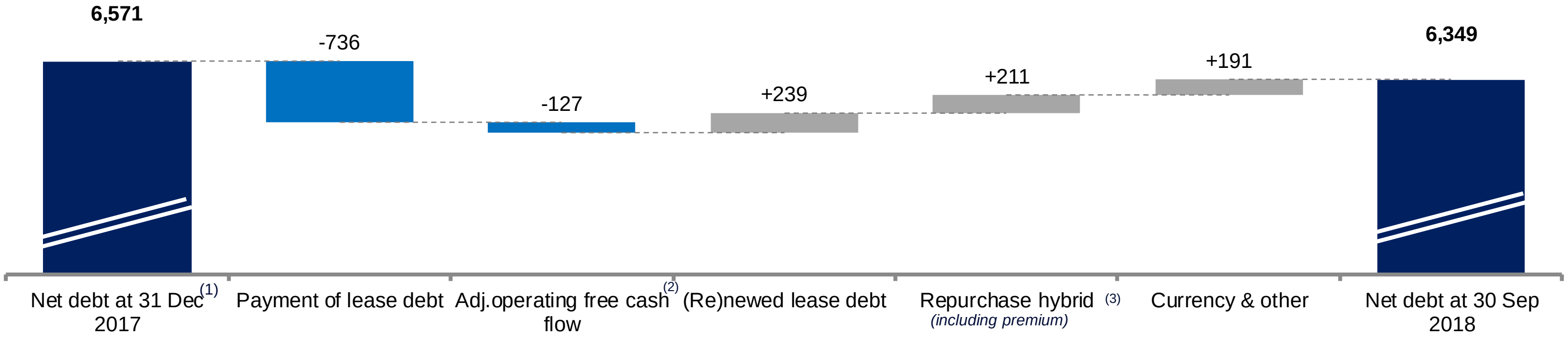
(1) Adjusted operating free cash flow = Operating free cash flow with deduction of repayment of lease debt

NET DEBT REDUCED BY €222M COMPARED TO 31 DECEMBER 2017, AFTER REPURCHASE OF €197M OF HYBRID BONDS

9M 2018

Net Debt evolution

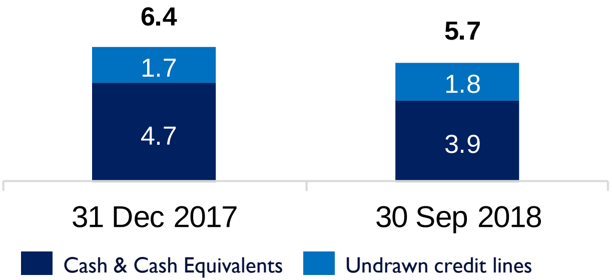
In € m



Net Debt / EBITDA [4]

Liquidity situation

In € bn

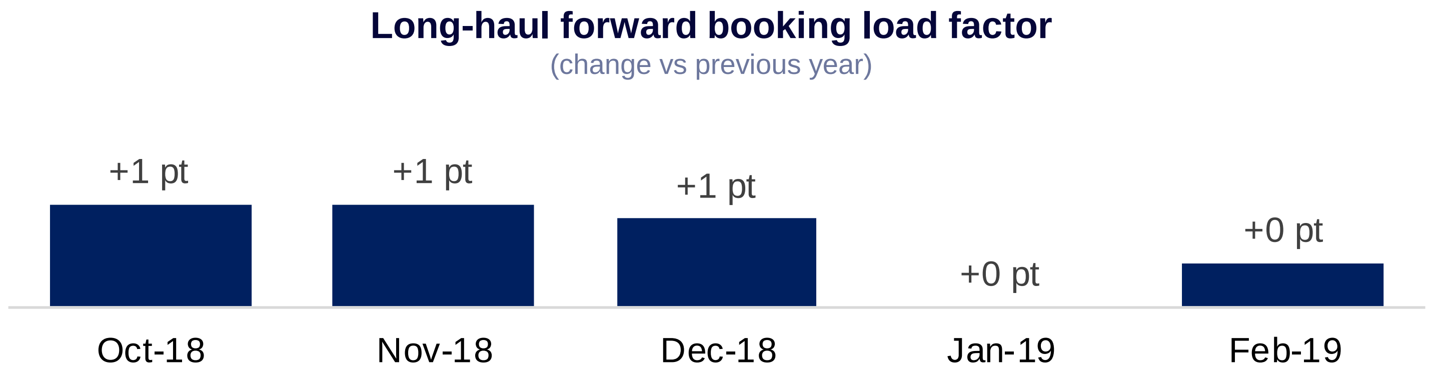


(1) Restated for implementation of new IFRS accounting standards
(2) Adjusted operating free cash flow = Operating free cash flow with deduction of repayment of lease debt
(3) Of which €194.5 m as part of the tender offer launched on 3 September 2018 and €2.2 m by agreement (“de gré à gré”) at the same price
(4) Net Debt / EBITDA: 12 months sliding, see calculation in press release

OUTLOOK

2018

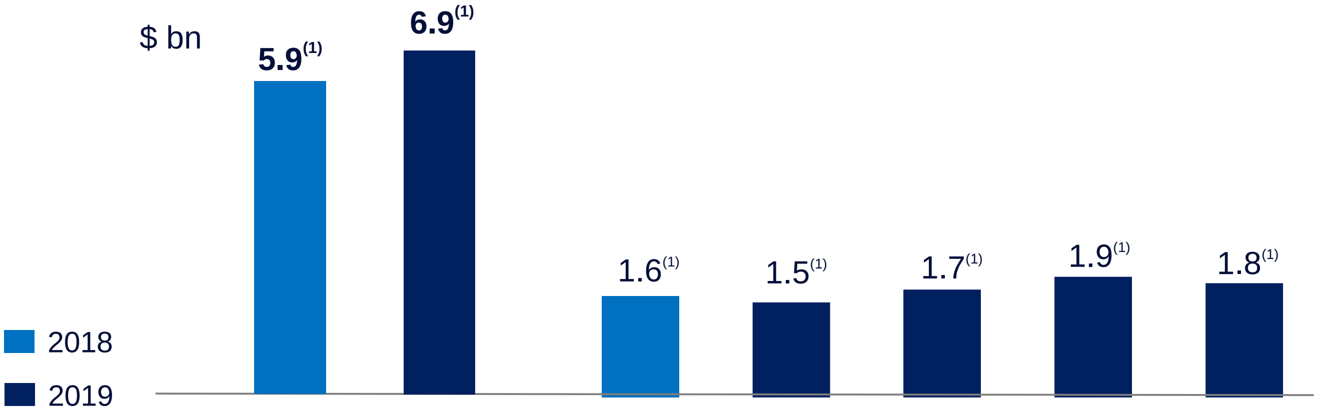
REVENUE OUTLOOK



Based on the current outlook and a demand environment that remains positively oriented, we expect Passenger network revenues to increase in the fourth quarter 2018, with long haul forward booking load factors ahead of last year and Passenger unit revenues stable at constant currency.

FUEL BILL INCREASE ESTIMATED AT €500M IN 2018

2017:
fuel bill €4.5bn
2018:
fuel bill €5.0bn(2)
2019:
fuel bill €5.9bn(2)



		2018	2019	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Market price	*Brent ($ per bbl)* (1)	*74*	*76*	*79*	*77*	*77*	*76*	*75*
	Jet fuel ($ per metric ton) (1)	*756*	*799*	*813*	*799*	*797*	*799*	*799*
Price after hedge	Jet fuel ($ per metric ton)(1)	656	742	704	714	729	753	771
	% of consumption already hedged	60%	54%	58%	60%	59%	53%	43%
	Hedge result (in $ m)	900	500	250	200	150	100	50

(1) Based on forward curve at 26th October 2018. Sensitivity computation based on 2018 fuel price, assuming constant crack spread between Brent and Jet Fuel. Jet fuel price including into plane cost
(2) Assuming average exchange rate on US dollar/Euro of 1.18 for 2018 and 1.16 for 2019

AIRFRANCE KLM

FULL YEAR GUIDANCE

		Previous guidance 2018	New Guidance 2018	
Capacity	**Passenger**	+2.5% to +3.5%	+2.0% to +2.5%	*Lower capacity than planned in third quarter*
	Transavia	+8% to +9%	*Unchanged*	
Fuel		+€450m	+€500m	*Reflecting increase in oil price*
Currency		Circa €150m headwind	*Unchanged*	
Unit cost at constant currency, fuel and pension-expense		0% to +1.0%	*Unchanged*	
Capex		€2.0bn to €2.5bn	€2.4bn to €2.6bn	*- IFRS 16 shop visit capitalization adjustment* *- Decision to buy rather than lease engines*
Debt		Net debt below 2017	*Unchanged*	

APPENDIX

Results per 30th of September 2018

9 MONTHS OPERATING RESULT AT €1.29 BILLION, NET DEBT REDUCED BY -€222M

	9M 2018	9M 2017 (1)	Change	Change at constant currency
Revenues (€ bn)	**19.98**	19.59	+2.0%	+5.3%
EBITDA (€ m)	**3,441**	3,793	-9.3%	-6.1%
Operating result (€ m)	**1,292**	1,695	-23.8%	-17.2%
Operating margin	**6.5%**	8.7%	-2.2 pt	-1.7 pt
Net income - Group part (€ m)	**627**	1,091	-42.5% (3)	
Adjusted operating free cash flow (€ m) (2)	**127**	779	-83.7%	
ROCE *12 months trailing*	**10.8%**	13.5%	-2.7 pt	

	30 Sep 2018	31 Dec 2017 (1)	Change
Net debt (€ m)	**6,349**	6,571	-222m
Net debt/EBITDA *12 months trailing*	**1.4x**	1.4x	-

(1) Restated for implementation of new IFRS accounting standards
(2) Adjusted operating free cash flow = Operating free cash flow with deduction of repayment of lease debt
(3) Net income - group part one-off elements in 9M 2017:
- Positive effect of €339 million after tax 9M 2017 resulting from IFRS 16 restatement of lease debt in dollars
- Non current expense impact of €233 million after tax in Q3 2017 related to KLM Cabin pension plan de-recognition

Excluding these incidentals, the change of Net income - group part 9M 2018 is -€358 million compared to last year,

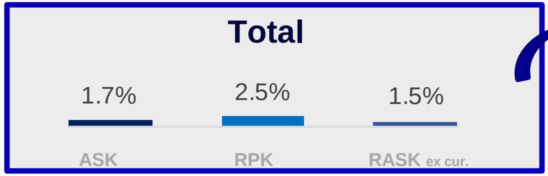
9M 2018: STRONG SUMMER OFFSET BY STRIKE IMPACTS IN FIRST HALF 2018, GROWTH OF REVENUES IN TRANSAVIA AND MAINTENANCE

9M 2018		Capacity (1)	Unit Revenue (2) Constant Currency	Revenues (€ m)	Change	Operating result (€ m)	Change (3)	Operating margin	Change (3)
Network	Passenger (AIRFRANCE, KLM, HOP!, JOON)	+1.7%	+1.5%	17,216	+0.9%	960	-29.3%	5.6%	-2.4 pt
	Cargo (AIRFRANCE KLM Martinair CARGO)	-0.1%	+6.8%						
Transavia	transavia	+6.8%	+5.0%	1,302	+12.2%	181	+18.3%	13.9%	+0.7 pt
Maintenance	AIRFRANCE INDUSTRIES, KLM Engineering & Maintenance			1,430	+7.0%	149	-20.7%	4.7%	-1.4 pt
Group	AIRFRANCE KLM	+1.9%	+2.1%	19,976	+2.0%	1,292	-23.8%	6.5%	-2.2 pt

(1) Passenger airlines capacity is Available Seat Kilometer, Cargo capacity is Available Ton Kilometer, Group is Equivalent Available Seat Kilometer
(2) Unit Revenue: Passenger airlines is Revenue per Available Seat Kilometer, Cargo is Revenue per Available Ton Kilometer, Group is Revenue per Equivalent Available Seat Kilometer
(3) 2017 restated for implementation of accounting standards IFRS

LONG-HAUL AND MEDIUM-HAUL HUBS CONTRIBUTING TO POSITIVE UNIT REVENUE PERFORMANCE

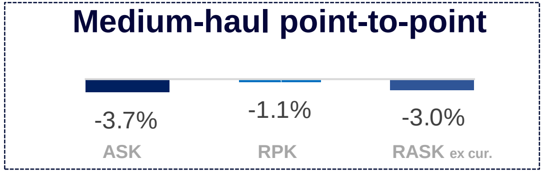
9M 2018

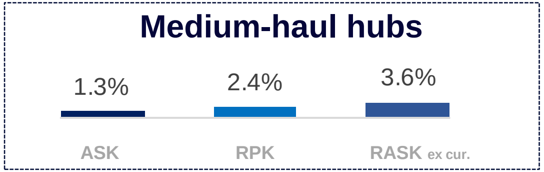


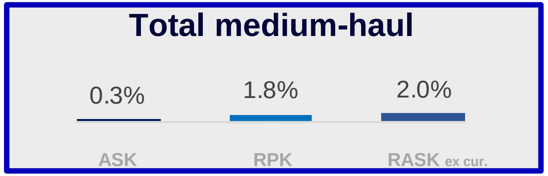
RASK ex cur.

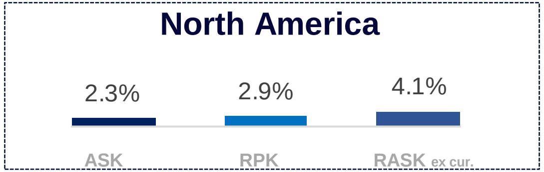
Premium +4.3%

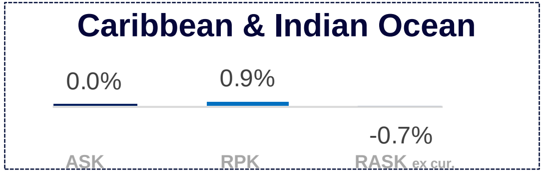
Economy +0.8%

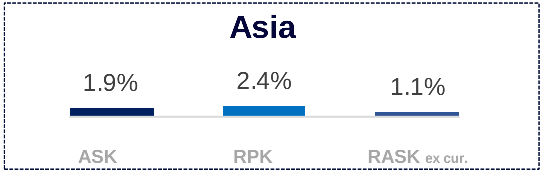


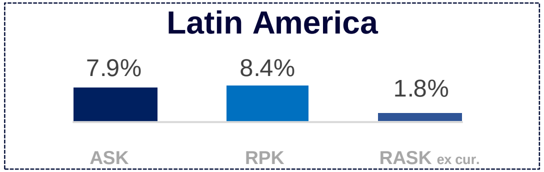


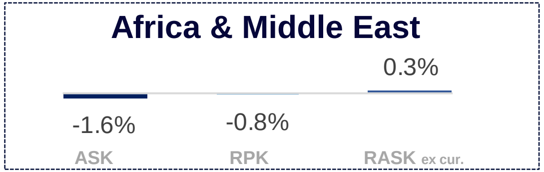


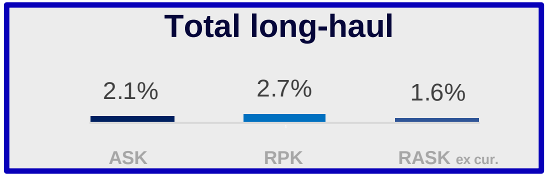












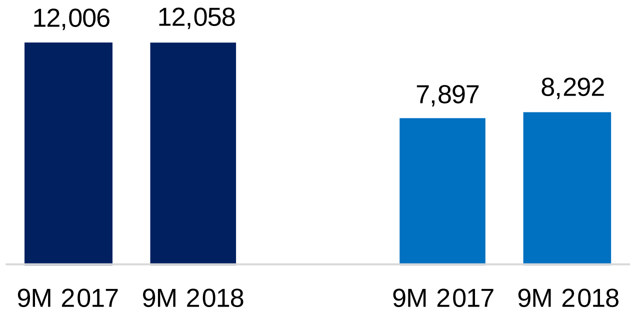
AIRFRANCE KLM

AIR FRANCE OPERATING RESULT IMPACTED BY STRIKE IN FIRST HALF 2018, KLM STABLE OPERATING RESULT

9M 2018

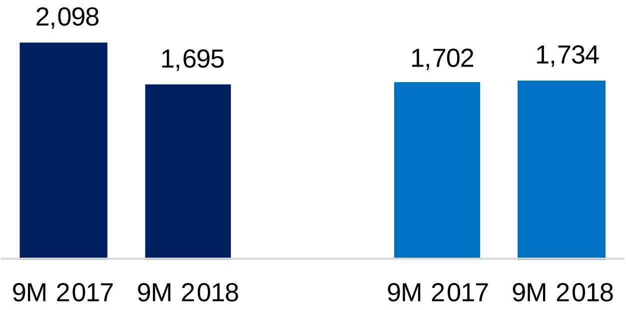
Revenue

In € m



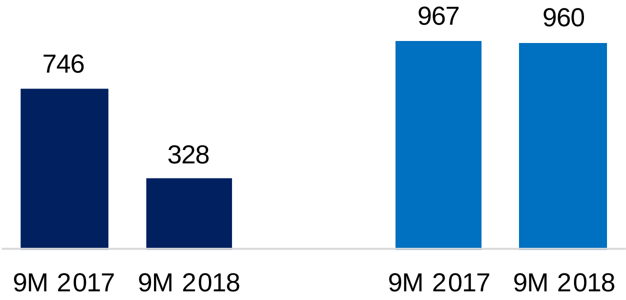
EBITDA

In € m

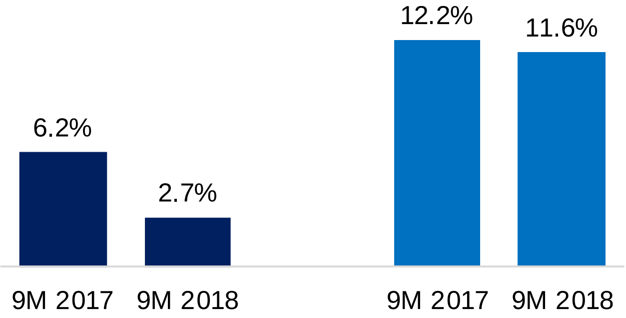


Operating result

In € m



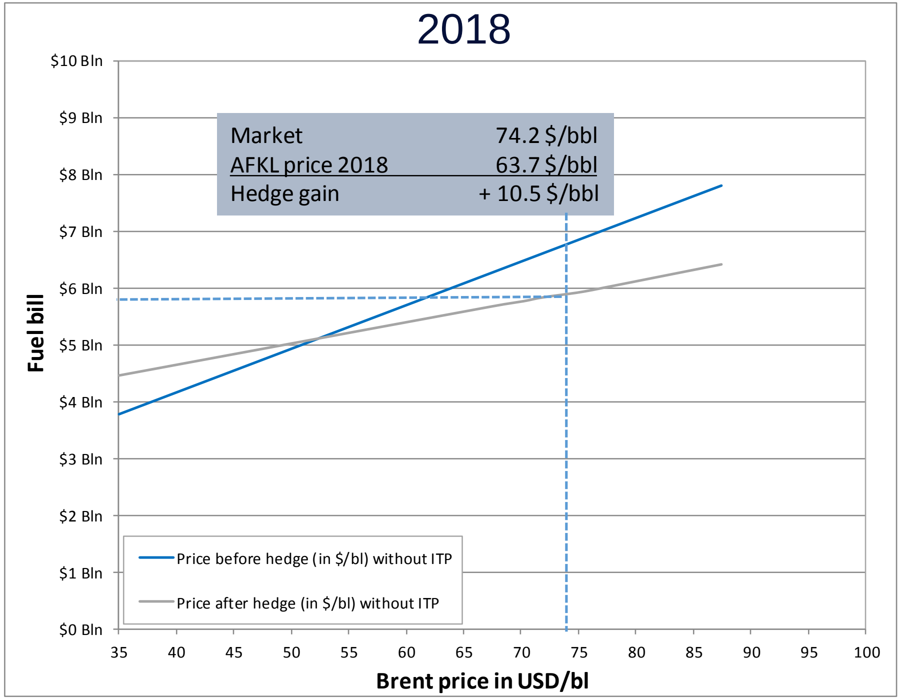
Operating margin

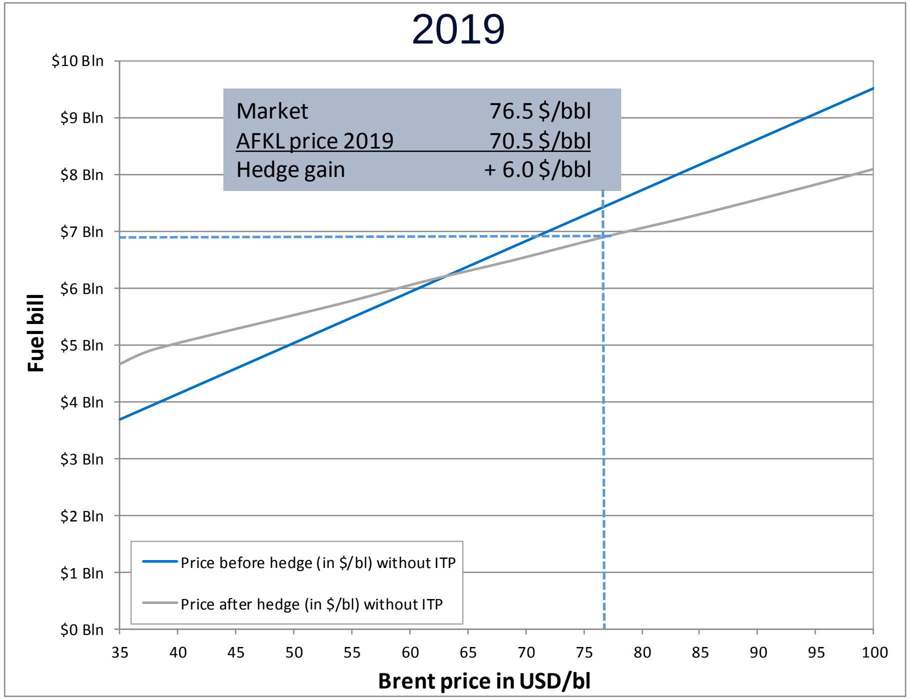


AIRFRANCE KLM

2017 restated for implementation of new IFRS accounting standards

FUEL BILL SENSITIVITY FULL YEAR 2018 AND 2019





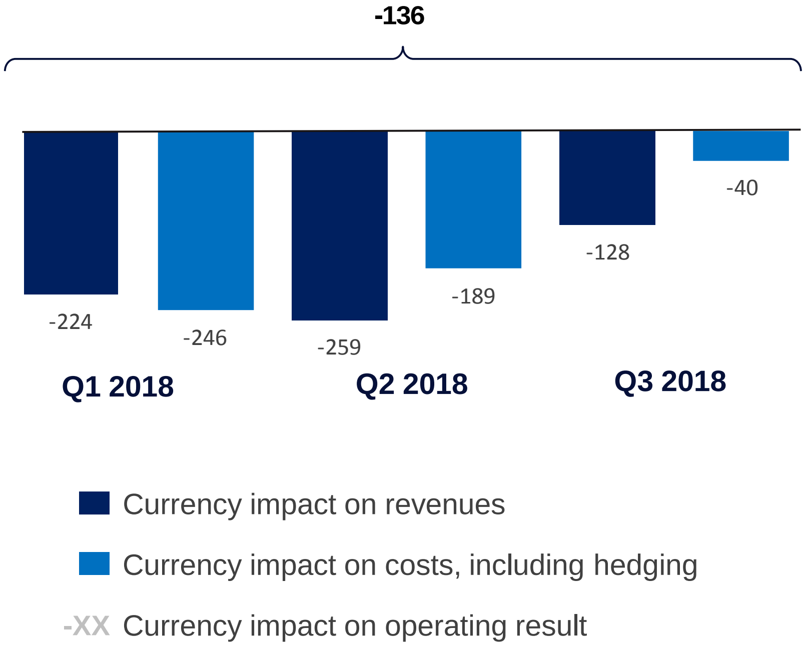
Based on forward curve at 26th October 2018. Sensitivity computation based on 2018 and 2019 fuel price, assuming constant crack spread between Brent and Jet Fuel
Assuming average exchange rate on US dollar/Euro of 1.18 for 2018 and 1.16 for 2019

AIRFRANCE KLM

CURRENCY IMPACT ON OPERATING RESULT

Currency impact on revenues and costs

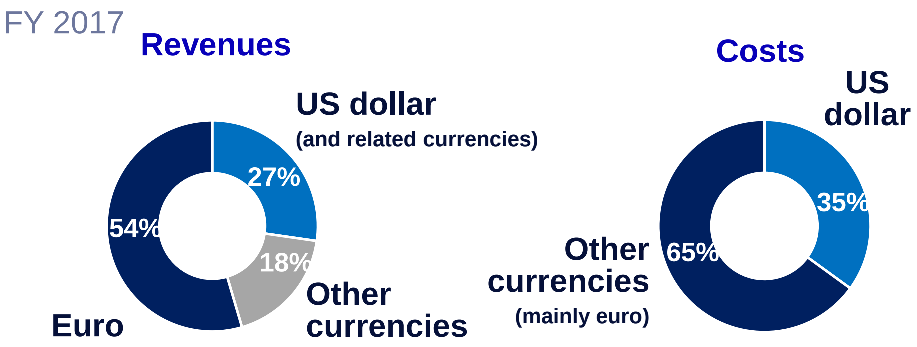
In € m



FY 2018 guidance

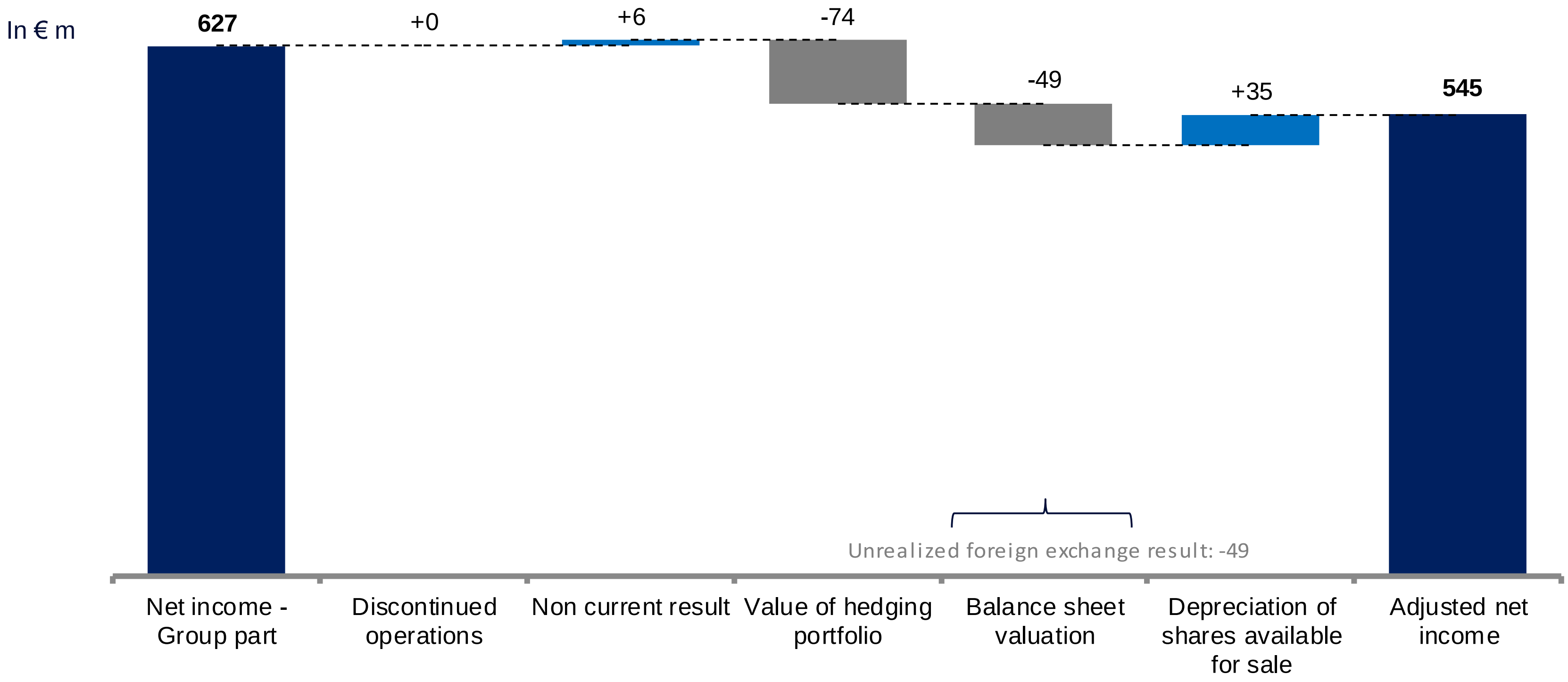
- FX FY 2018 estimated circa €150m headwind, based on spot €/$ 1.18
- Hedging policy on USD, GBP: ~60% and JPY ~40% net operational exposure 2018

Revenues and costs per currency



AIRFRANCE KLM

ADJUSTED NET INCOME OF THE GROUP AT 30 SEPTEMBER 2018



AIRFRANCE KLM

PENSION DETAILS AT 30 SEPTEMBER 2018

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 31 December, 1992

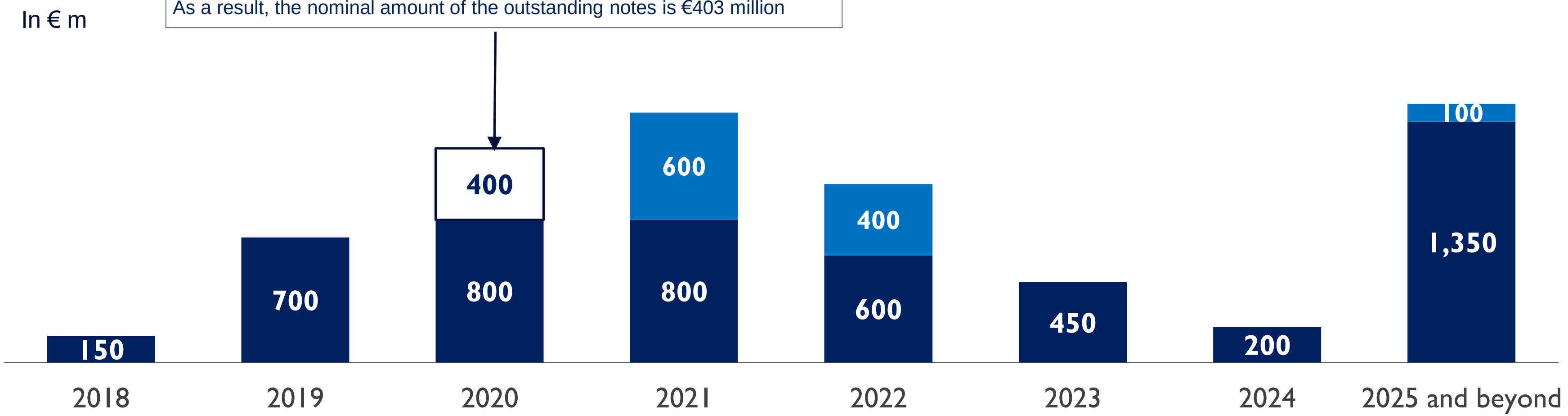
KLM

- Defined benefit schemes for Ground Staff

DEBT REIMBURSEMENT PROFILE AT 30 SEPTEMBER 2018

Debt reimbursement profile(1)

2015 6.25% undated hybrid bond, call October 2020
A nominal amount of €197 million were repurchased in September 2018, resulting in in net reduction of coupons by €11 million up to October 2020. As a result, the nominal amount of the outstanding notes is €403 million



Plain vanilla bonds
September 2021: Air France-KLM 3.875% (€600m)
October 2022: Air France-KLM 3.75% (€400m)
December 2026: Air-France KLM 4.35% ($145m)

Hybrid bond (recognized as equity)

Other long-term debt – mainly asset-backed (net of deposits)

(1) Net of deposits on financial leases, including hybrid bonds and excluding operating lease debt payments and KLM perpetual debt

AIRFRANCE KLM