AIRFRANCE KLM GROUP

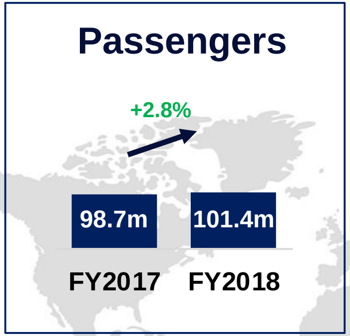
AIR FRANCE-KLM RESULTS PRESENTATION

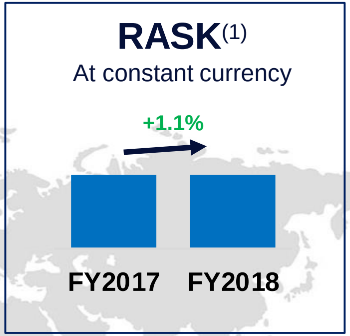
Full Year 2018

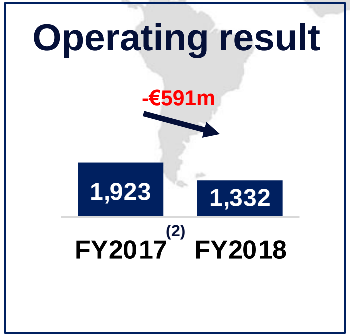
20 February 2019

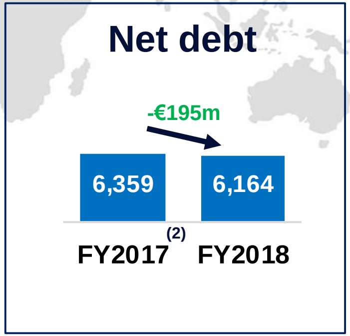
RESILIENT FULL YEAR RESULT DESPITE STRIKE IMPACT AND FUEL INCREASE

- More than 100 million passengers carried in 2018, European leader for long-haul
- Successful expansion of Transavia in France and the Netherlands and solid growth trend of MRO third-party activity
- Significant progress in the social dialogue
  - > Air France: finalization of labor agreements for all staff categories
  - > KLM: new CLAs implemented for all staff categories









(1) Group revenues per Available Seat Kilometer (RASK) Passenger + Transavia
(2) Restated for implementation of new IFRS accounting standards

AIRFRANCEKLM GROUP

AIRFRANCE KLM GROUP

FINANCIAL REVIEW

FRÉDÉRIC GAGEY

Results at 31 December 2018

Q4 2018: REVENUE INCREASE OF +4.1% AND AN OPERATING RESULT AT €40 MILLION AFTER SIGNIFICANT FUEL IMPACT

	Q4 2018	Q4 2017 (1)	Change	Change at constant currency
Revenues (€ bn)	6.54	6.28	+4.1%	+4.3%
EBITDA (€ m)	776	970	-20.0%	-15.7%
Operating result (€ m)	40	228	-82.4%	-77.7%
Operating margin	0.6%	3.6%	-3.0 pt	-2.3 pt
Net income - Group part (€ m) (2)	-218	-928	+710m	

(1) Restated for implementation of new IFRS accounting standards
(2) Net income - group part one-off elements in Q4 2017:
- Positive effect of €47 million after tax in Q4 2017 resulting from IFRS 16 restatement of lease debt in dollars
- Non current expense impact of €1,195 million after tax in Q4 2017 related to KLM pension plan de-recognition

Excluding these one-offs, the change in Net income - group part Q4 2018 is €-438 million compared to last year.

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Q4 2018: REVENUE GROWTH SUPPORTED BY ALL BUSINESSES

		Capacity (1)	Unit Revenue (2) Constant Currency	Revenues (€ m)	Change	Operating result (€ m)	Change (3)	Operating margin	Change (3)
Network	AIRFRANCE KLM HOP! JOON	+3.2%	-0.1%	5,727	+3.7%	34	-82.9%	0.6%	-3.0 pt
	AIRFRANCE KLM Martinair CARGO	+0.7%	+1.3%						
Transavia	transavia	+14.4%	-0.9%	309	+12.0%	-42	+20.4%	-13.6%	-1.0 pt
Maintenance	AIRFRANCE INDUSTRIES KLM Engineering & Maintenance			490	+5.4%	46	-27.8%	3.8%	-2.0 pt
Group	AIRFRANCE KLM GROUP	+3.7%	-0.2%	6,538	+4.1%	40	-82.4%	0.6%	-3.0 pt

(1) Passenger airline capacity = Available Seat Kilometers, Cargo capacity = Available Ton Kilometers, Group capacity = Equivalent Available Seat Kilometers
(2) Unit revenues: Passenger airlines = revenue per Available Seat Kilometer, Cargo = revenue per Available Ton Kilometer, Group = revenue per Equivalent Available Seat Kilometer
(3) 2017 restated for implementation of the new IFRS accounting standards

Q4 2018: LONG-HAUL UNIT REVENUE SLIGHTLY POSITIVE WITH A STRONG ASIAN NETWORK PERFORMANCE, STABILITY IN THE MEDIUM-HAUL NETWORK

Total

ASK	RPK	RASK ex cur.
3.2%	3.5%	-0.1%

RASK ex cur.

Premium	Economy
+1.1%	-0.6%

Medium-haul point-to-point

ASK	RPK	RASK ex cur.
-2.3%	-2.3%	-1.2%

Medium-haul hubs

ASK	RPK	RASK ex cur.
3.0%	1.8%	0.5%

Total medium-haul

ASK	RPK	RASK ex cur.
2.0%	1.1%	-0.1%

North America

ASK	RPK	RASK ex cur.
5.3%	5.1%	-0.7%

Caribbean & Indian Ocean

ASK	RPK	RASK ex cur.
0.4%	0.8%	0.4%

Asia

ASK	RPK	RASK ex cur.
2.6%	4.2%	4.8%

Latin America

ASK	RPK	RASK ex cur.
10.5%	9.6%	-5.4%

Africa & Middle East

ASK	RPK	RASK ex cur.
-1.5%	-0.2%	0.5%

Total long-haul

ASK	RPK	RASK ex cur.
3.6%	4.1%	0.2%

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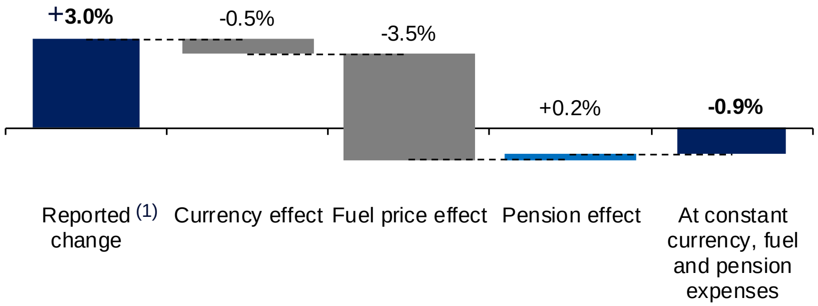
Q4 2018 UNIT COSTS DOWN -0.9%, FULL YEAR UNIT COSTS AT +0.6% IN LINE WITH GUIDANCE

- Q4 2018 cost efficiencies offsetting wage inflation including retroactive booking
- Full Year 2018 unit cost +0.6% within guided target range, and -0.2% net of strike impact

Q4 2018 **Underlying unit cost**



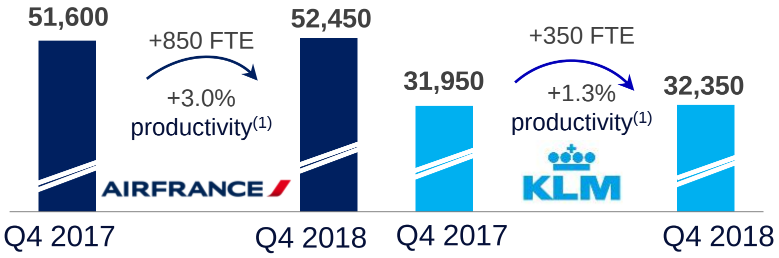
(1) 2017 restated for implementation of the new IFRS accounting standards

Q4 2018: LABOR PRODUCTIVITY IMPROVED, IMPLEMENTATION OF ANNUAL WAGE AGREEMENTS AT AIR FRANCE

- Q4 staff cost +3% and +1% excluding retroactive booking of the new Air France labor agreement
- Employee productivity +2.2% in Q4 (with capacity +3.7%)

Employee productivity

Average FTEs, including temporary staff



(1) Productivity measured in EASK/FTE

FULL YEAR OPERATING RESULT AT €1.3 BILLION, FURTHER NET DEBT REDUCTION OF €195 MILLION

	FY 2018	FY 2017 (1)	Change	Change at constant currency
Revenues (€ bn)	26.51	25.87	+2.5%	+5.0%
EBITDA (€ m)	4,217	4,763	-11.5%	-8.0%
Operating result (€ m)	1,332	1,923	-30.7%	-23.4%
Operating margin	5.0%	7.4%	-2.4 pt	-1.9 pt
Net income - Group part (€ m) (2)	409	163	+151%	
Adjusted operating free cash flow (€ m)	115	677	-83.0%	
ROCE	9.8%	14.4%	-4.6 pt	

	31 Dec 2018	31 Dec 2017 (1)	Change
Net debt (€ m)	6,164	6,359	-195m
Net debt/EBITDA	1.5x	1.3x	+0.13 pt

(1) Restated for implementation of new IFRS accounting standards
(2) Net income - group part one-off elements in FY2017:
- Positive effect of €386 million after tax in FY2017 resulting from IFRS 16 restatement of lease debt in dollars
- Non current expense impact of €1,428 million after tax in 2017 related to KLM pension plan de-recognition

Excluding these one-offs, the change of Net income - group part FY2018 is -€796 million compared to last year

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RESILIENT RESULTS DESPITE STRIKE IMPACT AND FUEL INCREASE, SUBSTANTIAL MARGIN AT TRANSAVIA

FY 2018		Capacity (1)	Unit Revenue (2) Constant Currency	Revenues (€ m)	Change	Operating result (€ m)	Change (3)	Operating margin	Change (3)
Network	AIRFRANCE KLM HOP! JOON	+2.1%	+1.1%	22,943	+1.6%	994	-36.1%	4.3%	-2.6 pt
	AIRFRANCE KLM Martinair CARGO	+0.1%	+5.2%						
Transavia	transavia	+8.4%	+3.6%	1,611	+12.2%	139	+18.0%	8.6%	+0.4 pt
Maintenance	AIRFRANCE INDUSTRIES KLM Engineering & Maintenance			1,920	+6.6%	195	-22.5%	4.5%	-1.6 pt
Group	AIRFRANCE KLM GROUP	+2.4%	+1.5%	26,515	+2.5%	1,332	-30.7%	5.0%	-2.4 pt

(1) Passenger airline capacity = Available Seat Kilometers, Cargo capacity = Available Ton Kilometers, Group capacity = Equivalent Available Seat Kilometers
(2) Unit revenues: Passenger airlines = revenue per Available Seat Kilometer, Cargo = revenue per Available Ton Kilometer, Group = revenue per Equivalent Available Seat Kilometer
(3) 2017 restated for implementation of the new IFRS accounting standards

NETWORK REVENUE INCREASE DRIVEN BY HIGHER UNIT REVENUES AND OPERATING RESULT IMPACTED BY STRIKES

- Q4 2018 Passenger unit revenues -0.1% at constant currency, including the negative impact of protest movements in France
- Full Year Passenger unit revenues at +1.1% at constant currency despite negative strike effect
- Ancillaries revenues at €650 million, +10.8% in 2018 compared to last year
- Q4 2018 Cargo maintains positive unit revenues (RATK) +1.3% at constant currency and Full Year 2018 at 5.2%, particularly driven by strength in Asia, North America and Europe
- Both full freighters and bellies deliver an increased positive contribution to the Network result compared to last year

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TRANSAVIA STRONG GROWTH AND A RECORD HIGH MARGIN

- Best result since launch of Transavia: operating result of €139 million and operating margin above 8% in the two companies, of which Transavia France 9.1%
- Accelerated capacity growth in fourth quarter 2018 +14.4%, ending 2018 with growth of +8.4%, of which +21% in France
- Transavia's cost structure is well aligned with the low-cost business model:
  - ✓ Maximizing use of aircraft, a single aircraft type
  - ✓ Simplicity of the product and fares, multiple options
  - ✓ Light organizational structure, outsourcing non-core activities, strong synergies between the two subsidaries

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MAINTENANCE ORDER BOOK INCREASE CONTINUING

- Several large contracts won for NextGen components and Engines
- Third-party revenues maintain solid growth trend, margin pressure partly due to one-offs
- For 2019, focus on margin through better optimization of the turn-around-time and first effects of selective tendering

In €m	**FY 2018**	FY 2017	Change	At constant currency
Total revenues	**4,349**	4,155	+4.7%	
Third-party revenues	**1,920**	1,801	+6.6%	+11.0%
Operating result	**195**	252	-57 m	-42 m
Operating margin	***4.5%***	*6.1%*	*-1.6 pt*	*-1.4 pt*
In $m	**31 Dec 2018**	31 Dec 2017	Change	
Order book [1]	**11,400**	10,800	+600 m	

(1) Order book is the cumulative value of signed contracts with external customers and may differ from the order book accounting definition in the financial statements

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AIR FRANCE RESULT IMPACTED BY STRIKES, KLM DELIVERS A SOLID RESULT IN LINE WITH LAST YEAR'S PERFORMANCE

FY 2018	Capacity	Revenues (€ m)	Change	Operating result (€ m)	Change	Operating margin	Change	Net debt (€ m)	Change
AIRFRANCE	+2.5%	16,073	+1.2%	266	-69.2%	1.7%	-3.8 pt	3,556	-36
KLM	+2.3%	10,955	+5.0%	1,073	-0.5%	9.8%	-0.5 pt	2,826	-454
AIRFRANCE KLM GROUP	+2.4%	26,515	+2.5%	1,332	-30.7%	5.0%	-2.4 pt	6,164	-195

2017 restated for implementation of the new IFRS accounting standards

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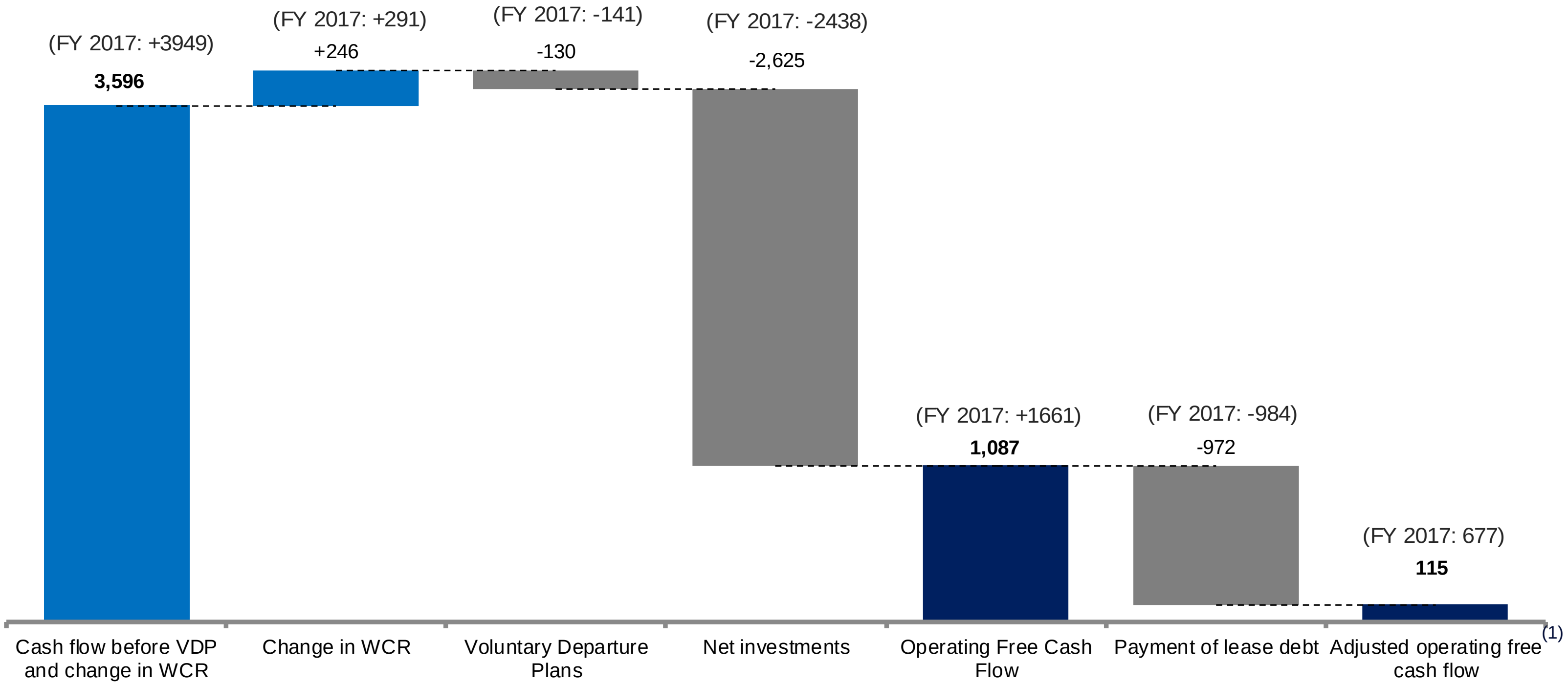
POSITIVE ADJUSTED OPERATING FREE CASH FLOW DESPITE THE STRIKES

FY 2018

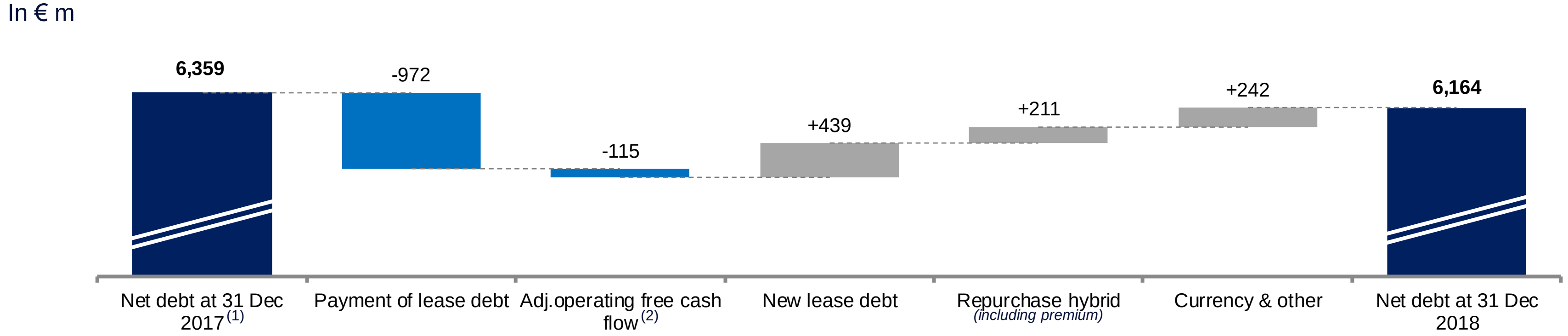
In € m



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

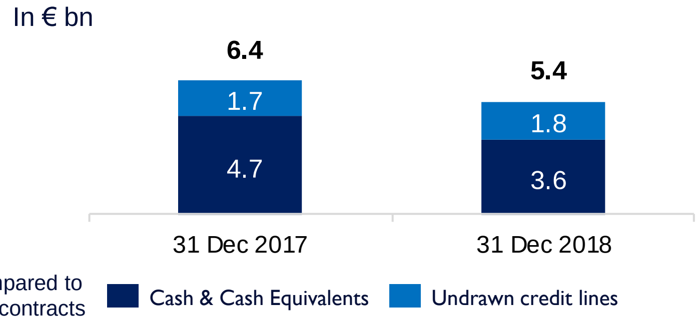
NET DEBT REDUCED BY €195 MILLION YOY, INCLUDING REPURCHASE OF €197 MILLION OF HYBRID BONDS

Net Debt evolution



Net Debt / EBITDA (3)

Liquidity situation



(1) Restated for implementation of the new IFRS accounting standards and restated again for 2017 base compared to previous reporting by -€212 mln correction on IFRS leases, due to a revision of accounting for real-estate contracts
(2) Adjusted operating free cash flow = Operating free cash flow with deduction of repayment of lease debt
(3) Net Debt / EBITDA: 12 months sliding, see calculation in press release

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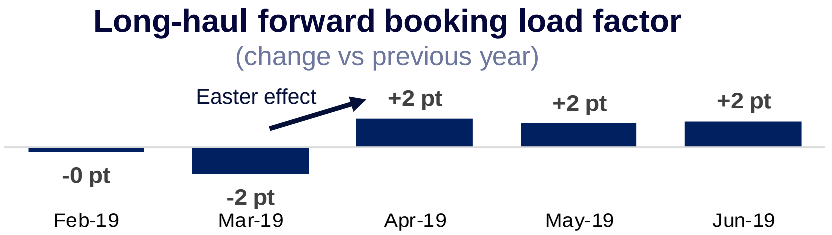
OUTLOOK

Results at 31 December 2018

REVENUE OUTLOOK



Based on the current data for Passenger network:

- Long-haul forward booking load factors from February to April are on average stable compared to last year, and positively oriented for the early summer,
- First quarter passenger unit revenues at constant currency expected below last year, due in part to the Easter shift.

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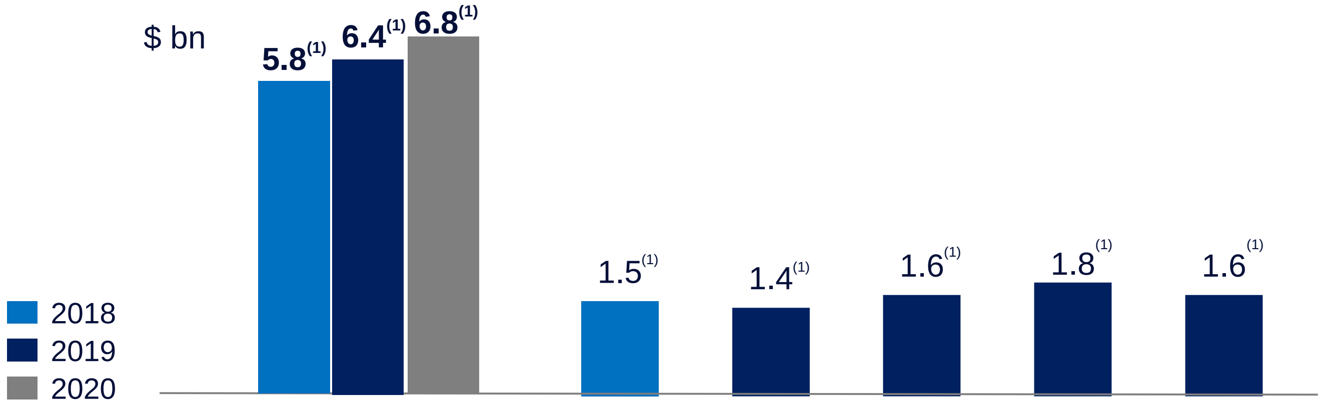
FUEL BILL INCREASE BY €650 MILLION IN 2019, EXPLAINED BY DIFFERENCE IN HEDGE IMPACT COMPARED TO 2018

2018:
Fuel bill €4.9bn(2)
2019:
Fuel bill €5.6bn(2)
2020:
Fuel bill € 5.8bn(2)

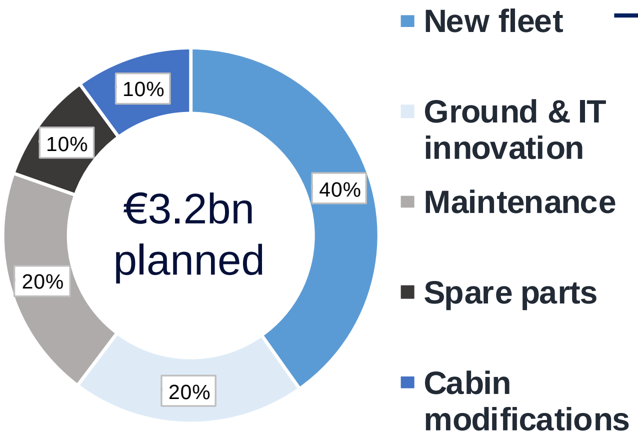


		2018	2019	2020	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Market price	*Brent ($ per bbl)* (1)	*72*	*65*	*64*	*68*	*63*	*66*	*66*	*65*
	Jet fuel ($ per metric ton) (1)	*738*	*703*	*715*	*740*	*675*	*706*	*712*	*716*
Price after hedge	Jet fuel ($ per metric ton)(1)	651	693	717	683	658	686	708	717
	% of consumption already hedged	60%	59%	33%	59%	61%	61%	61%	55%
	Hedge result (in $ m)	800	100	0	150	50	50	0	0

(1) Based on forward curve at 15 February 2019. Sensitivity computation based on 2019 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, 1.14 for 2019 and 1.17 for 2020

CAPEX SUPPORTING THE GROUP'S AMBITION

Capex breakdown 2019



Aircraft type	Entry 2019
787	6
A350	3
737	4

2019 Capex compared to former medium-term guidance:

- E&M business expansion for spare parts +€ 150 m
- Aircraft modifications +€ 150 m
- Transavia accelerated fleet expansion +€ 100 m
- Operating lease shop visit + € 250 m

  (IFRS16 impact without cash incidence)

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FULL YEAR GUIDANCE

		Actual 2018	Guidance 2019
Capacity	**Passenger**	+2.1%	+2.0% to +3.0%
	Transavia	+8.4%	+9% to +11%
Fuel		+€450m	+€650m
Currency		€183m headwind	Neutral effect
Unit cost ex-currency at constant fuel price		+0.6%	-1% to 0% (1)
Capex		€2.6bn	€3.2bn
Net Debt / EBITDA		1.5x	below 1.5x

(1) To align with industry practice, the metric EASK will not be used anymore as of 2019.
New Unit Cost definition will be: Net cost per Available Seat Kilometer at constant fuel and currency
The impact of this change should be approximately -0.1pt for 2019

AIRFRANCE KLM GROUP

STRATEGIC ORIENTATIONS

BENJAMIN SMITH

Results at 31 December 2018

A STRONG POSITION IN THE COMPETITIVE AIRLINE MARKETPLACE

548
aircraft

2,000
aircraft maintained for 200+ clients

318
destinations in 118 countries

88,800
full-time employees+

74
new routes added in 2018

101m+
passengers carried in 2018

1.1m
tons of cargo transported in 2018

A STRONG POSITION IN THE COMPETITIVE AIRLINE MARKETPLACE

Outstanding professionalism
and **commitment** of the Group employees

Paris-CDG & Amsterdam-Schiphol:
2 of the **largest connecting hubs**
in Europe

Leverage
our **powerful competitive advantages**

Strong presence
in all major markets

The **European pillar**
of the leading global airline partnership,
which includes Delta and China Eastern

The **largest network**
between Europe
and the rest of the world

A STRONG POSITION IN THE COMPETITIVE AIRLINE MARKETPLACE…

…relying on strong brands benefiting from exceptional reputations

AIRFRANCE

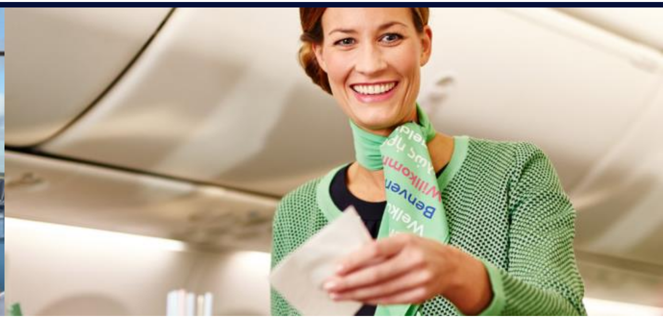
- Globally recognized as **premium** airline
- Strong French **home market**
- **Connecting** passengers

KLM

- An **efficient network** airline
- Primarly focused on **connecting customers**
- A **unique Dutch identity**

transavia

- The Group's **low-cost business**
- **Point-to-point flights to Europe** from the Netherlands and France
- Leader in **hospitality**, **service** and **digital services**



AIRFRANCE KLM GROUP

THREE PRIORITIES LAYING THE FOUNDATION TO REGAIN THE LEADING POSITION IN EUROPE

Conclusion of **new, balanced labor agreements** at Air France	• Representing **a major step** towards **rebuilding confidence and trust** • Enabling necessary **flexibility** to implement future commercial strategy

Simplified governance to support the Group's ambition	• Key goals:
	  • Simplify and accelerate decision processes
	  • Maximize overall value for the Group and all its entities
	• Creation of a CEO committee: Benjamin Smith, Pieter Elbers, Anne Rigail and Frédéric Gagey

Develop a **go forward strategy**	• First initiatives
	  • Improving and simplifying Air France-KLM's brand portfolio and product offer
	  • Simplifying and optimizing the fleet
	  • Boosting our competitiveness

SIMPLIFYING AND STRENGTHENING AIR FRANCE-KLM'S BRAND PORTFOLIO

From **several over-lapping brands** to **a simplified brand portfolio**

Objective: **provide greater clarity** for customers and **more consistency** with the Group's global commercial product offer

- Decision to **integrate Joon** employees and aircraft **into Air France**, the latest cabin crew agreements enable Air France to retain Joon's cost savings through other means
- **Air France regional fleet**, currently under the HOP! brand, will wear the **Air France HOP** livery

SIMPLIFYING AND STRENGTHENING AIR FRANCE-KLM'S OFFER THROUGH NETWORK OPTIMIZATION

Long-haul network

AIRFRANCE

Air France destinations

Network rationalization in S19

Destinations with at least one full flat flight per day

La Première destinations with at least one flight per day

SIMPLIFYING AND STRENGTHENING AIR FRANCE-KLM'S OFFER THROUGH NETWORK OPTIMIZATION

Long-haul network

DELIVERING THE BEST PRODUCT OFFER TO OUR CLIENTS

- **Right-sized cabins** and more **efficient aircraft interior** configurations, to **serve each market segment** with appropriate gauge and product
- **Aircraft retrofit** to latest cabin standards to be **accelerated**
  - First Air France Airbus 330 retrofitted on line two weeks ago
  - Airbus 380 retrofit to be launched in 2020
  - All aircraft retrofit completed at KLM
- **Flight connectivity** in all the Group's long-haul fleet in 2020

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SIMPLIFYING AND OPTIMIZING THE FLEET

LONG-HAUL FLEET

- Fuel efficient aircraft:
  6 Boeing 787 and **3 Airbus 350** to enter the combined fleet in **2019**, more to come in the following years
- Ongoing phase out of the remaining
  Air France Airbus 340 in **2020** and **KLM Boeing 747** in **2021**
- **A380** fleet to decrease **from 10 to 7** aircraft at the expiry of the leases in 2020 and 2021

MEDIUM-HAUL FLEET

- **Tender offer** to be launched in **2019**

REGIONAL FLEET

- Phase **out** of **ATRs** in **2020**

BOOSTING OUR COMPETITIVENESS

The strategy of upgrading and simplifying the product offer and optimizing the fleet aims to **reinforce the Group's competitiveness,** and we will go further:

- Achieve **Air France profitability** in order to increase its margin to industry standards
- Improve the **operational robustness**, reducing fleet constraints and adding spare aircraft at Air France
- Control our **infrastructure costs**, improving the **relationship with ADP** and **Schiphol** airports
  - ✓ Reopening discussions with ADP for **new terminal T4**, to improve the customer experience and operational performance
  - ✓ Maximise **societal support** for growing KLM at Schiphol
- In **Europe**, implementation of the **conditions for a level playing field**

AIRFRANCE KLM GROUP

Q&A

Results at 31 December 2018

APPENDIX

Results at 31 December 2018

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

FY 2018

Total

ASK	RPK	RASK ex cur.
2.1%	2.8%	1.1%

RASK ex cur.

Premium	Economy
+3.5%	+0.6%

Medium-haul point-to-point

ASK	RPK	RASK ex cur.
-3.3%	-1.4%	-2.6%

Medium-haul hubs

ASK	RPK	RASK ex cur.
1.7%	2.2%	2.8%

Total medium-haul

ASK	RPK	RASK ex cur.
0.8%	1.6%	1.5%

North America

ASK	RPK	RASK ex cur.
3.0%	3.4%	2.9%

Caribbean & Indian Ocean

ASK	RPK	RASK ex cur.
0.1%	0.9%	-0.4%

Asia

ASK	RPK	RASK ex cur.
2.1%	2.8%	2.0%

Latin America

ASK	RPK	RASK ex cur.
8.6%	8.7%	0.0%

Africa & Middle East

ASK	RPK	RASK ex cur.
-1.6%	-0.7%	0.3%

Total long-haul

ASK	RPK	RASK ex cur.
2.4%	3.1%	1.2%

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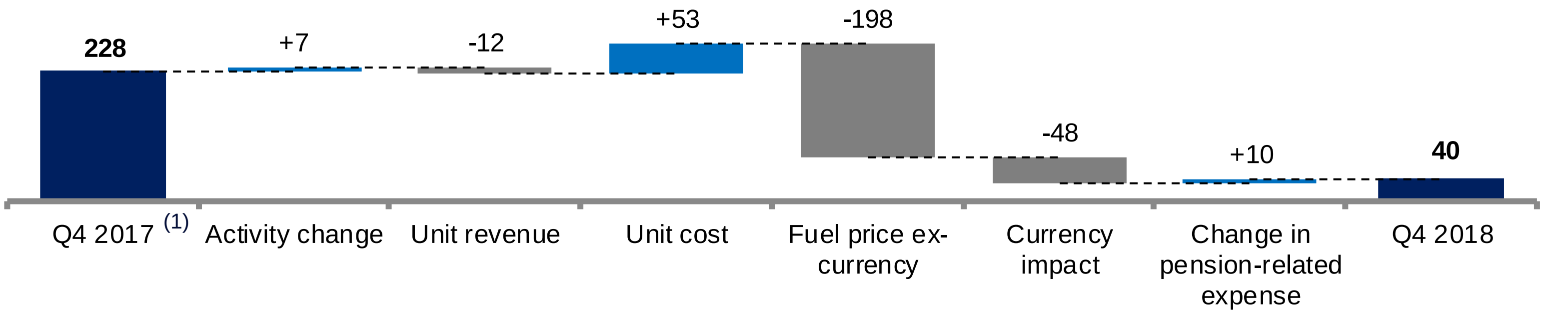
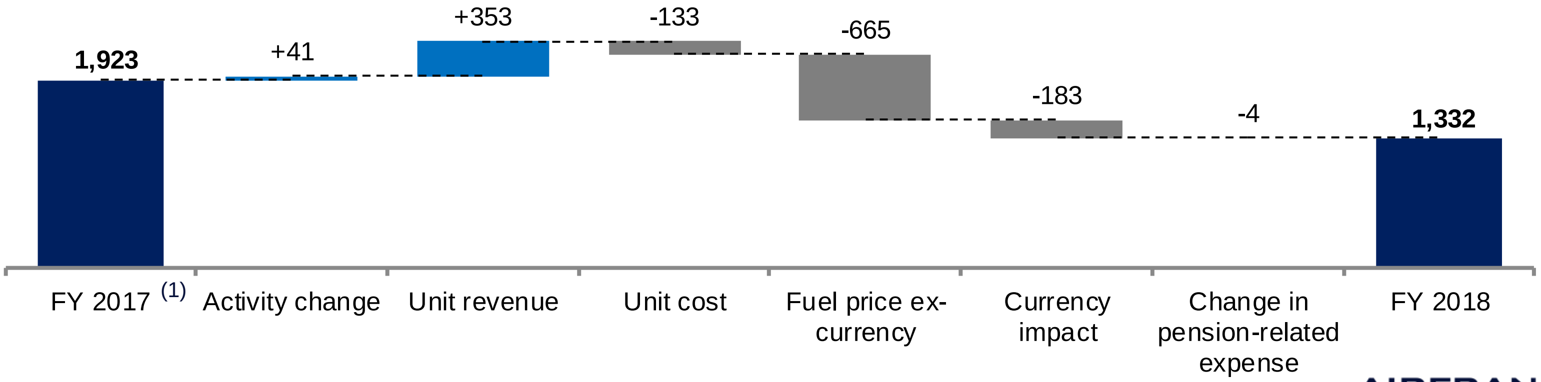
Q4 2018 POSITIVE OPERATING RESULT AT €40 MILLION WITH UNIT COST SAVINGS OFFSETTING PART OF HIGHER FUEL BILL

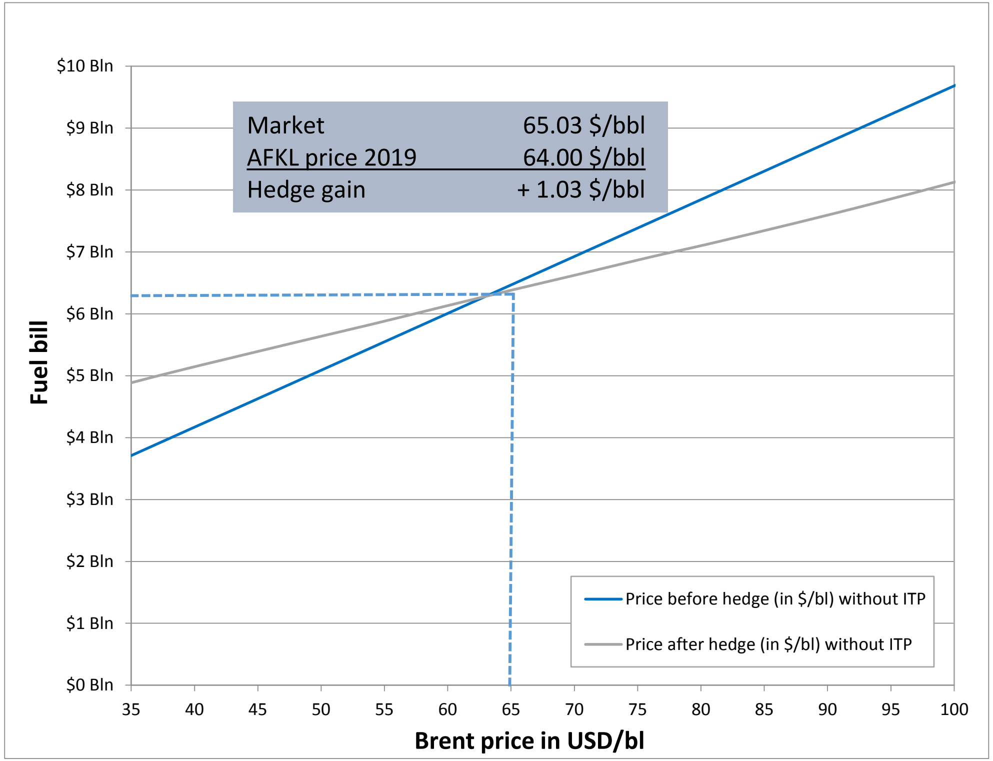
In € m





(1) Restated for implementation of the new IFRS accounting standards

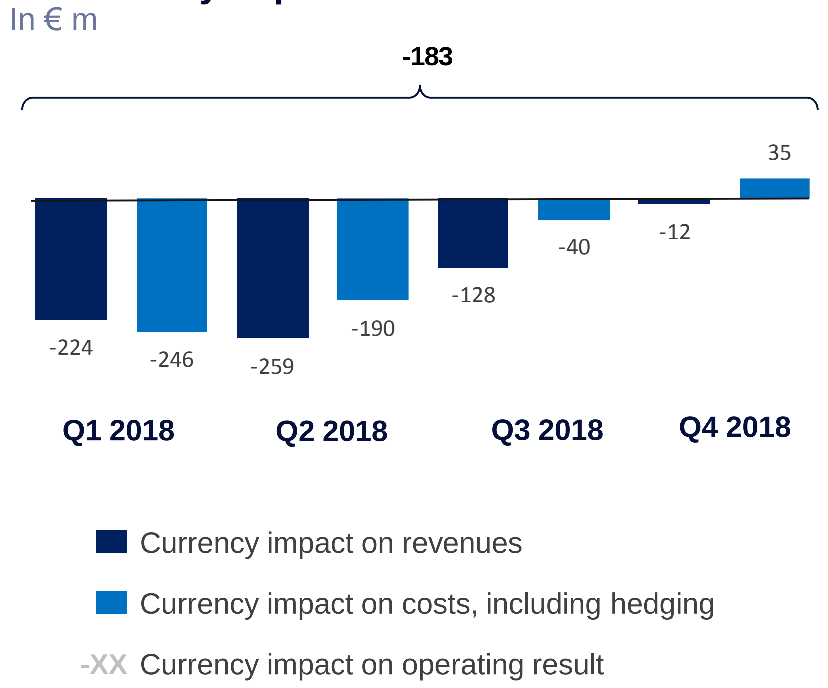
FUEL BILL SENSITIVITY FOR FULL YEAR 2019



Based on forward curve at 15 february 2019. Sensitivity computation based on 2019 fuel price, assuming constant crack spread between Brent and Jet Fuel
Assuming average exchange rate on US dollar/Euro of 1.14 for 2019

CURRENCY IMPACT ON OPERATING RESULT

Currency impact on revenues and costs

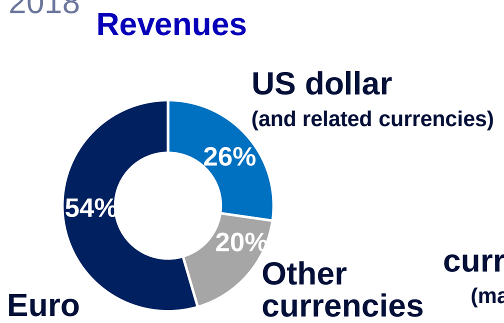


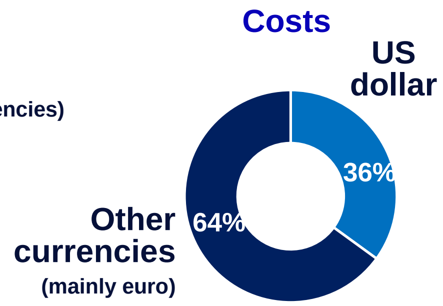
FY 2019 guidance

- Currency impact FY 2019: no effect, based on spot €/$ 1.14
- Net operational exposure hedging for 2019:
  - USD ~60%
  - JPY ~50%
  - GBP ~75%

Revenues and costs per currency

FY 2018

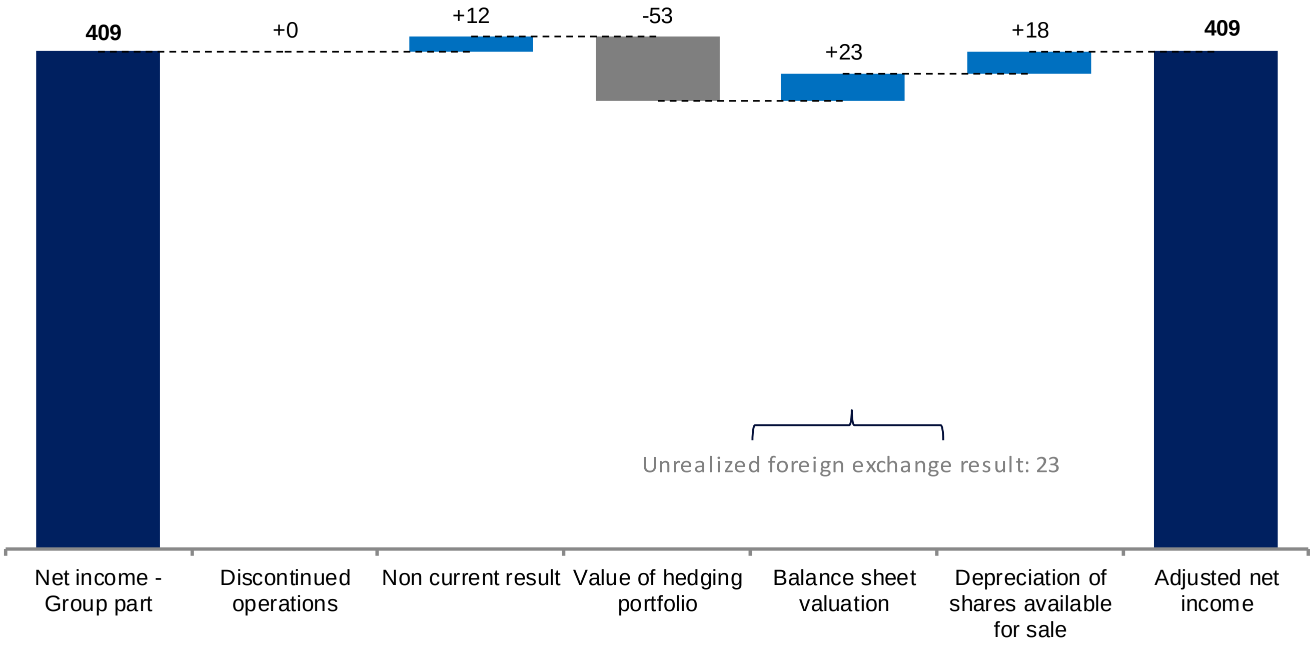




AIRFRANCEKLM GROUP

ADJUSTED NET INCOME OF THE GROUP AT 31 DECEMBER 2018

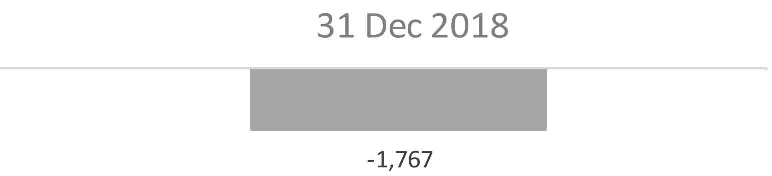
In € m



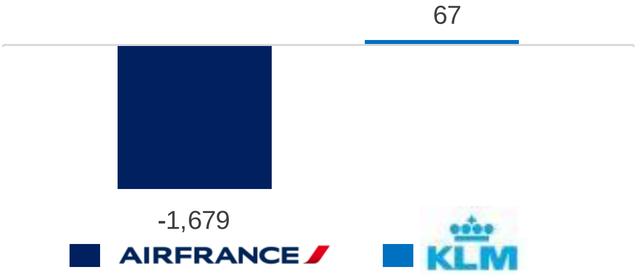
AIRFRANCEKLM GROUP

PENSION DETAILS AT 31 DECEMBER 2018

In € m



Net balance sheet situation by airline



Net balance sheet situation by airline

Air France

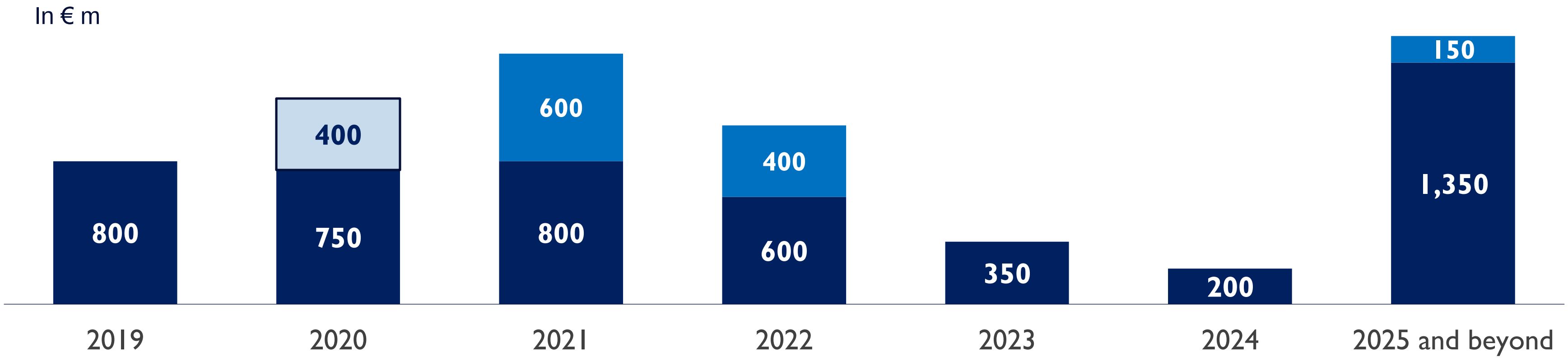
- Air France end of service benefit plan (ICS): pursuant to French regulations and the company agreement, every employee receives an end of service indemnity payment on retirement (no mandatory funding requirement). ICS represents the main part of the Air France position
- Air France pension plan (CRAF):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

KLM

- Defined benefit schemes for Ground Staff

DEBT REIMBURSEMENT PROFILE AT 31 DECEMBER 2018

Debt reimbursement profile[(1)]



Plain vanilla bonds
June 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 on financial leases)

(1) Excluding operating lease debt payments and KLM perpetual debt

AIRFRANCEKLM GROUP